

Chairman's Speech

29th Annual General Meeting

At
Tamil Isai Sangam,
Rajah Annamalai Mandram

On
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Tamilnadu Petroproducts Limited

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Ladies and Gentlemen,

I welcome you all to the 29th Annual General Meeting of your Company on my own behalf and on behalf of my colleagues on the Board.

The Annual Report for the year 2013-14 has been with you for some time now and with your permission I shall take the same as read. Before delving into the Company's performance during the year under review, I would like to share my thoughts on the economic conditions which had a direct impact on the performance of your Company.

Economic Outlook

After achieving unprecedented growth of over 9 percent for three successive years between 2005-06 and 2007-08 and recovering swiftly from the global financial crisis of 2008-09, the Indian economy has been going through challenging times that culminated in lower than 5 percent growth of GDP for last two consecutive years. The major factors responsible for the protracted slowdown were persistent uncertainty in the global outlook caused by the general economic

slow-down, Euro crisis, and the domestic structural weakness and mounting inflation. The decline was evident in all the emerging markets.

The major concern in India was the performance of the manufacturing sector which recorded a dismal 0.20% growth in the last two years. Many months during the year recorded negative performance by the industrial sector, which not long ago was the pivotal for overall economic growth. Added to this, the inflation continued to be high mainly on account of food price inflation. However, the improved forex reserve position and the lower Current Account Deficit have been the bright spot in the otherwise lacklustre economy.

Performance of the Company

The weak economic conditions during the year under review adversely affected the performance of your Company. Capacity utilization could not be sustained due to lower off-take by customers, who have been switching over to cheaper imports over the past few years. The import of LAB into India almost doubled during

the year. The Caustic Soda market was also flooded with imported material and the Company had a tough time mitigating the impact of price war. However, through tough and resolute actions for revival of the Company, the losses were brought down substantially. The suspension of operations in the ECH facility from the beginning of the year also helped in lowering the losses. The Company is looking at alternate use for the facility to salvage the investment made.

Your Company recorded a total revenue of about Rs. 1064 crore against Rs. 1287 crore in the previous year. The loss during the year was at Rs. 37.30 crore lower by about 26% compared to the previous year.

The margins continuing to be affected by dampened market conditions due to higher imports into the country and high input cost on account of rupee depreciation, fuel cost, and frequent interruption in power supply leading to additional cost for alternate power generated by the captive generators, the Company could not fully control the losses.

Business Outlook

With the industrial sector going through a rough patch due to lack of demand from end-customers, the off-take of your Company's products has been affected substantially. As stated earlier, the large scale imports continue to daunt the Company and impede its revival plans. Further the demand for your Company's products has been growing significantly in the Northern and Western India compared to South from where your company operates. This has thrown an additional challenge of reaching your company's products to these growth regions in a cost effective manner.

To overcome the increased cost of operations and the logistic challenges, your Company has taken several steps. Benzene, hitherto imported has been substituted with domestic purchase. The Company has shifted to maintain a judicious balance between grid-power and own generation of power to bring down fuel cost. Certain innovative marketing initiatives such as product swap and tolling are also being pursued. It is hoped that through these measures, the

Company will be able to improve its performance in the near future.

Acknowledgement

Before I conclude, I would like to thank my colleagues on the Board for their able guidance and support. I would also like to thank the Central and State governments, Financial Institutions and Banks for their unstinted support. I also extend my gratitude to our customers and all other stakeholders for their continuous support. I also acknowledge the efforts of the employees of the Company in our efforts to revive the operations. Last but not the least we continue to remain committed to the shareholders value creation and thank you for your understanding and support.

Thank you.

*This does not purport to be the proceedings
of the Annual General Meeting.*