Tamilnadu Petroproducts Ltd.,
Manali Express Highway, Manali,
Chennai - 600 068.

SECY/189/2013 6th August 2013

To

The General Manager
Bombay Stock Exchange Limited
1st Floor, New Trading Ring
Rotunda Building, P.J. Towers
Dalal Street, Fort
Mumbai - 400 001.

The Listing Department
National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor
Plot No.C/1, G Block, Bandra-Kurla Complex
Bandra (East), MUMBAI-400 051.

Dear Sir,

Sub : Chairman's Speech

We send herewith 3 copies of the Chairman's Speech circulated to the Shareholders at the 28th Annual General Meeting of the Company held on 5th August 2013 for your kind information and records.

Thanking you

Yours faithfully
For TAMILNADU PETROPRODUCTS LIMITED

N.Ramkumar
For Company Secretary

Encl : a/a

worsening the prospects of your Company. ECH production, therefore, had to be suspended from April 2013.

With the margins being battered by high input cost, dampened market conditions and higher imports, the additional cost for alternate power generated by the captive generators to meet shortfall in power further fuelled the losses for the year. Your Company has reported a net loss of Rs 50.56 crore in FY 2012-13.

Business Outlook

Your Company operates in the chemical intermediaries segment and supplies to other manufacturers and not to the ultimate consumers at large. Consequently, the challenges and the resources available to your Company reflect the position faced by any similar company in India, including lower market off-take, fierce competition, cheaper imports and rising manufacturing costs.

With LAB continuing to be dumped into India, the higher scope for the product is negated by the constraints of higher input costs and reduced margins. The continued low per capita use of chlorine in India, while indicating a latent but huge demand, is also indicative of the low investments in the critical vinyl sector that uses chlorine. These developments mean that the challenges continue to mount for the industrial intermediate chemicals segment in India.

These challenges have presented the Company with an opportunity to retrospect its structure and functioning and look at various avenues for making the operations cost effective and sustainable. Your Company is geared up for solving the issues and put it back on track through sustained efforts.

Acknowledgement

Before I conclude, I would like to thank all employees and members on the Board for their unstinted support and contributions during the challenging year. 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. Last but not the least we continue to remain committed to the shareholders value creation and thank you for your understanding and patronage.

Thank you

(This does not purport to be the proceedings of the AGM.)

Chairman's Speech

28th Annual General Meeting

At

Tamil Isai Sangam,
Rajah Annamalai Mandram

On

5th August 2013

Tamilnadu Petroproducts limited
Regd. Office: Manali Express Highway,
Manali, Chennai – 600 068

Ladies and Gentlemen,

I welcome you all to the 28th Annual General Meeting of your Company on my own behalf and on behalf of my colleagues on the Board.

The Annual Report has been with you for some time now and with your permission I shall take the same as read.

Before we discuss your Company's performance during the past year, we may briefly look at the national and international developments that influenced the operations of the Company.

Economic Outlook

The global slowdown continued to impact the Indian economy for the 2nd year in succession and the regression extended to almost all the sectors. Issues that caused the downtrend mostly originated in Europe on account of crisis in Italy, Greece, Portugal and Spain but the impact was international and India was no exception.

India's economy grew by a dismal 5% in 2012-13, the slowest pace in a decade and at less than the decade's average of about 8%. Virtually all sectors of the economy showed either insignificant or negative growth. Manufacturing, minerals, agriculture, energy, infrastructure, transport and communications – all sectors suffered. The widespread drought contributed to the dip in agricultural growth and deepened the gloom.

The current account deficit widened to USD 87.8 billion, an unprecedented 4.8% of GDP, signifying spurt in imports with no matching increase in exports. Foreign Direct Investment (FDI) in India fell the most in more than a decade in 2012-13, increasing the economy's reliance on stock and bond inflows to fund the current-account shortfall. The tightened monetary supply conditions coupled with monsoon failure led to a slowdown in the industrial production which affected the viability of proposed projects, most of them getting deferred and some being given up.

Performance of the Company

The weak economic conditions adversely affected the performance of your company in the year under review. Broadly, the reasons can be classified as follows: raw material price increases, rupee depreciation, cheaper imports and costly alternate power.Revenue from operations went up marginally by 2.6% to Rs 1,281 crore in FY 2012-13. However, the steep uptrend in kerosene, benzene and fuel oil prices, key input for LAB resulted in reduced margins. The depreciating rupee which lost nearly 6.5% of its value during the year made matters worse. Overseas LAB manufacturers, who had created new capacities and with no takers in their targeted markets, dumped their products into India, affecting the profitability of your Company. While the Chlor Alkali Division operated at 95% of its capacity, the high cost of production coupled with low chlorine prices led to reduction in margins.

Till recently, your Company was the only indigenous source for ECH in the country, but direct imports of resins has reduced the market for your Company's product. In fact, your Company has been supplying a bulk of the ECH to the Joint Venture Company, PAPL which too has been affected by large scale imports into the country.

Your Company has tried to offset the twin challenges of rising input costs and the easy availability of imported finished products for more than a decade. Your Company's sustained efforts to continue with the ECH business have obstructed the overall performance of the Company. It may be interest to note that ECH manufacturers across the globe have begun use of alternate manufacturing process based on glycerine, a by-product of bio-diesel, which is more sustainable,