



# Tamilnadu Petroproducts Limited

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29<sup>th</sup> ANNUAL REPORT  
2013 – 14

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## FINANCIAL HIGHLIGHTS

(Rs. in crore)

| Particulars                    | 2009-10 | 2010-11  | 2011-12  | 2012-13  | 2013-14         |
|--------------------------------|---------|----------|----------|----------|-----------------|
| Share Capital                  | 89.97   | 89.97    | 89.97    | 89.97    | <b>89.97</b>    |
| Reserves & Surplus             | 287.13  | 305.94   | 306.45   | 255.70   | <b>218.19</b>   |
| Networth                       | 356.44  | 375.45   | 376.16   | 325.61   | <b>288.30</b>   |
| Return on Capital Employed (%) | 7.61    | 12.54    | 9.21     | (9.94)   | <b>(3.13)</b>   |
| Fixed Assets (net)             | 388.31  | 354.75   | 355.63   | 328.95   | <b>302.25</b>   |
| Sales / Other Income           | 914.03  | 1,074.35 | 1,259.82 | 1,286.96 | <b>1,063.94</b> |
| Gross Profit / (Loss)          | 65.44   | 73.68    | 75.3     | (0.34)   | <b>7.09</b>     |
| Interest / Finance Charges     | 21.29   | 28.54    | 31.66    | 31.83    | <b>32.27</b>    |
| Depreciation                   | 30.82   | 37.99    | 37.19    | 38.62    | <b>30.43</b>    |
| Current Tax                    | 1.59    | 5.03     | 3.91     | -        | -               |
| Deferred Tax                   | 0.97    | (5.12)   | (3.40)   | (21.97)  | <b>(18.30)</b>  |
| Net Profit / (Loss)            | 10.77   | 29.47    | 5.94     | (50.56)  | <b>(37.30)</b>  |
| Dividend (incl. Tax)           | 5.26    | 10.46    | 5.23     | -        | -               |
| Dividend (%)                   | 5.00    | 10.00    | 5.00     | -        | -               |
| Earnings Per Share (Rs.)       | 1.20    | 3.28     | 0.66     | (5.62)   | <b>(4.15)</b>   |



#### Board of Directors\*

|                             |              |                                  |
|-----------------------------|--------------|----------------------------------|
| C.V. Sankar, IAS.           | DIN:00703204 | Chairman                         |
| Ashwin C Muthiah            | DIN:00255679 | Vice Chairman                    |
| C. Ramachandran, IAS (Retd) | DIN:00050893 | Director                         |
| N.R. Krishnan, IAS (Retd)   | DIN:00047799 | Director                         |
| Dr. K.U. Mada               | DIN:00011395 | Director                         |
| Dhananjay N. Mungale        | DIN:00007563 | Director                         |
| T.K. Arun                   | DIN:02163427 | Director                         |
| Sanjiv Ralph Noronha        | DIN:01905639 | Director                         |
| R. Karthikeyan              | DIN:00824621 | Director                         |
| M. Pazhaniandy Pillai       | DIN:06874820 | Whole-Time Director (Operations) |
| Muthukrishnan Ravi          | DIN:03605222 | Managing Director                |

\* As on 1<sup>st</sup> July, 2014

#### Audit Committee

|                             |          |
|-----------------------------|----------|
| C. Ramachandran, IAS (Retd) | Chairman |
| N.R. Krishnan, IAS (Retd)   | Member   |
| Dr. K.U. Mada               | Member   |
| T.K. Arun                   | Member   |

#### Chief Financial Officer

K.R. Anandan

#### Company Secretary

R. Deepthi

#### Registered Office & Factory

Manali Express Highway,  
Manali, Chennai - 600 068.  
Tel : 25941501 - 10 Fax : 25941139  
CIN: L23200TN1984PLC010931  
E-Mail: secy-legal@tnpetro.com  
Website : www.tnpetro.com

#### Auditors

Deloitte Haskins & Sells  
ASV N Ramana Towers,  
52, Venkatanarayana Road,  
T.Nagar, Chennai - 600 017.

#### Cost Auditor

Mr. P.R. Tantri  
B-1580, Sahakara Nagar,  
Bangalore - 560 092

#### Legal Advisor

Mr. T. Raghavan,  
New No. 47, Old No. 25, T.T.K. Road,  
Alwarpet, Chennai - 600 017

#### Bankers

IDBI Bank Ltd.  
Axis Bank Ltd.  
IndusInd Bank Ltd.  
State Bank of India  
State Bank of Bikaner & Jaipur  
State Bank of Patiala  
The Federal Bank Ltd.

#### Registrar & Share Transfer Agent (RTA)

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

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## DIRECTORS' REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Twenty Ninth Annual Report on the business and operations of the Company and the audited Statement of Accounts for the year ended 31<sup>st</sup> March 2014.

### FINANCIAL RESULTS (Rs. in crore)

| Description                                   | 2013-14        | 2012-13 |
|---|----------------|---------|
| Revenue from Operations                       | <b>1051.82</b> | 1281.42 |
| Earnings before Interest Depreciation and Tax | <b>7.09</b>    | (0.34)  |
| Less: Finance Cost                            | <b>(32.27)</b> | (31.83) |
| Less: Depreciation                            | <b>(30.43)</b> | (38.62) |
| Less: Exceptional Item                        | -              | (1.74)  |
| Loss before tax                               | <b>(55.60)</b> | (72.53) |
| Tax expenses                                  | <b>(18.30)</b> | (21.97) |
| Loss after tax                                | <b>(37.30)</b> | (50.56) |
| Balance carried to Balance Sheet              | <b>2.88</b>    | 40.19   |

### OPERATIONAL HIGHLIGHTS AND PRODUCT-WISE PERFORMANCE

During the year under review, revenue from operations was Rs.1051.82 crore vis a vis Rs. 1281.42 crore in FY 2012-13. The loss for the year was lower at Rs. 37.30 crore against Rs. 50.56 crore in the previous year. Also the Company made an operating profit of Rs. 5 crore against operating loss of Rs. 34 lakhs in FY 2012-13. These could be achieved through concerted efforts to cut the cost and also ensure the best possible market realization, given the tough conditions faced by the Company due to unabated imports of LAB and Caustic Soda into India during the year under review.

Capacity utilization of Linear Alkyl Benzene (LAB) facilities was lower due to the domestic customers opting for imports in large scale. Increase in crude price and increase in power cost coupled with uncertainties in uninterrupted supply continued to be limiting factors to recover the fixed costs in full, resulting in losses. In order to bring down the cost of production, use of Captive Power Plant (CPP) was curtailed on trial basis. However, due to inconsistency in the supply of power from the EB grid, the CPP had to be operated continuously to avoid frequent interruptions and the cost of heavy re-start. In spite of the cost of power from CPP being higher on account of increased fuel prices, TPL had no alternative but to resort to such a measure to meet customer commitments bringing down the margins further.

The Chlor Alkali Division producing Caustic Soda and Chlorine was operated at a reduced load to optimize the cost of production forcing a dip in capacity utilization. However, the better quality of the output reduced the erosion of margins to some extent.

The ECH Plant, operation of which has been suspended since the beginning of the year on account of the huge and perpetual losses, continued to provide effluent treatment services to Petro Araldite Private Limited, the joint venture company.

### FINANCIAL REVIEW

The finance cost as a ratio of total operating income was higher at 3.07% against 2.48% mainly on account of dip in the revenue by 22%. Due to the poor financial performance over the last

two years, the Company has been facing difficulties in raising the required funds, as the lenders are not inclined to look at any further exposures. In fact some of them have resorted to reduction in the limits, compounding the cash flow issues further. Under these circumstances, in order to sustain the operations, the Company had to arrange long term funds only through divestment of its major non-core asset, the TPL House for which agreement has been entered into during the year. A part of the payment consideration has been received and used to fund the working capital requirements.

Owing to losses, the CARE downgraded the rating from BBB+ to BBB, signifying that the Company has current capacity to meet its debt obligations. The average cost of finance was slightly higher than the last year mainly due to the above revision in the rating. During the year under review, there were no defaults either in servicing or repayment of debts.

### DIVIDEND

In view of the losses incurred, the Board of Directors expresses its inability to recommend any dividend for the year.

### INDUSTRY STRUCTURE AND DEVELOPMENTS

Your Company has three manufacturing units viz., Linear Alkyl Benzene (LAB), Chlor Alkalis comprising Caustic Soda & Chlorine and Epichlorohydrin (ECH).

LAB, a colorless organic compound is an intermediate chemical used in the manufacture of household and industrial cleaning agent and enjoys a good demand from the detergent industry as its basic raw material. Based on application, the LAB market can be broadly segmented into Linear Alkylbenzene Sulfonate (LAS) and other applications. A major portion of the global LAB production is utilised for the production of LAS. The applications for LAS have been further segmented on the basis of the end use namely heavy-duty laundry liquids, light-duty dishwashing liquids, and laundry powders, industrial and household cleaners. Heavy-duty laundry liquids are mainly used for commercial laundry purposes and are the most dominant application segment for LAS. It has been reported that the demand for household cleaners is expected to exhibit the fastest growth rate amongst all the application segments. Other niche applications of LAB include ink solvents, agricultural herbicides, wetting agents, emulsion polymerization, electric cable oil and the paint industry.

All the major manufacturers of LAB in India, including TPL, have adopted the technology from UOP, USA, which is considered superior to the other processes involving chlorination. The cost of production of LAB in India had been relatively higher than the international standards mainly on account of higher cost of kerosene and quality issues relating to the feedstock.

Till recently, the domestic demand for LAB was being met fully through indigenous sources and a substantial quantity was being exported. However, from the year 2012-13, there has been a sudden spurt in import of LAB into India, mainly attributable to global economic slowdown and creation of new capacities in the Middle East. The imports during 2013-14 was more than 2.20 lakh tons against 1.15 lakh tons in the previous year. The sharp decline in the rupee value during the year also hit the profitability, though this led to lower imports during the period and TPL could regain some lost ground.

In sum, with very high crude price and rupee depreciation the cost of production of LAB was went up substantially but such higher cost could not be passed on in full to the customers, due to competition from overseas suppliers.

**Caustic Soda**, a most commonly used industrial chemical, finds wide application in Textile, Pulp & paper, Aluminium, Soaps & detergents industries in India. The capacity in India was about 31.34 lakh ton in March 2013 with a capacity utilization of around 81%. The capacity is expected to increase to 34.5 lakh ton by March 2015. India has enough capacity to meet the domestic demand but due to dumping from overseas, the capacity utilization has been low.

**Chlorine**, a co-product of Caustic Soda is widely used in sectors like Vinyl chloride, CPW, pulp and paper, water purification, chlorinated solvents, etc. Since this is a co-product of Caustic Soda, the prices take a dent when the demand for caustic soda increases and hence the pricing of the product has been affected considerably.

**ECH** is used as a key raw material in the manufacture of epoxy resins, pesticides and certain pharmaceutical formulations. Though there has been good demand for the product at global level, most of the top manufacturers use their entire capacity for captive consumption. The market is already reeling under supply - demand mismatch and new capacities created across the globe, especially in China, have worsened the situation.

Traditionally, ECH has been produced through petro-based feedstock, viz., propylene. However, glycerine, a bio-based feedstock obtained easily as byproduct from biodiesel production, is slowly replacing propylene. It is expected that the increasing availability of bio-based glycerine from biodiesel production would make it possible to produce bio-based ECH, at a lower cost.

#### **OPPORTUNITIES AND THREATS**

Over the past few years there has been a marked improvement in awareness about hygiene and also the standard of living has shown considerable improvement in India. This has helped the detergent markets to make inroads into remote areas, with the help of visual advertisements. Therefore the production of detergents is expected to grow further, paving way for higher off-take of **LAB** in the years to come. However, the surplus capacity creater overseas has resulted in dumping of materials in to India leading to price war. This constraints the Company's ability to realise the price in full.

Caustic Soda continues to be an important industrial intermediary finding application in many industries. With the demand for textiles and apparels increasing on account of urbanization and more spending on personal effects, the market for Caustic Soda is expected to grow further. However, unabated increase in cost of power is curbing the profitability of the domestic manufacturers. Also the ever increasing imports has been affecting the margins and the profitability of domestic players.

The per capita consumption of **Chlorine** in India is stated to be around 1.85 kg vis a vis 13 kg in China and hence there exists good growth opportunities. However, this could happen only if substantial investments are made in the vinyl industry, the key end-user of the product. Downstream PVC Industry in India is growing @ 14% (YOY in 2012-13) but not utilizing domestic chlorine due to non-availability of petro-chemical feedstock. India is one of the largest importers of EDC & VCM i.e. indirect imports of chlorine leading to low utilization of domestic chlorine. The problems of storage and disposal of Chlorine during peak demand for Caustic Soda are the major limiting factors for both Caustic Soda and Chlorine.

#### **OUTLOOK**

##### **LAB**

Import of LAB is increasing year on year which will impact the margins of TPL further. During the year 2013-14, the imports doubled to 2.15 lakh tons which were over 1 lakh ton in 2012-13. This trend may continue in the current year. TPL has established itself as a major player in the LAB market and hence the customer base is expected to be retained, in spite of competition through imports. To overcome the increase in input cost, various energy saving measures have been taken up and modification in pre-fractionation unit has been initiated. As a step forward, TPL is also looking at increasing the NP capacity to bringdown imports.

##### **Caustic Soda / Chlor alkali**

The Global Caustic Soda growth is expected to be 3.2% by 2018. Alumina and Pulp & Paper sectors, major consumers of Caustic Soda have been impacted by the global economic outlook. It has been stated that the growth in many of developed regions will be slow. On the other hand based on the ongoing expansion projects, the caustic soda availability from the USA, Asia and Middle East will be more, threatening to further increase the imports into India, which is already affected by huge and ever-increasing imports. The imports have doubled in about 3 years at 3.79 lakh tons in 2013-14 from 1.87 lakh tons in 2010-11. The imports during April 2014 alone were over 56,000 tons, against 24,000 tons in the corresponding period in the previous year.

It has been reported that the Indian industry is capable of meeting its domestic demand but because of high input costs and poor infrastructure, is not competitive internationally. It also faces dumping of cheap imports from other countries like Iran, Saudi, Korea RP, Japan, etc. where power is available at a lower price. To overcome this, focus will have to be on zero liquid discharge and reduction in power consumption which will need more of integrated plants. However, under the present conditions TPL may not be able to go for integration and hence the long term survival of the HCD would depend on the success of the cost cutting efforts taken by the Company.

##### **ECH**

TPL is looking at alternate options for using the ECH facility which at present remains moth-balled. It is being explored if the facilities can be modified for the manufacture of Propylene Oxide so that the Company would be able to use the Chlorine as well and contribute to the overall operations.

#### **RISKS AND CONCERNS**

As stated earlier, the import of LAB, Caustic Soda and indirect form of Chlorine is the major risk faced by TPL. The average realization continues to be low and the efforts of the Company to curtail the imports through combined action of the domestic manufacturers did not materialize.

TPL is a power intensive industry and hence the renewable purchase obligation, which is being challenged by the Company at the appropriate forum, could be a dampener in its efforts to bring down the power cost. Also, the cost of salt and transportation are going up due to various factors. If the oil subsidy is marginalized, the input cost for TPL could go up substantially and the survival of the Chlor Alkali Division in the long run could be a major concern to be addressed by the Company.

#### **SAFETY, HEALTH & ENVIRONMENT**

Adequate safety standards have been prescribed and followed by the Company without compromise. Prime importance is given to protection of the employees, plant & machinery and environment at all times.



During the year a mock drill operation was held to show-case the preparedness of the Company to meet emergencies. The program was organized as a part of the Conference on Chemical (Industrial) Disaster Management held under the aegis of the National Disaster Management Authority and FICCI at Chennai during November 2013. More than 120 delegates from all over the country participated in the programme in addition to the dignitaries from various government agencies who were appreciative of the systems and procedures being practiced by the Company.

Your Company has planted saplings in and around the factory premises as part of its green initiatives and to promote carbon offset.

#### **SUBSIDIARIES**

##### **Certus Investment and Trading Ltd., and its wholly owned subsidiaries**

Your Company established Certus Investment and Trading Ltd. (CITL), Mauritius as its Wholly Owned Subsidiary (WOS) to serve as a Special Purpose Vehicle (SPV) to set up LAB and NP projects in Middle East and South East Asia. CITL in partnership with Saudi Offset Limited Partnership (SOLP) promoted Gulf Petroproduct Co. EC (GPC) to implement a LAB project in the Middle East. The project was affected due to varied factors, mainly regulatory issues in Bahrain. Therefore the project had to be abandoned and the company was liquidated voluntarily.

CITL also established CITL (S) Pte. Ltd. in Singapore to function as a coordinator for TPL's overseas procurement and marketing activities.

**Proteus Petrochemical Private Ltd. (Proteus)** is a subsidiary of CITL formed for setting up a Normal Paraffin Project in Singapore. The proposal is to establish a green-field Normal Paraffin (NP) project plant along with associated utilities and off-sites. The project has run into certain problems and hence there has been delay in completing the same as per schedule. The Company is examining further action to be taken in this regard.

##### **Information under Section 212**

A statement pursuant to Section 212 of the Companies Act, 1956 (the Act) giving information on the subsidiary companies is attached hereto. In terms of the general exemption granted by the Ministry of Corporate Affairs under Section 212 of the Act, vide General Circular No. 2/2011 dated 8<sup>th</sup> February 2011 copies of the financial statements and other documents of the subsidiary companies have not been attached to this Report. The Consolidated Financial Statements presented herewith include the financial information of the subsidiaries, as required under Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India.

The annual accounts of the subsidiary companies and the related detailed information will be made available to the shareholders of the Company and the subsidiary companies seeking such information and shall also be available for inspection at the Registered Office of the Company and the subsidiaries.

#### **JOINT VENTURE**

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

PAPL was set up in the year 1996 to manufacture basic resins for epoxy applications and the present JV Partner is Vantigo. PAPL has facilities to manufacturer of Basic Liquid Resin, Solid Resin and Formulated products. The performance of the JV has been cyclical, but in the recent past PAPL has been incurring losses due to changed market scenario.

With the conditions not improving, PAPL has closed down their Basic Resins manufacturing facilities during the 2<sup>nd</sup> half of the year and is now operating only its' formulations plant.

As per the unaudited figures furnished by PAPL, the total revenue during the year was Rs. 219.54 crore compared to Rs. 354.54 crore during 2012-13. The company incurred a loss of Rs. 8.29 crore against Rs. 14.45 crore in the previous year.

#### **HUMAN RESOURCES**

Management strongly believes that the strength of your Company is directly proportional to the strength of its employees in terms of the knowledge, experience, analytical and decision making skills. Your Company has been practicing various HR initiatives such as recognition, empowerment, personality development, decentralization of delegation of powers etc., to retain the talents and to enhance their enabling capabilities. A balanced staffing system has been judiciously adopted in your Company wherein competent fresh talents have been engaged to infuse young blood into the steam of experienced hands.

The training needs of employees have been identified at regular intervals through performance appraisal systems and necessary training is being imparted through in-house and external programmes. Apart from the routine, job related training for personality development and leadership skills are imparted to enhance the administrative capabilities of employees.

The wage settlement dispute with LAB/ECH wokmen pending since 2005 was settled through negotiations. However, this has not helped restoring the cordial industrial relations owing to the indifference and unfair practices of the workmen. A stiff resistance by the workmen to the various measures taken by the Management to cut-down cost and increase productivity is snow-balling and the Management is adopting a wait and watch approach to avoid precipitating the issues further for the overall benefit of all the stakeholders.

The man power strength as on 31<sup>st</sup> March 2014 was 429 and none of the employees of your Company was in receipt of remuneration exceeding the sum prescribed under Section 217(2A) of the Act.

#### **DIRECTORS**

The Board at the meeting held on 29<sup>th</sup> October 2013 recorded the resignation of Mr N S Palaniappan, IAS, Director & Chairman. The Board places on record its appreciation for the invaluable services rendered by Mr. Palaniappan during his association with the Company.

Mr Hans Raj Verma, IAS, Chairman and Managing Director of TIDCO was transferred and consequently he resigned as a Director of TPL which effective from 18<sup>th</sup> June 2014. The Board places on record its appreciation for the invaluable services rendered by Mr. Verma during is association with the Company.

Mr C V Sankar, IAS appointed as Director & Chairman by the Board at the meeting held on 29<sup>th</sup> October 2013 holds office upto the date of the ensuing Annual General Meeting.

Mr. M Pazhaniandy Pillai was appointed as an Additional Director under Section 152 of the Act and Whole-time Director (Operations) by the Board at the meeting held on 27<sup>th</sup> May 2014. His appointment as a Director liable to retire by rotation under Section 160 of the Act and approval for his appointment as Whole-time Director (Operations) and his remuneration will be considered at the ensuing AGM.

At the aforesaid meeting of the Board, Mr. C Ramachandran, IAS, (Retd.), Mr. N R Krishnan, IAS (Retd.), Dr. K U Mada and Mr. Dhananjay Mungale have been appointed as Independent Directors under Section 149 of the Companies Act, 2013 (the new Act) and are not liable to retire by rotation. As per the provisions of the new Act, their appointment are to be approved by the shareholders in the general meeting and hence the same is proposed to be considered at the ensuing AGM.

Mr. R Karthikeyan, Director, retires by rotation and being eligible, offers himself for re-election.

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

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

- (i) In preparing the Annual Accounts for the year ended 31<sup>st</sup> March 2014, all the applicable accounting standards have been followed;
- (ii) Prescribed accounting policies were adopted and applied consistently and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2014 and of the loss of the Company for year ended on that date;
- (iii) Proper and sufficient care for the maintenance of adequate accounting records have been taken in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/detecting fraud and irregularities; and
- (iv) The Annual Accounts have been prepared on a "going concern" basis.

#### **ADEQUACY OF INTERNAL CONTROLS**

Your company has in place adequate internal control systems combined with delegation of powers and periodical review of the process. The control system is also supported by internal audits and management reviews with documented policies and procedures.

#### **CORPORATE GOVERNANCE**

Your Company has complied with the requirements of Corporate Governance as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges. A Report on Corporate Governance is made a part of this Report and a Certificate from the Auditors regarding compliance with the requirements of Corporate Governance is attached to this report.

#### **AUDITORS**

M/s. Deloitte Haskins & Sells, appointed as the Auditors of the Company at the 28<sup>th</sup> Annual General Meeting held on

5<sup>th</sup> August 2013 hold office till the conclusion of 29<sup>th</sup> Annual General Meeting and are eligible for re-appointment. As per Section 139 of the new Act, they can hold office from the conclusion of the 29<sup>th</sup> AGM till the conclusion of the 31<sup>st</sup> AGM. Their re-appointment will have to be ratified by the Members at the AGM, each year. In compliance with the requirements of the new Act, it is proposed to appoint the retiring Auditors to hold office till the conclusion of the 31<sup>st</sup> AGM to be held in the year 2016 and subject to ratification at the 30<sup>th</sup> AGM.

#### **COST AUDIT**

The Cost Audit Report for the year ended 31<sup>st</sup> March 2013, duly certified by Mr. P R Tantri, Cost Accountant, was filed on the due date i.e. on 27<sup>th</sup> September 2013. Mr. P.R. Tantri, Cost Accountant has been appointed as the Cost Auditor of the Company for the financial year 2013-14 pursuant to Section 233B of the Act.

#### **FIXED DEPOSITS**

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

#### **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 Act, are attached, to the extent applicable, and form part of the Report.

#### **ACKNOWLEDGEMENT**

Your Directors are grateful to the Government of India, the Government of Tamilnadu, financial institutions, banks, other lending institutions, promoters, technical collaborators, suppliers, customers, joint venture partners and marketing agents for their assistance, co-operation and support. The Directors wish to thank the shareholders for their continued support. The Directors also place on record their appreciation for the contributions by the employees.

#### **DISCLAIMER**

Estimates and expectations stated in the Reports of the Directors and Management Discussion and Analysis may be "forward-looking" statements within the meaning of applicable securities laws and regulations. Actual results could materially differ from those expressed or implied in these reports on account of any change economic conditions affecting demand / supply and price of the products, input cost, in the domestic and international markets, changes in the Government regulations, tax laws, statutes and other incidental matters over which the Company has no direct or indirect control.

For and on behalf of the Board of Directors

**C V SANKAR, IAS**  
Chairman

1<sup>st</sup> July 2014  
Chennai – 600 068



## Annexure to Directors' Report

Particulars as required under Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 for the year ended 31<sup>st</sup> March 2014 are furnished below to the extent applicable:

### A. CONSERVATION OF ENERGY

- a) The following are the energy conservation measures implemented by the Company during the year under review and the impact of the same:
- Induced draft fan F 1601R in Hot oil heater was de-rated to suit present operating conditions to save energy of about 1200 units/day
  - Hot oil line from Pacol charge heater was re-routed to utilize waste energy of about 0.37 mkcal/hr.
  - Zero gap retrofit and membrane replacement in Chlor alkali division has resulted a saving of 10.16 lac units per annum.
  - Replacement of old motors with energy efficient motors is being done in Chlor alkali division in phased manner
- b) Details of total energy consumption and energy consumption per unit of production are furnished in Form A below:

### FORM - A

Form for disclosure of particulars with respect to conservation of Energy

|  | <b>Current year<br/>2013-14</b> | Previous year<br>2012-13 |
|--|---------------------------------|--------------------------|
| <b>(A) Power and Fuel Oil consumption</b>  |                                 |                          |
| <b>1) Electricity</b>                      |                                 |                          |
| a. Purchased from TNEB                     |                                 |                          |
| Units (in lakhs)                           | <b>814.52</b>                   | 750.80                   |
| Variable cost (Rs. in lakhs)               | <b>4,750.95</b>                 | 4,388.10                 |
| Total cost (Rs. in lakhs)                  | <b>5,565.78</b>                 | 5,292.70                 |
| Rate/Unit (Rs.)                            |                                 |                          |
| Units charges (Rs. / Unit)**               | <b>5.83</b>                     | 5.84                     |
| Demand charges (Rs. / KVA)                 | <b>300</b>                      | 300                      |
| **Variable cost includes peak hour charges |                                 |                          |
| Purchased from Third Party                 | <b>196.33</b>                   | 488.92                   |
| Total Cost (Rs. in lakhs)                  | <b>1,236.39</b>                 | 3,030.85                 |
| Unit charges (Rs. / Unit)                  | <b>6.30</b>                     | 6.20                     |
| Units (in lakhs) From IEX Power            | <b>43.019</b>                   | 93.05                    |
| Total Cost (Rs. in lakhs)                  | <b>229.685</b>                  | 634.65                   |
| Unit Charges (Rs./Unit)                    | <b>5.34</b>                     | 6.82                     |
| Units (In Lakhs) from wind power           | <b>65.985</b>                   | -                        |
| Total Cost (Rs. in Lakhs)                  | <b>358.02</b>                   | -                        |
| Unit Charges(Rs./Unit)                     | <b>5.43</b>                     | -                        |
| b. Own generation                          |                                 |                          |
| Through Diesel generator                   |                                 |                          |
| Units (in lakhs)**                         | <b>512.377</b>                  | 749.07                   |
| Units/Litre of fuel                        | <b>4.0</b>                      | 4.00                     |
| Rate/Unit (Rs.)                            | <b>10.11</b>                    | 10.04                    |
| **Includes power exported to grid          |                                 |                          |
| <b>2) Furnace oil/LSHS</b>                 |                                 |                          |
| Quantity (KL)                              | <b>50,833.90</b>                | 73,704.90                |
| Total amount (Rs. in lakhs)                | <b>19,095.64</b>                | 26,355.63                |
| Average rate (Rs./KL)                      | <b>37,565</b>                   | 35,758.30                |
| <b>3) Diesel</b>                           |                                 |                          |
| Quantity (KL)                              | <b>17.46</b>                    | 20.965                   |
| Total amount (Rs. in lakhs)                | <b>10.66</b>                    | 9.41                     |
| Average rate (Rs./KL)                      | <b>61,045</b>                   | 44,900.10                |



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

| Products with details  | (Standard if any) | Current year |     |             | Previous year |       |             |
|------------------------|-------------------|--------------|-----|-------------|---------------|-------|-------------|
|                        |                   | LAB          | ECH | CAD-Caustic | LAB           | ECH   | CAD-Caustic |
| Electricity (KWHR/MT)  |                   | 643.54       | -   | 2702.0      | 613.02        | 1433  | 2772        |
| Furnace oil (MT)       |                   | 0.493        | -   | 0.091       | 0.4867        | 0.781 | 0.065       |
| Coal (Specify Quality) |                   | -            | -   | -           | -             | -     | -           |
| Others (Specify)       |                   | -            | -   | -           | -             | -     | -           |

**B. TECHNOLOGY ABSORPTION**

Efforts made in technology absorption are shown in Form B below:

**FORM-B**
**I Research & Development (R&D):**

Research and development activities are mainly focused towards enhancing the quality of the products manufactured by the company and improving the process of manufactured to achieve better specific consumption of raw materials and chemicals. Studies are also conducted to develop new applications for existing by-products of the company.

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

- Development of new applications for existing products
- Studies are related to improvement of quality of Products.

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

- Value addition of new applications for existing products by developing new applications
- Improving the customer satisfaction there by retaining the existing customers.
- Aim to contribute for improving turnover with existing inputs

**3) Future Plan of Action**

- Development of new applications for side stream products
- Studies aimed at improving specific consumption norms.

**4) Expenditure on R&D**

- a. Capital expenditure : NIL  
 b. Recurring expenses : Rs. 5.81 lakhs  
 c. Total : Rs. 5.81 lakhs  
 d. Total as a % of total turnover : 0.01%

**II Technology Absorption Adaptation and Innovation**

Improvements in the process developed by the Company's R&D department have been adopted in production wherever applicable.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

- i. Earnings - Rs. 5,474.83 lakhs  
 ii. Outgo - Rs. 6,048.48 lakhs



**STATEMENT OF PARTICULARS OF SUBSIDIARIES PURSUANT TO SECTION 212 (1) (e) OF THE COMPANIES ACT, 1956**

| Sl.No | Particulars   | Certus Investment & Trading Limited         | Certus Investment & Trading (S) Private Limited<br>(Refer note 1 below) | Proteus Petrochemical Private Limited<br>(Refer note 1 below) |
|-------|---|---|---|---|
| 1     | Date from which it became a Subsidiary of the Company   | 30 <sup>th</sup> October, 2001              | 10 <sup>th</sup> November, 2004   | 11 <sup>th</sup> May, 2006                                    |
| 2     | Financial Year end of the Subsidiary  | 31 <sup>st</sup> March, 2014                | 31 <sup>st</sup> March, 2014  | 31 <sup>st</sup> March, 2014                                  |
| 3     | Details of shares held by the Company in the subsidiaries on the above date.                                  |   |   |   |
|       | a. No. of equity shares, fully paid up  | <b>2,04,190</b>                             | <b>18,75,339</b>  | <b>3,00,000</b>   |
|       | b. Face Value   | US \$ 100 each                              | US \$ 1 each  | US \$ 1 each  |
|       | c. Extent of holding  | <b>100.00%</b>                              | <b>100.00%</b>  | <b>100.00%</b>  |
| 4     | Net aggregate amount of Profit / (Losses ) of the Subsidiary so far as it concerns the members of the Company |   |   |   |
|       | a. Not dealt with in the Accounts of the Company  |   |   |   |
|       | i) For the year ended 31 <sup>st</sup> March 2014   | <b>US \$ (126,660)</b><br>Rs. (76.51) lakhs | <b>US \$ (23,242)</b><br>Rs. (14.04) lakhs                              | <b>US \$ (6,758)</b><br>Rs. (4.08) lakhs                      |
|       | ii) For the previous Financial years of the Subsidiary since it became a subsidiary                           | <b>US \$ 1,751,909</b><br>Rs.749.3 lakhs    | <b>US \$ (404,906)</b><br>Rs. (200.21) lakhs                            | <b>US \$ (5,108,047)</b><br>Rs.(2,406.15) lakhs               |
|       | b. Dealt with in Holding Company's accounts:  |   |   |   |
|       | i) For the year ended 31 <sup>st</sup> March 2014   | Nil   | Nil   | Nil   |
|       | ii) For the previous Financial years of the Subsidiary since it became a subsidiary                           | Nil   | Nil   | Rs. (1,978.11) lakhs  |

Note 1: 100% subsidiaries of Certus Investment & Trading Limited

For and on behalf of the Board

Ashwin C Muthiah  
T.K. Arun  
C. Ramachandran IAS (Retd)  
Muthukrishnan Ravi  
R. Kothandaraman

Vice Chairman  
Director  
Director  
Managing Director  
Company Secretary

K.R. Anandan  
Chief Financial Officer

Place : Chennai  
Date : 27<sup>th</sup> May, 2014

## REPORT ON CORPORATE GOVERNANCE

### 1. Company's philosophy :

Tamilnadu Petroproducts Limited firmly believes in the implementation of best practices of corporate governance so that the Company achieves its corporate goals and further enhances stakeholders' value. A great deal of importance is attached to ensuring fairness, transparency, accountability and responsibility towards stakeholders, besides consistently implementing best possible practices by providing optimum level of information and benefits to the stakeholders.

### 2. Board of Directors :

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

As on 31<sup>st</sup> March 2014, the Board comprised of eleven directors as detailed below:

| Name and Designation  | Membership   |                        |
|---|--------------|------------------------|
|   | Other Boards | Other Board Committees |
| <b>a) Non-Executive Directors</b>                           |              |                        |
| Mr. C V Sankar, IAS, Chairman, (Nominee of TIDCO)           | 18           | -                      |
| Mr. Ashwin C Muthiah, Vice Chairman, (Nominee of SPIC)      | 4(3)         | 1                      |
| Mr. Hans Raj Verma, IAS ( Nominee of TIDCO)                 | 15(5)        | 3(1)                   |
| Mr. T.K. Arun ( Nominee of TIDCO)                           | 11 (1)       | 8 (1)                  |
| Mr. R. Karthikeyan, (Nominee of TIDCO)                      | 6            | 3                      |
| Mr. Sanjiv Ralph Noronha, (Nominee of SPIC)                 | 3            | 2                      |
| <b>b) Executive Director</b>                                |              |                        |
| Mr. Muthukrishnan Ravi, Managing Director (Nominee of SPIC) | 2            | 1                      |
| <b>c) Independent Non-Executive Directors</b>               |              |                        |
| Mr. C. Ramachandran, IAS (Retd)                             | 6            | 5                      |
| Mr. N. R. Krishnan, IAS (Retd)                              | 6            | 3(1)                   |
| Mr. Dhananjay N Mungale                                     | 9            | 9 (3)                  |
| Dr K U Mada   | 3            | 6 (3)                  |

#### Notes:

- (a) Nominees of TIDCO, a Public Financial Institution under Section 4A of the Companies Act, 1956 are Independent Directors as per Clause 49 of the Listing Agreement.
- (b) Other Directorships exclude foreign companies, private companies, Section 25 companies and alternate directorships but include Guarantee Companies.
- (c) Only Membership in Audit Committees and Shareholders/Investors Grievance Committees of Public Companies (other than in TPL) are reckoned for other Board Committee Memberships.
- (d) Figures in brackets denote the number of companies/committees in which the Director is Chairman.
- (e) Other than Dr K.U. Mada, who holds 3500 equity shares, no other Director hold any shares in the Company.
- (ii) Board Meetings, Annual General Meeting (AGM) and attendance thereat

The Board of Directors met six times during the year 2013-14 viz., on 22<sup>nd</sup> April, 5<sup>th</sup> August, 29<sup>th</sup> October 2013, 13<sup>th</sup> January, 12<sup>th</sup> February and 27<sup>th</sup> March 2014. The 28<sup>th</sup> AGM of the Company was held on 5<sup>th</sup> August 2013. The details of attendance of the Directors at the Board Meetings and AGM are as follows:-

| Name                             | Period of Office held during the year | No. of meetings held during the period of office | No. of Meetings attended | Attendance at the Last AGM |
|----------------------------------|---------------------------------------|--|--------------------------|----------------------------|
| Mr. C V Sankar, IAS              | 29-10-13 onwards                      | 4  | 2                        | NA                         |
| Mr. N S Palaniappan, IAS         | Upto 29-10-2013                       | 2  | -                        | No                         |
| Mr. Ashwin C Muthiah             | Full year                             | 6  | 6                        | Yes                        |
| Mr. Hans Raj Verma, IAS          | Full year                             | 6  | 2                        | Yes                        |
| Mr. T.K.Arun                     | Full year                             | 6  | 6                        | Yes                        |
| Mr. R. Karthikeyan               | Full year                             | 6  | 4                        | Yes                        |
| Mr. Sanjiv Ralph Noronha         | Full year                             | 6  | 6                        | Yes                        |
| Mr. Dhananjay N. Mungale         | Full year                             | 6  | 4                        | Yes                        |
| Mr. N.R. Krishnan, IAS (Retd.)   | Full year                             | 6  | 6                        | Yes                        |
| Dr K.U. Mada                     | Full year                             | 6  | 5                        | Yes                        |
| Mr. C. Ramachandran, IAS (Retd.) | Full year                             | 6  | 6                        | Yes                        |
| Mr. Muthukrishnan Ravi           | Full year                             | 6  | 6                        | Yes                        |

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

### 3 Audit Committee:

#### (i) Terms of reference

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 brief description and terms of reference are:

- 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.
- Recommending the appointment and removal of external auditor, fixation of audit fees and also approval for payment for any other services.
- Reviewing with the Management the quarterly, half-yearly and annual Financial Statements before submission to the Board.
- Reviewing with the Management, statutory and internal Auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the Internal Audit Department.
- Discussion with Internal Auditors any significant findings and follow-up thereon.
- 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.
- 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.
- Reviewing the Company's financial and risk management policies.
- 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.
- Compliance with listing and other legal requirements relating to financial statements.

#### (ii) Composition

As on 31<sup>st</sup> March 2014, the Committee comprised of the following independent directors, viz., Mr. C. Ramachandran as Chairman, Dr K.U. Mada, Mr N.R. Krishnan and Mr. T K Arun as Members.

Managing Director, Chief Financial Officer, representatives of Statutory Auditors, Cost Auditor and Internal Auditors are invitees to the Audit Committee meetings and the Company Secretary is the Secretary to the Committee.

#### (iii) Meetings and attendance

The Committee met four times during the year 2013-14 viz., 22<sup>nd</sup> April, 5<sup>th</sup> August, 29<sup>th</sup> October 2013 and 12<sup>th</sup> February 2014. Dr. K. U. Mada attended three meetings and the other members attended all the meetings.

### 4. Remuneration Committee:

#### (i) Constitution

The Company follows the practice of constituting Remuneration Committee for the specific purpose of determining the remuneration payable to Executive Directors as and when required. During the year constitution of such Committee was not occasioned.

#### (ii) Remuneration Policy

The following is the managerial remuneration policy of the Company.

##### (a) For Executive Directors

The remuneration of the Whole Time/ Executive Directors comprises of a fixed component and a performance linked pay, fixed by the Remuneration Committee, and subsequently approved by the Members. Remuneration trend in the industry and in the region, academic background, qualifications, experience and contribution of the individual are considered in fixing the remuneration. These Directors are not eligible to receive sitting fees for attending the meetings of the Board and Committees.

##### (b) For Non Executive Directors

The Non-Executive Directors are paid sitting fees for attending the Board and Committee Meetings as per the stipulations in the Act, and the Articles of Association of the Company. In addition to this, the travel and other expenses incurred for attending the meetings are met by the Company. Subject to the provisions of the Act, the Company in General Meeting may by special resolution sanction and pay to the Directors remuneration not exceeding 1% of the net profits of the Company computed in accordance with the relevant provisions of the Act. The Company has no pecuniary relationship or transactions with any of the Non-Executive Directors.

**(iii) (a) Remuneration paid/payable to Executive Director(s):** (Rs. lakhs)

| Name & Designation                        | Salary | Performance linked pay | Total |
|---|--------|------------------------|-------|
| Mr. Muthukrishnan Ravi, Managing Director | 34.45  | (2.37*)                | 32.08 |

\* All the above components are fixed, except the performance linked pay. In view of the financial condition of the Company, performance linked pay for the year 2012-13 was not paid and the provision made in the previous year was reversed in the current year. No provision has been made for performance linked pay for the year 2013-14.

Mr. Muthukrishnan Ravi, Managing Director is under contract of employment with the Company which stipulates a notice period of three months from either side for early separation. No severance fee is payable to the Executive Director and no Employee Stock Option has been offered by the Company to him. He is also the Managing Director of Manali Petrochemicals Limited. It has been agreed between TPL and MPL that the overall remuneration to Mr Ravi shall be shared equally. The amount disclosed above is the share of remuneration paid/payable by the Company.

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

**Commission**

Due to the absence of profits no commission is payable to the Non-Executive Directors for the year 2013-14. Sitting Fees paid to Non-Executive Directors during 2013-14 are as follows:

| Name                            | Amount (Rs. in lakhs) | Name                    | Amount (Rs. in lakhs) |
|---------------------------------|-----------------------|-------------------------|-----------------------|
| Mr C V Sankar, IAS*             | 0.20                  | Mr Dhananjay N Mungale  | 0.40                  |
| Mr Ashwin C Muthiah             | 1.00                  | Mr T.K.Arun*            | 1.80                  |
| Mr Hans Raj Verma, IAS*         | 0.20                  | Mr Sanjiv Ralph Noronha | 0.60                  |
| Mr C. Ramachandran, IAS (Retd.) | 1.80                  | Mr R Karthikeyan*       | 0.40                  |
| Mr. N.R. Krishnan, IAS (Retd.)  | 1.30                  | <b>TOTAL</b>            | <b>8.50</b>           |
| Dr K.U. Mada                    | 0.80                  |                         |                       |

\* Paid to TIDCO as they are TIDCO Nominees.

**5. Shareholders'/ Investors' Grievances Committee (SIGC):**

**(i) Terms of reference :**

The Committee oversees redressal of shareholder and investor grievances and approves issue of share certificate(s) arising out of loss/destruction, split and re-materialization, etc. and also reviews the routine transfer, transmission, transposition, change of name, etc. approved by the Managing Director and Company Secretary.

**(ii) Composition and Meetings:**

As on 31<sup>st</sup> March 2014, the Committee comprised of Messrs C. Ramachandran, IAS (Retd.), as Chairman, Ashwin C Muthiah, T.K. Arun and Muthukrishnan Ravi as the other Members. Mr. Ashwin C Muthiah attended four meetings and the other members attended all the meetings.

**(iii) Details of complaints received and redressed:**

During the year 29 complaints were received, all of which were redressed by the Company/RTA. There were no pending complaints as at the year end.

**6. General Body Meetings:**

The particulars of Annual General Meetings held during the last three years and the Special Resolutions passed are as under:

| Year | Date      | Time     | Venue   | Special Resolutions considered thereat  |
|------|-----------|----------|---|---|
| 2011 | 16.9.2011 | 10.25 AM | Tamil Isai Sangam, Rajah Annamalai Hall, Esplanade, Chennai – 600 108 | Re-appointment of Auditors  |
| 2012 | 18.9.2012 | 10.35 AM |   | Re-appointment of Auditors  |
| 2013 | 5.8.2013  | 3.00 PM  |   | Appointment of Mr Muthukrishnan Ravi as Managing Director for a period of three years from 4 <sup>th</sup> Feb'13 to 3 <sup>rd</sup> Feb'16 and payment of remuneration |

There were no resolutions requiring approval through postal ballot during the last year and at present no such resolution is being proposed to be passed.

**7. Disclosures:**

- There were no materially significant related party transactions that had potential conflict with the interests of the Company at large. Transactions in the ordinary course of business with the related parties are disclosed in the Notes to Financial Statements.
- There have been no instances of non-compliance by the Company on any matters related to the capital markets nor have any penalty/strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on such matters.



- The Company has laid down procedures to inform the Board Members about the risk assessment and its mitigation, which is periodically reviewed to ensure that risk control is exercised by the Management effectively.
- As required under clause 49 (V) of the Listing Agreement, CEO / CFO Certification by Mr. Muthukrishnan Ravi, Managing Director and Mr. K R Anandan, Chief Financial Officer was placed before the Board at its meeting held on 27<sup>th</sup> May 2014.
- A Management Discussion and Analysis Report has been presented as part of the Directors' Report.
- The Company has complied with all the mandatory requirements stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges.

**Compliance with Non-Mandatory requirements:**

**Remuneration Committee:**

- a. The Company, on need basis constitutes Remuneration Committee for determining and approving the remuneration to executive directors as detailed in Sl.No. 4 of this Report.

- b. **Whistle Blower Policy:**

Though no specific Whistle Blower Policy has been laid down, the Company has recognized the importance of such information and so access is available for any employee at any level to report to the Management about the unethical behaviour, if any or suspected fraud by staff / officers / suppliers / customers or any other point of concern.

**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) and Bombay Stock Exchange Ltd., upon approval by the Board of Directors and published in a leading Newspaper in English language and Tamil (Regional language). The financial results are also displayed on the Company's website: [www.tnpetro.com](http://www.tnpetro.com).

The information stipulated under Clause 54 of the Listing Agreement have also been made available in the website of the Company. In addition, official press/news releases and several other details/information of interest to various stakeholders are made available in the website.

**9. General Shareholder Information**

- i. **Annual General Meeting** : The twenty-ninth AGM of the Company is scheduled to be held on 12<sup>th</sup> August 2014 at 2.45 p.m at Tamil Isai Sangam, Rajah Annamalai Mandram, Esplanade, Chennai 600 108
- ii. **Book Closure** : The Register of Members and Share Transfer Books of the Company will remain closed from 4<sup>th</sup> August 2014 to 12<sup>th</sup> August 2014 (both days inclusive)
- iii. **Financial Calendar for the year 2014-15 (tentative)**

|                                      |   |
|--------------------------------------|---|
| Financial Year                       | 1 <sup>st</sup> April 2014 to 31 <sup>st</sup> March 2015 |
| First Quarter Results                | Before 14 <sup>th</sup> August 2014                       |
| Second Quarter Results               | Before 14 <sup>th</sup> November 2014                     |
| Third Quarter Results                | Before 15 <sup>th</sup> February 2015                     |
| Audited Results for the year 2014-15 | Before 30 <sup>th</sup> May 2015                          |

- iv. **Registrar and Share Transfer Agent:**

All share registry work in respect of both physical and demat segments are handled by a single common agency M/s.Cameo Corporate Services Ltd., No.1 Club House Road, V Floor, "Subramanian Building" Chennai – 600 002, as the Registrar and Share Transfer Agent (RTA) of the Company for all aspects of investor servicing relating to shares.

- v. **Share Transfer System:**

Requests for share transfer, transmissions, transpositions etc., are processed by the RTA and returned within the stipulated time, if the documents are found to be in order. The routine requests from shareholders like transfer, transmission, transposition, change of name etc., are approved by the Managing Director and Company Secretary and the details are placed before the Shareholders/ Investors Grievance Committee.

- vi. **Listing of Securities (Equity Shares):**

| Name of Exchange                           | Stock Code |
|--|------------|
| Bombay Stock Exchange Limited (BSE)        | 500777     |
| National Stock Exchange of India Ltd (NSE) | TNPETRO    |

vii. Market Price Data and Share price performance vis a vis indices

| Month & Year | BSE               |       |           |           | NSE               |       |               |          |
|--------------|-------------------|-------|-----------|-----------|-------------------|-------|---------------|----------|
|              | Share price (Rs.) |       | Sensex    |           | Share price (Rs.) |       | S&P CNX Nifty |          |
|              | High              | Low   | High      | Low       | High              | Low   | High          | Low      |
| April 2013   | 12.45             | 10.50 | 19,622.68 | 18,144.22 | 11.75             | 10.60 | 5,962.30      | 5,477.20 |
| May          | 12.50             | 10.90 | 20,443.62 | 19,451.26 | 12.60             | 10.85 | 6,229.45      | 5,910.95 |
| June         | 11.55             | 9.25  | 19,860.19 | 18,467.16 | 11.65             | 9.10  | 6,011.00      | 5,566.25 |
| July         | 11.35             | 8.05  | 20,351.06 | 19,126.82 | 11.35             | 8.05  | 6,093.35      | 5,675.75 |
| August       | 9.80              | 7.30  | 19,569.20 | 17,448.71 | 9.65              | 7.00  | 5,808.50      | 5,118.85 |
| September    | 8.90              | 7.00  | 20,739.69 | 18,166.17 | 8.80              | 7.05  | 6,142.50      | 5,318.90 |
| October      | 8.40              | 7.15  | 21,205.44 | 19,264.72 | 8.15              | 7.30  | 6,309.05      | 5,700.95 |
| November     | 8.50              | 7.05  | 21,321.53 | 20,137.67 | 8.60              | 7.20  | 6,342.95      | 5,972.45 |
| December     | 8.89              | 7.34  | 21,483.74 | 20,568.70 | 8.80              | 7.45  | 6,415.25      | 6,129.95 |
| January 2014 | 9.34              | 7.45  | 21,409.66 | 20,343.78 | 9.35              | 7.40  | 6,358.30      | 6,027.25 |
| February     | 10.75             | 7.55  | 21,140.51 | 19,963.12 | 10.80             | 7.20  | 6,282.70      | 5,933.30 |
| March        | 11.60             | 9.80  | 22,467.21 | 20,920.98 | 11.55             | 10.05 | 6,730.05      | 6,212.25 |

Listing fees have been paid to the aforesaid exchanges upto 2014-15.

viii. Distribution of Shareholding as on 31st March 2014:

| Category (No. of Shares) | No. of Shareholders | Percentage | No. of Shares      | Percentage |
|--------------------------|---------------------|------------|--------------------|------------|
| 1 - 500                  | 78,720              | 89.73      | 1,21,44,693        | 13.50      |
| 501 - 1000               | 5,257               | 5.99       | 43,28,619          | 4.81       |
| 1001 - 2000              | 1,929               | 2.20       | 29,93,113          | 3.33       |
| 2001 - 3000              | 614                 | 0.70       | 15,99,176          | 1.78       |
| 3001 - 4000              | 253                 | 0.29       | 9,16,428           | 1.02       |
| 4001 - 5000              | 252                 | 0.29       | 12,09,253          | 1.34       |
| 5001 - 10000             | 382                 | 0.44       | 28,48,582          | 3.17       |
| 10001 - And Above        | 323                 | 0.37       | 6,39,31,610        | 71.05      |
| <b>Total</b>             | <b>87,730</b>       | <b>100</b> | <b>8,99,71,474</b> | <b>100</b> |

ix. Shareholding Pattern as of 31st March 2014

| Category   | No. of Equity Shares | % to Paid-up Capital | No. of Shareholders |
|--|----------------------|----------------------|---------------------|
| Promoters :  |                      |                      |                     |
| - Tamilnadu Industrial Development Corpn. Ltd.                   | 1,58,43,751          | 17.61                | 1                   |
| - Southern Petrochemical Industries Corpn. Ltd.                  | 1,52,34,375          | 16.93                | 1                   |
| Other Corporate Bodies   | 69,74,072            | 7.75                 | 654                 |
| General Public   | 4,22,23,598          | 46.93                | 84824               |
| Non Resident Individuals   | 36,22,740            | 4.03                 | 2148                |
| Overseas Corporate Bodies  | 15,22,325            | 1.69                 | 7                   |
| Indian Financial Institutions<br>(including Insurance Companies) | 44,59,729            | 4.96                 | 5                   |
| Mutual Funds & Banks   | 17,825               | 0.02                 | 29                  |
| Shares in Transit [clearing Member account]                      | 50,020               | 0.06                 | 53                  |
| Foreign National   | 500                  | 0.00                 | 1                   |
| Trust  | 22,539               | 0.02                 | 7                   |
| <b>TOTAL</b>   | <b>8,99,71,474</b>   | <b>100</b>           | <b>87730</b>        |

x. Dematerialization of Shares and liquidity : The Company's Equity shares are traded on BSE & NSE in compulsory demat form and the ISIN of the shares is INE 148A01019. The shares are traded regularly on BSE & NSE. About 92% of the 8,99,71,474 outstanding shares have been dematerialized up to 31<sup>st</sup> March 2014. Balance shares are held in physical mode.

xi. Plant Location : Manali Express Highway, Manali, Chennai-600068.



**xii. Address for Correspondence:**

Investors may contact the Registrar and Transfer Agent for matters relating to shares, dividends, annual reports and related issues at the following address

**M/s Cameo Corporate Services Limited, No.1 Club House Road, V Floor, "Subramanian Building", Chennai 600 002,  
Phone: 044 - 28460084 / 28460395 / 28460390 (5 lines), Fax: 044 - 28460129, E-mail: investor@cameoindia.com**

For other general matters or in case of any difficulties/grievances investors may contact the Company Secretary and Compliance Officer at the Registered Office of the Company at

**Post Box No.9, Manali Express Highway, Manali, Chennai - 600068, Tel No. 044-25941501-10/25940761,  
Fax No.044-25941139/25940761, E-mail: secy-legal@tnpetro.com, investorgrievance@tnpetro.com,  
Website:www.tnpetro.com.**

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### **Certificate of Compliance of Conditions of Corporate Governance**

To

The Members of Tamilnadu Petroproducts Limited

We have examined the compliance of conditions of Corporate Governance by Tamilnadu Petroproducts Limited ("the Company") for the year ended on 31<sup>st</sup> March 2014, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

**For Deloitte Haskins & Sells**  
Chartered Accountants  
(Firm's Registration No. 008072S)

M.K. Ananthanarayanan  
Partner  
Membership No. 19521

Place : Chennai  
Date : 27<sup>th</sup> May 2014

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### **Declaration by CEO**

It is hereby declared that all Members of the Board of Directors and Senior Management personnel have affirmed compliance with respective Codes of Conduct envisaged by the Company for the period from 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014.

Chennai  
27<sup>th</sup> May 2014

Muthukrishnan Ravi  
Managing Director



## Independent Auditors' Report to the Members of Tamilnadu Petroproducts Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of TAMILNADU PETROPRODUCTS LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information

### Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

### Emphasis of Matter

We refer to Note no. 42 of the Notes forming part of the financial statements regarding the suspension of operations of the Epichlorohydrin plant. Considering the actions proposed to revive the operations of the plant as explained in the said Note, the management has assessed that there would be no impairment to the carrying value of the plant as at the Balance sheet date. We draw attention to the fact that the revenue generation from this plant would depend on the successful execution of the proposed plan for manufacture of the alternate product. This being a technical matter and is subject to uncertainty, we have relied on the estimates and assumptions made by the management in arriving at the recoverable value of the plant.

Our opinion is not qualified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (a) 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.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).
  - (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

**For Deloitte Haskins & Sells**  
Chartered Accountants  
(Firm's Registration No. 008072S)

M.K. Ananthanarayanan  
Partner  
(Membership No. 19521)

Place : Chennai  
Date : 27<sup>th</sup> May 2014



**Annexure to the Independent Auditors' Report**

**Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of the Independent auditors' report to the members of Tamilnadu Petroproducts Limited on the accounts for the year ended March 31, 2014**

- i) Having regard to the nature of the Company's business/activities/results during the year, Clauses (vi), (xii), (xiii), (xiv), (xviii), (xix) and (xx) of Paragraph 4 of the Order are not applicable to the Company.
- ii) In respect of its fixed assets:
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) The fixed assets are physically verified by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii) In respect of its inventory:
  - a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- vi) According to the information and explanations given to us and to the best of our knowledge and belief there are no contracts or arrangements that need to be entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956.
- vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determining whether they are accurate or complete.
- ix) According to the information and explanations given to us in respect of statutory dues:
  - a) The Company has generally been 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, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it, with the appropriate authorities.
  - b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Value Added Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2014 for a period of more than six months from the date they became payable.
  - c) Details of dues, if any, of Income tax, Sales Tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess which have not been deposited as on 31st March, 2014 on account of disputes are given below:

| Statute                      | Nature of dues | Forum where dispute is pending | Period to which the amount relates | Amount involved net of deposits (Rs. in Lacs) |
|------------------------------|----------------|--------------------------------|------------------------------------|---|
| Various State Sales Tax Acts | Sales Tax      | Tribunal                       | 1993 - 1994 to 2002-2003           | 1,659.00                                      |
|                              |                | High Court                     | 2006 – 2007                        | 58.08   |
| Central Excise Act           | Excise duty    | High Court                     | 1994 – 2002                        | 13.89   |
|                              |                | Tribunal                       | 2001 – 2005                        | 206.50  |
|                              |                | Commissioner (Appeals)         | 2002 – 2007                        | 5.11  |
|                              |                | Deputy Commissioner            | 1994 – 1997                        | 10.90   |
| Finance Act                  | Service tax    | Tribunal                       | 1997 – 2009                        | 311.38  |
|                              |                | Commissioner (Appeals)         | 2005 – 2006                        | 0.05  |

| Statute        | Nature of dues | Forum where dispute is pending | Period to which the amount relates | Amount involved net of deposits (Rs. in Lacs) |
|----------------|----------------|--------------------------------|------------------------------------|---|
| Income Tax Act | Income tax     | High court                     | Assessment Year 2000-01            | 60.16   |
|                |                | Tribunal                       | Assessment Year 2001-02            | 2.29  |
|                |                |                                | Assessment Year 2002-03            | 151.16  |
|                |                |                                | Assessment Year 2003-04            | 75.54   |
|                |                | CIT (A)                        | Assessment Year 2010-11            | 252.24  |

- x) The Company does not have accumulated losses at the end of the financial year. The Company has incurred cash losses during the financial year covered by our audit and 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 financial institutions and banks. The Company has not issued any debentures.
- xii) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
- xiii) In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company for the purposes for which they were obtained.
- xiv) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long-term investment.
- xv) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

**For Deloitte Haskins & Sells**  
Chartered Accountants  
(Firm's Registration No. 008072S)

M.K. Ananthanarayanan  
Partner  
(Membership No. 19521)

Place : Chennai  
Date : 27<sup>th</sup> May 2014



## Balance Sheet as at March 31, 2014

|                                | Notes | As at<br>31st March, 2014<br>(Rupees in lakhs) | As at<br>31st March, 2013<br>(Rupees in lakhs) |
|--------------------------------|-------|--|--|
| <b>EQUITY AND LIABILITIES</b>  |       |  |  |
| <b>Shareholders' funds</b>     |       |  |  |
| Share Capital                  | 3     | 8,997.15                                       | 8,997.15                                       |
| Reserves and surplus           | 4     | <u>21,819.17</u>                               | <u>25,569.75</u>                               |
|                                |       | <b>30,816.32</b>                               | <b>34,566.90</b>                               |
| <b>Non-current liabilities</b> |       |  |  |
| Long-term borrowings           | 5     | 1,519.81                                       | 3,978.04                                       |
| Deferred tax liabilities (net) | 6     | 2,463.08                                       | 4,292.63                                       |
| Other long term liabilities    | 7     | 313.92   | 524.42   |
| Long-term provisions           | 8     | <u>247.82</u>                                  | <u>369.95</u>                                  |
|                                |       | <b>4,544.63</b>                                | <b>9,165.04</b>                                |
| <b>Current liabilities</b>     |       |  |  |
| Short-term borrowings          | 9     | 11,874.08                                      | 14,396.59                                      |
| Trade payables                 | 10    | 13,778.01                                      | 19,090.24                                      |
| Other current liabilities      | 11    | 7,146.32                                       | 2,432.14                                       |
| Short-term provisions          | 12    | <u>50.59</u>                                   | <u>140.06</u>                                  |
|                                |       | <b>32,849.00</b>                               | <b>36,059.03</b>                               |
| <b>TOTAL</b>                   |       | <b><u>68,209.95</u></b>                        | <b><u>79,790.97</u></b>                        |
| <b>ASSETS</b>                  |       |  |  |
| <b>Non-current Assets</b>      |       |  |  |
| Fixed assets                   |       |  |  |
| Tangible assets                | 13    | 28,779.07                                      | 31,345.45                                      |
| Capital work-in-progress       |       | 1,446.19                                       | 1,549.44                                       |
| Non-current investments        | 14    | 9,210.86                                       | 9,208.62                                       |
| Long term loans and advances   | 15    | 2,280.97                                       | 1,944.23                                       |
| <b>Current assets</b>          |       |  |  |
| Inventories                    | 16    | 15,735.02                                      | 22,290.46                                      |
| Trade receivables              | 17    | 7,647.53                                       | 10,790.14                                      |
| Cash and cash equivalents      | 18    | 1,130.06                                       | 1,289.59                                       |
| Short-term loans and advances  | 19    | 1,848.97                                       | 1,340.31                                       |
| Other current assets           | 20    | <u>131.28</u>                                  | <u>32.73</u>                                   |
|                                |       | <b>26,492.86</b>                               | <b>35,743.23</b>                               |
| <b>TOTAL</b>                   |       | <b><u>68,209.95</u></b>                        | <b><u>79,790.97</u></b>                        |

See accompanying Notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

M K Ananthanarayanan  
Partner

Place : Chennai  
Date : 27<sup>th</sup> May, 2014

For and on behalf of the Board

Ashwin C Muthiah  
T.K. Arun

C. Ramachandran IAS (Retd)  
Muthukrishnan Ravi  
R. Kothandaraman

Vice Chairman  
Director

Director  
Managing Director  
Company Secretary

K.R. Anandan  
Chief Financial Officer



## Statement of Profit and Loss for the year ended March 31, 2014

|   | Notes   | Year ended<br>31st March, 2014<br>(Rupees in lakhs) | Year ended<br>31st March, 2013<br>(Rupees in lakhs) |
|---|---------|---|---|
| <b>INCOME</b>   |         |   |   |
| Revenue from operations (gross)   | 21      | 117,290.54  | 143,260.73  |
| Less : Excise Duty  |         | <u>12,108.61</u>                                    | <u>15,118.30</u>                                    |
| Revenue from operations (Net)   |         | 105,181.93  | 128,142.43  |
| Other income  | 22      | 1,211.88  | 553.68  |
| <b>Total Revenue</b>  |         | <u><b>106,393.81</b></u>                            | <u><b>128,696.11</b></u>                            |
| <b>EXPENSES</b>   |         |   |   |
| Cost of Materials consumed  | 23      | 63,327.06   | 80,632.85   |
| Purchase of Stock-in-trade  | 24      | 3,216.93  | 3,302.77  |
| Changes in inventories of finished goods, work-in-progress and Stock-in-trade | 25      | 2,684.86  | (5,834.55)  |
| Employee benefits expense   | 26      | 2,386.38  | 2,952.40  |
| Finance costs   | 27      | 3,226.55  | 3,182.62  |
| Depreciation  | 13 & 31 | 3,042.84  | 3,861.75  |
| Other expenses  | 28      | 34,069.21   | 47,677.33   |
| <b>Total expenses</b>   |         | <u><b>111,953.83</b></u>                            | <u><b>135,775.17</b></u>                            |
| (Loss) before exceptional item and taxes                                      |         | <b>(5,560.02)</b>                                   | (7,079.06)  |
| Exceptional items   | 29      | -   | 173.97  |
| <b>(Loss) before tax</b>  |         | <u><b>(5,560.02)</b></u>                            | <u><b>(7,253.03)</b></u>                            |
| Tax expense:  |         |   |   |
| Current tax   |         | -   | -   |
| Deferred tax  | 6       | <u>(1,829.55)</u>                                   | <u>(2,197.44)</u>                                   |
| <b>(Loss) for the year</b>  |         | <u><b>(3,730.47)</b></u>                            | <u><b>(5,055.59)</b></u>                            |
| Earnings per equity share:  |         |   |   |
| Basic and diluted   | 36      | <b>(4.15)</b>                                       | (5.62)  |

See accompanying Notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

M K Ananthanarayanan  
Partner

Place : Chennai

Date : 27<sup>th</sup> May, 2014

For and on behalf of the Board

Ashwin C Muthiah

T.K. Arun

C. Ramachandran IAS (Retd)

Muthukrishnan Ravi

R. Kothandaraman

Vice Chairman

Director

Director

Managing Director

Company Secretary

K.R. Anandan

Chief Financial Officer



## Cash Flow Statement for the year ended March 31, 2014

|   | For the year ended<br>March 31, 2014<br>(Rupees in lakhs) | For the year ended<br>March 31, 2013<br>(Rupees in lakhs) |
|---|---|---|
| <b>A</b>  |   |   |
| Cash flow from operating activities:                            |   |   |
| (Loss) before tax   | <b>(5,560.02)</b>   | (7,253.03)  |
| Adjustments for   |   |   |
| Depreciation  | <b>3,042.84</b>   | 3,861.75  |
| (Profit) / Loss on sale/write off of assets                     | <b>127.82</b>   | (114.04)  |
| Finance costs   | <b>3,226.55</b>   | 3,182.62  |
| Interest income   | <b>(224.73)</b>   | (90.75)   |
| Bad Loans and Advances Written off                              | <b>12.76</b>  | 652.18  |
| Provision for diminution in the value of investment             | <b>-</b>  | 1,978.11  |
| Rental income from operating leases                             | <b>(318.55)</b>   | (285.97)  |
| Net gain on sale of long term investments                       | <b>-</b>  | (1,804.14)  |
| Net unrealised exchange (gain)/loss                             | <b>(36.08)</b>  | 577.35  |
| Sundry balances/excess provision written back                   | <b>(527.18)</b>   | -   |
|   | <b>5,303.43</b>   | 7,957.11  |
| Operating profit/(loss) before working capital changes          | <b>(256.59)</b>   | 704.08  |
| Changes in working capital:                                     |   |   |
| Adjustments for (increase) / decrease in operating assets:      |   |   |
| Inventories   | <b>6,555.44</b>   | (8,974.00)  |
| Trade receivables   | <b>3,161.94</b>   | (1,660.17)  |
| Short-term loans and advances                                   | <b>(504.04)</b>   | 439.25  |
| Long-term loans and advances                                    | <b>(349.51)</b>   | (241.03)  |
| Other current assets  | <b>(60.00)</b>  | -   |
| Adjustments for increase / (decrease) in operating liabilities: |   |   |
| Trade payables  | <b>(4,768.30)</b>   | 5,457.94  |
| Other current liabilities                                       | <b>1,564.94</b>   | 4.34  |
| Other long-term liabilities                                     | <b>(210.50)</b>   | 149.90  |
| Short-term provisions   | <b>(7.21)</b>   | (28.34)   |
| Long-term provisions  | <b>(122.13)</b>   | 74.85   |
|   | <b>5,260.63</b>   | (4,777.26)  |
| Cash generated from operations                                  | <b>5,004.04</b>   | (4,073.18)  |
| Net income tax paid   | <b>(86.88)</b>  | (57.08)   |
| Net cash flow from/(used in) operating activities (A)           | <b>4,917.16</b>   | (4,130.26)  |
| <b>B</b>  |   |   |
| Cash flow from investing activities:                            |   |   |
| Capital expenditure on fixed assets, including capital advances | <b>(534.65)</b>   | (1,272.69)  |
| Proceeds from sale of fixed assets                              | <b>13.51</b>  | 173.95  |
| Advances received against sale of immovable property            | <b>2,000.00</b>   | -   |
| Purchase of long-term investment                                | <b>(2.24)</b>   | -   |
| Proceeds form sale of long-term investment                      | <b>-</b>  | 4,558.65  |
| Interest received - others                                      | <b>186.18</b>   | 88.29   |
| Rental income from operating leases                             | <b>318.55</b>   | 285.97  |
| Bank balances not considered as cash and cash equivalents       | <b>(851.76)</b>   | 1.36  |
|   | <b>1,129.59</b>   | 3,835.53  |
| Net cash flow from / (used in) investing activities (B)         | <b>1,129.59</b>   | 3,835.53  |



## Cash Flow Statement for the year ended March 31, 2014 (Continued)

|  | For the year ended<br>March 31, 2014<br>Rupees in lakhs | For the year ended<br>March 31, 2013<br>Rupees in lakhs |
|--|---|---|
| <b>C</b> Cash flow from financing activities:  |   |   |
| Proceeds from short-term borrowings  | 1,172.26  | 97.55   |
| Repayment of long-term borrowings  | (2,458.23)  | (1,293.84)  |
| Net increase/(decrease) in working capital borrowings  | (2,522.51)  | 4,290.18  |
| Finance costs  | (3,230.58)  | (3,183.10)  |
| Dividends paid   | (0.64)  | (442.58)  |
| Paid to Investor Education and Protection Fund   | (18.34)   | (19.31)   |
| Tax on dividend  | -   | (72.98)   |
|  | <u>(7,058.04)</u>                                       | <u>(624.08)</u>   |
| Net cash from / (used in) financing activities (C)   | <u>(7,058.04)</u>                                       | <u>(624.08)</u>   |
| Net cash flows during the year (A+B+C)   | <u>(1,011.29)</u>                                       | <u>(918.81)</u>   |
| Cash and cash equivalents at the beginning of the year   | 1,045.57  | 1,949.98  |
| Effect of exchange differences on reinstatement of foreign currency cash and cash equivalents              | -   | 14.40   |
|  | <u>1,045.57</u>   | <u>1,964.38</u>   |
| Cash and cash equivalents at the end of the year   | <u>34.28</u>  | <u>1,045.57</u>   |
|  | <u>34.28</u>  | <u>1,045.57</u>   |
| Net increase / (decrease) in cash and cash equivalents   | <u>(1,011.29)</u>                                       | <u>(918.81)</u>   |
| <b>Reconciliation of Cash and cash equivalents with the Balance Sheet:</b>                                 |   |   |
| Cash and cash equivalents as per Balance Sheet (Refer Note 18)   | 1,130.06  | 1,289.59  |
| Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 - Cash Flow Statements: |   |   |
| Unpaid dividend accounts   | 59.51   | 78.49   |
| Margin money deposits  | 1,036.27  | 165.53  |
| Cash and cash equivalents at the end of the year *   | <u>34.28</u>  | <u>1,045.57</u>   |
| <b>* Comprises:</b>  |   |   |
| Cash on hand   | 0.47  | 1.30  |
| Cheques on hand  | 2.88  | 385.61  |
| Balances with banks  |   |   |
| In current accounts  | 30.93   | 658.66  |
|  | <u>34.28</u>  | <u>1,045.57</u>   |

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

M K Ananthanarayanan  
Partner

Place : Chennai  
Date : 27<sup>th</sup> May, 2014

For and on behalf of the Board

Ashwin C Muthiah

T.K. Arun

C. Ramachandran IAS (Retd)

Muthukrishnan Ravi

R. Kothandaraman

Vice Chairman

Director

Director

Managing Director

Company Secretary

K.R. Anandan

Chief Financial Officer



## Notes forming part of the financial statements

### 1. Corporate information

Tamilnadu Petroproducts Limited (TPL) was incorporated in 1984 as a public limited Company and is jointly promoted by Southern Petrochemicals Industries Corporation Limited (SPIC) and Tamilnadu Industrial Development Corporation Limited (TIDCO) . Its shares are listed on two stock exchanges in India. viz. National Stock Exchange of India and Bombay Stock Exchange Ltd. The Company is currently engaged in the manufacturing and selling of petrochemical products namely Linear Alkyl Benzene (LAB) and Caustic Soda from the manufacturing facilities situated at Manali, near Chennai

### 2. Summary of accounting policies

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

#### I BASIS OF ACCOUNTING

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention except for categories of fixed assets acquired before 1 April, 1996, that are carried at revalued amounts. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

#### II USE OF ESTIMATES

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

#### III OPERATING CYCLE

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

#### IV 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 including borrowing 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 for plant and machinery used in the Epichlorohydrin plant which is depreciated @ 10%, assets provided to employees which are depreciated @ 20% and certain specific assets whose useful life has been determined at 4.5 years.

#### CAPITAL WORK-IN-PROGRESS:

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

#### V IMPAIRMENT OF ASSETS

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

#### VI FOREIGN CURRENCY TRANSACTIONS

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

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

#### VII INVESTMENTS

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

Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.



## VIII INVENTORIES

Inventories are valued at lower of cost (weighted average basis) and net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges. Work-in-progress and finished goods include appropriate proportion of overheads and, where applicable, excise duty.

## IX CASH AND CASH EQUIVALENTS (FOR PURPOSE OF CASH FLOW STATEMENT)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

## X CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

## XI REVENUE RECOGNITION

### a) Sale of Goods

Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to the customers. Sales include excise duty but exclude sales tax and value added tax.

### b) Income from services

Revenues from contracts priced on a time and material basis are recognised when services are rendered and related costs are incurred.

## XII OTHER INCOME

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

Property lease rentals are accrued as per terms of the agreement with the lessees and are recognized equally on a straight- line basis over the non-cancellable lease period.

## XIII EMPLOYEE BENEFITS

Short term employee benefits

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

### Defined Contribution Plans

#### i) Superannuation:

This plan covers staff of the Company and is administered by the Life Insurance Corporation of India. Contributions are made monthly at a predetermined rate to the Trust and debited to the Profit and Loss account on an accrual basis. The superannuation contribution for staff is withdrawn with effect from October 1, 2013.

### Defined Benefits Plans

#### ii) Provident Fund:

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

#### ii) Gratuity:

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

### Long term compensated absences:

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

## XIV BORROWING INTEREST COST:

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure



of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

#### XV TAXES ON INCOME

- a) Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the Income Tax Act, 1961.
- b) Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

#### XVI PROVISIONS AND CONTINGENCIES

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

#### XVII OPERATING LEASES

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

#### XVIII EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations.

#### XIX RESEARCH AND DEVELOPMENT EXPENSES

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss.

#### XX INSURANCE CLAIMS

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that there is no uncertainty in receiving the claims.

#### XXI SERVICE TAX INPUT CREDIT

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.

|  | As at<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | As at<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|--|---|---|
| <b>3. Share Capital</b>                                    |   |   |
| <b>Authorised</b>  |   |   |
| 200,000,000 equity shares of Rs.10 each with voting rights | <b>20,000.00</b>  | 20,000.00   |
| <b>Issued</b>  |   |   |
| 89,976,899 equity shares of Rs 10 each with voting rights  | <b>8,997.69</b>   | 8,997.69  |
| <b>Subscribed and fully paid up</b>                        |   |   |
| 89,971,474 equity shares of Rs 10 each with voting rights  | <b><u>8,997.15</u></b>                                    | <u>8,997.15</u>   |

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.

**Details of Shareholders holding more than 5% shares in the Company**

| Name of the Shareholders                              | 31 <sup>st</sup> March 2014                 |              | 31 <sup>st</sup> March 2013 |              |
|---|---|--------------|-----------------------------|--------------|
|   | Equity Shares of Rs.10/- each fully paid up | No of Shares | % of holding                | No of Shares |
| Tamilnadu Industrial Development Corporation Limited  | 1,58,43,751                                 | 17.61        | 1,58,43,751                 | 17.61        |
| Southern Petrochemical Industries Corporation Limited | 1,52,34,375                                 | 16.93        | 1,52,34,375                 | 16.93        |

There has been no movement in equity share capital during the year.

The Company has only one class of equity shares having a par value of Rs.10/-. Each holder is entitled to one vote per equity share. Repayment of capital will be in proportion to the number of equity shares held.

| 4. Reserves and Surplus                         | As at<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | As at<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|---|---|---|
| <b>Capital reserve</b>                          | 42.23   | 42.23   |
| <b>Securities premium account</b>               | 4,611.57  | 4,611.57  |
| <b>Revaluation reserve</b>                      |   |   |
| Opening balance                                 | 2,006.29  | 2,026.40  |
| Less: Utilised for set off against depreciation | 20.11   | 20.11   |
| Closing balance                                 | <u>1,986.18</u>   | <u>2,006.29</u>   |
| <b>General reserve</b>                          | 14,890.38   | 14,890.38   |
| <b>Surplus in Statement of Profit and Loss</b>  |   |   |
| Opening balance                                 | 4,019.28  | 9,074.87  |
| (Less): (Loss) for the year                     | <u>(3,730.47)</u>   | <u>(5,055.59)</u>   |
| Closing balance                                 | <u>288.81</u>   | <u>4,019.28</u>   |
|   | <u>21,819.17</u>  | <u>25,569.75</u>  |

**5. Long Term Borrowings**
**Term Loans**

Indian rupee loan from banks (secured) 94.05 770.25

**Other Loans and Advances**

From HDFC Limited (secured) - 1,478.58

Interest Free Deferred sales Tax Loan (unsecured) 1,425.76 1,729.21

1,519.81 3,978.04

Details of terms of repayment and security:

| Particulars   | Terms of repayments                  | 31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | 31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|---|--------------------------------------|--|--|
| <b>Term loan from banks</b>                               |                                      |  |  |
| Bank I (Refer Note (i) below)                             |                                      | -  | 300.00   |
| Bank II (Refer Note (i) below)                            | Repayable in 1 quarterly installment | 94.05  | 470.25   |
| <b>Other Loan from HDFC Limited<br/>[Refer Note (ii)]</b> |                                      | -  | 1,478.58   |
| <b>Deferred Payment Liabilities</b>                       |                                      |  |  |
| Interest free Deferred Sales Tax Loan                     | Repayable in 48 monthly installments | <u>1,425.76</u>                                  | <u>1,729.21</u>                                  |
|   |                                      | <u>1,519.81</u>                                  | <u>3,978.04</u>                                  |

- (i) Average rate of interest on Term loan from Bank I is 13.00% p.a (2013:13.03%) and Bank II is 13.89 %p.a. (2013:14.02%). The Loans are secured by a first mortgage of all the Company's immovable properties, both present and future, and second charge on all the movable properties of the Company (except for exclusive charges referred in note (ii) below) by deposit of title deeds, ranking pari passu amongst them.
- (ii) Average rate of interest on loan from HDFC Limited is 13.39% p.a (2013: 13.17%). The Loan 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.

|   | As at<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | As at<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|---|---|---|
| <b>6. Deferred Tax Liabilities (Net)</b>  |   |   |
| <b>Tax effect of item Constituting Deferred Tax Liability</b>   |   |   |
| On difference between book balance and tax balance of fixed assets  | <u>5,602.15</u>   | <u>6,119.06</u>   |
| <b>Tax effect of items Constituting Deferred Tax Assets</b>   |   |   |
| Unabsorbed depreciation and business losses   | 3,040.20  | 1,709.40  |
| Provision for compensated absences  | 96.82   | 114.98  |
| Provision for doubtful debts/advances   | <u>2.05</u>   | <u>2.05</u>   |
|   | <u>3,139.07</u>   | <u>1,826.43</u>   |
| <b>Net Deferred Tax Liability</b>   | <u>2,463.08</u>   | <u>4,292.63</u>   |
| <b>7. Other long-term Liabilities</b>   |   |   |
| Security deposit received   | 296.99  | 507.49  |
| Other liability (Note 45)   | <u>16.93</u>  | <u>16.93</u>  |
|   | <u>313.92</u>   | <u>524.42</u>   |
| <b>8. Long Term Provisions</b>  |   |   |
| <b>Provision for employee benefits</b>  | <u>247.82</u>   | <u>369.95</u>   |
| Compensated absences  |   |   |
| <b>9. Short Term Borrowings</b>   |   |   |
| Loan repayable on demand from Banks (Secured)   | <u>11,874.08</u>  | <u>14,396.59</u>  |
| Loans 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 mortgage by deposit of title deeds of immovable properties, both present and future, (except for exclusive charges stated in note 5 (ii) above) on second charge basis ranking pari passu amongst them. |   |   |
| <b>10. Trade payables</b>   |   |   |
| Acceptances   | 3,435.67  | 8,055.80  |
| Other than acceptances (Note 39)  | 10,294.47   | 10,832.27   |
| Payable to related parties  | <u>47.87</u>  | <u>202.17</u>   |
|   | <u>13,778.01</u>  | <u>19,090.24</u>  |
| <b>11. Other Current Liabilities</b>  |   |   |
| Current maturities of long term debt (Refer Note No. (i) below)   | 2,464.57  | 1,292.31  |
| Interest accrued but not due on borrowings  | 0.85  | 4.88  |
| Unpaid dividends  | 59.51   | 78.49   |
| Deposits  | 226.10  | 10.00   |
| Gratuity payable  | 92.88   | 105.00  |
| <b>Other Payables</b>   |   |   |
| Statutory remittances (Contributions to PF and ESIC and other taxes payable)  | 565.26  | 441.46  |
| Advances from related parties   | 1,737.15  | 500.00  |
| Advance against sale of immovable property (Note 44)  | <u>2,000.00</u>   | <u>-</u>  |
|   | <u>7,146.32</u>   | <u>2,432.14</u>   |
| <b>Note (i): Current maturities of long-term debt (Refer (i) and (ii) of Note 5 for terms of interest and details of security.</b>  |   |   |
| Term Loan from Banks (Secured)  | 676.20  | 776.20  |
| Loans from HDFC Limited (Secured)   | 1,484.92  | 275.91  |
| Deferred Sales Tax Loan (Unsecured)   | <u>303.45</u>   | <u>240.20</u>   |
|   | <u>2,464.57</u>   | <u>1,292.31</u>   |



**As at**  
**31<sup>st</sup> March 2014**  
**(Rupees in lakhs)**

**As at**  
**31<sup>st</sup> March 2013**  
**(Rupees in lakhs)**

**12. Short Term Provisions**

**(a) Provision for employee benefits**

Provision for Compensated Absences **50.59** 57.80

**(b) Provisions - Others**

Provision for Taxation (Net) - 82.26  
**50.59** **140.06**

**13. Fixed Assets**

**Rupees in lakhs**

**Current Year**

| Description                              | Cost / Valuation    |               |               |                     | Depreciation        |                 |               |                     | Net book value      |                     |
|--|---------------------|---------------|---------------|---------------------|---------------------|-----------------|---------------|---------------------|---------------------|---------------------|
|  | As at<br>01.04.2013 | Additions     | Deductions    | As at<br>31.03.2014 | As at<br>01.04.2013 | For the<br>year | Deductions    | As at<br>31.03.2014 | As at<br>31.03.2014 | As at<br>31.03.2013 |
| <b>Tangible assets:</b>                  |                     |               |               |                     |                     |                 |               |                     |                     |                     |
| Land (Freehold)                          | 2,187.26            | -             | -             | 2,187.26            | -                   | -               | -             | -                   | 2,187.26            | 2,187.26            |
| <b>Buildings:</b>                        |                     |               |               |                     |                     |                 |               |                     |                     |                     |
| Own use                                  | 4,608.34            | 50.86         | -             | 4,659.20            | 2,073.18            | 114.41          | -             | 2,187.59            | 2,471.61            | 2,535.16            |
| Given under operating lease<br>(Note 44) | 1,117.61            | -             | -             | 1,117.61            | 198.87              | 21.42           | -             | 220.29              | 897.32              | 918.74              |
| <b>Plant and Equipment</b>               | 118,423.09          | 587.04        | 886.65        | 118,123.48          | 92,937.51           | 2,888.72        | 746.96        | 95,079.27           | 23,044.21           | 25,485.58           |
| <b>Furniture and Fixtures</b>            | 129.43              | -             | 5.90          | 123.53              | 118.65              | 2.08            | 4.26          | 116.47              | 7.06                | 10.78               |
| <b>Vehicles</b>                          | 28.77               | -             | -             | 28.77               | 22.25               | 1.73            | -             | 23.98               | 4.79                | 6.52                |
| <b>Office equipment</b>                  | 927.82              | -             | -             | 927.82              | 726.41              | 34.59           | -             | 761.00              | 166.82              | 201.41              |
| <b>Total</b>                             | <b>127,422.32</b>   | <b>637.90</b> | <b>892.55</b> | <b>127,167.67</b>   | <b>96,076.87</b>    | <b>3,062.95</b> | <b>751.22</b> | <b>98,388.60</b>    | <b>28,779.07</b>    | <b>31,345.45</b>    |

**Previous Year**

| Description                   | Cost / Valuation    |                 |               |                     | Depreciation        |                 |               |                     | Net book value      |                     |
|-------------------------------|---------------------|-----------------|---------------|---------------------|---------------------|-----------------|---------------|---------------------|---------------------|---------------------|
|                               | As at<br>01.04.2012 | Additions       | Deductions    | As at<br>31.03.2013 | As at<br>01.04.2012 | For the<br>year | Deductions    | As at<br>31.03.2013 | As at<br>31.03.2013 | As at<br>31.03.2012 |
| <b>Tangible assets:</b>       |                     |                 |               |                     |                     |                 |               |                     |                     |                     |
| Land (Freehold)               | 2,187.26            | -               | -             | 2,187.26            | -                   | -               | -             | -                   | 2,187.26            | 2,187.26            |
| <b>Buildings:</b>             |                     |                 |               |                     |                     |                 |               |                     |                     |                     |
| Own use                       | 4,616.02            | 25.14           | 32.82         | 4,608.34            | 1,984.88            | 112.34          | 24.04         | 2,073.18            | 2,535.16            | 2,631.14            |
| Given under operating lease   | 1,117.61            | -               | -             | 1,117.61            | 176.10              | 22.77           | -             | 198.87              | 918.74              | 941.51              |
| <b>Plant and Equipment</b>    | 115,824.91          | 3,300.05        | 701.87        | 118,423.09          | 89,899.39           | 3,696.69        | 658.57        | 92,937.51           | 25,485.58           | 25,925.52           |
| <b>Furniture and Fixtures</b> | 139.67              | 1.89            | 12.13         | 129.43              | 123.63              | 3.17            | 8.15          | 118.65              | 10.78               | 16.04               |
| <b>Vehicles</b>               | 57.36               | -               | 28.59         | 28.77               | 40.45               | 8.31            | 26.51         | 22.25               | 6.52                | 16.91               |
| <b>Office equipment</b>       | 982.51              | 14.55           | 69.24         | 927.82              | 755.30              | 38.58           | 67.47         | 726.41              | 201.41              | 227.21              |
| <b>Total</b>                  | <b>124,925.34</b>   | <b>3,341.63</b> | <b>844.65</b> | <b>127,422.32</b>   | <b>92,979.75</b>    | <b>3,881.86</b> | <b>784.74</b> | <b>96,076.87</b>    | <b>31,345.45</b>    | <b>31,945.59</b>    |



|  | As at<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | As at<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|--|---|---|
| <b>14. Non Current Investments</b>   |   |   |
| <b>Investments (At Cost)</b>   |   |   |
| <b>(A) Trade (Unquoted)</b>  |   |   |
| Investment in Equity Instruments of :  |   |   |
| <b>(i) Wholly Owned Subsidiary</b>   |   |   |
| 2,04,190 ( 31 March 2013: 2,04,190) Equity shares of US \$ 100 each<br>fully paid up in Certus Investment & Trading Limited, Mauritius                                   | 9,645.13  | 9,645.13  |
| Less: Provision for diminution in value of investments   | <u>1,978.11</u>   | <u>1,978.11</u>   |
|  | <b>7,667.02</b>   | <b>7,667.02</b>   |
| <b>(ii) Associate</b>  |   |   |
| 13,68,000 ( 2013: 13,68,000) Equity shares of Rs 100 each fully paid up<br>in Petro Araldite Private Limited   | <u>1,368.00</u>   | <u>1,368.00</u>   |
| <b>Total - Trade (A)</b>   | <u><b>9,035.02</b></u>                                    | <u><b>9,035.02</b></u>                                    |
| <b>(B) Other Investments (Unquoted)</b>  |   |   |
| <b>(i) Investment in Equity Instruments :</b>  |   |   |
| (a) 1,00,000 ( 2013: 1,00,000) Equity shares of Rs.10 each fully paid up in SPIC<br>Electric Power Corporation Private Limited. ( Note 45)                               | 10.00   | 10.00   |
| (b) 40,00,000(31st March 2013: 40,00,000) Equity shares of Rs.10 each fully<br>paid-up in Standard Motor Products of India Limited.                                      | 400.00  | 400.00  |
| Less: Provision for diminution in value of Investment  | <u>400.00</u>   | <u>400.00</u>   |
| (c) Suzlon Engitech Limited 22,463 Equity Shares of Rs.10 each fully paid up<br>(acquired during the year)   | 2.24  | -   |
| <b>(ii) Investments in bonds (unquoted)</b>  | <u>12.24</u>  | <u>10.00</u>  |
| 3 years 0% interest bond in Mercantile Ventures Limited ( allotted on 27th March<br>2013 in settlement of dues) (Refer Note below)                                       | 163.60  | 163.60  |
| <b>Total - Other investments (B)</b>   | <u>175.84</u>   | <u>173.60</u>   |
| <b>Aggregate amount of unquoted investments (A+B)</b>  | <u><b>9,210.86</b></u>                                    | <u><b>9,208.62</b></u>                                    |
| Note: The Bonds are redeemable at the end of the third year from the date of issue or at the option of the Company, convertible into equity shares of Rs.10 each at par. |   |   |
| <b>15. Long-term Loans and Advances (Unsecured, Considered Good)</b>   |   |   |
| Security Deposit   | 1,155.08  | 833.13  |
| Security Deposit to Related Party  | 248.76  | 262.09  |
| Balances with Customs, Sales Tax and Excise Authorities  | 839.62  | 809.75  |
| Other Loans and Advances - Unsecured   | <u>37.51</u>  | <u>39.26</u>  |
|  | <u><b>2,280.97</b></u>                                    | <u><b>1,944.23</b></u>                                    |
| <b>16. Inventories</b>   |   |   |
| Raw Materials and Components   | 5,273.63  | 9,789.41  |
| Goods in Transit   | 627.94  | 103.01  |
| Work-in-progress   | 361.37  | 34.78   |
| Finished Goods   | 6,512.33  | 9,523.78  |
| Stores and Spares  | <u>2,959.75</u>   | <u>2,839.48</u>   |
|  | <u><b>15,735.02</b></u>                                   | <u><b>22,290.46</b></u>                                   |



|  | As at<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | As at<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|--|---|---|
| <b>Details of Work-in-progress:</b>  |   |   |
| Linear Alkyl Benzene   | 63.24   | 11.46   |
| Benzene  | 12.77   | -   |
| Normal Paraffin  | <u>285.36</u>   | <u>23.32</u>  |
|  | <u>361.37</u>   | <u>34.78</u>  |
| <b>17. Trade Receivables (Unsecured)</b>   |   |   |
| Trade receivables outstanding for a period exceeding six months from the date they were due for payment: |   |   |
| Considered good  | 98.90   | 33.47   |
| Considered doubtful  | <u>6.33</u>   | <u>6.33</u>   |
|  | 105.23  | 39.80   |
| Other trade receivables - Considered good  | <u>7,548.63</u>   | <u>10,756.67</u>  |
|  | 7,653.86  | 10,796.47   |
| Less: Provision for doubtful receivables   | <u>6.33</u>   | <u>6.33</u>   |
|  | <u>7,647.53</u>   | <u>10,790.14</u>  |
| <b>18. Cash and Cash Equivalents</b>   |   |   |
| Cash on hand   | 0.47  | 1.30  |
| Cheques on hand  | 2.88  | 385.61  |
| Balances with banks  |   |   |
| In current accounts  | 30.93   | 658.66  |
| In earmarked accounts  |   |   |
| Unpaid dividend account  | 59.51   | 78.49   |
| Margin Money deposits  | <u>1,036.27</u>   | <u>165.53</u>   |
|  | <u>1,130.06</u>   | <u>1,289.59</u>   |
| <b>19. Short-term Loans and Advances</b><br>(Unsecured considered good unless otherwise stated)          |   |   |
| Security deposits  | 22.52   | 178.77  |
| Receivable from Related party  | -   | 0.02  |
| Loans and advances to employees  |   |   |
| Secured loan against mortgage of title deeds   | 14.38   | 33.88   |
| Other loans  | <u>18.17</u>  | <u>11.33</u>  |
| Prepaid expenses   | <u>58.10</u>  | 100.59  |
| <b>Balances with Government Authorities</b>  |   |   |
| (i) CENVAT credit receivable   | 923.82  | 149.18  |
| (ii) VAT credit receivable   | 5.97  | 35.60   |
| (iii) Service tax credit receivable  | 105.86  | 92.39   |
| (iv) Customs   | 2.75  | -   |
| (v) Taxation ( net of provisions)  | <u>4.62</u>   | <u>-</u>  |
|  | 1,043.02  | 277.17  |
| Advances to suppliers  | <u>692.78</u>   | <u>738.55</u>   |
|  | <u>1,848.97</u>   | <u>1,340.31</u>   |
| <b>20. Other Current Assets</b>  |   |   |
| Interest accrued on deposits   | 71.28   | 32.73   |
| Claims receivable  | <u>60.00</u>  | <u>-</u>  |
|  | <u>131.28</u>   | <u>32.73</u>  |



|  | Year ended<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | Year ended<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|--|--|--|
| <b>21. Revenue from Operations</b>                       |  |  |
| Sale of products   | 1,16,538.81  | 1,42,419.16  |
| Sale of services   | 673.63   | 598.57   |
| Other operating revenues                                 | 78.10  | 243.00   |
|  | <u>1,17,290.54</u>   | <u>1,43,260.73</u>   |
| Less: Excise Duty  | 12,108.61  | 15,118.30  |
|  | <u>1,05,181.93</u>   | <u>1,28,142.43</u>   |
| <b>Sale of Products Comprises</b>                        |  |  |
| <b>Manufactured Goods</b>                                |  |  |
| Linear Alkyl Benzene                                     | 94,349.76  | 1,08,071.16  |
| Epichlorohydrin  | 89.77  | 9,402.00   |
| Caustic soda   | 12,300.25  | 15,311.07  |
| Others   | 6,293.35   | 6,289.31   |
|  | <u>1,13,033.13</u>   | <u>1,39,073.54</u>   |
| <b>Traded goods</b>                                      |  |  |
| Ammonia  | 2,669.70   | 3,345.62   |
| Furnace Oil  | 835.98   | -  |
|  | <u>3,505.68</u>  | <u>3,345.62</u>  |
| <b>Total - Sale of Products</b>                          | <u>1,16,538.81</u>   | <u>1,42,419.16</u>   |
| <b>Sale of Services Comprises</b>                        |  |  |
| Effluent Treatment / Hydrogen Cylinder Testing / Storage | 379.33   | 461.46   |
| Steam  | 294.30   | 137.11   |
| <b>Total - Sale of Services</b>                          | <u>673.63</u>  | <u>598.57</u>  |
| Other operating revenues comprises                       |  |  |
| Scrap sales  | 78.10  | 243.00   |
| <b>Total - Other operating revenues</b>                  | <u>78.10</u>   | <u>243.00</u>  |
| <b>22. Other Income</b>                                  |  |  |
| <b>Interest</b>  |  |  |
| from bank deposits                                       | 103.60   | 13.79  |
| from others  | 121.13   | 76.96  |
| Profit on sale of assets (net)                           | -  | 114.04   |
| Rental income from operating leases                      | 318.55   | 285.97   |
| Insurance claim received                                 | 53.53  | 45.37  |
| Sundry balances / excess provision written back          | 527.18   | -  |
| Others   | 87.89  | 17.55  |
|  | <u>1,211.88</u>  | <u>553.68</u>  |





|  | Year ended<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | Year ended<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|--|--|--|
| <b>23. Cost of Materials Consumed</b>  |  |  |
| Opening stock  | 9,789.41   | 6,713.90   |
| Add: Purchases   | <u>58,811.28</u>   | <u>83,708.36</u>   |
|  | <b>68,600.69</b>   | <b>90,422.26</b>   |
| Less: Closing Stock  | <u>5,273.63</u>  | <u>9,789.41</u>  |
| Cost of material consumed  | <b><u>63,327.06</u></b>  | <b><u>80,632.85</u></b>  |
| <b>Material Consumed Comprises:</b>  |  |  |
| Kerosene   | 26,772.09  | 33,253.37  |
| Benzene  | 18,568.16  | 21,702.85  |
| Normal Paraffin  | 16,484.80  | 18,961.56  |
| Propylene  | -  | 4,000.60   |
| Salt   | 1,339.07   | 1,716.28   |
| Others   | <u>162.94</u>  | <u>998.19</u>  |
|  | <b><u>63,327.06</u></b>  | <b><u>80,632.85</u></b>  |
| <b>24. Purchase of Stock in Trade:</b>   |  |  |
| Ammonia  | 2,564.74   | 3,302.77   |
| Furnace Oil  | <u>652.19</u>  | <u>-</u>   |
|  | <b><u>3,216.93</u></b>   | <b><u>3,302.77</u></b>   |
| <b>25. Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade</b> |  |  |
| <b>Inventories at the end of the year</b>  |  |  |
| Finished goods   | 6,512.33   | 9,523.78   |
| Work-in-progress   | <u>361.37</u>  | <u>34.78</u>   |
|  | <b><u>6,873.70</u></b>   | <b><u>9,558.56</u></b>   |
| <b>Inventories at the beginning of the year</b>  |  |  |
| Finished goods   | 9,523.78   | 3,503.45   |
| Work-in-progress   | <u>34.78</u>   | <u>220.56</u>  |
|  | <b><u>9,558.56</u></b>   | <b><u>3,724.01</u></b>   |
|  | <b><u>2,684.86</u></b>   | <b><u>(5,834.55)</u></b>                                       |
| <b>26. Employee Benefits Expense</b>   |  |  |
| Salaries and wages   | 1,786.64   | 2,261.49   |
| Contributions to provident and other funds   | 209.97   | 189.05   |
| Staff welfare expenses   | <u>389.77</u>  | <u>501.86</u>  |
|  | <b><u>2,386.38</u></b>   | <b><u>2,952.40</u></b>   |
| <b>27. Finance Costs</b>   |  |  |
| <b>Interest Expense on :</b>   |  |  |
| (i) Borrowings   | 2,496.99   | 2,374.43   |
| (ii) others  | 136.64   | -  |
| Letter of Credit and other bank charges  | 382.87   | 614.54   |
| Net loss on foreign currency transactions and translation considered as finance cost     | <u>210.05</u>  | <u>193.65</u>  |
|  | <b><u>3,226.55</u></b>   | <b><u>3,182.62</u></b>   |



|  | Year ended<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | Year ended<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|--|--|--|
| <b>28. Other Expenses</b>  |  |  |
| Consumption of stores and spare parts  | 1,572.04   | 2,963.54   |
| Utilities consumed   | 593.24   | 1,352.90   |
| Power and fuel   | 27,053.40  | 35,313.89  |
| Rent   | 210.34   | 246.99   |
| Repairs to buildings   | 57.76  | 38.52  |
| Repairs to machinery   | 975.73   | 1,556.01   |
| Payment to Auditors:   |  |  |
| Towards audit fee  | 15.00  | 15.00  |
| For other services   | 11.90  | 6.27   |
| Insurance  | 190.11   | 242.87   |
| Rates and Taxes  | 109.81   | 111.24   |
| Freight and forwarding   | 2,114.36   | 2,806.86   |
| Net loss on foreign currency transactions (other than considered as finance cost)  | 414.63   | 303.09   |
| Loss on fixed assets sold/ written off   | 127.82   | -  |
| Bad Loans and Advances written off   | 12.76  | 652.18   |
| Increase of excise duty on inventory   | (430.14)   | 655.36   |
| Miscellaneous expenses   | 1,040.45   | 1,412.61   |
|  | <u>34,069.21</u>   | <u>47,677.33</u>   |
| <b>29. Exceptional Items (Net)</b>   |  |  |
| Profit on sale of equity shares in SPIC Electric Power Corporation (Private) Limited   | -  | (1,804.14)   |
| Provision for diminution in the value of Investments in subsidiary companies   | -  | 1,978.11   |
|  | <u>-</u>   | <u>173.97</u>  |
| <b>30. Research and Development</b>  |  |  |
| Research and development expenses incurred on revenue account  | <u>5.81</u>  | <u>31.01</u>   |
| <b>31. Depreciation</b>  |  |  |
| <b>Depreciation for the year (Note 13 &amp; 43)</b>  | <b>3062.95</b>   | <b>3881.86</b>   |
| <b>Less: Amount withdrawn from revaluation reserve</b>   | <b>20.11</b>   | <b>20.11</b>   |
|  | <u>3,042.84</u>  | <u>3,861.75</u>  |
| <b>32. Contingent Liabilities and Commitments<br/>(to the extent not provided for)</b>   |  |  |
| <b>A. Contingent liabilities:</b>  |  |  |
| <b>Disputed Demands</b>  |  |  |
| <b>i) Sales Tax</b>  | <b>1,728.05</b>  | <b>1,728.05</b>  |
| The demands relate to disallowance of claims for exemption of turnover arising on account of stock transfers to branches and genuineness of declarations filed by certain customers for availing concessional rate of tax.   |  |  |
| <b>ii) Excise Duty</b>   | <b>168.61</b>  | <b>168.61</b>  |
| <b>iii) Service Tax</b>  | <b>314.59</b>  | <b>314.59</b>  |
| <b>iv) Electricity Tax</b>   | <b>1,054.93</b>  | <b>1,054.93</b>  |
| The Tamilnadu Government vide Government Order dated 23rd September 1996 exempted specified industries permanently from payment of electricity tax on consumption of self-generated electrical energy under the "Tamilnadu Electricity (Taxation on Consumption) Act, 1962". |  |  |
| The above Act was repealed by the "Tamilnadu Tax on Consumption or Sale of Electricity Act, 2003", withdrawing the exemption granted to specified industries.  |  |  |



| Year ended<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | Year ended<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|--|--|
|--|--|

The Company's appeal against the withdrawal of exemption was dismissed by the Madras High Court and the Company filed a "Special Leave Petition" (SLP) before the Supreme Court. On 15th May 2007 the Supreme Court held that the 2003 Act was not valid in respect of industries which were permanently exempted from payment of tax. Consequent to this decision upholding the exemption, the Company, in June 2007 reversed the provision for electricity tax amounting to Rs. 878.77 lacs made in books since 2003-04.

In November 2007, the Government of Tamilnadu passed "the Tamilnadu Tax on Consumption or Sale of Electricity Amendment Act" amending the 2003 Act to invalidate the exemption granted with retrospective effect. The writ petitions filed before the division bench of the High Court against this amendment were dismissed by its Order dated 15.06.2012.

The Company has filed a SLP before the Supreme Court in October 2012 challenging the High Court Order and is hopeful of a favorable decision by Supreme Court especially on invalidation of the exemption granted with retrospective effect. Accordingly, no provision is considered necessary for the electricity tax relating to the period from 2003 to 2008 aggregating to Rs.1054.93 lakhs. However, provision has been made for this liability for subsequent periods excluding the periods for which specific exemption were granted through notifications.

|  |               |        |
|--|---------------|--------|
| <b>v) Renewable Energy Purchase Obligation (RPO)</b> | <b>412.55</b> | 301.37 |
|--|---------------|--------|

The Company has disputed the obligation under the "Tamil Nadu Electricity Regulatory Commission (Renewable Energy Purchase Obligation) (Amendment) Regulations, 2011" under Gazette notification TNERC/RPO/19/2 dated 29th July 2011 and filed a Writ Petition in March 2012 before the Honorable Madras High Court. On 26th March 2012, an interim stay was granted by the Honorable Madras High Court on the operation of the Regulations. The Company is hopeful of successful outcome of the writ petition filed before the Honorable Madras High Court and hence no provision is considered necessary in this regard.

Demands disputed by the Company and appeals filed against these disputed demands are pending before respective appellate 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 Commitments**

|  |           |           |
|--|-----------|-----------|
| Capital commitments  | 155.20    | 56.65     |
| Confirmed purchase commitments to be fulfilled within one year | 61,500.00 | 49,241.75 |
| Confirmed sales commitments to be fulfilled within one year    | 28,292.80 | 22,643.79 |

#### **33. CIF Value of Imports**

|                   |                 |                  |
|-------------------|-----------------|------------------|
| Intermediates     | 2,501.85        | 9,395.48         |
| Raw materials     | 85.50           | 6,672.78         |
| Capital Goods     | -               | 150.28           |
| Traded goods      | 2,564.74        | 1,920.13         |
| Stores and spares | 814.12          | 686.20           |
|                   | <u>5,966.21</u> | <u>18,824.87</u> |

#### **34. Expenditure in Foreign Currency**

|                           |              |               |
|---------------------------|--------------|---------------|
| Travel and training       | 2.54         | 2.07          |
| Technical services        | 55.68        | 31.34         |
| Interest on buyers credit | 9.08         | 50.54         |
| Professional fee          | -            | 25.88         |
| Subscription              | 17.51        | 23.64         |
|                           | <u>84.81</u> | <u>133.47</u> |

#### **35. Earnings in Foreign Exchange**

|                              |          |          |
|------------------------------|----------|----------|
| Export of goods on FOB basis | 5,474.83 | 3,158.46 |
|------------------------------|----------|----------|



|   | Year ended<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | Year ended<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|---|--|--|
| <b>36. Earnings Per Share</b>   |  |  |
| Profit / (Loss) after taxation  | (3,730.47)   | (5,055.59)   |
| Weighted number of equity shares outstanding                                    | 89,971,474   | 8,99,71,474  |
| Basic and diluted earnings per share (Face value – Rs.10/- per share) in Rupees | (4.15)   | (5.62)   |

**37. Consumption of Imported and Indigenous raw materials, stores and spare parts and percentage of each to total consumption**

|   | Year ended<br>March 31, 2014 |                      | Year ended<br>March 31, 2013 |                      |
|---|------------------------------|----------------------|------------------------------|----------------------|
|   | % of Total<br>Consumption    | Value<br>Rs in Lakhs | % of Total<br>Consumption    | Value<br>Rs in Lakhs |
| <b>(i) Raw materials and Intermediates consumed</b> |                              |                      |                              |                      |
| Imported  | 11.58                        | 7,335.34             | 33.21                        | 26,782.10            |
| Indigenous  | 88.42                        | 55,991.72            | 66.79                        | 53,850.75            |
|   | <u>100.00</u>                | <u>63,327.06</u>     | <u>100.00</u>                | <u>80,632.85</u>     |
| <b>(ii) Stores and Spare Parts Consumed</b>         |                              |                      |                              |                      |
| Imported  | 71.15                        | 1,118.52             | 27.42                        | 812.55               |
| Indigenous  | 28.85                        | 453.52               | 72.58                        | 2,150.99             |
|   | <u>100.00</u>                | <u>1,572.04</u>      | <u>100.00</u>                | <u>2,963.54</u>      |

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

**i) The list of related parties as identified by the Management and relied upon by the Auditors are as under**

- |                             |  |
|-----------------------------|--|
| A) Promoters                | 1. Southern Petrochemical Industries Corporation Limited (SPIC)<br>2. Tamilnadu Industrial Development Corporation Limited (TIDCO)   |
| B) Associates               | 1. Petro Araldite Private Limited (PAPL)<br>2. Manali Petrochemicals Limited (MPL)<br>(Company in which the KMP can exercise significant influence)  |
| C) Subsidiaries             | 1. Certus Investment and Trading Limited (CITL), Mauritius<br>2. Certus Investment and Trading (S) Private Limited<br>3. Proteus Petrochemicals Private Limited<br>(formerly TPL India Singapore Private Limited). |
| D) Joint Venture            | Gulf Petroproduct Company E.C. (upto 19 <sup>th</sup> August 2013)   |
| E) Key Management Personnel | 1. Mr. Muthukrishnan Ravi, Managing Director   |

**Related Party Transactions**

The Company has identified all related parties and details of transactions are given below

**ii. The following transactions were carried out with the Related Parties.**

| Particulars                               | (Rupees in lakhs) |                       |               |              |                                |
|---|-------------------|-----------------------|---------------|--------------|--------------------------------|
|   | Promoters         | Associate             | Joint Venture | Subsidiaries | Key Management Personnel (KMP) |
| <b>Sale of Goods</b>                      |                   |                       |               |              |                                |
| a) SPIC                                   | 0.77<br>(7.60)    |                       |               |              |                                |
| b) PAPL                                   |                   | 425.35<br>(10,835.02) |               |              |                                |
| c) MPL                                    |                   | 2,395.48<br>(227.35)  |               |              |                                |
| d) Certus Investments and Trading Limited |                   |                       |               | -            |                                |
|   |                   |                       |               | (2,145.78)   |                                |
| <b>Sale of services</b>                   |                   |                       |               |              |                                |
| a) PAPL                                   |                   | 654.84<br>(654.53)    |               |              |                                |
| b) MPL                                    |                   | 20.86<br>(-)          |               |              |                                |

(Rupees in lakhs)

| Particulars   | Promoters             | Associate                   | Joint Venture | Subsidiaries     | Key Management Personnel (KMP) |
|---|-----------------------|-----------------------------|---------------|------------------|--------------------------------|
| <b>Purchase of goods</b>  |                       |                             |               |                  |                                |
| MPL   |                       | <b>4.36</b><br>(244.97)     |               |                  |                                |
| Purchase of services ( inclusive of service tax)  |                       |                             |               |                  |                                |
| MPL   |                       | <b>14.98</b><br>(13.33)     |               |                  |                                |
| Managerial remuneration (excludes reversal of remuneration pertaining to KMPs for the year 2012-13 Rs. 25.95 lakhs) |                       |                             |               |                  | <b>34.58</b><br>(79.38)        |
| Rent paid   | <b>0.30</b><br>(1.60) |                             |               |                  |                                |
| Interest paid on Trade Advance  |                       |                             |               |                  |                                |
| MPL   |                       | <b>123.11</b><br>-          |               |                  |                                |
| Reimbursement of expenses   | <b>2.92</b><br>-      |                             |               |                  |                                |
| Recovery of Expenses  |                       |                             |               | -<br>(4.65)      |                                |
| Advance written off   |                       |                             |               |                  |                                |
| GPC   |                       |                             | -<br>(158.37) |                  |                                |
| Sitting fees (TIDCO)  | <b>2.60</b><br>(4.80) |                             |               |                  |                                |
| <b>Dividend Paid</b>  |                       |                             |               |                  |                                |
| a) TIDCO  | -<br>(79.22)          |                             |               |                  |                                |
| b) SPIC   | -<br>(76.17)          |                             |               |                  |                                |
| Trade Advance received  |                       |                             |               |                  |                                |
| MPL   |                       | <b>2,600.00</b><br>(600.00) |               |                  |                                |
| <b>Balance outstanding as of 31st March 2014</b>  |                       |                             |               |                  |                                |
| <b>Trade Receivables</b>  |                       |                             |               |                  |                                |
| a) SPIC   | -<br>(0.05)           |                             |               | -<br>(1,165.90)  |                                |
| b) PAPL   |                       | <b>106.13</b><br>(1,123.62) |               |                  |                                |
| c) MPL  |                       | <b>16.00</b><br>(134.12)    |               |                  |                                |
| Deposit with MPL  |                       | <b>248.76</b><br>(262.09)   |               |                  |                                |
| Other Receivables   |                       |                             |               |                  |                                |
| SPIC  | -<br>(0.02)           |                             |               |                  |                                |
| Deposit received from PAPL  |                       | <b>291.39</b><br>(291.39)   |               |                  |                                |
| Trade payables - MPL  |                       | <b>35.49</b><br>(170.10)    |               |                  |                                |
| Other payables  |                       |                             |               |                  |                                |
| SPIC  | <b>1.73</b><br>-      |                             |               |                  | <b>1.04</b><br>(25.94)         |
| MPL   |                       | -<br>(6.13)                 |               |                  |                                |
| c) CITL   |                       |                             |               | <b>9.61</b><br>- |                                |
| Trade Advance payable to MPL  |                       | <b>1,737.15</b><br>(500.00) |               |                  |                                |

Figures in brackets relate to previous year.



39. Based on, and to the extent of information received from the suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 there are no overdue amounts payable to them. Such parties are as identified by the management and relied upon by the auditors. Further, no interest during the year has been paid or payable under the terms of the Act.

#### 40. Joint Venture Disclosure

i) Interest in Joint Venture

| Name of the 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. The Company went into liquidation on 19th August 2013

ii) Interest in the Assets, Liabilities, Income and Expenses with respect to the joint venture

| Particulars                              | As at March 31, 2014<br>(Rupees in lakhs) | As at March 31, 2013<br>(Rupees in lakhs) |
|--|---|---|
| I a) Cash and Bank balances              | -   | 4.14                                      |
| b) Loans and Advances                    | -   | 0.18                                      |
| II a) Current Liabilities and provisions | -   | 0.45                                      |
| b) Advance received towards equity       | -   | 37.42                                     |
| III a) Expenses                          | -   | 0.49                                      |

#### 41. Derivative Instruments

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

|  | Currency | Amount in Foreign Currency | Amount (Rupees in lakhs) |
|--|----------|----------------------------|--------------------------|
| Amount Receivable in Foreign Currency - Exports    | USD      | 216,310                    | 129.52                   |
|  | USD      | (2,155,321)                | (1,169.91)               |
| Amount Payable in Foreign Currency - Imports       | USD      | 469,077                    | 280.88                   |
|  | USD      | (2,594,198)                | (1,408.13)               |
|  | JPY      | 2,368,720                  | 14.35                    |
|  | JPY      | (-)                        | (-)                      |
|  | EURO     | 7,316                      | 6.23                     |
|  | EURO     | (-)                        | (-)                      |
| Amount Payable in Foreign Currency - Buyers Credit | USD      | -                          | -                        |
|  | USD      | (6,779,924)                | (3,680.14)               |

Figures in brackets are in respect of the Previous Year

42. The Company suspended the operations of Epichlorohydrin plant from April 2013 owing to continuous losses. Availability of cheaper imports led to lower price realization and lower demand for this product. The management has been exploring the possibility of using this plant for manufacture of an alternate product. Pursuant to this, an Associate company has shown interest in utilizing this plant facility with suitable modifications to manufacture one of their raw materials and has initiated detailed engineering study in this regard. Based on Preliminary feasibility study, the Company has applied for obtaining environmental and other clearances for manufacture of the said product and the same is pending before the relevant authorities. Based on the estimated future revenues that would be generated by the plant with the production of the alternate product, the management is of the view that the recoverable value of the plant will be higher than the carrying value of Rs.1,340 lakhs as on the balance sheet date and hence no provision for impairment is considered necessary.

43. The Company has been depreciating two of the assets in the processing plant over 4.5 years i.e. @ 22%. These assets are the proprietary products of an overseas vendor and based on their guaranteed useful life and technical re-evaluation carried out, the Company has revised the useful life of these assets to 8 and 15 years. Accordingly, the net book value of these assets as at the beginning of the year is depreciated over the remaining revised useful life. Consequently, the depreciation charge and loss for the year is lower by Rs. 682.44 lakhs.

44. During the year, the Company has entered in to an agreement for sale of one of its immovable properties and received an advance. This transaction is expected to be completed by June 2015.

45. Other payable represent amount received in advance towards sale of 100000 equity shares in SPIC Electric Power Corporation (Private) Limited during Financial year 2012-13. The same will get adjusted against Investment held, on successful implementation of the power project by SEPC Power (Private) Limited.

**46 Employee Defined Benefit Plans**

The Company offers Gratuity benefits to its employees which are funded with Life Insurance Corporation of India. The following table sets out the funded status of the Gratuity scheme and the amount recognised in the financial statements.

|  | As at<br>March 31, 2014<br>Rupees in lakhs | As at<br>March 31, 2013<br>Rupees in lakhs |
|--|--|--|
| <b>A) Net Asset / ( Liability) recognized in the Balance Sheet as at March 31, 2014</b>            |  |  |
| Present value of Obligation  | 654.94                                     | 712.44                                     |
| Fair value of Plan Assets  | <u>562.06</u>                              | <u>607.44</u>                              |
| Net Liability  | <u>(92.88)</u>                             | <u>(105.00)</u>                            |
| <b>B) Expense recognized in the Statement of Profit and Loss for the year ended March 31, 2014</b> |  |  |
| Current Service Cost   | 36.49                                      | 45.21                                      |
| Interest Cost  | 52.59                                      | 58.37                                      |
| Expected Return on Plan Assets   | (47.58)                                    | (51.79)                                    |
| Actuarial (Gains) / Losses   | <u>45.59</u>                               | <u>(45.43)</u>                             |
| Total  | <u>87.09</u>                               | <u>6.36</u>                                |
| <b>C) Change in present value of Obligation during the year ended March 31, 2014</b>               |  |  |
| Present value of defined benefit obligation as at the beginning of the year                        | 712.44                                     | 699.72                                     |
| Adjustment to opening balance of past service cost   | (55.03)                                    |  |
| Current service cost   | 36.49                                      | 45.21                                      |
| Interest cost  | 52.59                                      | 58.37                                      |
| Actuarial (gains) /losses  | 45.59                                      | (48.82)                                    |
| Benefits paid  | <u>(137.14)</u>                            | <u>(42.04)</u>                             |
| Present value of defined benefit obligation as at the end of the year                              | <u>654.94</u>                              | <u>712.44</u>                              |
| <b>D) Change in fair value of Plan Assets during the year ended March 31, 2014</b>                 |  |  |
| Plan assets at the beginning of the year   | 607.44                                     | 554.67                                     |
| Adjustment to opening balance of past service cost   | 2.20                                       |  |
| Expected return on plan assets   | 47.58                                      | 51.79                                      |
| Actuarial gains /(losses)  | -  | (3.39)                                     |
| Contributions by employer  | 41.98                                      | 46.41                                      |
| Benefits paid  | <u>(137.14)</u>                            | <u>(42.04)</u>                             |
| Plan assets at the end of the year   | <u>562.06</u>                              | <u>607.44</u>                              |
| <b>E) Principal Actuarial Assumptions as at March 31, 2014</b>                                     |  |  |
| Discount rate  | 8.0%                                       | 8.0%                                       |
| Expected return on plan assets   | 8.75%                                      | 9.3%                                       |
| Salary escalation  | 6.0%                                       | 7.5%                                       |
| Attrition  | 10.0%                                      | 10.0%                                      |
| <b>Mortality Table - LIC (94-96) Ultimate Mortality Table.</b>                                     |  |  |

**F) Basis used to determine expected rate of return.**

The information on major categories of plan assets and expected return on each class of plan assets have not been furnished in the absence of necessary information from Life Insurance Corporation of India.



- G) Estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotions and other factors.
- H) In the absence of relevant information from the actuary, the above details do not include the experience adjustment in respect of actuarial losses/gains.
47. The Company operates in only one segment, namely, Industrial Intermediate Chemicals. Details of secondary segment information are disclosed in the consolidated financial statements.

**48. Operating Leases**

The property given under operating leases :

|                                   | <b>Year ended<br/>March 31, 2014<br/>(Rupees in lakhs)</b> | Year ended<br>March 31, 2013<br>(Rupees in lakhs) |
|-----------------------------------|--|---|
| Gross carrying amount of building | <b>1,117.61</b>  | 1,117.61  |
| Accumulated depreciation          | <b>220.29</b>  | 198.87  |
| Depreciation for the year         | <b>21.42</b>   | 22.77   |

Future minimum lease payments under non-cancellable operating leases

Particulars

|  |               |        |
|--|---------------|--------|
| Not later than 1 year                        | <b>211.37</b> | 261.61 |
| Later than 1 year and not later than 5 years | <b>26.65</b>  | 257.09 |
| Later than 5 years                           |               |        |

**Significant Leasing Arrangements**

Lease is non cancellable during the lock in period (14 months).

In the event of Lessee pre-determining the lease during the lock-in-period, the Company shall be entitled to recover the entire lease compensation for the remaining period of lease.

49. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.
-





## Independent Auditors' Report to the Board of Directors of Tamilnadu Petroproducts Limited

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **TAMILNADU PETROPRODUCTS LIMITED** (the "Company"), its subsidiaries and its associates (the Company, its subsidiaries and its associate constitute "the Group"), which comprise the Consolidated Balance Sheet as at 31st March, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Qualified Opinion

The consolidated financial statements include the Group's share of net loss of Rs. 473 lakhs for the year ended 31st March,

2014, as considered in the consolidated financial statements, in respect of one associate (Previous year ended 31st March, 2013: net loss of Rs.383 lakhs), based on their unaudited financial information. Our opinion, in so far as it relates to the amounts included in respect of this associate, is based solely on such unaudited financial information.

### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph above, and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries referred to below in the Other Matter paragraph, the aforesaid 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 Group as at 31st March, 2014;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the loss of the Group for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

### Emphasis of Matter

We refer to Note no.36 of the Notes forming part of the financial statements regarding the suspension of operations of the Epichlorohydrin plant. Considering the actions proposed to revive the operations of the plant as explained in the said Note, the management has assessed that there would be no impairment to the carrying value of the plant as at the Balance sheet date. We draw attention to the fact that the revenue generation from this plant would depend on the successful execution of the proposed plan for manufacture of the alternate product. This being a technical matter and is subject to uncertainty, we have relied on the estimates and assumptions made by the management in arriving at the recoverable value of the plant

Our opinion is not qualified in respect of this matter.

### Other Matter

We did not audit the financial statements of three subsidiaries, whose financial statements reflect total assets (net) of Rs.2,322 lakhs as at 31st March, 2014, total revenues of Rs. 401 lakhs and net cash flows amounting to Rs.613 lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of this matter.

**For Deloitte Haskins & Sells**  
Chartered Accountants  
(Firm's Registration No. 008072S)

M.K. Ananthanarayanan  
Partner  
(Membership No. 19521)

Place : Chennai  
Date : 27<sup>th</sup> May 2014



## Consolidated Balance Sheet as at 31<sup>st</sup> March 2014

|                                | Notes | As at<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs ) | As at<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs ) |
|--------------------------------|-------|--|--|
| <b>EQUITY AND LIABILITIES</b>  |       |  |  |
| <b>Shareholders' funds</b>     |       |  |  |
| Share Capital                  | 3     | 8,997.15   | 8,997.15   |
| Reserves and Surplus           | 4     | <u>23,221.69</u>   | <u>26,754.60</u>   |
|                                |       | <b>32,218.84</b>   | <b>35,751.75</b>   |
| <b>Non-Current liabilities</b> |       |  |  |
| Long-term borrowings           | 5     | 1,519.81   | 3,978.04   |
| Deferred tax liabilities(net)  | 6     | 2,463.08   | 4,292.63   |
| Other long term liabilities    | 7     | 313.92   | 524.42   |
| Long-term provisions           | 8     | <u>247.82</u>  | <u>369.95</u>  |
|                                |       | <b>4,544.63</b>  | <b>9,165.04</b>  |
| <b>Current liabilities</b>     |       |  |  |
| Short-term borrowings          | 9     | 11,874.08  | 14,396.59  |
| Trade payables                 | 10    | 14,684.87  | 19,914.51  |
| Other current liabilities      | 11    | 7,158.76   | 2,441.38   |
| Short-term provisions          | 12    | <u>50.59</u>   | <u>140.06</u>  |
|                                |       | <b>33,768.30</b>   | <b>36,892.54</b>   |
| <b>TOTAL</b>                   |       | <b><u>70,531.77</u></b>                                    | <b><u>81,809.33</u></b>                                    |
| <b>ASSETS</b>                  |       |  |  |
| <b>Non-Current Assets</b>      |       |  |  |
| Fixed Assets                   |       |  |  |
| Tangible Assets                | 13    | 28,779.13  | 31,345.85  |
| Capital Work-in-progress       |       | 1,446.19   | 1,549.44   |
|                                |       |  |  |
| Non-current investments        | 14    | 859.93   | 1,330.65   |
| Long term loans and advances   | 15    | 3,478.57   | 3,233.86   |
| <b>Current Assets</b>          |       |  |  |
| Inventories                    | 16    | 15,735.02  | 22,290.46  |
| Trade receivables              | 17    | 7,711.86   | 10,146.65  |
| Cash and cash equivalents      | 18    | 7,623.39   | 7,169.26   |
| Short-term loans and advances  | 19    | 4,766.40   | 4,710.43   |
| Other current assets           | 20    | <u>131.28</u>  | <u>32.73</u>   |
|                                |       | <b>35,967.95</b>   | <b>44,349.53</b>   |
| <b>TOTAL</b>                   |       | <b><u>70,531.77</u></b>                                    | <b><u>81,809.33</u></b>                                    |

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

M K Ananthanarayanan  
Partner

Place : Chennai

Date : 27<sup>th</sup> May, 2014

For and on behalf of the Board

Ashwin C Muthiah

T.K. Arun

C. Ramachandran IAS (Retd)

Muthukrishnan Ravi

R. Kothandaraman

Vice Chairman

Director

Director

Managing Director

Company Secretary

K.R. Anandan

Chief Financial Officer



## Consolidated Statement of Profit and Loss for the Year ended 31<sup>st</sup> March 2014

|   | Notes   | Year ended<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | Year ended<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|---|---------|--|--|
| <b>INCOME</b>   |         |  |  |
| Revenue from operations (gross)   | 21      | 117,290.54   | 143,262.46   |
| Less: Excise duty   |         | 12,108.61  | 15,118.30  |
| Revenue from operations (net)   |         | 105,181.93   | 128,144.16   |
| Other income  | 22      | 1,612.25   | 615.15   |
| <b>Total Revenue</b>  |         | <b>106,794.18</b>  | <b>128,759.31</b>  |
| <b>EXPENSES</b>   |         |  |  |
| Cost of Materials consumed  | 23      | 63,327.06  | 80,632.85  |
| Purchase of Stock-in-trade  | 24      | 3,216.93   | 3,302.77   |
| Changes in inventories of finished goods, work-in-progress and Stock-in-trade                           | 25      | 2,684.86   | (5,834.55)   |
| Employee benefits expense   | 26      | 2,389.64   | 2,953.84   |
| Finance costs   | 27      | 3,228.37   | 3,184.24   |
| Depreciation  | 13 & 30 | 3,043.18   | 3,867.38   |
| Other expenses  | 28      | 33,767.85  | 47,672.62  |
| <b>Total expenses</b>   |         | <b>111,657.89</b>  | <b>135,779.15</b>  |
| (Loss) before exceptional item and taxes  |         | (4,863.71)   | (7,019.84)   |
| Exceptional item - Profit on sale of equity shares in SPIC Electric Power Corporation (Private) Limited |         | --   | (1,804.14)   |
| (Loss) before tax   |         | (4,863.71)   | (5,215.70)   |
| Tax expense:  |         |  |  |
| Current tax   |         | 5.68   | -  |
| Deferred tax  | 6       | (1,829.55)   | (2,197.44)   |
| (Loss) for the year   |         | (3,039.84)   | (3,018.26)   |
| Add: Share of (Loss) of associate   |         | (472.96)   | (382.57)   |
| (Loss) for the year   |         | (3,512.80)   | (3,400.83)   |
| Earnings per equity share:  |         |  |  |
| Basic and diluted   | 32      | (3.90)   | (3.78)   |

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants

M K Ananthanarayanan  
Partner

Place : Chennai  
Date : 27<sup>th</sup> May, 2014

For and on behalf of the Board

Ashwin C Muthiah

T.K. Arun

C. Ramachandran IAS (Retd)

Muthukrishnan Ravi

R. Kothandaraman

Vice Chairman

Director

Director

Managing Director

Company Secretary

K.R. Anandan

Chief Financial Officer



## Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March 2014

|   | For the year ended<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | For the year ended<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|---|--|--|
| <b>A Cash flow from operating activities:</b>                   |  |  |
| (Loss) before tax   | (4,863.71)   | (5,215.70)   |
| Adjustments for   |  |  |
| Depreciation  | 3,043.18   | 3,867.38   |
| (Profit)/Loss on sale / write off assets (net)                  | 127.82   | (114.04)   |
| Finance costs   | 3,228.37   | 3,184.24   |
| Interest income   | (234.89)   | (113.81)   |
| Bad loans and advances written off                              | 93.59  | 652.18   |
| Rental income from operating leases                             | (318.55)   | 285.97   |
| Net (gain) on sale of long term investments                     | -  | (1,804.14)   |
| Net unrealised exchange (gain) / loss                           | (36.08)  | 579.26   |
| Sundry balances/excess provision written back                   | (527.18)   | (38.40)  |
|   | <u>5,376.26</u>  | <u>6,498.64</u>  |
| Operating profit/(loss) before working capital changes          | 512.55   | 1,282.94   |
| Changes in working capital:                                     |  |  |
| Adjustments for (increase) / decrease in operating assets:      |  |  |
| Inventories   | 6,555.44   | (8,974.00)   |
| Trade receivables   | 2,454.12   | (1,438.85)   |
| Short-term loans and advances                                   | (51.35)  | 738.42   |
| Long-term loans and advances                                    | (338.32)   | (1,853.34)   |
| Other current assets  | (60.00)  | 0.00   |
| Adjustments for increase / (decrease) in operating liabilities: |  |  |
| Trade payables  | (4,685.68)   | 6,258.44   |
| Other current liabilities                                       | 1,568.12   | (88.82)  |
| Other long-term liabilities                                     | (210.50)   | (949.77)   |
| Short-term provisions   | (7.21)   | (28.34)  |
| Long-term provisions  | (122.13)   | 74.85  |
|   | <u>5,102.49</u>  | <u>(6,261.41)</u>  |
| Cash generated from operations                                  | 5,615.04   | (4,978.47)   |
| Net income tax (paid)   | (92.56)  | (57.08)  |
| Net cash flow from / (used in) operating activities (A)         | <u>5,522.48</u>  | <u>(5,035.55)</u>  |
| <b>B Cash flow from investing activities:</b>                   |  |  |
| Capital expenditure on fixed assets, including capital advances | (534.65)   | (516.27)   |
| Proceeds from sale of fixed assets                              | 13.51  | 185.28   |
| Advances received against sale of immovable property            | 2,000.00   | -  |
| Purchase of long term investment                                | (2.24)   | -  |
| Proceeds from sale of long-term investment                      | -  | 4,193.57   |
| Interest received - others                                      | 196.34   | 111.35   |
| Rental income from operating leases                             | 318.55   | (285.97)   |
| Bank balances not considered as cash and cash equivalents       | (851.76)   | 6,928.26   |
|   | <u>1,139.75</u>  | <u>10,616.22</u>   |
| Net cash flow from / (used in) investing activities (B)         | <u>1,139.75</u>  | <u>10,616.22</u>   |



## Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March 2014 (continued)

|  | For the year ended<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | For the year ended<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|--|--|--|
| <b>C Cash flow from financing activities:</b>  |  |  |
| Proceeds from short-term borrowings  | 1,172.26   | 97.55  |
| Repayment of long-term borrowings  | (2,458.23)   | (1,293.84)   |
| Net increase / (decrease) in working capital borrowings  | (2,522.51)   | 4,290.18   |
| Finance costs  | (3,232.40)   | (3,184.72)   |
| Dividends paid   | (0.64)   | (442.58)   |
| Paid to Investor Education and Protection Fund   | (18.34)  | (19.31)  |
| Tax on dividend  | -  | (72.98)  |
|  | <u>(7,059.86)</u>  | <u>(625.70)</u>  |
| Net cash from / (used in) financing activities (C)   | <u>(7,059.86)</u>  | <u>(625.70)</u>  |
| Net cash flows during the year (A+B+C)   | <u>(397.63)</u>  | <u>4,954.97</u>  |
| Cash and cash equivalents at the beginning of the year   | 6,925.24   | 1,955.87   |
| Effect of exchange differences on restatement of foreign currency cash and cash equivalents                | -  | 14.40  |
|  | <u>6,925.24</u>  | <u>1,970.27</u>  |
| Cash and cash equivalents at the end of the year   | <u>6,527.61</u>  | <u>6,925.24</u>  |
|  | <u>6,527.61</u>  | <u>6,925.24</u>  |
| Net increase / (decrease) in cash and cash equivalents   | <u>(397.63)</u>  | <u>4,954.97</u>  |
| <b>Reconciliation of Cash and cash equivalents with the Balance Sheet:</b>                                 |  |  |
| Cash and cash equivalents as per Balance Sheet (Refer Note 18)   | 7,623.39   | 7,169.26   |
| Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 - Cash Flow Statements: |  |  |
| Unpaid dividend account  | 59.51  | 78.49  |
| Margin money deposits  | 1,036.27   | 165.53   |
| Cash and cash equivalents at the end of the year *   | <u>6,527.61</u>  | <u>6925.24</u>   |
| <b>* Comprises:</b>  |  |  |
| Cash on hand   | 0.47   | 1.37   |
| Cheques on hand  | 2.88   | 385.61   |
| Balances with banks  |  |  |
| In current accounts  | <u>6,524.26</u>  | <u>6,538.26</u>  |
|  | <u>6,527.61</u>  | <u>6925.24</u>   |
| See accompanying notes forming part of the financial statements  |  |  |

In terms of our report attached

For Deloitte Haskins & Sells  
Chartered Accountants  
M K Ananthanarayanan  
Partner

Place : Chennai  
Date : 27<sup>th</sup> May, 2014

For and on behalf of the Board

|                            |   |
|----------------------------|---|
| Ashwin C Muthiah           | Vice Chairman                           |
| T.K. Arun                  | Director                                |
| C. Ramachandran IAS (Retd) | Director                                |
| Muthukrishnan Ravi         | Managing Director                       |
| R. Kothandaraman           | Company Secretary                       |
|                            | K.R. Anandan<br>Chief Financial Officer |



## Notes forming part of the Consolidated Financial Statements

### 1. Corporate information

Tamilnadu Petroproducts Limited ('the Company') was incorporated in 1984 as a public limited Company and is jointly promoted by Southern Petrochemicals Industries Corporation Limited (SPIC) and Tamilnadu Industrial Development Corporation Limited (TIDCO). Its shares are listed on two stock exchange in India. viz. National Stock Exchange of India Ltd and Bombay Stock Exchange Ltd. The Company is currently engaged in the manufacturing and selling of petrochemical products namely Linear Alkyl Benzene (LAB) and Caustic Soda from the manufacturing facilities situated at Manali, near Chennai. The details of subsidiaries, jointly controlled entity and associate of the Company are as given below:

| Name of the Company                                 | Relationship  | Country of Incorporation | Proportion of ownership interest | Accounts drawn upto / whether audited |
|---|---------------|--------------------------|----------------------------------|---------------------------------------|
| Certus Investment and Trading Private Limited       | Subsidiary    | Mauritius                | 100%                             | 31.03.2014 Audited                    |
| Certus Investment and Trading (S) Private Limited * | Subsidiary    | Singapore                | 100%                             | 31.03.2014 Audited                    |
| Proteus Petrochemical Private Limited *             | Subsidiary    | Singapore                | 100%                             | 31.03.2014 Audited                    |
| Gulf Petroproduct Company E.C. * #                  | Joint Venture | Kingdom of Bahrain       | 50%                              | Upto 19.08.2013 Audited               |
| Petro Araldite Private Limited                      | Associate     | India                    | 24%                              | 31.03.2014 Unaudited                  |

\* Shareholding is through a subsidiary, Certus Investment & Trading Limited.  
# Company went into liquidation on 19 August 2013.

### 2. BASIS OF CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are as stated below

#### I BASIS OF ACCOUNTING AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company, its subsidiaries and jointly controlled entity (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act / 2013 Act, as applicable. The consolidated financial statements have been prepared on accrual basis under the historical cost convention except for categories of fixed assets acquired before 1 April, 1996, that are carried at revalued amounts. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the previous year.

#### II PRINCIPLES OF CONSOLIDATION

- The financial statements of the Company and its Subsidiaries have been consolidated in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under Accounting Standards - 21, on a line-by-line basis by adding together the book value of the like items of assets, liabilities, income and expenses, after eliminating intra-group balances and the unrealized profit/losses on intra-group transactions, and are presented to the extent possible, in the same manner as the Company's independent financial statements.
- Investments in associate company had been accounted for as per Accounting Standards-23, by using equity method whereby investment is initially recorded at cost and the carrying amount is adjusted thereafter for post-acquisition change in the Company's share of net assets of the associate.
- The Company's interest in Jointly Controlled Entity is consolidated as per Accounting Standard -27, on a line-by-line basis by adding together the book values of assets, liabilities, income and expenses on a proportionate basis to the extent of the Group's equity interest in such entity as per Accounting Standard 27 - Financial Reporting of Interest in Joint Ventures. The intra group balances, intra-group transactions and unrealized profits or losses have been eliminated to the extent of the Group's share in the entity.
- The overseas subsidiaries viz., Certus Investment & Trading Private Limited, Certus Investment & Trading (S) Private Limited, Proteus Petrochemical Private Limited are classified as Integral foreign operations. The financials were translated into Indian Currency as per the Accounting Standard AS 11 (Revised) and the exchange gains / (losses) arising on conversion is adjusted to the Statement of Profit and Loss.

#### III USE OF ESTIMATES

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

#### **IV OPERATING CYCLE**

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

#### **V 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 including borrowing 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 for plant and machinery used in the Epichlorohydrin plant which is depreciated @ 10%, assets provided to employees which are depreciated @ 20% and certain specific assets whose useful life has been determined at 4.5 years.

##### **Capital work-in-progress:**

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

#### **VI IMPAIRMENT OF ASSETS**

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

#### **VII FOREIGN CURRENCY TRANSACTIONS**

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing on the Balance Sheet date or rate at the time of settlement, as applicable, and gain or loss arising on such translation is adjusted to the Statement of profit and loss. Forward cover premium is recognised over the life of the contract.

##### **Integral Foreign Operations:**

Fixed assets are recorded at the rates of exchange prevailing on the date of acquisition of such assets. Monetary assets and liabilities are translated at the exchange rate prevailing on the last day of the accounting period and difference in exchange is recognized as a change in the Statement of Profit and Loss. All the revenue transactions are translated at the average rates.

#### **VIII INVESTMENTS**

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

Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

#### **IX INVENTORIES**

Inventories are valued at the lower of cost (weighted average basis) and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges. Work-in-progress and finished goods include appropriate proportion of overheads and, where applicable, excise duty.

#### **X CASH AND CASH EQUIVALENTS (FOR PURPOSES OF CASH FLOW STATEMENT)**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### **XI CASH FLOW STATEMENT**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

#### **XII REVENUE RECOGNITION**

##### **a) Sale of Goods**

Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to the customers. Sales include excise duty but exclude sales tax and value added tax.



**b) Income from services**

Revenues from contracts priced on a time and material basis are recognised when services are rendered and related costs are incurred.

**XIII OTHER INCOME**

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to receive it is established.

Property lease rentals are accrued as per terms of the agreement with the lessees and are recognized equally on a straight- line basis over the non-cancellable lease period.

**XIV EMPLOYEE BENEFITS**

**Short term employee benefits:**

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

**Defined Contribution Plans:**

**a) Superannuation:**

This plan covers Wholetime directors and the staff of the Company and is administered by the Life Insurance Corporation of India. Contributions are made monthly at a predetermined rate to the Trust and debited to the Profit and Loss account on an accrual basis. The superannuation contribution for staff is withdrawn with effect from October 1, 2013.

**Defined Benefits Plans:**

**a) Provident Fund:**

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

**b) Gratuity:**

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

**Long term compensated absences:**

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

**XV BORROWING INTEREST COST:**

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

**XVI TAXES ON INCOME**

**a)** Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the Income Tax Act, 1961.

**b)** Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

**XVII PROVISIONS AND CONTINGENCIES**

A provision is recognized when the company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not



discounted to present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognized but are disclosed in the notes to the accounts. Contingent assets are neither recognised nor disclosed in the financial statement.

**XVIII OPERATING LEASES**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis.

**XIX EARNINGS PER SHARE**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations.

**XX RESEARCH AND DEVELOPMENT EXPENSES**

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss.

**XXI INSURANCE CLAIMS**

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that there is no uncertainty in receiving the claims.

**XXII SERVICE TAX INPUT CREDIT**

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.



As at  
31<sup>st</sup> March 2014  
(Rupees in lakhs)

As at  
31<sup>st</sup> March 2013  
(Rupees in lakhs)

### 3. Share Capital

#### Authorised

200,000,000 equity shares of Rs.10 each with voting rights 20,000.00 20,000.00

#### Issued

89,976,899 equity shares of Rs 10 each with voting rights 8,997.69 8,997.69

#### Subscribed and fully paid up

89,971,474 equity shares of Rs 10 each with voting rights 8,997.15 8,997.15

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.

#### Details of Shareholders holding more than 5% shares in the Company

| Name of the Shareholders                              | 31 <sup>st</sup> March 2014 |              | 31 <sup>st</sup> March 2013 |              |
|---|-----------------------------|--------------|-----------------------------|--------------|
|   | No of Shares                | % of holding | No of Shares                | % of holding |
| <b>Equity Shares of Rs.10/- each fully paid up</b>    |                             |              |                             |              |
| Tamilnadu Industrial Development Corporation Limited  | 15,843,751                  | 17.61        | 15,843,751                  | 17.61        |
| Southern Petrochemical Industries Corporation Limited | 15,234,375                  | 16.93        | 15,234,375                  | 16.93        |

There has been no movement in equity share capital during the year.

The Company has only one class of equity shares having a par value of Rs.10/- . Each holder is entitled to one vote per equity share. Repayment of capital will be in proportion to the number of equity shares held.

### 4. Reserves and Surplus

**Capital reserve** 42.23 42.23

**Securities Premium Account** 4,611.57 4,611.57

#### Revaluation Reserve

Opening balance 2,026.40 2,026.40

Less: Utilised for set off against depreciation 20.11 20.11

Closing balance 1,986.18 2,006.29

**General Reserve** 13,859.94 13,859.94

#### Surplus in Statement of Profit and Loss

Opening balance 6,234.57 9,635.40

Less: Loss for the year (3,512.80) (3,400.83)

Less: Appropriations - -

Closing balance 2,721.77 6,234.57

23,221.69 26,754.60

### 5. Long Term Borrowings

#### Term Loans

Indian Rupee Loan from Banks (Secured) 94.05 770.25

#### Other Loans and Advances

From HDFC Limited (Secured) - 1,478.58

Interest Free Deferred Sales Tax Loan (Unsecured) 1,425.76 1,729.21

1,519.81 3,978.04

Details of terms of repayment and security:

| Particulars   | Terms of repayments                  | 31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | 31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|---|--------------------------------------|--|--|
| <b>Term Loan from Banks</b>                           |                                      |  |  |
| Bank I (Refer Note (i) below)                         |                                      | -  | 300.00   |
| Bank II (Refer Note (i) below)                        | Repayable in 1 quarterly installment | 94.05  | 470.25   |
| <b>Other Loan from HDFC Limited [Refer Note (ii)]</b> |                                      |  |  |
|   |                                      | -  | 1,478.58   |
| <b>Deferred Payment Liabilities</b>                   |                                      |  |  |
| Interest free deferred sales tax loan                 | Repayable in 48 monthly installments | 1,425.76   | 1,729.21   |
|   |                                      | <u>1,519.81</u>                                  | <u>3,978.04</u>                                  |

(i) Average rate of interest on Term loan from Bank I is 13.00% p.a (2013:13.03%) and Bank II is 13.89 %p.a. (2013:14.02%). The Loans are secured by a first mortgage of all the Company's immovable properties, both present and future, and second charge on all the movable properties of the Company (except for exclusive charges referred in note (ii) below) by deposit of title deeds, ranking pari passu amongst them.

(ii) Average rate of interest on loan from HDFC Limited is 13.39% p.a (2013: 13.17%). The Loan 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.

|   | As at<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | As at<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|---|---|---|
| <b>6. Deferred tax liability (net)</b>  |   |   |
| <b>Tax effect of item constituting deferred tax liability</b>   |   |   |
| On difference between book balance and tax balance of fixed assets  | <u>5,602.15</u>   | <u>6,119.06</u>   |
| <b>Tax effect of items constituting deferred tax assets</b>   |   |   |
| Unabsorbed depreciation and business losses   | 3,040.20  | 1,709.40  |
| Provision for compensated absences  | 96.82   | 114.98  |
| Provision for doubtful debts/advances   | 2.05  | 2.05  |
|   | <u>3,139.07</u>   | <u>1,826.43</u>   |
| <b>Net deferred tax liability</b>   | <u>2,463.08</u>   | <u>4,292.63</u>   |
| <b>7. Other long-term liabilities</b>   |   |   |
| Security deposit received   | 296.99  | 507.49  |
| Other liabilities   | 16.93   | 16.93   |
|   | <u>313.92</u>   | <u>524.42</u>   |
| <b>8. Long term provisions</b>  |   |   |
| <b>Provision for employee benefits</b>  |   |   |
| Compensated absences  | 247.82  | 369.95  |
| <b>9. Short term borrowings</b>   |   |   |
| Loan repayable on demand from Banks (Secured)   | 11,874.08   | 14,396.59   |
| Loans 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 mortgage by deposit of title deeds of immovable properties, both present and future, (except for exclusive charges stated in note 5 (ii) above) on second charge basis ranking pari passu amongst them. |   |   |



|   | As at<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | As at<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|---|---|---|
| <b>10. Trade Payables</b>   |   |   |
| Acceptances   | 3,435.67  | 8,391.51  |
| Other than acceptances  | 11,201.33   | 11,320.83   |
| Payable to related parties  | 47.87   | 202.17  |
|   | <u>14,684.87</u>  | <u>19,914.51</u>  |
| <b>11. Other Current Liabilities</b>  |   |   |
| Current maturities of long term debt (Refer Note No. (i) below)   | 2,464.57  | 1,292.31  |
| Interest accrued but not due on borrowings  | 0.85  | 4.88  |
| Unpaid dividends  | 59.51   | 78.49   |
| Deposits  | 226.10  | 10.00   |
| Gratuity payable  | 92.88   | 105.00  |
| <b>Other Payables</b>   |   |   |
| Statutory remittances (Contributions to PF and ESIC and other taxes payable)  | 565.26  | 441.46  |
| Advances from related parties   | 1,737.15  | 500.00  |
| Advances against sale of immovable property (Note 38)   | 2,000.00  | -   |
| Accrued expenses  | 12.44   | 9.24  |
|   | <u>7,158.76</u>   | <u>2,441.38</u>   |
| Note (i): Current maturities of long-term debt [Refer (i) and (ii) of Note 5 for terms, interest and details of security] |   |   |
| Term loan from Banks (Secured)  | 676.20  | 776.20  |
| Loans from HDFC Limited (Secured)   | 1,484.92  | 275.91  |
| Deferred sales tax loan (unsecured)   | 303.45  | 240.20  |
|   | <u>2,464.57</u>   | <u>1,292.31</u>   |
| <b>12. Short Term Provisions</b>  |   |   |
| <b>(a) Provision for Employee Benefits</b>  |   |   |
| Provision for Compensated absences  | 50.59   | 57.80   |
| <b>(b) Provisions - Others</b>  |   |   |
| Provision for taxation ( Net)   | -   | 82.26   |
|   | <u>50.59</u>  | <u>140.06</u>   |

### 13. Fixed Assets

Rupees in lakhs

#### Current Year

| Description                           | Cost / Valuation  |               |                         |                   | Depreciation     |                 |                         |                  | Net book value   |                  |
|---------------------------------------|-------------------|---------------|-------------------------|-------------------|------------------|-----------------|-------------------------|------------------|------------------|------------------|
|                                       | As at 01.04.2013  | Additions     | Deduction / Adjustments | As at 31.03.2014  | As at 01.04.2013 | For the year    | Deduction / Adjustments | As at 31.03.2014 | As at 31.03.2014 | As at 31.03.2013 |
| <b>Tangible assets:</b>               |                   |               |                         |                   |                  |                 |                         |                  |                  |                  |
| Land (Freehold)                       | 2,187.26          | -             | -                       | 2,187.26          | -                | -               | -                       | -                | 2,187.26         | 2,187.26         |
| <b>Buildings:</b>                     |                   |               |                         |                   |                  |                 |                         |                  |                  |                  |
| Own use                               | 4,608.34          | 50.86         | -                       | 4,659.20          | 2,073.18         | 114.41          | -                       | 2,187.59         | 2,471.61         | 2,535.16         |
| Given under operating lease (Note 38) | 1,117.61          | -             | -                       | 1,117.61          | 198.87           | 21.42           | -                       | 220.29           | 897.32           | 918.74           |
| <b>Plant and Equipment</b>            | 118,423.09        | 587.04        | 886.65                  | 118,123.48        | 92,939.47        | 2,888.72        | 746.96                  | 95,081.23        | 23,042.25        | 25,483.62        |
| <b>Furniture and Fixtures</b>         | 142.91            | -             | 5.90                    | 137.01            | 132.20           | 2.08            | 4.26                    | 130.02           | 6.99             | 10.71            |
| <b>Vehicles</b>                       | 954.05            | -             | -                       | 954.05            | 752.24           | 34.93           | -                       | 787.17           | 166.88           | 201.81           |
| <b>Office equipment</b>               | 33.97             | -             | -                       | 33.97             | 25.42            | 1.73            | -                       | 27.15            | 6.82             | 8.55             |
| <b>Total</b>                          | <b>127,467.23</b> | <b>637.90</b> | <b>892.55</b>           | <b>127,212.58</b> | <b>96,121.38</b> | <b>3,063.29</b> | <b>751.22</b>           | <b>98,433.45</b> | <b>28,779.13</b> | <b>31,345.85</b> |

#### Previous year

| Description                   | Cost / Valuation  |                 |                         |                   | Depreciation     |                 |                         |                  | Net book value   |                  |
|-------------------------------|-------------------|-----------------|-------------------------|-------------------|------------------|-----------------|-------------------------|------------------|------------------|------------------|
|                               | As at 01.04.2012  | Additions       | Deduction / Adjustments | As at 31.03.2013  | As at 01.04.2012 | For the year    | Deduction / Adjustments | As at 31.03.2013 | As at 31.03.2013 | As at 31.03.2012 |
| <b>Tangible assets:</b>       |                   |                 |                         |                   |                  |                 |                         |                  |                  |                  |
| Land (Freehold)               | 2,202.26          | -               | 15.00                   | 2,187.26          | -                | -               | -                       | -                | 2,187.26         | 2,202.26         |
| <b>Buildings:</b>             |                   |                 |                         |                   |                  |                 |                         |                  |                  |                  |
| Own use                       | 4,616.02          | 25.14           | 32.82                   | 4,608.34          | 1,984.88         | 112.34          | 24.04                   | 2,073.18         | 2,535.16         | 2,631.14         |
| Given under operating lease   | 1,117.61          | -               | -                       | 1,117.61          | 176.10           | 22.77           | -                       | 198.87           | 918.74           | 941.51           |
| <b>Plant and Equipment</b>    | 115,824.91        | 3,300.05        | 701.87                  | 118,423.09        | 89,901.35        | 3,696.69        | 658.57                  | 92,939.47        | 25,483.62        | 25,923.56        |
| <b>Furniture and Fixtures</b> | 162.31            | 1.89            | 21.29                   | 142.91            | 148.13           | 3.17            | 19.10                   | 132.20           | 10.71            | 14.18            |
| <b>Vehicles</b>               | 1,016.32          | 14.77           | 77.04                   | 954.05            | 778.52           | 44.21           | 70.49                   | 752.24           | 201.81           | 237.80           |
| <b>Office equipment</b>       | 62.56             | -               | 28.59                   | 33.97             | 43.62            | 8.31            | 26.51                   | 25.42            | 8.55             | 18.94            |
| <b>Total</b>                  | <b>125,001.99</b> | <b>3,341.85</b> | <b>876.61</b>           | <b>127,467.23</b> | <b>93,032.60</b> | <b>3,887.49</b> | <b>798.71</b>           | <b>96,121.38</b> | <b>31,345.85</b> | <b>31,969.39</b> |



|   | As at<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | As at<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|---|---|---|
| <b>14. Non Current Investments</b>  |   |   |
| <b>Investments (At cost)</b>  |   |   |
| <b>(A) Trade (Unquoted)</b>   |   |   |
| <b>Investment in Equity Instruments of :</b>  |   |   |
| <b>Associate</b>  |   |   |
| 13,68,000 (2013: 13,68,000) Equity shares of Rs 100 each fully paid up in Petro Araldite Private Limited  | 684.09  | 1,157.05  |
| <b>Total - Trade (A)</b>  | <u>684.09</u>   | <u>1,157.05</u>   |
| <b>(B) Other Investments (Unquoted)</b>   |   |   |
| <b>(i) Investment in equity instruments :</b>   |   |   |
| (a) 1,00,000 (2013: 1,00,000) Equity shares of Rs.10 each fully paid up in SPIC Electric Power Corporation Private Limited. (Note 39)   | 10.00   | 10.00   |
| (b) 40,00,000 (31st March 2013: 40,00,000) Equity shares of Rs.10 each fully paid-up in Standard Motor Products of India Limited.   | 400.00  | 400.00  |
| Provision for diminution in value of investments  | <u>400.00</u>   | <u>-</u>  |
| (c) Suzlon Engitech Limited<br>22,463 Equity Shares of Rs.10 each fully paid up (acquired during the year)  | 2.24  | -   |
|   | <u>12.24</u>  | <u>10.00</u>  |
| <b>(ii) Investments in bonds (unquoted)</b>   |   |   |
| 3 years 0% interest bond in Mercantile Ventures Limited (allotted on 27th March 2013 in settlement of dues) - (Refer Note below)  | 163.60  | 163.60  |
| <b>Total - Other investments (B)</b>  | <u>175.84</u>   | <u>173.60</u>   |
|   | <u>859.93</u>   | <u>1,330.65</u>   |
| <b>Note:</b> The Bonds are redeemable at the end of the third year from the date of issue or at the option of the Company, convertible into equity shares of Rs.10 each at par. |   |   |
| <b>15. Long-term Loans and Advances (Unsecured, Considered good)</b>  |   |   |
| Security deposit  | 2,352.68  | 1,918.74  |
| Security deposit to related party   | 248.76  | 262.09  |
| Balances with Customs, Sales tax and Excise Authorities   | 839.62  | 809.75  |
| Other loans and advances  | 37.51   | 243.28  |
| <b>Total</b>  | <u>3,478.57</u>   | <u>3,233.86</u>   |
| <b>16. Inventories</b>  |   |   |
| Raw materials and components  | 5,273.63  | 9,789.41  |
| Goods in Transit  | 627.94  | 103.01  |
| Work-in-progress  | 361.37  | 34.78   |
| Finished goods  | 6,512.33  | 9,523.78  |
| Stores and spares   | 2,959.75  | 2,839.48  |
|   | <u>15,735.02</u>  | <u>22,290.46</u>  |
| <b>Details of Work-in-progress:</b>   |   |   |
| Linear Alkyl Benzene  | 63.24   | 11.46   |
| Benzene   | 12.77   | -   |
| Normal Paraffin   | 285.36  | 23.32   |
|   | <u>361.37</u>   | <u>34.78</u>  |



|   | As at<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | As at<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|---|---|---|
| <b>17. Trade Receivables (Unsecured)</b>  |   |   |
| <b>Trade receivables outstanding for a period exceeding six months from the date they were due for payment:</b> |   |   |
| Considered good   | 163.23  | 555.88  |
| Considered doubtful   | <u>6.33</u>   | <u>6.33</u>   |
|   | 169.56  | 562.21  |
| Other trade receivables - Considered good   | <u>7,548.63</u>   | <u>9,590.77</u>   |
|   | 7,718.19  | 10,152.98   |
| Less: Provision for doubtful receivables  | <u>6.33</u>   | <u>6.33</u>   |
|   | <u>7,711.86</u>   | <u>10,146.65</u>  |
| <b>18. Cash and Cash Equivalents</b>  |   |   |
| Cash on hand  | 0.47  | 1.37  |
| Cheques on hand   | 2.88  | 385.61  |
| Balances with banks   |   |   |
| In current accounts   | 6,524.26  | 6,538.26  |
| In earmarked accounts   |   |   |
| - Unpaid dividend account   | 59.51   | 78.49   |
| - Margin Money deposits   | <u>1,036.27</u>   | <u>165.53</u>   |
|   | <u>7,623.39</u>   | <u>7,169.26</u>   |
| <b>19. Short-term Loans and Advances</b>  |   |   |
| (Unsecured considered good unless otherwise stated)   |   |   |
| Security deposits   | 22.52   | 179.09  |
| Receivable from Related party   | -   | 0.20  |
| Loans and advances to employees   |   |   |
| Secured loan against mortgage of title deeds  | 14.38   | 33.89   |
| Other loans   | <u>18.17</u>  | <u>11.33</u>  |
|   | 32.55   | 45.22   |
| Prepaid expenses  | 58.10   | 102.08  |
| <b>Balances with Government authorities</b>   |   |   |
| (i) CENVAT credit receivable  | 923.82  | 149.18  |
| (ii) VAT credit receivable  | 5.97  | 35.60   |
| (iii) Service tax credit receivable   | 105.86  | 92.39   |
| (iv) Customs  | 2.75  | -   |
| (v) Taxation ( net of provisions)   | <u>4.62</u>   | <u>-</u>  |
|   | 1,043.02  | 277.17  |
| Advances to suppliers   | <u>3,610.21</u>   | <u>4,106.67</u>   |
| <b>Total</b>  | <u>4,766.40</u>   | <u>4,710.43</u>   |
| <b>20. Other current assets</b>   |   |   |
| Interest accrued on deposits  | 71.28   | 32.73   |
| Claims receivable   | <u>60.00</u>  | <u>-</u>  |
|   | <u>131.28</u>   | <u>32.73</u>  |



|   | Year ended<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | Year ended<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|---|--|--|
| <b>21. Revenue from Operations</b>                        |  |  |
| Sale of products  | 116,538.81   | 1,42,420.89  |
| Sale of services  | 673.63   | 598.57   |
| Other operating revenues                                  | <u>78.10</u>   | <u>243.00</u>  |
|   | <u>117,290.54</u>  | <u>1,43,262.46</u>   |
| Less: Excise Duty   | <u>12,108.61</u>   | <u>15,118.30</u>   |
|   | <u><b>105,181.93</b></u>                                       | <u><b>1,28,144.16</b></u>                                      |
| <b>Sale of Products Comprises</b>                         |  |  |
| <b>Manufactured Goods</b>                                 |  |  |
| Linear Alkyl Benzene                                      | 94,349.76  | 1,08,072.89  |
| Epichlorohydrin   | 89.77  | 9,402.00   |
| Caustic soda  | 12,300.25  | 15,311.07  |
| Others  | <u>6,293.35</u>  | <u>6,289.31</u>  |
|   | <u>113,033.13</u>  | <u>1,39,075.27</u>   |
| <b>Traded Goods</b>                                       |  |  |
| Ammonia   | 2,669.70   | 3,345.62   |
| Furnace Oil   | <u>835.98</u>  | <u>-</u>   |
|   | <u>3,505.68</u>  | <u>3,345.62</u>  |
| <b>Total - Sale of Products</b>                           | <u><b>116,538.81</b></u>                                       | <u><b>1,42,420.89</b></u>                                      |
| <b>Sale of Services Comprises</b>                         |  |  |
| Effluent Treatment / Hydrogen Cylinder Testing / Storage  | 379.33   | 461.46   |
| Steam   | <u>294.30</u>  | <u>137.11</u>  |
| <b>Total - Sale of Services</b>                           | <u><b>673.63</b></u>   | <u><b>598.57</b></u>   |
| <b>Other operating revenues comprises</b>                 |  |  |
| Scrap sales   | <u>78.10</u>   | <u>243.00</u>  |
| <b>Total - Other Operating Revenues</b>                   | <u><b>78.10</b></u>  | <u><b>243.00</b></u>   |
| <b>22. Other Income</b>                                   |  |  |
| <b>Interest</b>   |  |  |
| from bank deposits  | 113.76   | 13.79  |
| from others   | 121.13   | 100.02   |
| Profit on sale of assets (net)                            | -  | 114.04   |
| Net gain on foreign currency transactions and translation | 371.12   | -  |
| Rental income from operating leases                       | 318.55   | 285.97   |
| Insurance claim received                                  | 53.53  | 45.37  |
| Sundry balances / excess provision written back           | 527.18   | 38.40  |
| Others  | <u>106.98</u>  | <u>17.56</u>   |
|   | <u><b>1,612.25</b></u>   | <u><b>615.15</b></u>   |





|  | Year ended<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | Year ended<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|--|--|--|
| <b>23. Cost of Materials Consumed</b>  |  |  |
| Opening stock  | 9,789.41   | 6,713.90   |
| Add: Purchases   | <u>58,811.28</u>   | <u>83,708.36</u>   |
|  | <b>68,600.69</b>   | <b>90,422.26</b>   |
| Less: Closing Stock  | <u>5,273.63</u>  | <u>9,789.41</u>  |
| Cost of material consumed  | <u><b>63,327.06</b></u>  | <u><b>80,632.85</b></u>  |
| <b>Material Consumed Comprises:</b>  |  |  |
| Kerosene   | 26,772.09  | 33,253.37  |
| Benzene  | 18,568.16  | 21,702.85  |
| Normal Paraffin  | 16,484.80  | 18,961.56  |
| Propylene  | -  | 4,000.60   |
| Salt   | 1,339.07   | 1,716.28   |
| others   | <u>162.94</u>  | <u>998.19</u>  |
|  | <u><b>63,327.06</b></u>  | <u><b>80,632.85</b></u>  |
| <b>24. Purchase of Stock in Trade:</b>   |  |  |
| Ammonia  | 2,564.74   | 3,302.77   |
| Furnace Oil  | <u>652.19</u>  | <u>-</u>   |
|  | <u><b>3,216.93</b></u>   | <u><b>3,302.77</b></u>   |
| <b>25. Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade</b> |  |  |
| <b>Inventories at the end of the year</b>  |  |  |
| Finished goods   | 6,512.33   | 9,523.78   |
| Work-in-progress   | <u>361.37</u>  | <u>34.78</u>   |
|  | <u><b>6,873.70</b></u>   | <u><b>9,558.56</b></u>   |
| <b>Inventories at the beginning of the year</b>  |  |  |
| Finished goods   | 9,523.78   | 3,503.45   |
| Work-in-progress   | <u>34.78</u>   | <u>220.56</u>  |
|  | <u><b>9,558.56</b></u>   | <u><b>3,724.01</b></u>   |
|  | <u><b>2,684.86</b></u>   | <u><b>(5,834.55)</b></u>                                       |
| <b>26. Employee benefits expense</b>   |  |  |
| Salaries and wages   | 1,786.64   | 2,262.93   |
| Contributions to provident and other funds   | 209.97   | 189.05   |
| Staff welfare expenses   | <u>393.03</u>  | <u>501.86</u>  |
|  | <u><b>2,389.64</b></u>   | <u><b>2,953.84</b></u>   |
| <b>27. Finance costs</b>   |  |  |
| <b>Interest expense on :</b>   |  |  |
| (i) Borrowings   | 2,497.36   | 2,374.43   |
| (ii) others  | <u>136.64</u>  | <u>-</u>   |
| Letter of Credit and other bank charges  | <u>384.32</u>  | <u>616.16</u>  |
| Net loss on foreign currency transactions and translation considered as finance cost     | <u>210.05</u>  | <u>193.65</u>  |
|  | <u><b>3,228.37</b></u>   | <u><b>3,184.24</b></u>   |



|  | Year ended<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | Year ended<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|--|--|--|
| <b>28. Other Expenses</b>  |  |  |
| Consumption of stores and spare parts  | 1,572.04   | 2,963.54   |
| Utilities consumed   | 593.24   | 1,352.90   |
| Power and fuel   | 27,053.40  | 35,313.89  |
| Rent   | 210.34   | 246.99   |
| Repairs to buildings   | 57.76  | 38.52  |
| Repairs to machinery   | 975.73   | 1,556.01   |
| Payment to Auditors:   |  |  |
| Towards audit fee  | 22.25  | 23.10  |
| For other services   | 11.90  | 4.27   |
| Insurance  | 190.11   | 242.87   |
| Rates and Taxes  | 116.21   | 114.87   |
| Freight and forwarding   | 2,114.36   | 2,806.86   |
| Net loss on foreign currency transactions (other than considered as finance cost)  | -  | 268.01   |
| Loss on fixed assets sold/ written off   | 127.82   | -  |
| Bad Loans and Advances written off   | 93.59  | 652.18   |
| Increase of excise duty on inventory   | (430.14)   | 655.36   |
| Miscellaneous expenses   | 1,059.24   | 1,433.25   |
|  | <u>33,767.85</u>   | <u>47,672.62</u>   |
| <b>29. Research and Development</b>  |  |  |
| Research and development expenses incurred on revenue account  | <u>5.81</u>  | <u>31.01</u>   |
| <b>30. Depreciation</b>  |  |  |
| Depreciation for the year (Note 13 & 37)   | 3,063.29   | 3,887.49   |
| Less: Amount withdrawn from revaluation reserve  | <u>20.11</u>   | <u>20.11</u>   |
|  | <u>3,043.18</u>  | <u>3,867.38</u>  |
| <b>31. Contingent Liabilities and commitments<br/>(to the extent not provided for)</b>   |  |  |
|  | As at<br>31 <sup>st</sup> March, 2014<br>(Rupees in lakhs)     | As at<br>31 <sup>st</sup> March, 2013<br>(Rupees in lakhs)     |
| <b>A. Contingent liabilities:</b>  |  |  |
| <b>Disputed Demands</b>  |  |  |
| <b>i) Sales Tax</b>  | 1,728.05   | 1,728.05   |
| The demands relate to disallowance of claims for exemption of turnover arising on account of stock transfers to branches and genuineness of declarations filed by certain customers for availing concessional rate of tax.   |  |  |
| <b>ii) Excise Duty</b>   | 168.61   | 168.61   |
| <b>iii) Service Tax</b>  | 314.59   | 314.59   |
| <b>iv) Electricity Tax</b>   | 1,054.93   | 1,054.93   |
| The Tamilnadu Government vide Government Order dated 23rd September 1996 exempted specified industries permanently from payment of electricity tax on consumption of self-generated electrical energy under the "Tamilnadu Electricity (Taxation on Consumption) Act, 1962". |  |  |
| The above Act was repealed by the "Tamilnadu Tax on Consumption or Sale of Electricity Act, 2003", withdrawing the exemption granted to specified industries.  |  |  |



| <b>Particulars</b>   | <b>As at<br/>31<sup>st</sup> March, 2014<br/>(Rupees in lakhs)</b>   | <b>As at<br/>31<sup>st</sup> March, 2013<br/>(Rupees in lakhs)</b> |
|--|--|--|
| <p>The Company's appeal against the withdrawal of exemption was dismissed by the Madras High Court and the Company filed a "Special Leave Petition" (SLP) before the Supreme Court. On 15th May 2007 the Supreme Court held that the 2003 Act was not valid in respect of industries which were permanently exempted from payment of tax. Consequent to this decision upholding the exemption, the Company, in June 2007 reversed the provision for electricity tax amounting to Rs. 878.77 lacs made in books since 2003-04.</p> <p>In November 2007, the Government of Tamilnadu passed "the Tamilnadu Tax on Consumption or Sale of Electricity Amendment Act" amending the 2003 Act to invalidate the exemption granted with retrospective effect. The writ petitions filed before the division bench of the High Court against this amendment were dismissed by its Order dated 15.06.2012.</p> <p>The Company has filed a SLP before the Supreme Court in October 2012 challenging the High Court Order and is hopeful of a favorable decision by Supreme Court especially on invalidation of the exemption granted with retrospective effect. Accordingly, no provision is considered necessary for the electricity tax relating to the period from 2003 to 2008 aggregating to Rs.1054.93 lakhs. However, provision has been made for this liability for subsequent periods excluding the periods for which specific exemption were granted through notifications.</p> |  |  |
| <b>v) Renewable Energy Purchase Obligation (RPO)</b>   | <b>412.55</b>  | 301.37   |
| <p>The Company has disputed the obligation under the "Tamil Nadu Electricity Regulatory Commission (Renewable Energy Purchase Obligation) (Amendment) Regulations, 2011" under Gazette notification TNERC/RPO/19/2 dated 29th July 2011 and filed a Writ Petition in March 2012 before the Honorable Madras High Court. On 26th March 2012, an interim stay was granted by the Honorable Madras High Court on the operation of the Regulations. The Company is hopeful of successful outcome of the writ petition filed before the Honorable Madras High Court and hence no provision is considered necessary in this regard.</p> <p>Demands are disputed by the Company and appeals filed against these disputed demands are pending before respective appellate 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.</p>   |  |  |
| <b>B Commitments</b>   |  |  |
| Capital commitments  | <b>155.20</b>  | 56.65  |
| Confirmed purchase commitments to be fulfilled within one year   | <b>61,500.00</b>   | 49,241.75  |
| Confirmed sales commitments to be fulfilled within one year  | <b>28,292.80</b>   | 22,643.79  |
| <b>32. Earnings Per Share</b>  |  |  |
| (Loss) after taxation  | <b>(3,512.80)</b>  | (3,400.83)   |
| Weighted number of equity shares outstanding   | <b>89,971,474</b>  | 8,99,71,474  |
| Basic and diluted earnings per share -<br>(Face value – Rs.10/- per share)   | <b>(3.90)</b>  | (3.78)   |
| <b>33. Related Party Disclosure under Accounting Standard -18</b>  |  |  |
| <b>i) The list of related parties as identified by the Management and relied upon by the Auditors are as under</b>   |  |  |
| A) Promoters   | <ol style="list-style-type: none"> <li>Southern Petrochemical Industries Corporation Limited (SPIC)</li> <li>Tamilnadu Industrial Development Corporation Limited (TIDCO)</li> </ol>                   |  |
| B) Associate   | <ol style="list-style-type: none"> <li>Petro Araldite Private Limited (PAPL)</li> <li>Manali Petrochemicals Limited (MPL)<br/>(Company in which the KMP can exercise significant influence)</li> </ol> |  |
| C) Joint Venture   | Gulf Petroproduct Company E.C. (upto 19 <sup>th</sup> August 2013)   |  |
| D) Key management personnel  | <ol style="list-style-type: none"> <li>Mr. Muthukrishnan Ravi, Managing Director</li> </ol>  |  |



## Related Party Transactions

The Company has identified all related parties and details of transactions are given below

### ii. The following transactions were carried out with the Related Parties.

(Rupees in lakhs)

| Particulars   | Promoters      | Associate             | Joint Venture | Key Management Personnel (KMP) |
|---|----------------|-----------------------|---------------|--------------------------------|
| <b>Sale of Goods</b>  |                |                       |               |                                |
| a) SPIC   | 0.77<br>(7.60) |                       |               |                                |
| b) PAPL   |                | 425.35<br>(10,835.02) |               |                                |
| c) MPL  |                | 2,395.48<br>(227.35)  |               |                                |
| <b>Sale of services</b>   |                |                       |               |                                |
| a) PAPL   |                | 654.84<br>(654.53)    |               |                                |
| b) MPL  |                | 20.86<br>(-)          |               |                                |
| <b>Purchase of goods</b>  |                |                       |               |                                |
| MPL   |                | 4.36<br>(244.97)      |               |                                |
| Purchase of services ( inclusive of service tax)  |                |                       |               |                                |
| MPL   |                | 14.98<br>(13.33)      |               |                                |
| Managerial remuneration (excludes reversal of remuneration pertaining to KMPs for the year 2012-13 Rs. 25.95 lakhs) |                |                       |               | 34.58<br>(79.38)               |
| Rent paid   | 0.30<br>(1.60) |                       |               |                                |
| Interest paid on Trade Advance  |                |                       |               |                                |
| MPL   |                | 123.11<br>-           |               |                                |
| Reimbursement of expenses   | 2.92<br>-      |                       |               |                                |
| Advance written off   |                |                       |               |                                |
| GPC   |                |                       | -<br>(158.37) |                                |
| Sitting fees (TIDCO)  | 2.60<br>(4.80) |                       |               |                                |
| <b>Dividend Paid</b>  |                |                       |               |                                |
| a)TIDCO   | -<br>(79.22)   |                       |               |                                |
| b)SPIC  | -<br>(76.17)   |                       |               |                                |
| Trade Advance received  |                |                       |               |                                |
| MPL   |                | 2,600.00<br>(600.00)  |               |                                |
| <b>Balance outstanding as of 31<sup>st</sup> March 2014</b>   |                |                       |               |                                |
| <b>Trade Receivables</b>  |                |                       |               |                                |
| a) SPIC   | -<br>(0.05)    |                       |               |                                |
| b) PAPL   |                | 106.13<br>(1,123.62)  |               |                                |
| c) MPL  |                | 16.00<br>(134.12)     |               |                                |
| Deposit with MPL  |                | 248.76<br>(262.09)    |               |                                |

(Rupees in lakhs)

| Particulars                  | Promoters        | Associate                   | Joint Venture | Key Management Personnel (KMP) |
|------------------------------|------------------|-----------------------------|---------------|--------------------------------|
| Other Receivables<br>SPIC    | -<br>(0.02)      |                             |               |                                |
| Deposit received from PAPL   |                  | <b>291.39</b><br>(291.39)   |               |                                |
| Trade payables - MPL         |                  | <b>35.49</b><br>(170.10)    |               |                                |
| Other payables<br>SPIC       | <b>1.73</b><br>- |                             |               | <b>1.04</b><br>(25.94)         |
| MPL                          |                  | -<br>(6.13)                 |               |                                |
| Trade Advance payable to MPL |                  | <b>1,737.15</b><br>(500.00) |               |                                |

Figures in brackets relate to the previous year.

#### 34. Joint Venture Disclosure

## i) Interest in Joint Venture

| Name of the 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. The Company went into liquidation on 19th August 2013

## ii) Interest in the Assets, Liabilities, Income and Expenses with respect to the joint venture

| Particulars                              | March 31, 2014<br>(Rupees in lakhs) | March 31, 2013<br>(Rupees in lakhs) |
|--|-------------------------------------|-------------------------------------|
| I a) Cash and Bank balances              | <b>0.00</b>                         | 4.14                                |
| b) Loans and Advances                    | <b>0.00</b>                         | 0.18                                |
| II a) Current Liabilities and provisions | <b>0.00</b>                         | 0.45                                |
| b) Advance received towards equity       | <b>0.00</b>                         | 37.42                               |
| III a) Expenses                          | <b>0.00</b>                         | 0.49                                |

#### 35. Derivative Instruments

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

|  | Currency | Amount<br>in Foreign<br>Currency | Amount<br>(Rs. in lakhs) |
|--|----------|----------------------------------|--------------------------|
| Amount receivable in foreign currency - Exports    | USD      | 216,310                          | 130                      |
|  | USD      | (2,155,321)                      | (1,169.91)               |
| Amount payable in foreign currency - Imports       | USD      | 469,077                          | 281                      |
|  | USD      | (2,594,198)                      | (1,408.13)               |
|  | JPY      | 2,368,720                        | 14                       |
|  | JPY      | (-)                              | (-)                      |
|  | EURO     | 7,316                            | 6.23                     |
|  | EURO     | (-)                              | (-)                      |
| Amount payable in foreign currency - Buyers Credit | USD      | -                                | -                        |
|  | USD      | (6,779,924)                      | (3,680.14)               |

Figures in brackets are in respect of the previous year

36. The Company suspended the operations of Epichlorohydrin plant from April 2013 owing to continuous losses. Availability of cheaper imports led to lower price realization and lower demand for this product. The management has been exploring the possibility of using this plant for manufacture of an alternate product. Pursuant to this, an Associate company has shown interest in utilizing this plant facility with suitable modifications to manufacture one of their raw materials and has initiated detailed engineering study in this regard. Based on Preliminary feasibility study, the Company has applied for obtaining environmental and other clearances for manufacture of the said product and the same is pending before the relevant authorities. Based on the estimated future revenues that would be generated by the plant with the production of the alternate product, the management is of the view that the recoverable value of the plant will be higher than the carrying value of Rs.1,340 lakhs as on the balance sheet date and hence no provision for impairment is considered necessary.
37. The Company has been depreciating two of the assets in the processing plant over 4.5 years i.e. @ 22%. These assets are the proprietary products of an overseas vendor and based on their guaranteed useful life and technical re-evaluation carried out, the Company has revised the useful life of these assets to 8 and 15 years. Accordingly, the net book value of these assets as at the beginning of the year is depreciated over the remaining revised useful life. Consequently, the depreciation charge and loss for the year is lower by Rs. 682.44 lakhs.
38. During the year, the Company has entered in to an agreement for sale of one of its immovable properties and received an advance. This transaction is expected to be completed by June 2015.
39. Other payable represent amount received in advance towards sale of 100000 equity shares in SPIC Electric Power Corporation (Private) Limited during Financial year 2012-13. The same will get adjusted against Investment held, on successful implementation of the power project by SPIC Electric Power Corporation (Private) Limited.

#### 40. Employee Defined Benefit Plans

The Company offers Gratuity benefits to its employees which are funded with Life Insurance Corporation of India. The following table sets out the funded status of the Gratuity scheme and the amount recognised in the financial statements.

|  | March 31, 2014<br>(Rupees in lakhs) | March 31, 2013<br>(Rupees in lakhs) |
|--|-------------------------------------|-------------------------------------|
| <b>A) Net Asset/ (Liability) recognized in the Balance Sheet as at March 31, 2014</b>                      |                                     |                                     |
| Present value of Obligation  | 654.94                              | 712.44                              |
| Fair value of Plan Assets  | <u>562.06</u>                       | <u>607.44</u>                       |
| Net liability  | <u>(92.88)</u>                      | <u>(105.00)</u>                     |
| <b>B) Expense recognized in the Statement of Profit and Loss account for the year ended March 31, 2014</b> |                                     |                                     |
| Current Service Cost   | 36.49                               | 45.21                               |
| Interest Cost  | 52.59                               | 58.37                               |
| Expected return on Plan Assets   | (47.58)                             | (51.79)                             |
| Actuarial (gains) / Losses   | <u>45.59</u>                        | <u>(45.43)</u>                      |
| Total expense  | <u>87.09</u>                        | <u>6.36</u>                         |
| <b>C) Change in Present value of Obligation during the year ended March 31, 2014</b>                       |                                     |                                     |
| Present value of defined benefit obligation as at the beginning of the year                                | 712.44                              | 699.72                              |
| Adjustment to opening balance of past service cost   | (55.03)                             | 0.00                                |
| Current service cost   | 36.49                               | 45.21                               |
| Interest cost  | 52.59                               | 58.37                               |
| Actuarial (gains) /losses  | 45.59                               | (48.82)                             |
| Benefits paid  | <u>(137.14)</u>                     | <u>(42.04)</u>                      |
| Present value of defined benefit obligation as at the end of the year                                      | <u>654.94</u>                       | <u>712.44</u>                       |
| <b>D) Change in fair value of plan assets during the year ended March 31, 2014</b>                         |                                     |                                     |
| Plan assets at the beginning of the year   | 607.44                              | 554.67                              |
| Adjustment to opening balance of past service cost   | 2.20                                | 0.00                                |
| Expected return on plan assets   | 47.58                               | 51.79                               |
| Actuarial gains /(losses)  | -                                   | (3.39)                              |
| Contributions by employer  | 41.98                               | 46.41                               |
| Benefits paid  | <u>(137.14)</u>                     | <u>(42.04)</u>                      |
| Plan assets at the end of the year   | <u>562.06</u>                       | <u>607.44</u>                       |



|  | March 31, 2014<br>(Rupees in lakhs) | March 31, 2013<br>(Rupees in lakhs) |
|--|-------------------------------------|-------------------------------------|
| <b>E) Principal actuarial assumptions as at March 31, 2014</b> |                                     |                                     |
| Discount rate  | 8.00%                               | 8.00%                               |
| Expected return on Plan Assets                                 | 8.75%                               | 9.30%                               |
| Salary Escalation  | 6.00%                               | 7.50%                               |
| Attrition  | 10.00%                              | 10.00%                              |
| <b>Mortality Table - LIC (94-96) Ultimate Mortality Table.</b> |                                     |                                     |

**F) Basis used to determine expected rate of return.**

The information on major categories of plan assets and expected return on each class of plan assets have not been furnished in the absence of necessary information from Life Insurance Corporation of India.

**G)** Estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotions and other factors.

**H)** In the absence of relevant information from the actuary, the above details do not include the experience adjustment in respect of actuarial losses/gains.

**41. Operating Leases**

|  | Year ended<br>31 <sup>st</sup> March 2014<br>(Rupees in lakhs) | Year ended<br>31 <sup>st</sup> March 2013<br>(Rupees in lakhs) |
|--|--|--|
| <b>The property given under operating leases :</b> |  |  |
| Gross carrying amount of building                  | 1,117.61   | 1,117.61   |
| Accumulated depreciation                           | 220.29   | 198.87   |
| Depreciation for the year                          | 21.42  | 22.77  |

Future minimum lease payments under non-cancellable operating leases

**Particulars**

|                       |        |        |
|-----------------------|--------|--------|
| Not later than 1 year | 211.37 | 261.61 |
| Later than 5 years    | 26.65  | 257.09 |

**Significant Leasing Arrangements**

Lease is non cancellable during the lock in period (14 months).

In the event of Lessee pre-determining the lease during the lock-in-period, the Company shall be entitled to recover the entire lease compensation for the remaining period of lease.

**42.** The Company operates in only one segment, namely, Industrial Intermediate Chemicals. Details of secondary segment information are as follows:

(Rupees in lakhs)

| Particulars                                  | Year ended 31 <sup>st</sup> March 2014 |          |            | Year ended 31 <sup>st</sup> March 2013 |          |            |
|--|--|----------|------------|--|----------|------------|
|  | Domestic                               | Overseas | Total      | Domestic                               | Overseas | Total      |
| Segment revenue                              | 105,181.92                             | -        | 105,181.92 | 127,066.06                             | 1,078.10 | 128,144.16 |
| Segment assets                               | 68,159.31                              | 64.33    | 68,223.64  | 77,560.68                              | 1,165.90 | 78,726.58  |
| Capital expenditure incurred during the year | 534.65                                 | -        | 534.65     | 516.27                                 | -        | 516.27     |



43. Information disclosed in accordance with the Government of India, Ministry of Corporate Affairs, vide Order No. 51/12/2007-CL-III dated 8th February 2011 granting general exemption under section 212 (8) of the Companies Act, 1956

| Particulars                 | Certus Investments and Trading Limited (M) |                | Certus Investments and Trading (S) Private Limited |              | Proteus Petrochemicals Private Limited |                |
|-----------------------------|--|----------------|--|--------------|--|----------------|
|                             | 31st March 2014                            |                | 31st March 2014                                    |              | 31st March 2014                        |                |
|                             | Rupees in lakhs*                           | In USD         | Rupees in lakhs*                                   | In USD       | Rupees in lakhs*                       | In USD         |
| Capital                     | 12,226.90                                  | 20,419,000.00  | 1,122.95   | 1,875,340.00 | 179.64                                 | 300,000.00     |
| Reserves                    | (2,235.67)                                 | (3,733,578.00) | (233.90)   | (390,616.00) | (3,058.47)                             | (5,107,658.00) |
| Total assets                | 10,003.02                                  | 16,705,104.00  | 3,001.43   | 5,012,401.00 | 1,579.59                               | 2,637,921.00   |
| Total liabilities           | 10,003.02                                  | 16,705,104.00  | 3,001.43   | 5,012,401.00 | 1,579.59                               | 2,637,921.00   |
| Investments                 | 1,122.95                                   | 1,875,340.00   | 0.00   | 0.00         | 0.00                                   | 0.00           |
| Turnover (inc other income) | 18.90                                      | 31,562.00      | 24.94  | 41,650.00    | 4.02                                   | 6,712.00       |
| Profit / (loss) before tax  | (75.84)                                    | (126,660.00)   | (8.30)   | (13,853.00)  | (4.05)                                 | (6,758.00)     |
| Provision for taxation      | 0.00                                       | 0.00           | 5.62   | 9,389.00     | 0.00                                   | 0.00           |
| Profit / (loss) after tax   | (75.84)                                    | (126,660.00)   | (13.92)  | (23,242.00)  | (4.05)                                 | (6,758.00)     |

\* Translated at exchange rate prevailing as on 31.03.2014

1 USD = Rs. 59.88

44. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.







## **Tamilnadu Petroproducts Limited**

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