

TANFAC INDUSTRIES  
LIMITED  
ANNUAL REPORT  
2009–2010



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<b>DIRECTORS</b>	Selvi Apoorva, IAS Shri A.K. Agarwala Shri V.T. Moorthy Shri Lalit Naik Shri B. Elangovan Shri A.M. Swaminathan, IAS [Retd.] Shri M.R. Sivaraman, IAS [Retd.] Dr. Pragnya Ram Dr. Shankar Narasimhan Shri Kannan K Unni Shri T.S. Raghavan Shri R. Karthikeyan
<b>SENIOR EXECUTIVE</b>	Shri Suresh Sodani - Joint President Shri S.R. Rajan- CFO & Asst. Vice President [Fin. & Comcl.]
<b>COMPANY SECRETARY</b>	Shri D.M. Thiyagesh
<b>AUDITORS</b>	M/s. Bhaskaran & Krishnan Chartered Accountants K-92 Anna Nagar East Chennai – 600 102 Phone No. 044-26285283  M/s. Singhi & Co., Chartered Accountants No.1 Philips Street Chennai – 600 001 Phone No.044-42621416
<b>BANKERS</b>	State Bank of India State Bank of Mysore Indian Overseas Bank IDBI Bank Limited CITI Bank N.A. HDFC Bank Limited
<b>REGISTERED OFFICE AND WORKS</b>	Plot No.14, SIPCOT Industrial Complex Cuddalore – 607 005 Cuddalore Dist. TAMIL NADU Phone : 04142-239001 to 239005 Fax : 04142-239008 E-Mail: mohan.srinivasan@adityabirla.com
<b>CORPORATE OFFICE</b>	Oxford Centre, First Floor No.66 Sir C.P. Ramaswamy Road Alwarpet Chennai - 600018 Phone : 044-24990451/24990464 Fax : 044-24993583 Email : chandramohanand@adityabirla.com

## NOTICE OF THE THIRTY SIXTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 36<sup>th</sup> Annual General Meeting of TANFAC INDUSTRIES LIMITED will be held on Monday the 2<sup>nd</sup> August, 2010 at 3.00 P.M. at the Registered Office of the Company at 14, SIPCOT Industrial Complex, Kudikadu, Cuddalore - 607005.

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri A.K. Agarwala, who retires by rotation and being eligible, offers himself for re-appointment
3. To appoint a Director in place of Shri M.R. Sivaraman, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Shankar Narasimhan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION :-  
"RESOLVED THAT M/s. Bhaskaran & Krishnan and M/s. Singhi & Co., Chartered Accountants, Chennai, the retiring Auditors, be and are hereby re-appointed as Auditors of the Company to hold office till the conclusion of the next Annual General Meeting on a revised remuneration of Rs.1,50,000/- (Rupees One Lakh Fifty Thousand only) plus applicable taxes to be shared by them equally besides travelling and other out of pocket expenses."

### SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:  
"RESOLVED THAT Selvi Apoorva, IAS, be and is hereby appointed as a Director of the Company liable to retire by rotation."
7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:  
"RESOLVED THAT Shri Lalit Naik, be and is hereby appointed as a Director of the Company liable to retire by rotation."
8. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:  
"RESOLVED THAT Shri B. Elangovan, be and is hereby appointed as a Director of the Company liable to retire by rotation."
9. To consider and, if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION ;  
"RESOLVED THAT subject to the provisions of Sections 198, 269 and 387 read with Schedule XIII and other applicable provisions, if any, of The Companies Act, 1956, approval be and is hereby given for the appointment of Shri Lalit Naik as Manager of the Company with effect from 22.01.2010 for a period of five years [i.e. 22.01.2010 to 21.01.2015] subject to such approvals as may be necessary."

By Order of the Board  
For **TANFAC INDUSTRIES LIMITED**

(D.M. THIYAGESH)  
SR. MANAGER (FINANCE AND ACCOUNTS)  
AND COMPANY SECRETARY

Place : Chennai  
Date : 14.05.2010

## NOTICE OF THE THIRTY SIXTH ANNUAL GENERAL MEETING (Contd.)

### NOTES :

1. The Register of Members and Share Transfer Books of the Company will remain closed from 26.7.2010 (Monday) to 02.8.2010 (Monday) both days inclusive.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member.
3. **The Form of Proxy shall be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.**
4. An Explanatory Statement as required by Section 173 of the Companies Act, 1956, in respect of item Nos. 2 to 9 is set out in the annexure.
5. Members holding shares in multiple folios in physical mode are requested to apply for consolidation to our Registrar and Transfer Agent (RTA) viz., M/s. Integrated Enterprises (India) Limited, Kences Towers, Second Floor, No.1, Ramakrishna Street, Off. North Usman Road, T. Nagar, Chennai – 600 017. All documents relating to share transfer, transmission, change of address, change of bank account details may be sent directly to our above RTA.
6. Members desirous of obtaining any information as regards Accounts and operations of the Company are requested to write at least one week before the meeting so that the same could be complied in advance.
7. Pursuant to Section 205A of The Companies Act, 1956, all dividends upto the financial year 2001-2002, which remain unclaimed have been transferred to Central Government' Investors Education and Protection Fund Account.
8. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividends for the financial year ended 31<sup>st</sup> March, 2003, which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Accordingly the unpaid dividend for the year 2002 - 2003 will be transferred to Central Government on 02.8.2010.
9. **Members, who have not encashed their dividend warrants for the financial year ended 31st March, 2003 and thereafter may claim the unclaimed dividend directly from the Company. The Shareholders can send their request letter directly to the Company's Registered Office at 14, SIPCOT Industrial Complex, Cuddalore - 607005.**
10. **As on 31.3.2010, 86.77% of the Company's shares have been dematerialized. Members who have not yet dematerialized their shares, may please get their shares dematerialized immediately.**
11. As per the provisions of The Companies Act, 1956 as amended upto date, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form-2B prescribed by the Government can be obtained from RTA of the Company.
12. SEBI vide its circular ref. no MRD/ DoP/Cir-05/2009 dated 20.05.2009 has clarified that for securities market transactions and off-market/ private transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish a copy of PAN card to the Company / RTAs for registration of such transfer of shares irrespective of the amount of such transaction.  
  
Hence, Shareholders are requested to send a self certified copy of PAN along with share transfer deed duly filled to avoid rejection of shares under objection, directly to our Registrar and Transfer Agent, viz., M/s. Integrated Enterprises [India] Limited, Kences Towers, No.1 Ramakrishna Street, Off. North Usman Road, T. Nagar, Chennai – 600 017.

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

### **ITEM NO.2**

Shri A.K. Agarwala, Director, retires by rotation and being eligible, offers himself for reappointment. Pursuant to requirement of the listing agreement of the Stock Exchanges relating to Corporate Governance, a statement showing details of the above Director is attached herewith.

### **ITEM NO.3**

Shri M.R. Sivaraman, IAS [Retd.], Director, retires by rotation and being eligible, offers himself for reappointment. Pursuant to requirement of the listing agreement of the Stock Exchanges relating to Corporate Governance, a statement showing details of the above Director is attached herewith.

### **ITEM NO.4**

Dr. Shankar Narasimhan, Director, retires by rotation and being eligible, offers himself for reappointment. Pursuant to requirement of the listing agreement of the Stock Exchanges relating to Corporate Governance, a statement showing details of the above Director is attached herewith.

### **ITEM NO.5**

As per Section 224-A of the Companies Act, 1956, if 25% or more of the subscribed capital of the Company is held by the Central or State Government, Public Financial Institutions or Nationalised Banks or General Insurance Companies, the appointment or re-appointment of the Auditors shall be made by a Special Resolution. Since more than 25% of the Subscribed Capital of the Company is held by Tamilnadu Industrial Development Corporation Limited (TIDCO), a Government Company, the appointment of Auditors has to be made by a Special Resolution and accordingly the Special Resolution as set out in Item No.5 is recommended for adoption by the Members.

### **ITEM NO.6**

Selvi Apoorva, IAS, Special Secretary to Government, Industries Department, Government

of Tamilnadu has been nominated as a Director on the Board with effect from 14.5.2010, in terms of Section 260 of The Companies Act, 1956. She vacates her office at the forthcoming Annual General Meeting. Notice under Section 257 of The Companies Act, 1956, along with requisite deposit has been received from a Member of the Company signifying her intention to propose the candidature of Selvi Apoorva, IAS, for the office of Director of the Company.

Details of Selvi Apoorva, IAS, pursuant to requirement of the listing agreement with the Stock Exchanges, relating to Corporate Governance, are given in the statement attached.

The Company will immensely benefit from the rich experience of Selvi Apoorva, IAS. The necessary letter of consent has been received from Selvi Apoorva, IAS, pursuant to section 264(1) of the Companies Act, 1956.

None of the Directors, other than Selvi Apoorva, IAS, is interested in the resolution.

### **ITEM NO.7**

Shri Lalit Naik, Business Head [Chemicals Business], Aditya Birla Group, has been nominated as a Director on the Board with effect from 22.1.2010, in terms of Section 260 of The Companies Act, 1956. He vacates his office at the forthcoming Annual General Meeting. Notice under Section 257 of The Companies Act, 1956, along with requisite deposit has been received from a Member of the Company signifying his intention to propose the candidature of Shri Lalit Naik, for the office of Director of the Company.

Details of Shri Lalit Naik, pursuant to requirement of the listing agreement with the Stock Exchanges, relating to Corporate Governance, are given in the statement attached.

The Company will immensely benefit from the rich experience of Shri Lalit Naik. The necessary letter of consent has been received from Shri Lalit Naik,

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

pursuant to section 264(1) of the Companies Act, 1956.

None of the Directors, other than Shri Lalit Naik, is interested in the resolution.

### ITEM NO.8

Shri B. Elangovan, General Manager, TIDCO, has been nominated as a Director on the Board with effect from 23.10.2009, in terms of Section 260 of The Companies Act, 1956. He vacates his office at the forthcoming Annual General Meeting. Notice under Section 257 of The Companies Act, 1956, along with requisite deposit has been received from a Member of the Company signifying his intention to propose the candidature of Shri B. Elangovan for the office of Director of the Company.

Details of Shri B. Elangovan pursuant to requirement of the listing agreement with the Stock Exchanges, relating to Corporate Governance, are given in the statement attached.

The Company will benefit immensely from the rich experience of Shri B. Elangovan. The necessary letter of consent has been received from

Shri B. Elangovan pursuant to section 264(1) of the Companies Act, 1956.

None of the Directors, other than Shri B. Elangovan, is interested in the resolution.

### ITEM NO.9

It is proposed to appoint Shri Lalit Naik as Manager of the Company [as defined under Section 2(24) of The Companies Act, 1956] pursuant to Section 269 read with Schedule XIII of the Act with effect from 22nd January, 2010.

As the appointment of Manager requires approval in the General Meeting pursuant to Sections 198, 269 and 387 of The Companies Act, 1956, read with Schedule XIII as amended, the resolution as set out in Item No.9 is recommended for adoption by the Members.

None of the Directors, other than Shri Lalit Naik, is interested in the resolution.

This explanatory statement together with the terms of appointment, mentioned in the accompanying Notice should be treated as an abstract under Section 302 of The Companies Act, 1956, in respect of the contract to be entered into between the Company and Shri Lalit Naik.

By Order of the Board  
For **TANFAC INDUSTRIES LIMITED**

(D.M. THIYAGESH)  
SR. MANAGER (FINANCE AND ACCOUNTS)  
AND COMPANY SECRETARY

Place : Chennai  
Date : 14.05.2010

# ANNEXURE TO NOTICE

## TANFAC INDUSTRIES LIMITED

### Details of Directors seeking appointment/reappointment in Annual General Meeting scheduled to be held on 02.8.2010

Name of Director	SHRI A.K. AGARWALA	SHRI M.R. SWARAMANI, IAS	DR. SHANKAR NARASIMHAN	SEVI APPORVA, IAS	SHRI LALIT NAIK	SHRI B. ELANGOVAN
Date of Birth	01.07.1933	31.3.1940	19.8.1959	18.01.1965	18.10.1961	24.4.1964
Date of Appointment	12.11.1980	23.01.2006	24.4.2007	14.05.2010	22.01.2010	23.10.2009
Expertise in specific functional areas	Business Executive	Held various senior positions in Central/State Governments	Professor – Dept. of Chemical Engg. IIT Chennai	Government Service	Business Executive	Government Service
Qualification	B.COM., F.C.A., L.L.B	M.A. (Economics)	B.Tech, M.S. Ph.D (Chem. Engg.)	M.A. (History), M.Phil	B.Tech (Chem.), MBA	ME (Mech)
List of outside Directorship held	<p><b>DIRECTOR:</b></p> <ol style="list-style-type: none"> <li>HINDALCO Industries Ltd.</li> <li>Aditya Birla Chemicals (India) Ltd</li> <li>Udyog Services Ltd</li> <li>Birla Insurance Advisory Services Ltd</li> <li>Novelis Inc, Canada</li> </ol>	<p><b>CHAIRMAN:</b></p> <ol style="list-style-type: none"> <li>Naltech Pvt.Ltd.</li> </ol> <p><b>DIRECTOR:</b></p> <ol style="list-style-type: none"> <li>Creative Eye Ltd</li> <li>Yash Air Pvt.Ltd</li> </ol>		<p><b>CHAIRMAN AND MANAGING DIRECTOR-IN-CHARGE:</b></p> <ol style="list-style-type: none"> <li>Southern Structurals Ltd.</li> </ol> <p><b>DIRECTOR:</b></p> <ol style="list-style-type: none"> <li>Tamilnadu Industrial Explosives Ltd.</li> <li>Tamilnadu Industrial Investment Corporation Ltd.</li> <li>Tamilnadu Cements Corporation Ltd.</li> <li>Tamilnadu Salt Corporation Ltd.</li> <li>TIGEL Bio Park Ltd</li> </ol>	<p><b>DIRECTOR:</b></p> <ol style="list-style-type: none"> <li>Aditya Birla Chemicals (India) Limited</li> </ol>	<p><b>DIRECTOR:</b></p> <ol style="list-style-type: none"> <li>Akzoan Castings &amp; Forgings Ltd</li> <li>Sakthi Sugars Ltd.</li> <li>Tamilnadu Telecommunications Ltd.</li> <li>Southern Petrochemical Industries Corporation Limited</li> <li>Jayankondam Lignite Power Corporation Limited</li> <li>Narmathaa Textiles Ltd.</li> <li>Asian Bearing Ltd</li> </ol>
Chairman/Member of the Committee of the Board of Directors of the Company	Member: 1. Audit Committee 2. Investor Relation Committee	Member: 1. Audit Committee	Member: 1. Audit Committee	Member: 1. Audit Committee 2. Investor Relation Committee	Member: 1. Audit Committee 2. Investor Relation Committee	Member: 1. Audit Committee 2. Investor Relation Committee
Chairman/Member of the Committees of Director of other Companies in which he is a Director	Member: 1. Creative Eye	Member: 1. Creative Eye Ltd				Member: 1. Tamilnadu Telecommunications Ltd.
a. Audit Committee						
b. Securities Committed Investors Grievance Committee						Member: 1. Tamilnadu Telecommunications Ltd.
c. Finance Committee	Member: 1. HINDALCO Inds. Ltd. 2. Novelis Inc, Canada					Member: 1. Tamilnadu Telecommunications Ltd.
d. Remuneration Committee	Member: 1. Creative Eye Ltd					



## MANAGEMENT DISCUSSION AND ANALYSIS

### MANAGEMENT DISCUSSION AND ANALYSIS

- From the Chairman to the Shareholders

#### PERFORMANCE REVIEW :

(Rs. in Crores)

	Financial Year 2009-10	Financial Year 2008-09
Sales	147.90	216.69
Other Income (including operating income)	2.19	4.14
Operating Expenditure	149.04	209.95
Profit before Depreciation, Interest and Taxation (PBDIT)	1.04	10.88
Interest :		
- Working Capital	6.32	4.34
- Term Loan	0.94	1.02
	<u>7.26</u>	<u>5.36</u>
Depreciation	5.23	3.97
Profit before Tax (PBT)	[11.45]	1.54
Tax - Current Tax [MAT - 2008-09]	-	0.15
- Fringe Benefit Tax	-	0.17
Profit/[Loss] after current tax	[11.45]	1.23
- Deferred Tax/Reversal	-1.67	0.43
Profit/[Loss] after Tax	[9.78]	0.80

#### OVERVIEW

The Company's performance has been constrained due to -

- ❖ Steep drop in demand for Aluminum Fluoride and realization
- ❖ Lower demand for specialty fluorides
- ❖ Poor realization for Sulphuric Acid
- ❖ Technical difficulties relating to new organic products being implemented
- ❖ Provisions on account of past liabilities treated as contingent liability earlier

To an extent, the increased sales of Hydrofluoric Acid countered lower volumes of Aluminum Fluoride.

#### SALES VOLUME AND REVENUE:

During the year under review, Sales turnover has been lower by 32% as compared to the previous year due to lower sales volume of Aluminum

fluoride and a steep fall in realizations of all products.

Export turnover fell to Rs.39.51 Crores viz a Rs. 71.05 Crores in the previous year, registering a decrease of 44%.

#### PROFIT BEFORE TAX (PBT):

Loss before tax - Rs.11.45 Crores (Previous year Profit before tax Rs.1.54 Crores).

#### OTHER INCOME:

Other income including, operating income, export benefit was lower at Rs.2.19 Crores as compared to Rs.4.14 Crores in the previous year, a drop of 47%.

#### INTEREST:

Interest charges are higher at Rs.7.26 Crores as compared to Rs.5.36 Crores in the previous year mainly due to higher working capital requirement met through short term borrowings, interest on term loan availed for meeting diversification projects.

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### DEPRECIATION:

Depreciation was higher at Rs. 5.23 Crores as compared to Rs.3.97 Crores in the previous year, due to additions to fixed assets.

### INCOME TAX

Tax provision for current year including fringe benefit tax stands at Rs. Nil (previous year Rs.0.32 Crore). Deferred Tax credit Rs.1.67 Crores (Previous year Deferred Tax Rs.0.43 Crore)

### RISK MANAGEMENT:

#### OPERATIONAL RISK:

Your Company's most significant exposure relates to US Dollar since key raw material viz. Fluorspar and Sulphur are being imported. Also your Company carries a direct risk on the C&F price of Fluorspar and Sulphur. Fluorspar import is being controlled by the Chinese Govt. through licensing fees. Any variation in licensing fees affects the C&F price of Fluorspar. Similarly the demand-supply position of sulphur determines the sulphur price. The prices of these key raw material are significantly influenced by global economic conditions, which can fluctuate and could have an impact on your Company's margins and cash flows. Our management of these fluctuations is important in terms of our overall cost competitiveness and management of margins and cash flows.

We plan to continue to work closely with our key suppliers in mitigating the impact of the lack of liquidity in the market. We intend to continue to purchase forward contracts for raw material as appropriate. We continue to actively manage fluctuations in input costs and are accelerating our cost reduction programmes.

#### PRICE REALISATION FOR FINISHED PRODUCTS:

Your Company carries a direct risk on the selling price of its key products like Aluminium Fluoride (AIF3) and HF Acid which is determined by market forces.

#### FOREIGN EXCHANGE RISK:

Your Company hedges its net foreign exchange

risk adequately.

#### CREDIT RISK:

Your Company manages the credit risk through a careful evaluation of customers and extension of credit to customers, depending on the risk profile of the customers.

#### ATTRITION OF TALENTED PEOPLE

Attracting and retaining talented employees is essential to the successful delivery of our strategy and success in the market place. To counter the risk, the Company believes in providing an environment where individuals can achieve their goals, both professionally and personally. Your Company ensures the right resources and capabilities to compete effectively. Your Company has made investments in training and development which are aimed at equipping our employees for their challenging roles.

#### RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Your Company has a detailed enterprise wide risk management system in place. During the year, the Board of Directors through the Audit Committee has reviewed the assessment of risk internal controls and disclosure controls and procedures that operate in the Company and have considered effectiveness and remedial actions where applicable for the year covered by this report and upto the date of its approval by the Board of Directors. These procedures are periodically reviewed to ensure that the management controls risks through a properly defined frame work.

Our Group Corporate Audit Cell plays a key role in providing to both operating management and the Boards, an objective view and reassurance of the effectiveness of the risk management and related control systems and processes, outcomes and disclosure, including –

- ❖ Status of risk management and control and management's response
- ❖ Report on business risk and positive assurance on operating controls and corporate policies and a quarterly review of business risk and safeguards

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- ❖ Deviation, if any, from standard operating practices and its remedial measure

### **ADEQUATE INTERNAL CONTROLS:**

Your Company has designed a system of internal controls with the objective of safeguarding the Company's assets, ensuring that transactions are properly authorized and providing significant assurances at reasonable cost of the integrity, objectivity and reliability of financial information. The management duly considers and takes appropriate action on recommendations made by the statutory auditors, internal auditors and independent audit committee Members of the Company.

### **OUTLOOK:**

The effect of economic slow down continued during the first half of the year. We are witnessing some improvement in the second half of the year. The Company continued to face stiff competition from China in most of its products. Our strategy would be to increase volumes of higher contributing products and optimize production of products which are giving very low or insignificant contribution. We will continue to focus on moving up the value chain in speciality products where we can have competitive advantage and grow our sales volumes and margins.

We are exploring new markets for our products as well as working on various cost reduction initiatives which should improve your Company's performance in 2010-11. This will also enable us to move on the growth path and utilize our capacities to the fullest extent. By working on our strengths and improving on some of our weakness, we are optimistic that outlook for the financial year 2010-11 will be better than the financial year 2009-10.

### **EXPORTS:**

Your Company endeavors continuously to increase its export revenue. We are optimistic on the outlook for exports in the immediate future.

### **DOMESTIC MARKET:**

The order book position for AIF3, HF Acid and Speciality Fluorides for the current year is

satisfactory. Our thrust on improved price realization, market expansion, new product development, focus on operational efficiency and cost competitiveness will ensure sustainable growth in the long term.

### **SAFETY, HEALTH AND ENVIRONMENT PROTECTION (SHE):**

Your Company is committed to following Safety, Health and Environmental Management Systems.

Your Company was primarily responsible for conducting Off-Site Emergency mock drills during July, 2009 in coordination with The District Collectorate, Inspector of Factories and National Disaster Management Authority [NDMA]. The same was well appreciated by the District Authorities.

Your Company is certified Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 and re-certified for ISO 9001 – 2000 and ISO 14001 – 2004 environment Management System Standards by Det Norske VERITAS (DNV) India. Your Company engaged M/s. Chilworth Safety & Risk Management Pvt Ltd., U.K. to conduct risk monitoring behavior based safety, to eliminate unsafe activities completely.

We ensure that economic considerations do not compromise Safety and Environment Protection measures. Identifying activities that offer scope for conserving energy, water, reducing chemical consumption norms and recycling water and waste in process are ongoing initiatives.

Your Company continuously updates safety management and risk management to carry out Hazop study for the existing and new project. Accordingly safety Management programmes are implemented.

Your Company motivates employees, workers and contract workmen through training and retraining on safety aspects and also rewards best performers.

Your Company carries out safety management programmes to upgrade safety standards. Your Company periodically conducts onsite mock drills and actively coordinates with local government /

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

other nearby companies for off site emergency mock drill.

### MANAGEMENT POLICY

We, at Tanfac Industries Limited are committed to continual improvement of the processes of Management System effecting Quality, Cost, and Delivery & Environmental Impact to prevent pollution and to comply with requirements of customers and interested parties and the public.

### MANAGEMENT OBJECTIVE

Your Company's Management Policy entails :

- ❖ Meeting Customer needs and expectations.  
Compliance with all applicable Environmental Regulations and other related requirements.
- ❖ Continual improvement of QMS & EMS through monitoring of performance indicators, identifying and updating Environmental Aspects, Implementing Management Programmes & Promoting Pollution Prevention.
- ❖ Establishing and Reviewing Management objectives at function level to meet contemporary requirements for improvement of the Management System.
- ❖ Elimination of waste and conserve resources like Raw Materials, Energy and Water.
- ❖ Involvement of people to achieve better Work Environment and Culture.

- ❖ To provide value for money to our customers by continuous up-gradation of technology and enhanced productivity by Bench Marking with the World Best.
- ❖ Maintaining a Safe and Healthy Work Environment.
- ❖ Minimizing customer complaints and improving customer perception / feed back.
- ❖ Communicating the policy to all persons working for or on behalf of the organization.

Environment Management Cell ensures effective implementation of the policy. Management allocates necessary resources on priority.

### CAUTIONARY STATEMENT:

Statements in the 'Management Discussion and Analysis' section describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand-supply conditions, finished goods prices, raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations.

**REPORT ON CORPORATE GOVERNANCE**  
**(Pursuant to Clause 49 of the Listing Agreement)**

**CORPORATE GOVERNANCE :**

Tanfacs Industries Limited (TANFAC) is committed to the adoption of best governance practices and its adherence in the true spirit, at all times. Our governance philosophy rests on five basic tenets, viz., Board Accountability to the Company and Shareholders, strategic guidance and effective monitoring by the Board, protection of minority interests and rights, equitable treatment of all Shareholders as well as superior transparency and timely disclosure.

TANFAC Industries Limited, a Joint Venture of the Aditya Birla Group with Tamilnadu Industrial Development Corporation Limited (TIDCO), has taken appropriate steps to comply with the corporate governance code, keeping in view the interests of all stakeholders. The Corporate Governance system helps firms control and direct operations, as key parts of the governance framework such as audit and finance functions to generate value on a sustained basis.

Your Company conducts its affairs with its stakeholders, government and society at large in a transparent manner. It endorses full disclosure of material facts, independence of the Board and fair play with all stakeholders.

Your Company's compliance with requirements is presented in the subsequent sections of this Report.

**MANDATORY REQUIREMENTS :**

**COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and in meeting its obligations to stakeholders, and is guided by a strong emphasis on transparency, accountability and integrity. The Company has adopted a codified Corporate Governance Charter, which is in line with the best practice and meets all the relevant legal and regulatory requirements. All Directors and employees are bound by the Code of Conduct that sets out the fundamental standards to be followed in all actions carried out on behalf of the Company.

- Appropriate composition and size of the Board, with each Director bringing in key expertise in different areas.
- Proactive flow of information to the members of the Board and Board committees to enable effective discharge of their fiduciary duties.
- Ethical business conduct by the management and employees.
- Full fledged systems and processes for internal controls on all operations, risk management and financial reporting.
- Timely and accurate disclosure of all material operational and financial information to the stakeholders.
- The Securities and Exchange Board of India (SEBI) through clause 49 of the listing agreement with the stock exchanges regulates corporate governance for listed companies.

**I. BOARD OF DIRECTORS**

**Composition of the Board**

TANFAC's Board consists of Twelve Non-Executive Directors. Of these, six Directors are 'Independent' i.e. they have no business relation with the Company.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

Board/Committee position as on 31.03.2010 :

Name of Director	Executive/ Non-Executive/ Independent	NO. OF OUTSIDE DIRECTORSHIP HELD			
		PUBLIC		PRIVATE	
		DIRECTOR	CHAIRMAN/ VICE CHAIRMAN	DIRECTOR	CHAIRMAN/ VICE CHAIRMAN
Shri A.K. Agarwala	Non-Executive	4	-	-	-
SHRI P. Sivasankaran, IAS <sup>1</sup>	Non Executive	4	-	-	-
Shri V.T. Moorthy	Independent	1	-	-	-
Shri Lalit Naik* <sup>2</sup>	Non-Executive	-	-	-	-
Shri K.K. Maheshwari* <sup>2</sup>	Non-Executive	7	-	-	-
Shri K.R. Viswanathan <sup>3</sup>	Non-Executive	3	-	-	-
Shri R. Karthikeyan <sup>4</sup>	Non-Executive	12	-	-	-
Shri S.J. Chiru, IAS <sup>5</sup>	Non-Executive	9	-	-	-
Shri B. Elangovan <sup>6</sup>	Non-Executive	7	-	-	-
Dr. Pragnya Ram	Non-Executive	-	-	-	-
Shri A.M. Swaminathan IAS (Retd.)	Independent	-	-	-	-
Shri M.R. Sivaraman, IAS (Retd.)	Independent	1	-	1	1
Shri Kannan K Unni	Independent	3	-	-	1
Dr. Shankar Narasimhan	Independent	-	-	-	-
Shri T.S. Raghavan <sup>7</sup>	Independent	8	1	-	-

\* Employee of other group companies

<sup>1</sup>has been withdrawn by TIDCO w.e.f. 23.10.2009

<sup>2</sup>has been appointed as Non Executive Director in place of Shri K.K. Maheshwari w.e.f. 22.01.2010

<sup>3</sup>has been withdrawn by TIDCO w.e.f.08.5.2009

<sup>4</sup>has been nominated by TIDCO w.e.f. 08.05.2009

<sup>5</sup> has been withdrawn by TIDCO w.e.f. 23.10.2009

<sup>6</sup> has been nominated by TIDCO w.e.f.23.10.2009

<sup>7</sup> has been appointed as an Independent Director w.e.f. 18.7.2009

**Independent Director means a Director defined as such under Clause 49 of the Listing Agreement.**

## REPORT ON CORPORATE GOVERNANCE (Contd.)

### Details of Board Meetings and Attendance

The Board met four times during the past year and agenda papers were circulated well in advance of each meeting of the Board of Directors. The working of our unit and statements containing the status of the various matters pursuant to Corporate Governance practices, as required by Clause 49 of the listing agreement with the Stock Exchanges were placed before the Board.

Date of Board Meeting	Place	No. of Directors present
8 <sup>th</sup> May, 2009	CHENNAI	9 OUT OF 11
18 <sup>th</sup> July, 2009	CUDDALORE	8 OUT OF 12
23 <sup>rd</sup> October, 2009	CHENNAI	10 OUT OF 11
22 <sup>nd</sup> January, 2010	CHENNAI	9 OUT OF 12

### Details of Remuneration to Board of Directors

Name of Director	Relationship with other Directors	Business relationship with the Company if any	Remuneration paid during 2009-2010 (All figures in Rupees)			
			Sitting fees @	Salary & Perks	Commission	Total
Shri A.K. Agarwala	Non-Executive	NIL	80000	-	-	80000
SHRI P. Sivasankaran, IAS	Non Executive	NIL	-	-	-	-
Shri V.T. Moorthy	Independent	NIL	120000	-	-	120000
Shri Lalit Naik	Non-Executive	NIL	20000	-	-	20000
Shri K.K. Maheshwari	Non-Executive	NIL	150000	-	-	150000
Shri K.R. Viswanathan	Non-Executive	NIL	-	-	-	-
Shri R. Karthikeyan	Non-Executive	NIL	190000	-	-	190000
Shri S.J. Chiru, IAS	Non-Executive	NIL	-	-	-	-
Shri B. Elangovan	Non-Executive	NIL	40000	-	-	40000
Dr. Pragnya Ram	Non-Executive	NIL	40000	-	-	40000
Shri A.M.Swaminathan IAS (Retd.)	Independent	NIL	220000	-	-	220000
Shri M.R. Sivaraman, IAS (Retd.)	Independent	NIL	220000	-	-	220000
Shri Kannan K Unni	Independent	NIL	40000	-	-	40000
Dr. Shankar Narasimhan	Independent	NIL	180000	-	-	180000
Shri T.S. Raghavan	Independent	NIL	60000	-	-	60000

@ includes sitting fee paid for committee meetings

### CODE OF BUSINESS CONDUCT

The Company has adopted a Code of Business Conduct and Ethics (the "code"), which applies to all employees and Directors of the Company. It is the responsibility of all employees and Directors to familiarize themselves with this code and comply with its standards.

The code of business conduct and ethics and procedure has been posted on the Company's website [www.tanfac.com](http://www.tanfac.com)

## REPORT ON CORPORATE GOVERNANCE (Contd.)

The Board and the senior management affirm compliance with the code of business conduct and ethics annually. A certificate from our Director, Shri Lalit Naik, whose appointment as Manager in terms of Schedule XIII of The Companies Act, 1956, to be placed before the Members for their approval at the ensuing Annual General Meeting, to this effect is given in the report.

### **COMPLIANCE REVIEWS :**

TANFAC has a dedicated team and a defined framework to review compliance with all laws applicable to the Company. The compliance status is periodically updated for the senior management team. Presentations are scheduled periodically in the Audit Committee Meetings on the compliance status.

All Board members and senior management personnel are requested to affirm compliance with the code on an annual basis. A declaration to this effect signed by the CEO has been appended in the annual report.

### **II. COMMITTEES OF THE BOARD**

The Board Committees appointed focus on specific areas and make informed decisions within the authority delegated. Each Committee is guided by its charter, which defines its composition, scope and authority. The Committees also makes specific recommendations to the Board on various matters from time to time. All decisions and recommendations of the Committees are placed before the Board for information or for approval. The Company has two Board level committees, namely :

1. Audit Committee
2. Investors' Relation Committee

### **AUDIT COMMITTEE**

The Audit Committee assists the Board in fulfilling their responsibilities in respect of the Company's financial statement, risk management and internal control arrangements, compliance with legal and regulatory requirements, the performance, qualifications and independence of external (statutory) auditors and the performance of internal audit function. The Board of Directors has entrusted the Audit Committee to supervise these processes and thus ensure accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting. The primary responsibilities of the Audit Committee are to:

- Supervise the financial reporting process;
- Review the financial results prior to placing them before the Board along with related disclosures and filing requirements;
- Review the adequacy of internal controls in the Company, including the plan, scope and performance of the internal audit function;
- Discuss with management the Company's major policies with respect to risk assessment and risk management;
- Hold discussions with statutory auditors on the nature and scope of audits and any view that they have about the financial control and reporting processes;
- Ensure compliance with accounting standards and with listing requirements with respect to the financial statements.



## REPORT ON CORPORATE GOVERNANCE (Contd.)

### Internal Audit function:

The Committee reviewed the Group Corporate Audit department's audit plan for the year and approved its budget and resource requirements. The Committee carried out a formal evaluation of the performance of the internal audit function. Limited review of report by the Statutory Auditors for all quarters excluding last quarter as required in terms of Clause 41 of listing agreement has been conducted by the statutory auditors. This is in accordance with the Standard on Review Engagement (SRE) 2400, engagements to Review Financial Statements issued by the Institute of Chartered Accountants of India. The Auditors have confirmed that they were satisfied with the effectiveness of the function.

The Audit Committee consists of six Non-Executive Directors, of which four Directors are Independent.

During the year under review, the audit committee met four times to deliberate on various matters and the details of attendance by the committee members are as follows :

Name of Member	No. of Meetings	
	Held	Attended
Shri A.M. Swaminathan, IAS (Retd.)*	4	4
Shri K.K. Maheshwari	4	3
Shri R. Karthikeyan	4	3
Shri M.R. Sivaraman, IAS (Retd.)	4	4
Shri Kannan K Unni	4	1
Dr. Shankar Narasimhan	4	4

\* Chairman of the Committee

### SHAREHOLDERS COMMITTEE:

The Share Transfer Committee has an Investors Relations Committee, empowered to perform all the functions of the Board in relation to the handling of investors' grievance.

Its' primarily focus on –

- ❖ To approve and monitor share transfers, transmission, splitting and consolidation of shares, issue of duplicate share certificates and rematerialisation of securities by the Company.
- ❖ To look into Investors' complaints and address their redressal relating to the above subjects, non-receipt of annual reports, dividend etc.
- ❖ To ensure compliance of Code of Conduct for Prevention of Insider Trading formulated by the Company as per Securities and Exchange Board India (SEBI) Regulations.
- ❖ To monitor work done by RTA and corporate actions related work

The Composition of the committee is as follows :

1. Shri A.M. Swaminathan, IAS (Retd.)
2. Shri V.T. Moorthy
3. Shri K.K. Maheshwari
4. Shri R. Karthikeyan and
5. Shri M.R. Sivaraman, IAS (Retd.)

The Investors' Relation Committee met four times at the Board level. The details of attendance by the Committee Members are as follows :

## REPORT ON CORPORATE GOVERNANCE (Contd.)

Name of Member	No. of Meetings	
	Held	Attended
Shri K.K. Maheshwari	4	3
Shri R. Karthikeyan	4	3
Shri V.T. Moorthy	4	4
Shri M.R. Sivaraman, IAS (Retd.)	4	4
Shri A.M. Swaminathan, IAS (Retd.)*	4	4

\* Chairman of the Committee

Shri D.M. Thiyagesh, Company Secretary acts as Secretary to the Committee and is also the Compliance Officer for the Company.

During the year, No Shareholders' complaints were received.

### ISIN :

International securities identification number (ISIN) is a unique identification number of traded scrip. This number has to be quoted in each transaction relating to the dematerialized equity shares of the Company. The ISIN of the equity shares of the Company is **INE639B01015**.

Madras Stock Exchange Limited [MSE], the Regional Stock Exchange, where the Company's shares are listed has made an internal arrangement with National Stock Exchange of India Limited [NSE] to facilitate MSE listed companies for trading at NSE on a national level. Accordingly, your Company shares are traded on NSE under 'permitted to trade', with effect from 2<sup>nd</sup> March, 2010. **NSE SYMBOL: TANFACIND**

### Persons holding over 1% of the shares as on 31.3.2010 :

SL.NO.	NAME	NO. OF SHARES HELD	% TO SHARES
1.	FOUR DIMENSIONS SEC.(INDIA) LTD	385023	3.86
2.	AJIT SINGH CHAWLA (HUF)	384655	3.86
3.	KAMAL MAVJI VISARIA	213869	2.14
	TOTAL	983547	9.86

### SECRETARIAL AUDIT :

For each quarter of the financial year 2009-2010, Shri V. Raamanaathan, a qualified Practicing Company Secretary has carried out secretarial audit to reconcile the total admitted capital with NSDL and CDSL and total issued and listed capital. The audit reports confirm that the total issued/paid up equity capital is in line with the total number of shares in physical form and the total number of dematerialised shares held with NSDL/CDSL.

### III. OTHER DISCLOSURES

#### ❖ Details of related party transactions

There are no material transactions with related parties that require separate disclosure. A comprehensive list of related party transactions as required by the Accounting Standards (AS) 18 issued by the Institute of Chartered Accountants of India, forms part of Note No.15(B) of Schedule 21 of the Accounts in the Annual Report.

#### ❖ Pecuniary relationship or transactions of the Non-Executive Directors

There is no material pecuniary transaction with any Non-Executive as well as Independent Directors of the Company that requires a separate disclosure.

#### ❖ Details of the use of proceeds from public issues, rights issues, preferential issues, etc.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

No funds have been raised through issue of equity or debt in the form of public or rights or preferential issues.

- ❖ Details of information on appointment of new directors:  
A brief resume, nature of expertise in specific functional areas, names of companies in which the person already holds directorship and membership of committees of Board of Directors, forms part of the Notice of the Annual General Meeting, annexed to this Annual Report.
- ❖ Details of non-compliance, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

- None -

### Disclosure on No. of shares and convertible instruments held by Non Executive Directors :

The Company has not issued any convertible debentures. However, the shares held by Non Executive Director as on 31.3.2010 is as under :

Shri A.K. Agarwala – 1150 shares

### ❖ Means of communication

Half year report sent to each household of Shareholders	....	NO
Quarterly results – Which newspapers normally published in Any Web site, where displayed	.... ....	BUSINESS LINE/ MAKKAL KURAL (REGIONAL LANGUAGE)  Information with regard to Quarterly Unaudited/Annual Audited Results, Shareholding pattern, Annual Reports published by SEBI's website <a href="http://www.sebidifar.nic.in">www.sebidifar.nic.in</a> has been discontinued w.e.f. 1.4.2010 and the relevant listing clause has been deleted. BSE has inserted a new clause to access data that are available in erstwhile SEBI edifar in the interest of the public.  Instead, Shareholders can access these details from the Bombay Stock Exchange website, <a href="http://www.bseindia.com">www.bseindia.com</a> , where your Company shares are listed.
Presentation made to Institutional Investors or To analyst/Are they available on the company website	....	NO
Whether Management Discussion and Analysis Report is a part of annual report or not	....	YES
Whether Corporate Governance Report forms part of the Annual Report	....	YES

## REPORT ON CORPORATE GOVERNANCE (Contd.)

### ANNUAL GENERAL MEETING (AGM) :

#### Current AGM : Date, time and venue

YEAR	LOCATION	DATE	TIME
2009-10	Regd. Office: CUDDALORE	02.8.2010	3.00 P.M.

#### Location and time, where last three General Meetings held :

YEAR	TYPE	LOCATION	DATE	TIME
2008-09	AGM	Regd. Office: CUDDALORE	24.8.2009	2.00 P.M.
2007-08	AGM	Regd. Office: CUDDALORE	18.7.2008	3.00 P.M.
2006-07	AGM	Regd. Office: CUDDALORE	13.07.2007	3.00 P.M.

#### Directors attendance details for last Annual General Meeting dated 24.8.2009 :

1. Shri K.K. Maheshwari
2. Shri V.T. Moorthy
3. Shri R. Karthikeyan
4. Shri A.M. Swaminathan
5. Shri M.R. Sivaraman
6. Shri Kannan K Unni
7. Shri T.S. Raghavan
8. Dr. Shankar Narasimhan

#### Postal Ballot

- |   |                         |
|---|-------------------------|
| ❖ Were put through postal ballot last year        | No                      |
| ❖ Details of voting pattern                       | N.A.                    |
| ❖ Person who conducted the postal ballot exercise | N.A.                    |
| ❖ Proposed to be conducted through postal ballot  | Will be done as per law |
| ❖ Procedure for postal ballot                     | N.A.                    |

#### IV. NON-MANDATORY RECOMMENDATIONS ALREADY IMPLEMENTED BY THE COMPANY

Shareholders approval to the resolution(s) is sought by Postal Ballot wherever so required by law.

#### V. SHAREHOLDER INFORMATION :

AGM – DATE, TIME AND VENUE	02.8.2010 [Monday] at 3.00 P.M. at the Registered Office at - 14 SIPCOT Industrial Complex CUDDALORE – 607 005, TAMIL NADU
FINANCIAL CALENDAR – 2010-2011: (TENTATIVE) First Quarter Results Second Quarter Results Third Quarter Results Results for the year ending March 2011 Annual General Meeting for the year ending 31 <sup>st</sup> March 2011.	End - On or before 14 <sup>th</sup> August, 2010 End – On or before 14 <sup>th</sup> November 2010 End – On or before 14 <sup>th</sup> February, 2011 April/May 2011  Before September, 2011
DATE OF BOOK CLOSURE	26.7.2010 (Monday) to 02.8.2010 (Monday)

## REPORT ON CORPORATE GOVERNANCE (Contd.)

DIVIDEND PAYMENT DATE	Not Applicable
REGISTERED OFFICE	14, SIPCOT INDUSTRIAL COMPLEX CUDDALORE – 607 005 E-mail: mohan.srinivasan@adityabirla.com Website: www.tanfac.com
LISTING DETAILS : EQUITY SHARES :	MADRAS STOCK EXCHANGE LTD Exchange Building, 11 Second Line Beach CHENNAI – 600 001.  Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street MUMBAI – 400 023.  THE CALCUTTA STOCK EXCHANGE ASSOCIATION LIMITED 7 Lyons Range, KOLKATTA – 700 001
STOCK CODE : MADRAS STOCK EXCHANGE LTD BOMBAY STOCK EXCHANGE LTD THE CALCUTTA STOCK EXCHANGE ASSN. LTD.	506854

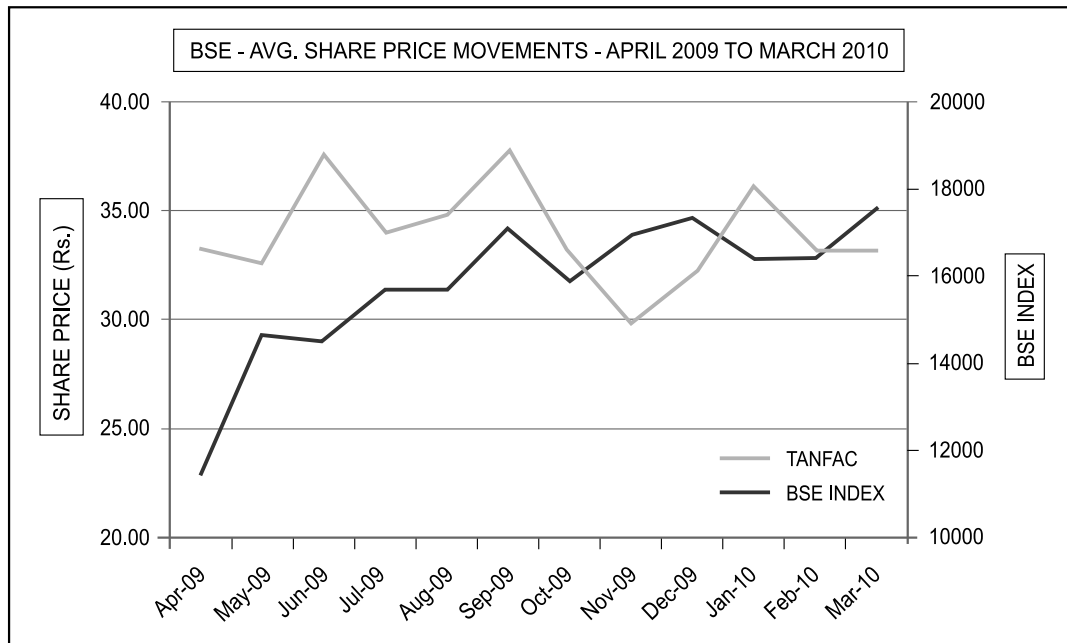
Listing fees for the year 2010-2011 have been paid to Chennai and Mumbai Stock Exchanges. Details as per SEBI guidelines for voluntary delisting of Equity Shares with The Calcutta Stock Exchanges Association Limited were furnished during November, 2004. Their reply is awaited.

The Company has also made the payment of Annual Custody Fees to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the financial year 2010-2011, calculated as per folio/ISIN position as on 31.3.2010.

### VI. STOCK PRICE DATA (HIGH/LOW DURING EACH MONTH IN LAST FINANCIAL YEAR):

MONTH	BOMBAY STOCK EXCHANGE LIMITED	
	HIGH (Rs. Ps.)	LOW (Rs. Ps.)
APRIL ' 09	36.90	29.50
MAY ' 09	40.45	24.65
JUNE ' 09	43.40	31.75
JULY ' 09	38.30	29.75
AUGUST '09	38.40	31.25
SEPTEMBER '09	41.50	34.00
OCTOBER '09	38.00	28.00
NOVEMBER '09	32.20	27.50
DECEMBER '09	34.50	29.50
JANUARY '10	39.45	32.75
FEBRUARY '10	35.50	31.00
MARCH '10	36.75	29.60

## REPORT ON CORPORATE GOVERNANCE (Contd.)



Registrar and Transfer Agents (For share transfers and other communications relating to share certificates, dividend and change of address etc.) :

PHYSICAL and DEMAT Investors Services Department  
 INTEGRATED ENTERPRISES LTD  
 KENCES TOWERS  
 NO.1 RAMAKRISHNA STREET  
 NORTH USMAN ROAD, T.NAGAR  
 CHENNAI - 600 017.  
 TEL: (044)28140801 TO 8  
 FAX: (044) 28142479/28143378  
 Email Id: corpser@iepindia.com

Share Transfer System :

Share Transfers in physical form are registered and returned within 15 days in most cases and in any case within 30 days from the date of receipt, if documents are clear in all respects.

An officer of the Company is authorised to approve transfer of shares and the share transfer committee of the Board meets at regular intervals to ratify such transfer.

Over 64% of transfers of shares carried during the year were completed within 15 days from the date of receipt. During the year, half yearly certificate(s) confirming due compliance of the share transfer formalities by the Company pursuant to clause 47<sup>©</sup> of the listing agreement was obtained from the Company Secretary, Mr. V. Raamanaathan. This was also submitted with the Stock Exchanges where the Company shares were listed within the stipulated time.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

Transfer period in days	2009-10			2008-09		
	No. of Certificates	No. of shares	% to shares	No. of Certificates	No. of shares	% to shares
1-10	35	1725	27.71	69	3326	45.55
11-15	45	2250	36.14	27	1200	16.44
16-20	11	550	8.83	25	1250	17.12
21-30	35	1701	27.32	32	1525	20.89
31 AND ABOVE	-	-	-	-	-	-
<b>TOTAL</b>	<b>126</b>	<b>6226</b>	<b>100.00</b>	<b>153</b>	<b>7301</b>	<b>100.00</b>

### VII. DISTRIBUTION OF SHAREHOLDING AS ON 31<sup>ST</sup> MARCH :

No. OF EQUITY SHARES HELD	2010			2009				
	No. OF FOLIOS	%	No. OF SHARES	%	No. OF FOLIOS	%	No. OF SHARES	%
Up to 500	17446	94.99	1749178	17.54	17906	94.91	1808520	18.13
501 - 1000	530	2.89	439603	4.41	525	2.78	438450	4.40
1001 - 2000	205	1.12	314193	3.15	212	1.12	327561	3.28
2001 - 3000	66	0.36	165836	1.66	79	0.42	200267	2.01
3001 - 4000	24	0.13	85921	0.86	33	0.18	117360	1.18
4001 - 5000	20	0.11	94152	0.94	34	0.18	161500	1.62
5001 - 10000	70	0.38	1058918	10.62	72	0.38	1166371	11.69
Above 100001	6	0.03	6067199	60.82	5	0.03	5754971	57.69
<b>TOTAL</b>	<b>18367</b>	<b>100.00</b>	<b>9975000</b>	<b>100.00</b>	<b>18866</b>	<b>100.00</b>	<b>9975000</b>	<b>100.00</b>
No. of Shareholders in Physical mode	9972	54.29	1319494	13.23	10253	54.35	1346039	13.49
No. of Shareholders in electronic mode	8395	45.71	8655506	86.77	8613	45.65	8628961	86.51
<b>TOTAL</b>	<b>18367</b>	<b>100.00</b>	<b>9975000</b>	<b>100.00</b>	<b>18866</b>	<b>100.00</b>	<b>9975000</b>	<b>100.00</b>

## REPORT ON CORPORATE GOVERNANCE (Contd.)

### VIII. CATEGORIES OF SHAREHOLDING AS ON 31<sup>ST</sup> MARCH :

CATEGORY	2010		2009	
	No. of shares held	% age of share-holding	No. of shares held	% age of share-holding
PROMOTERS/PROMOTERS GROUP	5084802	50.98	5084802	50.98
UTI AND MUTUAL FUNDS	8200	0.08	8200	0.08
BANKS, FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES	1000	0.01	1000	0.01
FOREIGN INSTITUTIONAL INVESTORS	650	0.01	650	0.01
GDRs	NIL	NIL	NIL	NIL
NRIs/OCBs	33005	0.33	37696	0.37
CORPORATES	782094	7.84	805790	8.08
CLEARING MEMBER	21881	0.22	16790	0.17
RESIDENT INDIVIDUALS	4043368	40.53	4020072	40.30
<b>TOTAL</b>	<b>9975000</b>	<b>100.00</b>	<b>9975000</b>	<b>100.00</b>

#### Dematerialisation of shares and liquidity :

Trading in Equity shares of the Company is permitted only in the dematerialised form w.e.f. 25.6.2001 as per notification issued by the Securities and Exchange Board of India (SEBI).

As on 31<sup>st</sup> March, 2010, 8655506 shares were converted from the physical to electronic form.

Over 86.77% of outstanding equity have been dematerialised up to 31<sup>st</sup> March, 2010.

In view of the advantages offered by the Depository System, members who have not yet dematerialised their shares are requested to avail the facility of dematerialisation of the shares. They have the choice to open their account with Depository Participants of either of the Depositories by quoting the Company's **ISIN No.INE639B01015**.

Details of use of public funds obtained in the last three years	No funds have been raised from the public in last three years.
Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion dates and likely impact on equity	Not issued
Plant locations	14 SIPCOT INDUSTRIAL COMPLEX, CUDDALORE – 607 002, TAMILNADU



## REPORT ON CORPORATE GOVERNANCE (Contd.)

Address for correspondence

Shareholders correspondence should be addressed to :

INTEGRATED ENTERPRISES (INDIA) LTD  
 "KENCES TOWERS", IIND FLOOR  
 NO.1 RAMAKRISHNA STREET  
 NORTH USMAN ROAD, T.NAGAR  
 CHENNAI – 600 017.

TEL: (044)28140801 TO 3

FAX: (044) 28142479/28143378

Email Id: corpseiv@iepindia.com

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.

Investors' Grievance with respect to non receipt of dividend may please be addressed to our Secretarial Department at our Registered Office at 14, SIPCOT Industrial Complex, Cuddalore – 607 005, Tamilnadu, quoting their Email Id, if any.

### NON-MANDATORY REQUIREMENTS :

#### THE BOARD :

Your Company is a Joint Sector undertaking with Tamilnadu Industrial Development Corporation Limited (TIDCO), a Government of Tamilnadu undertaking. The Chairman of the Company is nominated by TIDCO and performs his duty at their office. Hence no separate Chairman's office is maintained at your Company. Regarding the tenure of Independent Directors, your Company has not fixed the tenure (nine years) of the Independent Directors on the Board. The details are as follows :

Sl. No.	Name of Independent Director	Date of appointment
1.	Shri A.M. Swaminathan, IAS (Retd.)	12.07.2002
2.	Shri M.R. Sivaraman, IAS (Retd.)	23.01.2006
3.	Shri Kannan K Unni	24.04.2007
4.	Dr. Shankar Narasimhan	24.04.2007
5.	Shri T.S. Raghavan	08.05.2009
6.	Shri V.T. Moorthy	27.01.1984

#### Remuneration Committee:

The Company has decided not to proceed with formation of Remuneration Committee at this stage.

#### Shareholders' Rights :

The Company's quarterly and half yearly results are published in the newspapers and the results are also uploaded in Company's website [www.tanfacs.com](http://www.tanfacs.com). As per listing agreement requirements, the Company has furnished Audited Financial Results and also Shareholding Pattern etc. which are uploaded in their

website [www.bseindia.com](http://www.bseindia.com) which are made available to investors public. Therefore, no individual communication with respect to quarterly/half yearly financial performance is sent to the Shareholders. However, based on request from the Shareholders, if any, the Company would provide the same to them individually.

**Audit Qualification:**

There are NO qualifications in the Auditors' Report on the accounts for the year 2009-2010.

**Training on Board Members / Mechanism for evaluating Non – Executive Board members:**

The Company has not adopted non mandatory requirements of clause 49 of the listing agreement relating imparting training to the Non Executive Directors. The members of the Board are professionals having extensive experience in their fields and contribute substantially towards decision making process.

**Whistle Blower Policy**

The Company has not adopted any formal whistle blower mechanism.

**COMPANY SECRETARY'S RESPONSIBILITY STATEMENT**

- I, D.M. THIYAGESH, Company Secretary of TANFAC INDUSTRIES LIMITED hereby confirm that the Company has –
- a. Complied with provisions prescribed for Directors Identification Number (DIN) under the Companies Act, 1956 and DIN Rules, 2006, as amended.
  - b. Maintained all the books of account and statutory registers prescribed under the Companies Act, 1956.
  - c. **Filed all forms and returns and furnished all necessary particulars to the Registrar of Companies and/or authorities as required under the Companies Act, 1956.**
  - d. Conducted the Board Meetings and Annual General Meeting as per the Companies Act, 1956 and the minutes thereof were properly recorded in the Minutes Books.
  - e. Effected share transfers and dispatched the Certificates within the time limit prescribed by various authorities.
  - f. Not exceeded the borrowing powers under Section 293(1)(d) of The Companies Act, 1956.
  - g. Paid dividend warrants to the Shareholders within the time limit prescribed and also transferred to unpaid dividend to the Investor Education and Protection Fund within the time limit.
  - h. Complied with regulation prescribed by the Stock Exchange, SEBI and other statutory authorities and also the statutory requirements under The Companies Act, 1956 and other applicable statutes in force.
  - i. **The Certificate is given by the undersigned according to the best of his knowledge and belief, knowing fully well that on the faith and strength of what is stated above, the shareholders of the Company will place full reliance on it.**

Place: Cuddalore

Date : 14.5.2010

D.M. THIYAGESH  
SR. MANAGER (FINANCE AND ACCOUNTS)  
COMPANY SECRETARY

**CERTIFICATE ON CORPORATE GOVERNANCE**

As required under clause 49 of the listing agreement, the Chartered Accountant's Certificate on compliance of the Corporate Governance norms is attached.

**CERTIFICATE ON CORPORATE GOVERNANCE**

**To the Members of TANFAC INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by TANFAC INDUSTRIES LIMITED, for the year ended March 31, 2010, as stipulated in Clause 49 of the listing agreements of the said Company with Stock Exchange in India.

The compliances of conditions of Corporate Governance is the responsibility of the company's Management. Our examination was carried out in accordance with the guidance note on Certification of Corporate Governance (as stipulated in Clause 49 of the listing agreement). issued by the Institute of Company Secretaries of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an express 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreements.

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

For and on behalf of  
M/s. Singhi & Co  
Chartered Accountants

(SUDESH CHORARIA)  
Partner  
Membership No.204936  
Firm Regn. No. 302049E

Chennai  
14.05.2010

**I. DISCLOSURE UNDER CLAUSE 32 :**

Sr. No.	Disclosure of loans/advances/ investments outstanding during the year	As at 31 <sup>st</sup> March, 2010 (Rs.)	Maximum amount during the year (Rs.)
1.	Loans and advances in the nature of loans to subsidiary	Not Applicable	Not Applicable
2.	Loans and advances in the nature of loans to associate	Not Applicable	Not Applicable
3.	Loans and advances in the nature of loans where there is –		
	a. No repayment schedule or repayment beyond seven years of The Companies Act, 1956.	NIL	NIL
	b. No interest or interest below Section 372A of The Companies Act, 1956	NIL	NIL
4.	Loans and advances in the nature of loans to firms/ companies in which Directors are interest	NIL	NIL

**INSIDER TRADING REGULATIONS :**

In terms of the SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has adopted the TANFAC code of conduct for prevention of insider trading and code of corporate disclosure practices for its Directors, Officers and specified employees headed by the Company Secretary.

**DECLARATION**

The Board of Directors of the Company has renewed the "TANFAC INDUSTRIES LIMITED CODE OF CONDUCT" for the Senior Management of the Company including all functional heads and the "Code of Conduct for Non-Executive Directors" for the year 2009-2010.

Place: Chennai  
Date : 14.5.2010

LALIT NAIK  
DIRECTOR

All the Board Members and the Senior Management personnel including all functional heads have affirmed their compliance with the respective codes.

## DIRECTORS' REPORT

Your Directors are pleased to present the 36<sup>th</sup> Annual Report along with the Audited Accounts of your Company for the financial year ended 31<sup>st</sup> March 2010 for your review.

### FINANCIAL RESULTS

Details	[Rs. in Crores]	
	Year ended 31st March 2010	Year ended 31st March 2009
Turnover	<u>147.90</u>	<u>216.69</u>
<b>Gross Profit [Loss] after Interest but before Depreciation and Taxation</b>	<b>[6.22]</b>	5.52
Less: Depreciation	<b>5.23</b>	3.97
Profit/[Loss] After Depreciation	<u>[11.45]</u>	<u>1.55</u>
Less: Provision for Taxation		
- Current Tax	-	<b>0.15</b>
- Fringe Benefit Tax	-	<b>0.17</b>
<b>Net Profit / [Loss]</b>	<b>[11.45]</b>	<b>1.23</b>
Less: Deferred Tax	<u>[1.67]</u>	<u>0.43</u>
Net profit/ [Loss] after tax	<b>[9.78]</b>	0.80
Add: Balance brought forward	<b>1.67</b>	2.03
Profit available for appropriation	<b>[8.11]</b>	2.83
Less: General reserve	-	-
Proposed dividend		
- (Current year : Rs.NIL Previous year: Re.1/- per Equity Share (10%))	-	1.00
Dividend Tax on Equity Shares	-	0.16
Balance Carried forward to Balance Sheet	<u>[8.11]</u>	<u>1.67</u>

### OPERATIONS AND OVERALL PERFORMANCE:

Your Company has sales turnover at Rs.147.90 Crores is lower by 32% compared to the previous

year mainly due to lower sales volume of Aluminum Fluoride, Specialty Fluorides as well as lower realization in most of the products.

Your Company's performance has been constrained due to -

- ❖ A steep drop in demand for Aluminum Fluoride and realization
- ❖ Lower demand for specialty fluorides
- ❖ Poor realization for Sulphuric Acid
- ❖ Technical difficulties relating to new organic products being implemented
- ❖ Provisions on account of past liabilities treated as contingent liability earlier

Your company however increased the sales volume of Hydrofluoric Acid to counter lower volumes of Aluminum Fluoride.

Your company suffered a gross loss after interest but before depreciation and taxation of Rs. 6.22 Crores against a gross profit of Rs. 5.52 Crores in the previous year. After providing for depreciation and reversal of deferred tax, your company's net loss stands at Rs. 9.78 Crores as against a profit of Rs.0.80 Crore in the previous year.

### DIVIDEND:

As the Company did not record any profit, your Directors have not recommended any dividend for the year.

### FUTURE OUTLOOK:

The effect of the economic slow down continued during the first half of the year. We are witnessing some improvement in the latter part of the year. The Company continued to face stiff competition from China in most of its products. Our strategy would be to increase the volumes of higher contributing products and optimize production of products which are giving very low or insignificant contribution. We will continue to focus on moving up the value chain in the speciality products where we can have competitive advantage and grow our sales volumes and margins.

## DIRECTORS' REPORT (Contd.)

We are exploring new markets for our products as well as working on various cost reduction initiatives which will give benefits during the year 2010-11. This will also enable us to move on the growth path and utilize our capacities to the fullest extent. By working on our strengths and improving on some of our weakness, we trust that the outlook for the financial year 2010-11 will be better than the financial year 2009-10.

### **ALUMINIUM FLUORIDE:**

Your Company continues to maintain its leadership position in the Aluminium Fluoride sector in India. Volumes during 2010-11 will depend on price levels and competition from China.

### **HF ACID:**

Your Company is the dominant player in the Hydrofluoric Acid (HF) segment as well. Sustained efforts are on to enter into new markets and grow the volume.

### **EXPORTS:**

During the year under review, export turnover was lower at Rs.39.51 Crores as compared to Rs.71.05 Crores in the previous year registering a decrease of 44% which was mainly due to lower realization.

Your company's constant endeavors is to increase its export revenue.

### **RESEARCH AND DEVELOPMENT:**

Your Company is working in close coordination with Aditya Birla Science and Technology Company Limited [ABSTCL]. They cater to the research and development needs of the Aditya Birla Group, by providing laboratory and scale-up facilities, modelling and simulation areas, recognised by The Department of Scientific & Industrial Research (DSIR), to enhance the R&D capabilities, new product introduction and to reduce dependance on imported technology.

### **SAFETY, HEALTH AND ENVIRONMENT PROTECTION (SHE):**

Your Company is committed to Safety, Health and Environmental Management System.

Your Company was primarily responsible for conducting Off-Site Emergency mock drills during July, 2009 in coordination with The District Collectorate, Inspector of Factories and National Disaster Management Authority [NDMA].

Your Company is certified Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 and re-certified for ISO 9001 – 2000 and ISO 14001 – 2004 environment Management System Standards by Det Norske VERITAS (DNV) India. Your Company engaged M/s. Chilworth Safety & Risk Management Pvt Ltd., U.K., to conduct risk monitoring behavior based safety to eliminate unsafe activities completely.

We ensure that economic considerations do not compromise Safety and Environment Protection measures. Identifying activities that offer scope for conserving energy, water, reduce chemical consumption norms and recycling water and waste in process, are ongoing initiatives.

Your Company continuously updates safety management and risk management to carry out Hazop study for the existing and new projects. Accordingly safety Management programmes are implemented.

Your Company motivates employees, workers and contract workmen through training and retraining on safety aspects and also rewards best performers.

Your Company carries out safety management programmes to upgrade safety standards. Your Company periodically conducts onsite mock drills and actively coordinates with local government / other nearby companies for off site emergency mock drill.

### **DIRECTORS:**

TIDCO has nominated Selvi Apoorva, IAS, as Director of the Company with effect from 14<sup>th</sup> May, 2010. TIDCO has withdrawn Shri P. Sivasankaran, IAS, as Chairman and Director of the Company w.e.f. form 23<sup>rd</sup> October 2009. TIDCO has withdrawn the nomination of Shri S.J. Chiru, IAS, as Director with effect from 23<sup>rd</sup> October, 2009

## DIRECTORS' REPORT (Contd.)

and in his place Shri B. Elangovan has been appointed.

Your Company has appointed Shri Lalit Naik as Director of the Company and has accepted the resignation of Shri K.K. Maheshwari with effect from 22<sup>nd</sup> January, 2010.

Your Company has received Notices under Section 257 of The Companies Act, 1956, from Members of the Company proposing the appointment of Selvi Apoorva, IAS, Shri B. Elangovan and Shri Lalit Naik, in the forthcoming Annual General Meeting.

### RETIREMENT BY ROTATION:

Shri A.K. Agarwala, Shri M.R. Sivaraman, IAS [Retd.] and Dr. Shankar Narasimhan, retire by rotation and being eligible, offer themselves for re-appointment.

### CORPORATE GOVERNANCE:

Your Company is strongly committed to Corporate Governance. The Company has already constituted Committees of Directors to assist the Board in ensuring good Corporate Governance. The Corporate Governance Report along with the Auditors certificate regarding compliance of the conditions of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchange, is attached.

### AUDITORS & AUDITORS' REPORT:

M/s. Bhaskaran & Krishnan and M/s. Singhi & Co., Chartered Accountants, Chennai, the Auditors of the Company retire at the conclusion of this Meeting and are eligible for re-appointment.

The observations made in the auditors' report are self-explanatory and therefore do not call for any further comments under Section 217 (3) of the Companies Act, 1956.

### COST AUDITOR

Pursuant to the directions of the Central Government under the provisions of Section 233B of The Companies Act, 1956, in respect of the audit of cost records of the Company for our

Sulphuric Acid product, Shri V. Gopalakrishnan, Cost Accountant, has been appointed as Cost Auditor for the financial year ended 31.3.2010. The Company has submitted the cost audit report for the financial year 2008-2009 to the Central Government in time.

### PARTICULARS OF EMPLOYEES:

The details of employees drawing remuneration, requiring disclosures under Section 217(2A) of The Companies Act, 1956, shall be made available to the Shareholders on his/ her specific request.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO:

As required under Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, a statement containing the particulars relating to conservation of energy, research and development and technology absorption is annexed.

### INDUSTRIAL RELATIONS:

Employee relations continued to be cordial throughout the year. The whole-hearted support of employees in the implementation of WCM, ISO-9002 systems and ISO 14001 amply demonstrate team work and a sense of belongingness with the organization and solidarity with your Management.

### PUBLIC DEPOSIT

The Company has not accepted any deposits from the Public during the year within the meaning of Section 58-A of The Companies Act, 1956.

### SUSTAINABLE DEVELOPMENT – COMMUNITY DEVELOPMENT INITIATIVES – CORPORATE SOCIAL RESPONSIBILITY (CSR):

Your Company's CSR initiatives are an integral part of overall business policy and aligned with its business goals. Your Company also motivates employees for voluntary effort for social development and evolves a system of need

## DIRECTORS' REPORT (Contd.)

assessment and impact assessment while undertaking CSR initiatives.

Your Company is carrying out its community welfare activities in and around Cuddalore for more than a decade, reaching out to underserved communities. This entails transcending business interests and grappling with the "Quality of Life" challenges, that the poor face and working towards making a meaningful difference to them.

### **Our Group vision is:**

"To actively contribute to the social and economic development of the communities in which we operate. In so doing, build a better, sustainable way of life for the weaker sections of society and raise the country's human development index."

Your Company's focus areas include education, health care, sustainable livelihood, infrastructure development and espousing social causes.

- Health - including Family Welfare and Total Health (Disease) Management
- Child/Women Empowerment Projects
- Need Assessment
- Identification of funding sources and opportunities
- Link up with Government agencies, NGO's and other potential partners
- Implementation of Community Upliftment Projects involving government authorities, village panchayat and the end beneficiaries

Chennai

14.05.2010

in specific areas of social development, such as health, education, water management, etc., to cater to the needs of children, women, adolescents, and the physically challenged, as also to contribute to the overall development of villages/community.

### **HUMAN RESOURCES DEVELOPMENT:**

Your Company believes that our people give us our competitive edge. So business priorities are aligned with the aspirations of employees, culminating in the development of an empowered and responsive human capital. Our work environment encourages innovation and creativity and promotes a culture that facilitates entrepreneurial activity within the organization. Regular programs are held to enhance the competencies and skill set of the employees for the performance improvement.

### **ACKNOWLEDGEMENT:**

Your Directors wish to thank the Government of India, Government of Tamilnadu, and the Banks for their guidance, help and support.

On behalf of the Directors and all of you Shareholders, I would like to record my sincere appreciation of the commitment of the entire TANFAC family consisting of officers, staff and workers.

Finally, I look forward to your continued understanding and support in taking your Company forward in these challenging times.

For and on behalf of the Board

CHAIRMAN



## ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2010.

### 1. CONSERVATION OF ENERGY

Your Company has adopted various measures to conserve energy and has taken several steps including regular monitoring of consumption and improved maintenance of systems.

Total energy consumption and energy consumption per unit of production as prescribed in Form - A are given below: -

#### A. Power and Fuel Consumption

1	ELECTRICITY	FINANCIAL YEAR ENDED	
		March 31, 2010	March 31, 2009
(a)	Purchased Unit (KWH)	2466720	2853360
	Total Amount (Rs.)	10506358	10573563
	Rate/Unit (Rs.)	4.26	3.71
(b)	Own Generation		
(i)	Captive Power Plant 2.23 mw - Unit (kwh)	14946680	15736500
(ii)	Through Diesel Generator-2650 KVA - Unit (KWH)	5087185	1761123
	Unit per litre of Diesel Oil	2.87	3.12
	Cost of Diesel per KWH (Rs.)	9.71	11.44
2	Coal (for process steam)		
	Quantity (Tonnes)	8224.402	10136.305
	Total Cost (Rs.)	33153808.94	42995681.87
	Average Rate (Rs.)	4031.15	4241.75
3	Furnace Oil/L.D.O.		
	Quantity (MT)	4333.280	2383.658
	Total Amount (Rs.)	97360256	57620042.50
	Average Rate (Rs.)	22468.03	24172.95
4	Others/Internal Generation		
	Quantity	-	-
	Total Cost	-	-
	Rate per Unit	-	-
B.	Consumption per unit of Production		
(a)	Aluminium Fluoride		
	Electricity (KWH)	195	128
	Furnace Oil/LDO/LSHS (K. Ltrs.)	0.025	0.030
	Others	-	-
(b)	Hydrofluoric Acid		
	Electricity (KWH)	680	669
	Furnace Oil/LDO/LSHS (K.Ltrs)	0.223	0.156
	Others	-	-
(c)	Sulphuric Acid and Oleum		
	Electricity (KWH)	76	76
	Furnace Oil/LDO (K. Ltrs.)	-	-
	Others	-	-

## ANNEXURE TO DIRECTORS' REPORT (Contd.)

### RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION

- Your Company is working towards process improvement of the speciality organic to reduce cost and stay competitive in the market.
- Your Company's R&D team has developed two new products which are being examined for commercialization during the year 2010-2011 in the existing multipurpose facility.
- Your Company is continuously making efforts towards energy conservation and improving power efficiencies, to reduce consumption norms/cost.
- Your Company continuously putting efforts to sustain water recycling upto 60% and to move towards zero discharge.
- Your Company continues to make investment in environmental protection measures to conserve environment.

### Technology Absorption, Adaptation and Innovation

Your Company is working in close coordination with Aditya Birla Science and Technology Company Limited to enhance the R&D capabilities, new product introduction and to reduce dependance on imported technology.

### FOREIGN EXCHANGE EARNING AND OUTGO :

(Rs. in Lacs)

Details	2009-10	2008-09
Exports	3978.13	7502.48
Forex Earned	3978.13	7502.48
Forex used	6391.51	9328.19

### Directors' Responsibility Statement u/s 217 (2AA) of the Companies Act, 1956 as amended.

Your Directors would like to inform members that the audited accounts containing the financial statements for the financial year 2009 - 2010 are in full conformity with the requirement of the Act. They believe that the financial statements reflect fairly the form and substance of transactions carried out during the year and reasonably present the company's financial conditions and results of operations.

Your Directors further confirm that:

- i) in the preparation of annual accounts, applicable accounting standards have been followed;
- ii) the accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the company at the end of the financial year;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The annual accounts have been prepared on a going concern basis.

Details of technology imported during the past five years:

Year	Technology imported	Status
	- NIL -	

**AUDITORS' REPORT**

We have audited the attached Balance Sheet of TANFAC INDUSTRIES LIMITED as at 31<sup>st</sup> March, 2010 and the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies [Auditor's Report] Order 2003 [as amended] issued by the Central Government in terms of sub section [4A] of Section 227 of The Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.

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

1. 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.
2. In our opinion, the Company has kept proper books of accounts as required by law so far as appears from our examination of those books.

For BHASKARAN & KRISHNAN  
*Chartered Accountants*

(B.GOPALAKRISHNAN)  
Partner  
Membership No.18702  
Firm Regn. No. 00426S

Chennai,  
Dated : 14<sup>th</sup> May, 2010.

3. The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by the report are in agreement with the books of account.
4. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of The Companies Act, 1956.
5. On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2010 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31<sup>st</sup> March, 2010 from being appointed as a Director in terms of Clause [g] of subsection (1) of Section 274 of The Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the "NOTES" thereon, give the information required by The Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the Accounting principles generally accepted in India :
  - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010.
  - ii) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date, and
  - iii) In the case of Cash Flow Statement of the Cash Flows of the Company for the year ended on that date.

For SINGHI & CO.,  
*Chartered Accountants*

(SUDESH CHORARIA)  
Partner  
Membership No. 204936  
Firm Regn. No. 302049E

## ANNEXURE TO AUDITORS' REPORT

[Referred to in our Report of even date on the Accounts of TANFAC INDUSTRIES LIMITED as at and for the year ended 31<sup>st</sup> March, 2010]

- i) a) The Company has maintained proper records to show full particulars including quantitative details and situation of its Fixed Assets.
- b) The Fixed Assets of the Company have been physically verified by the management, wherever possible, at the close of the year as confirmed by the management. No material discrepancy has come to notice on such physical verification.
- c) The Company has not disposed off any substantial part of fixed assets during the year.
- ii) a) The management has conducted physical verification of inventories at all its locations at reasonable intervals during the year;
- b) The procedures of physical verification of stock followed by the Management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.
- c) The Company is maintaining proper records of inventory. As far as we can ascertain and according to the information and the explanations given to us, the discrepancies noticed between the physical stocks and book stocks were not material and the same have been properly dealt with in the books of account.
- iii) a) As per the information and explanations provided to us, the Company has not granted any secured or unsecured loans to Companies, firms or other parties listed in the register maintained under Section 301 of The Companies Act, 1956.
- b) As per the information and explanations provided to us, the Company has not taken any secured or unsecured loans from companies, firms or other parties listed in the Register maintained under Section 301 of The Companies Act, 1956.
- iv) On the basis of checks carried out during the course of audit and as per explanations given to us, in our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of Inventory and Fixed Assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls in these respects.
- v) a) As per the information and explanations given to us, no transactions have been undertaken during the year in pursuance of contracts or arrangements that need to be entered into the register maintained under Section 301 of The Companies Act, 1956.
- b) As per the information and explanations given to us, there are no transactions of purchase and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of The Companies Act, 1956.
- vi) The Company has not accepted any deposits from the public during the year, to which the provisions of Section 58-A, 58-AA or any other relevant provisions of The Companies Act, 1956 and the rules framed there under apply;
- vii) In our opinion, the company has an Internal Audit System, which is commensurate with the size and nature of its business;
- viii) The company has maintained proper Cost records as prescribed by the Central Government under Section 209 (1)(d) of the Companies Act 1956 for the manufacture of Sulphuric Acid, but no detailed examination of such records have been carried out by us.
- ix) a) The Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax,

## ANNEXURE TO AUDITORS' REPORT (Contd.)

Customs Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities;

- b) According to the information and explanations given to us and the books and records examined by us, there was no undisputed amount outstanding as on 31<sup>st</sup> March, 2010 in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Value Added Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty,

Cess and other statutory dues for a period of more than six months from the date they became payable;

- c) According to the records of the Company and as per the information and explanations provided to us, the dues outstanding [net of advances] in respect of Sales Tax, Value Added Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty, Cess etc., on account of any dispute are given below :

Name of the Statute	Nature of the Dues	Disputed Amount (Rs in Lacs)	Period to which the amount relates	Forum where dispute is pending
TNGST Act 1959	Classification of scrap sales	1.68	2002-03	Appellate Asst. Commissioner
Customs Act, 1961	Duty on fluorspar shipment	10.79	1998-99	Customs Officer
Central Excise Act 1944	a) Interest Accrued to be added in value	0.27	2001-02	SB, CEGAT, Chennai
	b) Sale of Scrap	0.74	2003-04	SB, CEGAT, Chennai
	c) Cenvat credit disallowed on steels/pipes	32.04	2005-06 to 2009-10	Additional/Point Commissioner, Pondicherry
	d) Interest on Excise Duty levied on sale to Govt. Institution	0.85	2006-07 to 2007-08	The Commissioner (appeals),
		33.90		
Service Tax Act, 1994	a) Service Tax on Lease Rent	13.43	2001-02 to 2008-09	The Commissioner/ Asst. Commissioner, Cuddalore
	b) Service tax on consulting Engineers/Management Consultancy	3.00	2002-03 to 2004-05	The Deputy Commissioner, Cuddalore
	c) Service tax on GTA	20.39	2006-07 to 2007-08	The Commissioner, Pondicherry
		36.82		

## ANNEXURE TO AUDITORS' REPORT (Contd.)

Name of the Statute	Nature of the Dues	Disputed Amount (Rs in Lacs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	a) Replacement of Equipment claimed as revenue expenditure, reclassified by Dept. as capital expenditure	85.39	2003-2004	Income Tax Appellate Tribunal
	b) Disallowance of benefit u/s 80IA relating to Sulphuric Acid Plant	16.10	1990-00	Appeal pending at various forums
		28.93	2001-02	
		0.54	2004-05	
c) Disallowance of various expenses	8.14	2006-07	The Commissioner of Income Tax (Appeals), Chennai	
		139.10		

- x) The Company has no accumulated losses and has incurred cash losses of Rs.621.98 lacs during the year and has not incurred cash losses in the immediately preceding financial year.
- xi) Based on our audit procedures, and as per the information and explanations given to us, by the management, the Company has not defaulted in repayment of dues to financial institutions and banks;
- xii) According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities;
- xiii) The provisions of any special statute applicable to chit fund, nidhi or mutual benefit fund/societies are not applicable to the Company.
- xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments and hence, the requirements of Para 4 (xiv) of the above order are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions;
- xvi) The term loans raised has been applied for the purpose for which it was obtained.
- xvii) On the basis of our examination of the cash flow statement, it appears that the funds raised on short term basis have been used for long term purposes to the tune of Rs.1418 lacs.
- xviii) During the year, the Company has not made any preferential allotment of share.
- xix) The Company does not have any outstanding debentures during the year.
- xx) The Company has not raised any money by way of public issue during the year.

## ANNEXURE TO AUDITORS' REPORT (Contd.)

xxi) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations

given to us by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For BHASKARAN & KRISHNAN  
*Chartered Accountants*

(B.GOPALAKRISHNAN)  
Partner  
Membership No.18702  
Firm Regn. No. 00426S

For SINGHI & CO.,  
*Chartered Accountants*

(SUDESH CHORARIA)  
Partner  
Membership No. 204936  
Firm Regn. No. 302049E

Chennai,  
Dated : 14<sup>th</sup> May, 2010.

## BALANCE SHEET AS AT 31st MARCH 2010

		SCHEDULES	As at 31.03.2010 (Rs. in Lacs)	As at 31.03.2009 (Rs. in Lacs)
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
	Share Capital	1	997.50	997.50
	Reserves and Surplus	2	3,152.38	4,130.44
			<u>4,149.88</u>	<u>5,127.94</u>
<b>LOAN FUNDS</b>				
	Secured Loan	3	4,622.20	3,694.60
	Unsecured Loan		3,008.21	5,705.11
<b>DEFERRED TAX LIABILITY (NET)</b> (Refer Note 10 of Schedule 21)				
	Total funds employed		<u>12,402.91</u>	<u>15,317.40</u>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
	Gross Block	4	12,587.29	12,552.70
	Less: Depreciation and Impairment		6,226.34	5,705.96
	Net Block		6,360.95	6,846.74
	Add: Capital Work-in-Progress		1,512.05	767.73
			<u>7,872.99</u>	<u>7,614.47</u>
	Investments	5	16.96	16.96
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
	Inventories	6	2,965.14	6,667.23
	Sundry Debtors	7	1,966.62	2,296.28
	Cash and Bank Balances	8	78.69	32.83
	Loans and Advances	9	1,507.25	1,783.43
			<u>6,517.70</u>	<u>10,779.77</u>
<b>Less: CURRENT LIABILITIES AND PROVISIONS</b>				
	Current Liabilities	10	2,320.82	2,861.92
	Provisions	11	121.77	231.89
			<u>2,442.59</u>	<u>3,093.81</u>
	Net Current Assets		4,075.11	7,685.96
	Miscellaneous Expenditure (To the extent not written off/adjusted)	12	437.84	-
	Total funds applied		<u>12,402.91</u>	<u>15,317.40</u>
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES ON ACCOUNTS</b>				
		21		
As per our Report Annexed				
For SINGHI & CO Chartered Accountants SUDESH CHORARIA Partner Mem. No.204936 Firm Regn. No. 302049E		For BHASKARAN & KRISHNAN Chartered Accountants B. GOPALAKRISHNAN Partner Mem. No.18702 Firm Regn. No. 00426S		LALIT NAIK Director SURESH SODANI Joint President S.R. RAJAN CFO & Asst. Vice President (Fin & Comcl.) D.M. THIYAGESH Sr. Manager (Fin. & Acts.) and Company Secretary
Chennai 14th May 2010				APOORVA B. ELANGOVA R. KARTHIKEYAN V.T. MOORTHY M.R. SIVARAMAN A.M. SWAMINATHAN KANNAN KUNNI DR. SHANKAR NARASIMHAN T.S. RAGHAVAN Directors



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	SCHEDULES	For the Year ended 31.03.2010 (Rs. in Lacs)	For the year ended 31.03.2009 (Rs. in Lacs)
<b>INCOME</b>			
Gross Sales	13	15,623.52	23,515.30
Less: Excise Duty		<u>833.98</u>	<u>1,846.10</u>
Net Sales		14,789.54	21,669.20
Other Income	14	<u>218.99</u>	<u>414.48</u>
<b>TOTAL - A</b>		<u><b>15,008.53</b></u>	<u>22,083.68</u>
<b>EXPENDITURE</b>			
(Increase)/Decrease in stock	15	1388.25	(2,366.78)
Consumption of Raw Materials	16	8566.72	18,172.33
Manufacturing Expenses	17	2895.73	2,699.93
Payments to and Provision for Employees	18	808.57	767.91
Other Expenses	19	1135.59	1,722.52
Interest	20	726.19	535.92
Deferred Revenue Expenditure written off		<u>109.46</u>	<u>-</u>
<b>TOTAL - B</b>		<u><b>15,630.50</b></u>	<u>21,531.83</u>
<b>PROFIT/(LOSS) BEFORE DEPRECIATION AND TAX (A-B)</b>		<u><b>(621.98)</b></u>	<u>551.85</u>
Depreciation		<u>523.22</u>	<u>397.45</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<u><b>(1145.19)</b></u>	<u>154.40</u>
LESS : Provision for Current Tax			15.25
LESS : Provision for Fringe Benefit Tax			<u>16.50</u>
<b>PROFIT/(LOSS) AFTER CURRENT TAX</b>		<u><b>(1145.19)</b></u>	<u>122.65</u>
LESS : Provision for / (Release of ) Deferred Tax		<u>(167.14)</u>	<u>42.75</u>
<b>Net Profit / (Loss) after Tax</b>		<u><b>(978.05)</b></u>	<u>79.90</u>
Balance brought forward from previous year		<u>166.73</u>	<u>203.54</u>
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<u><b>(811.33)</b></u>	<u>283.44</u>
<b>APPROPRIATIONS :</b>			
Proposed Dividend on Equity Shares		-	99.75
Dividend Tax		-	16.95
Balance Carried to Balance Sheet		<u>(811.33)</u>	<u>166.73</u>
		<u><b>(811.33)</b></u>	<u>283.44</u>
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES ON ACCOUNTS</b>			
	21		
<b>Earning per share : (Refer Note 11 of schedule 21) (Rs.)</b>			
Basic		<u><b>(9.81)</b></u>	0.80
Diluted		<u><b>(9.81)</b></u>	0.80
As per our Report Annexed			
For SINGHI & CO Chartered Accountants SUDESH CHORARIA Partner Mem. No.204936 Firm Regn. No. 302049E	For BHASKARAN & KRISHNAN Chartered Accountants B. GOPALAKRISHNAN Partner Mem. No.18702 Firm Regn. No. 00426S	LALIT NAIK Director SURESH SODANI Joint President S.R. RAJAN CFO & Asst. Vice President (Fin & Comcl.) D.M. THIYAGESH Sr. Manager (Fin. & Acts.) and Company Secretary	APOORVA B. ELANGOVAN R. KARTHIKEYAN V.T. MOORTHY M.R. SIVARAMAN A.M. SWAMINATHAN KANNAN KUNNI DR. SHANKAR NARASIMHAN T.S. RAGHAVAN Directors
Chennai 14th May 2010			

## SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2010

	As at 31.03.2010 (Rs. in Lacs)	As at 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
Authorised		
25000000 Equity Shares of Rs.10/- each	2,500.00	2,500.00
1000000 11% Redeemable Cumulative Preference Shares of Rs.100/- each	1,000.00	1,000.00
	<u>3,500.00</u>	<u>3,500.00</u>
Issued, Subscribed and Paid up		
9975000 Equity Shares of Rs.10/- each fully paid-up in cash	997.50	997.50
	<u>997.50</u>	<u>997.50</u>
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>i) Capital Reserve</b>		
State Capital Subsidy from SIPCOT As per last Balance Sheet	30.00	30.00
Profit on sale of forfeited shares As per last Balance Sheet	0.46	0.46
Share Premium Account As per last Balance Sheet	2.18	2.18
	<u>32.64</u>	<u>32.64</u>
<b>ii) General Reserve :</b>		
As per last Balance Sheet	3,931.07	3,931.07
ADD: Transfer during the year	<u>3,931.07</u>	<u>3,931.07</u>
<b>iii) Profit and (Loss) Account</b>		
Total ( i to iii )	<u>3152.38</u>	<u>4130.44</u>

## SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2010

	As at 31.03.2010 (Rs. in Lacs)	As at 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE 3</b>		
<b>A) SECURED LOANS</b>		
a) Term Loans	<b>1,186.80</b>	1,621.20
From Bank		
(By way of Pari Passu first charge in favour of HDFC Bank Ltd. on all fixed assets of the Company both present and future)		
Repayable within one year Rs.434.40 lacs (Previous year Rs.434.40 lacs.)		
b) Other Loans		
From Banks - In Cash Credit Accounts	<b>2,003.15</b>	1,073.40
- Working Capital Demand Loan	<b>950.00</b>	1,000.00
- Bills discounting	<b>3.42</b>	-
- Packing Credit Account	<b>478.83</b>	-
 (Pari Passu first charge in favour of Consortium banks on all movable goods, and the assets present and future and further secured by Pari Passu second charge on existing immovable properties of the company excluding residential staff quarters and 2.23 MW captive power plant )		
	<b>4,622.20</b>	3,694.60
<b>B) UNSECURED LOANS</b>		
Sales Tax Deferral Scheme	-	1.49
Buyers Credit from Banks	<b>1,508.21</b>	4,703.62
Intercorporate deposit	<b>1,500.00</b>	-
Commercial Paper	-	1,000.00
	<b>3,008.21</b>	5,705.11
<b>Total (A + B)</b>	<b>7,630.41</b>	9,399.71

## SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2010 (Contd.)

### Schedule 4 : FIXED ASSETS

(Rs. in Lacs)

Particulars	GROSS BLOCK			DEPRECIATION//WRITE OFFS				NET BLOCK			
	As At 01/04/2009	Additions/ Transfer during the year	Less Transfer/ Sale during the year	As At 31/03/2010	Upto 31/03/2009	For the year	On Sale/ Adjust-ments	Upto 31/03/2010	Impairment Loss up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
Land											
Freehold	31.27	-	-	31.27	-	-	-	-	-	31.27	31.27
Leasehold	39.68	-	-	39.68	8.65	0.43	-	9.08	-	30.60	31.03
Building											
Freehold	205.08	-	-	205.08	36.54	3.34	-	39.88	-	165.20	168.54
Leasehold	522.52	-	-	522.52	156.97	16.48	-	173.45	21.99	327.08	343.56
Road,Well,Culvert, Fencing Etc	75.43	-	-	75.42	29.38	1.90	-	31.28	-	44.15	46.05
Plant & Machinery Installation etc	11,031.67	22.12	-	11,053.78	4,270.70	436.00	-	4,706.70	758.99	5,588.10	6,001.98
Data-Processing Equipments Office Equipments, Furniture & Fixtures, and Air	227.33	1.22	-	228.55	128.97	37.64	-	166.60	-	61.94	98.36
Conditioners, Refrigerators etc	219.15	9.02	0.10	228.08	148.24	11.70	0.03	159.91	-	68.17	70.91
Vehicles & Tanks etc	200.58	8.00	5.67	202.91	145.53	15.74	2.81	158.46	-	44.45	55.05
Total (A)	12,552.70	40.35	5.77	12,587.29	4,924.99	523.22	2.84	5,445.36	780.98	6,360.95	6,846.74
Capital Work In Progress (B)	767.73	744.32	-	1,512.05	-	-	-	-	-	1,512.05	767.73
Total (A+B)	13,320.43	784.67	5.77	14,099.34	4,924.99	523.22	2.84	5,445.36	780.98	7,872.99	7,614.47
Previous Year	9,432.15	4,110.93	222.65	13,320.43	4,652.71	397.45	125.19	4,924.98	780.98	7,614.47	

**SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2010 (Contd.)**

	As at 31.03.2010 (Rs. in Lacs)	As at 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE 5</b>		
<b>INVESTMENTS</b>		
<b>LONG TERM OTHER THAN TRADE</b>		
<b>QUOTED INVESTMENTS</b>		
<b>UNQUOTED INVESTMENTS</b>		
i) 16963 Equity Shares of Rs.100/-each of M/s.Cuddalore Sipcot Industries Common Utilities Ltd.	<b>16.96</b>	16.96
	<u>16.96</u>	<u>16.96</u>
<b>SCHEDULE 6</b>		
<b>INVENTORIES</b>		
(As certified by the Management)		
Finished Goods	<b>1,029.31</b>	2,233.27
Materials-in-Process	<b>20.31</b>	499.02
Raw Materials and Packing Material (including in transit)	<b>1,554.62</b>	3,608.03
Stores and Spare parts	<b>360.90</b>	326.91
	<u>2965.14</u>	<u>6,667.23</u>

**SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2010 (Contd.)**

	As at 31.03.2010 (Rs. in Lacs)	As at 31.03.2009 (Rs. in Lacs)
<b>SCHEDULE 7</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured, considered good except otherwise stated)		
Debts outstanding for a period exceeding six months		
i) considered good	5.23	14.80
ii) considered doubtful	48.94	3.84
Less: Provision	48.94	3.84
	5.23	14.80
Others	1,961.39	2,281.48
	1,966.62	2,296.28
<b>SCHEDULE 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in hand	0.65	0.62
Balances with Scheduled Banks:		
In Current Accounts	13.52	2.04
In E.E.F.C. Accounts	0.90	0.94
In Cash Credit Accounts	32.41	
In Dividend Account	31.22	29.23
	78.69	32.83
<b>SCHEDULE 9</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, Considered Good)		
Interest receivable	22.25	21.64
Advances recoverable in cash or in kind or for value to be received and/or to be adjusted	93.48	152.66
Claims receivable	532.34	873.05
Deposit with Government Departments and others	95.63	82.27
Prepaid expenses	29.95	75.97
Balance with Excise, Customs etc.	733.60	577.84
	1,507.25	1,783.43

**SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2010 (Contd.)**

	<b>As at 31.03.2010 (Rs. in Lacs)</b>	<b>As at 31.03.2009 (Rs. in Lacs)</b>
<b>SCHEDULE 10</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	4.03	28.99
Outstanding Dues to Micro, Small and Medium Enterprises (Refer note No.9 of Schedule 21)	2,166.50	2,697.19
Outstanding Dues to others	2,170.53	2,726.17
Advance from Customers	79.89	49.05
Unclaimed dividends	31.22	29.23
Other Liabilities	39.19	57.47
	<u>2,320.82</u>	<u>2,861.92</u>
<b>SCHEDULE 11</b>		
<b>PROVISIONS</b>		
For Proposed Dividend (incl.Dividend Tax)	-	116.70
For Disputed Liabilities	71.92	72.26
For Leave Salary	49.85	42.93
	<u>121.77</u>	<u>231.89</u>
<b>SCHEDULE 12</b>		
<b>MISCELLANEOUS EXPENDITURE</b> (to the extent not written off/adjusted)		
Miscellaneous Expenditure	437.84	-
	<u>437.84</u>	<u>-</u>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010**

	<b>For the Year Ended 31.03.2010 (Rs. in Lacs)</b>	<b>For the Year Ended 31.03.2009 (Rs. in Lacs)</b>
<b>SCHEDULE 13</b>		
<b>SALES</b>		
Sales		
Finished Goods	14,925.57	22,895.58
Waste Anhydrite	697.95	619.72
	<hr/>	<hr/>
	15,623.52	23,515.30
Less : Excise Duty	833.98	1,846.10
	<hr/>	<hr/>
	<b>14,789.54</b>	<b>21,669.20</b>
<b>SCHEDULE 14</b>		
<b>OTHER INCOME</b>		
Interest (Gross)		
On Deposits (Tax deducted at source Rs.0.20 lac Previous year Rs. 0.50 lac)	1.47	7.23
Insurance & Other Claims		0.23
Profit on Sale of Fixed Assets(Net)		23.33
Profit on sale of Raw Materials (Net)	0.76	130.05
Profit on sale of Investment	0.42	
Dividend from current Investments	-	0.04
Export Incentivies	103.64	51.54
Miscellaneous Receipts	71.17	183.95
Excess Provision & Liabilities no Longer required written back	41.52	18.11
	<hr/>	<hr/>
	<b>218.99</b>	<b>414.48</b>
<b>SCHEDULE 15</b>		
<b>(INCREASE)/DECREASE IN STOCK</b>		
Opening Stock	2,732.29	301.07
Less:Closing Stock	1,049.62	2,732.29
	<hr/>	<hr/>
	1,682.67	2,431.22
Less : Transferred to Deferred Revenue Expenditure (Refer Note No.6 of Schedule 21)	282.45	-
Less : Difference of Excise duty on opening and closing Inventories	11.97	64.44
	<hr/>	<hr/>
(Increase)/Decrease in Stock	<b>1,388.25</b>	<b>2,366.78</b>



**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010  
(Contd.)**

	<b>For the Year Ended 31.03.2010 (Rs. in Lacs)</b>	<b>For the Year Ended 31.03.2009 (Rs. in Lacs)</b>
<b>SCHEDULE 16</b>		
<b>CONSUMPTION OF RAW MATERIALS</b>		
(Including Packing Materials)		
Opening Stock	3,608.03	2,880.99
Add:Purchases	6,519.38	18,909.77
	<b>10,127.41</b>	<b>21,790.76</b>
Less:Closing Stock	1,554.62	3,608.03
Sales	6.08	10.40
	<b>1,560.69</b>	<b>3,618.43</b>
	<b>8,566.72</b>	<b>18,172.33</b>
<b>SCHEDULE 17</b>		
<b>MANUFACTURING EXPENSES</b>		
Consumption of stores and spare parts	611.68	627.27
Power and Fuel	1,719.46	1,532.71
Water Charges	81.26	65.70
Effluent Treatment Expenses	64.57	58.39
Job work charges	27.88	74.11
Repairs and Maintenance		
Buildings	36.07	42.02
Plant and Machinery	267.50	270.47
Others	87.32	29.26
	<b>390.89</b>	<b>341.75</b>
	<b>2,895.73</b>	<b>2,699.93</b>
<b>SCHEDULE 18</b>		
<b>PAYMENTS TO AND PROVISION FOR EMPLOYEES</b>		
Salaries, wages,Bonus and Gratuity	700.56	604.85
Contribution to Provident and other Funds	44.61	69.74
Employees Welfare Expenses	63.40	93.32
	<b>808.57</b>	<b>767.91</b>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010  
(Contd.)**

	<b>For the Year ended 31.03.2010 (Rs. in Lacs)</b>	<b>For the Year ended 31.03.2009 (Rs. in Lacs)</b>
<b>SCHEDULE 19</b>		
<b>OTHER EXPENSES</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
Rent	58.83	40.03
Rates and Taxes	20.28	7.90
Insurance(Net)	30.21	43.17
Travelling and Conveyance	77.94	133.36
Vehicle Running Expenses	21.24	23.52
Communication Expenses	23.33	35.07
Miscellaneous Expenses	201.91	207.66
Research and Development Expenses (Refer Note No.7 of Schedule 21)	47.29	29.01
Auditors' Remuneration		
Audit Fee	1.20	1.20
Tax Audit Fee	0.30	0.35
Taxation Matter	0.23	0.12
For Certification work		0.18
Travel and Stay Expenses	0.25	0.30
	1.97	2.15
Bank charges	153.13	311.70
Directors' Sitting Fees	13.60	6.45
Loss on sale of Fixed Assets	0.01	-
Loss on Sale of Investment	-	0.42
Fluctuation in Exchange Rates	248.74	515.98
	<b>898.47</b>	<b>1,356.43</b>
<b>SELLING EXPENSES</b>		
Rental Charges (ISO Containers)	11.68	12.46
Freight,Packing and Forwarding Expenses(net)	188.24	261.29
Commission on Sales	37.19	92.35
	<b>237.11</b>	<b>366.10</b>
<b>SCHEDULE 20</b>	<b>1135.59</b>	<b>1,722.52</b>
<b>INTEREST</b>		
On Term Loans	93.78	102.47
Others	632.41	433.45
	<b>726.19</b>	<b>535.92</b>

## SCHEDULES TO NOTES TO BALANCE SHEET AS AT 31st MARCH 2010 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

### SCHEDULE 21

#### 1. SIGNIFICANT ACCOUNTING POLICIES

a. **Accounting Concepts:** The Company follows the Mercantile System of accounting and recognizes Income and Expenditure on accrual basis except those with significant uncertainties.

b. **Fixed Assets:** These are stated at cost net of Cenvat, depreciation and Impairment. Cost of acquisition includes duties, taxes, incidental expenses, erection/commissioning expenses and interest etc., upto the date the asset is ready for its intended use.

The Carrying amounts of assets are reviewed at balance sheet date to determine if there is any indication of impairment based on external/internal factors.

c. **Capital Work-in-Progress:** These are stated at cost including direct overhead expenses ,start up costs, trial run expenditure, borrowing costs in respect of qualifying assets etc. Realisation from Sale of Trial Production is reduced from the above cost.

#### d. Depreciation :

- i) Leasehold land is being amortized over the lease period.
- ii) The classification of Plant & Machinery into continuous and non-continuous process is done as per technical certification and depreciation thereon is provided accordingly.
- iii) Depreciation in respect of Buildings and Plant and Machinery has been provided on Straight Line Method as per the rates prescribed by the Department of Company Affairs/as per Schedule-XIV of the Companies Act, 1956 as applicable on the date of acquisition/installation.
- iv) Depreciation on all other assets has been provided on written down value method as per the rates prescribed in Schedule-XIV of the Companies Act, 1956.
- v) Depreciation on additions/deletions to fixed assets has been provided on prorata basis with reference to the date of installation/sale. Depreciation on Assets individually costing less than Rs.5000/- each has been fully charged off in the year of addition.
- vi) In case of impairment, if any, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

#### e. Investments:

- i) Quoted / Unquoted Long-term investments are stated at cost, unless, there is a decline other than temporary in the carrying value thereof, which is duly provided for in the Accounts.
- ii) Current quoted investments are stated at lower of cost or market value on individual investment basis.

#### f. Inventories:

Inventories are valued on the following basis:

- i) Finished Goods - At cost (calculated on Annual Weighted Average Method) or net realizable value whichever is lower.
- ii) Material in Process - At estimated cost.
- iii) Waste - At actual realizable value
- iv) Raw Materials /Stores & Spare Parts - At cost

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

### **g. Foreign Currency Transactions:**

Foreign currency transactions are recorded on the basis of exchange rate prevailing at the date of the transaction. Foreign currency monetary items are reported at the year end closing rate. Non monetary items which are carried at historical cost are reported using the exchange rate prevailing at the date of the transaction.

The exchange differences arising on settlement/year end restatement of monetary items are recognized in the Profit & Loss Account in the period in which they arise, except those relating to acquisition of Fixed Assets outside India, in which case such exchange difference are capitalized.

Forward contracts, other than those entered into to hedge the foreign currency risk of unexecuted firm commitments or of highly probable forecast transactions, are treated as foreign currency transactions and accounted accordingly. Exchange difference arising on such contracts are recognized in the period in which they arise and the premium or discount is accounted as expense / income over the life of the contract. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expenses for the year.

### **h. Employee Benefits:**

#### **i) Defined Contribution Plans.**

Company's contribution to Provident Fund and Superannuating Schemes are charged to the Profit & Loss Account of the year when the contribution to the respective funds are due. The Company has no obligations other than the contribution payable to the respective trusts.

#### **ii) Defined Benefit Plans**

Gratuity Liability and long term compensated leave encashment are provided for based on actuarial valuation made at the end of each financial year using the projected unit credit method. Actuarial valuation of Gratuity has been done as per the company's policy, which is not less beneficial than the provisions of the Payment of Gratuity Act, 1972. Actuarial gain and losses are recognized immediately in the statement of Profit and Loss Account as income or expenses.

#### **iii) Short Term Employee Benefits**

Employee Benefits of short term nature are recognized as expenses as and when it accrues.

### **i. Borrowing Costs:**

Borrowing costs relating to acquisition / construction of qualifying assets are capitalized until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

### **j. Excise and Customs**

i) Excise duty on finished goods stocks lying at the factory is accounted for at the point of manufacture of goods and is accordingly considered for valuation of finished goods stock lying in the factory as on the Balance Sheet date.

ii) Custom duty on goods is accounted for as and when the liability arises.

**k. Sales & Export incentives:** Sales is net of discounts & rebates allowed. Export incentives are accounted for to the extent considered recoverable by the management.

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

**l. Research and Development Expenses:** Research and Development expenditure of revenue nature are charged to Profit & Loss Account, while Capital expenditure are added to the cost of Fixed Assets in the year in which these are incurred.

**m. Deferred Revenue Expenditure:**

Expenditure incurred during the intervening period between the date a project is ready to commence commercial production and the date at which commercial production actually begins, if prolonged, is being treated as deferred revenue expenditure to be amortised equally over a period of 5 years.

**n. Taxes on Income:**

i) **Current Income Tax** is provided as per the provisions of the Income Tax Act 1961.

ii) **Deferred Tax** asset and liability arising on account of timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods, are recognized at the rate of income tax prevailing at the Balance Sheet date or at the substantively enacted tax rate, subject to the consideration of prudence, as per the Accounting Standard-22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

**o. Provisions :**

A provision is recognized when an enterprise has a present obligation as a result of past event 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 made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on management 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 management estimates.

**p. Contingencies:**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of "Notes" to the accounts.

**q. Prior year expenses:** Prior Year expenses / (income) (net) Debit Rs **9.53** lacs (Previous year (Net)Debit Rs. **0.06** lac) stands adjusted to the respective expenses heads.

**2.** The company is principally engaged in the business of Fluorine based Chemicals . Hence there are no additional disclosures to be provided under Accounting Standard 17 "Segmental Reporting" issued by the Institute of Chartered Accountants of India, other than those already provided in the financial statements.

**3.** Contingent Liabilities not provided for in respect of:

(a) Outstanding Letters of Credit/Bank Guarantees Rs. 1170.92 lacs (Previous Year Rs. 4853.94 lacs).

(b) SIPCOT has raised a demand of Rs.12.00 lacs for payment of additional cost for the land at Cuddalore taken on long-term lease together with interest @ 16.5% p.a. The Company has paid

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

an initial amount of Rs.6.00 lacs in 1995 and Rs.6.00 lacs in 2001, as per the directions of the Honorable High Court of Madras. However, SIPCOT has preferred an appeal against the order of the High Court challenging the waiver of interest. Matter is pending at the High Court of Madras.

(c) Tamilnadu Industrial Development Corporation Limited (TIDCO) has claimed Rs.27.11 lacs as interest on bridge loan which has been fully settled by the Company Confirmation is awaited from TIDCO.

- (d) i) Disputed Sales Tax Liability Rs.1.68 lacs (net of advance) (Previous year Rs.2.03 lacs ).  
ii) Disputed Central Excise/Service Tax Liability Rs 70.72 lacs (net of advance) (Previous year Rs.131.45 lacs).  
iii) Disputed Custom Duty Liability Rs. 10.79 lacs (Previous year Rs.19.63 lacs)  
iv) Disputed Income Tax liability Rs. 139.10 lacs (Previous year Rs.130.96 lacs)

4. Contracts remaining to be executed on Capital Account not provided for Rs. 61.84 lacs (Net) (Previous year Rs.88.51 lacs(Net))

5. During the Financial Year 1991-92, the Company had received a notice from the Tamilnadu Sales Tax authorities towards levy of tax etc. on sales effected from Pondicherry Depot during 1989-90 and 1990-91. Based on the directions of the Honourable High Court of Madras, the Appellate Asst. Commissioner, Commercial Taxes, Chennai passed the order in favour of the company, thereby reducing the demand to Rs.52.77 lacs.

The amount has since been paid under protest. The company has also filed a writ petition before Honourable High court of Madras, for granting refund of tax paid earlier to Pondicherry Government. As a matter of abundant caution, provision has been made in these accounts for the disputed amount of Rs.52.77 lacs (net).

6. The company had implemented the 3Phenoxy Project with a total capital outlay of Rs.1024.19 Lacs. The plant was ready to commence commercial production in January 2009 and was accordingly capitalized. However, the company faced serious technical issues in the processing of the raw material which lead to significant losses of raw materials giving very low yields and also final product was not meeting the quality parameters of the customer. Hence based on advise of technical experts, further modification works were carried out over the period. The trial run was once again taken up in April'10 and the results are satisfactory. Based on Expert Opinion, the management has decided to treat the expenditure incurred by the company to the tune of Rs.547.30 Lacs (including Raw Materials cost, Power cost etc) during the intervening period between the date the project was ready to commence commercial production and the date at which commercial production actually began as Deferred Revenue expenditure to be written off equally over a period of 5 years.

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

### 7. Research and Development Expenses includes:

	<b>31.3.2010</b> (Rs. lacs)	31.3.2009 (Rs lacs.)
Salaries, Wages and Bonus	<b>31.71</b>	24.47
Contribution to Provident and other Funds	<b>3.81</b>	2.46
Employees' Welfare Expenses	<b>3.95</b>	1.08
Consumption of Stores & Spares	<b>0.68</b>	1.00
Subscription and Consultancy charges	<b>7.14</b>	0.00
Total	<b>47.29</b>	29.01

### 8. Employee Benefit: The company has provided for gratuity and long term compensated leave encashment based on actuarial valuation done using the projected unit credit method.

The company has a defined benefit gratuity plan. Every employee who has completed five years of more of service is entitled to gratuity on terms not less favourable than the provisions of the payment of gratuity Act, 1972.

The following table summarizes the components of net benefit expense in the Profit and Loss Account and the funded status and the amounts recognized in the Balance Sheet.

Sl;. No.		<b>31.03.2010</b> (Rs. In Lacs)	31.03.2009 (Rs. In Lacs)
I	Net Employee Expenses / (Benefit)		
	Current Service Cost	<b>20.64</b>	30.62
	Interest cost on benefit obligation	<b>9.42</b>	6.51
	Expected return on plan assets	<b>(8.47)</b>	(5.51)
	Net Actuarial (gain) / loss recognized in the year	<b>(37.60)</b>	(4.14)
	Net charge to P & L Account	<b>(16.01)</b>	27.48
ii	Actual return on plan assets	<b>14.00%</b>	8.00%
iii	Benefit Asset / (Liability)		
	Defined benefit obligation	<b>115.80</b>	118.84
	Fair value of Plan Assets	<b>131.38</b>	95.89
	Benefit Assets / (liability)	<b>15.58</b>	(23.25)
iv	Movement in benefit liability		
	Opening defined benefit obligation	<b>118.84</b>	102.85
	Interest cost	<b>9.42</b>	6.51
	Current Service cost	<b>20.64</b>	30.62
	Benefit paid	<b>(2.25)</b>	(19.55)
	Actuarial (gain) / loss on obligation	<b>(30.84)</b>	(1.59)
	Closing benefit obligation	<b>115.80</b>	118.84

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

Sl. No.		31.03.2010 (Rs. In Lacs)	31.03.2009 (Rs. In
V	Movement in fair value of plan assets		
	Opening fair value of plan assets	95.59	69.76
	Expected Return plan assets	8.47	5.51
	Actuarial gains/(losses) on assets	6.75	2.56
	Contribution by employer	22.82	37.32
	Benefits paid	(2.25)	(19.55)
	Closing fair value of plan assets	131.38	95.59
Vi	The principal actuarial assumptions are as follows		
	Discount rate	7.00%	7.00%
	Salary increase	6.00%	6.00%
	Withdrawal rates	5.00%	5.00%
Vii	Amount incurred as expenses for defined contribution plans		
	Contribution to Provident / Pension fund	33.86	26.31
	Contribution to Super annuation fund	14.56	10.66
Viii	The major categories of plan assets as a percentage of the fair value of total plan asset are as follows:		
	Investment in Bonds	21%	13%
	Investment in Mutual Fund	62%	84%
	Bank balances in Current Account	17%	3%

(ix) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market is 6%.

(x) The Company expects to contribute Rs. NIL to Gratuity fund in 2010 – 2011.

(xi) Amount for the current period is as follows:

Gratuity	Rs. in Lacs
Defined Benefit Obligation	115.80
Plan Assets	131.38
Surplus / (Deficit)	15.58

The management has relied on the overall actuarial valuation conducted by the actuary.

### 9. Micro Small and medium enterprises

Information in respect Micro, Small and Medium Enterprises Development Act, 2006; Company had sought confirmation from the vendors whether they fall in the category of Micro/Small/Medium Enterprises. Based on the information available, the required disclosures are given below:



## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

Particulars	FY 2009-10	FY 2008-09
The principal amount (interest-nil) remaining unpaid to any supplier as at the end of each accounting year	4.03	Nil
The amount of interest paid by the Company in terms of section 16, of the Micro Small and Medium Enterprise Development Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
The amount of interest due and payable for the period of delay in making payment ( which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	1.19	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	1.19	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil

### 10. Deferred Taxation:

The deferred tax assets & liabilities comprise of tax effect of the following timing differences:-

(Rs. Lacs)

	2009-10	2008-09
<b>Deferred tax Assets:</b>		
i. Expenses Allowable against taxable income in future years	16.94	14.56
ii. Voluntary Retirement Scheme allowable in 5 equal installments under the Income Tax Act	19.43	9.71
iii. Provision for Doubtful Debts	16.63	4.77
iv. Unabsorbed Depreciation Loss	372.70	213.45
v. MAT Credit	15.43	15.26
<b>Total Deferred Tax Assets</b>	<b>441.13</b>	<b>257.75</b>
<b>Less: Deferred Tax Liability</b>		
i. Excess of Net block as per Accounts over the written down value as per the provisions of the Income Tax Act 1961	1063.74	1047.50
<b>Net Deferred Tax liability</b>	<b>622.61</b>	<b>789.75</b>

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

### 11. Earnings per share :

(Rs.)

Particulars	31-03-2010	31-03-2009
Basic Earnings per share	(9.81)	0.80
Diluted Earnings per share	(9.81)	0.80
Nominal Value per share	10.00	10.00

Earnings per share is calculated by dividing the profit attributable to the Equity shareholders by the weighted average number of Equity shares outstanding during the year. The basis adopted for calculation of the basic and diluted earnings per Equity share is as stated below:-

(Rs. in Lacs)

Particulars	31-03-2010	31-03-2009
Profit / (Loss) after taxation (Rs. in Lacs)	(978.05)	79.90
Weighted average number of shares Outstanding during the year (Nos)	9975000	9975000

12. Foreign currency exposure in respect of unsecured loans amounting to Rs. NIL (Previous year Rs.6.57 lacs) and sundry debtors amounting to Rs.34.90 lacs (Previous year Rs.155.80 lacs) are not hedged as on the Balance sheet date.

13. Disclosure required by Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets"

Sales Tax (Rs. in lacs)

Balance as at 1 <sup>st</sup> April 2009	72.26
Additional Provision created during the year	0.00
Provision used during the year	Nil
Provision reversed during the year	0.34
Balance as at 31 <sup>st</sup> March 2010	71.92

14. In conformity with Accounting Standard 28 "Impairment of assets" issued by the Institute of Chartered Accountants of India, the company has carried the appropriate procedure for ensuring that assets are carried at no more than their recoverable amount.

### 15. A. Related party disclosures

Related Party disclosures, as required by AS-18, "Related Party Disclosures", are given below:

i) Relationships :-

Promoters of the Company :

- 26% Equity shares of the Company are held by Tamil Nadu Industrial Development Corporation Limited.
- 19.96% Equity shares of the Company are held by T.G.S Investment & trade Pvt. Ltd. since 03.02.2006
- 5% Equity shares of the Company are held by Pilani Investment & Industries Corporation Limited.

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

ii) Joint Ventures :-

Holding 14.13% Equity shares of Cuddalore Sipcot Industries Common Utilities Limited.

iii) Key Management Personnel:-

- |                          |                   |
|--------------------------|-------------------|
| a) Shri. Lalit Naik      | - Director        |
| b) Shri Suresh Sodani ** | - Joint President |
| c) Shri Vishnu Bhat *    | - President       |

The particulars given above have been identified on the basis of information available with the Company.

### 15.B. Related party Disclosures

(Amount in Rs. Lacs)

Sl. No.	Name of the Related Party	Nature of Relationship	Nature of Transaction if any	2009-10	2008-09	Out-standing	
						Amount	Account Head
1.	Cuddalore Sipcot Industries Ltd.	Joint venture		14.33	14.10	1.98	Deposit for common Effluent Utilities
2.	Shri Vishnu Bhat	President	Salary and Allowance	38.34 *	52.20		Salary and Allowance
3.	Shri Suresh Sodani	Joint President	Salary and Allowance	37.34 **	—		Salary and Allowance
4.	Directors			13.60	6.45		Sitting fees

\* Resigned from service on 31.12.2009

\*\* Part of the year

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

16. Information pursuant to the provisions of paragraph 3 & 4 of Part II of Schedule VI of the Companies Act, 1956.

(a) Particulars of Licensed and Installed Capacity (as certified by the Management)

	31.3.2010		31.3.2009	
	Licensed TPY	Installed TPY	Licensed TPY	Installed TPY
Aluminium Fluoride	N.A.	15600	N.A.	15600
Anhydrous Hydrofluoric Acid	N.A.	15600	N.A.	15600
Sulphuric Acid (Including Oleum 14400 TPY)	N.A.	81600	N.A.	81600
Speciality Fluorides	N.A.	3400	N.A.	3400

(b) Particulars of Production and Sales:

Finished Goods	31.3.2010			31.3.2009		
	Production	Sales(Net)		Production	Sales	
	Qty (MT)	Qty (MT)	Value (Rs. in Lacs)	Qty (MT)	Qty (MT)	Value (Rs. in Lacs)
Aluminium Fluoride	8079	9505	6010.65	16377	14026	11699.44
Anhydrous Hydro-flouric Acid	11940*	12159	4765.80	11564	11177	3798.67
Sulphuric Acid/oleum	77798*	78716	1066.40	75547	74931	3399.77
Speciality Fluorides	2240*	2048	2248.70	1726	1689	21510.58
Others			697.99			619.74
<b>Total</b>			<b>14789.54</b>			<b>21669.20</b>

\* Includes production for captive consumption

**SCHEDULES 21 (Contd.) SCHEDULE OF NOTES**

(c) Particulars of Opening Stock and Closing Stock:

Finished Goods	31.03.2010				31.03.2009			
	Opening Stock		Closing Stock		Opening Stock		Closing Stock	
	Qty. (MT)	Value (Rs.lacs)	Qty. (MT)	Value (Rs.lacs)	Qty. (MT)	Value (Rs.lacs)	Qty. (MT)	Value (Rs.lacs)
Aluminium Fluoride	2401	1674.30	975	557.89	50	28.63	2401	1674.30
Anhydrous Hydro-fluoric Acid	449	304.49	230	128.49	62	30.32	449	304.49
Sulphuric Acid/Oleum	1338	35.43	419	11.87	722	39.00	1338	35.43
Speciality Fluorides	202	218.46	394	330.91	165	102.77	202	218.46
Others		0.59		0.15				0.59
<b>TOTAL</b>		<b>2233.27</b>		<b>1029.31</b>		<b>200.72</b>		<b>2233.27</b>

(d) Particulars of Raw Materials Consumed :

Raw Materials	31.3.2010		31.3.2009	
	Qty. (MT)	Value (Rs.lacs)	Qty. (MT)	Value (Rs.lacs)
Acid Grade Fluorspar	30567	4515.55	26311	3339.90
Sulphur	26085	1228.90	25529	6513.61
Aluminium Hydroxide	6658	978.42	9654	1418.82
Others (incl,packing Materials)		1843.85		6900.00
		<b>8566.72</b>		<b>18172.33</b>

(e) Value of imports calculated on CIF basis:

(Rs. in lacs)

Particulars	31.3.2010	31.3.2009
Raw Materials	4898.67	12146.07
Spares and Components	26.74	69.36
Capital Goods	-	290.70

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

(f) Expenditure in Foreign Currency:  
(on remittance basis)

(Rs. in lacs)

Particulars	31.3.2010	31.3.2009
Travelling Expenses	6.53	17.35
Consultancy fees	8.39	81.74
Lease Rent	10.85	9.13
Commission on sales	11.30	28.46
Freight & Forwarding expenses	4.47	25.50
Interest	-	112.41
Others	4.74	4.16
<b>TOTAL</b>	<b>46.28</b>	<b>278.76</b>

(g) Earnings in Foreign Exchange:

(Rs. in lacs)

Particulars	31.3.2010	31.3.2009
<b>FOB Value of Exports</b>	<b>3978.13</b>	<b>7502.48</b>

(h) Value of raw materials, stores and spare parts consumed:

Particulars	31.3.2010		31.3.2009	
	%	Value (Rs.lacs)	%	Value (Rs.lacs)
i) Raw Materials				
Imported	70	6032.63	66	12032.31
Indigenous	30	2534.09	34	6140.02
<b>Total</b>	<b>100</b>	<b>8566.72</b>	<b>100</b>	<b>18172.33</b>
ii) Stores and Spares				
Imported	4	24.62	7	41.84
Indigenous	96	587.05	93	585.43
<b>Total</b>	<b>100</b>	<b>611.67</b>	<b>100</b>	<b>627.27</b>

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

### 15. Balance Sheet Abstract and Company's General Business Profile

#### I. Registration Details

Registration No. :	6 2 7 1	State Code	1 8
Balance Sheet Date	3 1 - 0 3 - 2 0 1 0		

#### II. Capital raised during the Year ('000)

Public Issue	N I L	Rights Issue	N I L
Bonus Issue	N I L	Private Placement	N I L

#### III. Position of Mobilisation and Deployment of Funds ('000)

Total Liabilities	1 2 4 0 2 9 1	Total Assets	1 2 4 0 2 9 1
Sources of Funds			
Paidup Capital	9 9 7 5 0	Reserves & Surplus	3 1 5 2 3 8
Secured Loans	4 6 2 2 2 0	Unsecured Loans	3 0 0 8 2 1
Net Deferred Tax Liability	6 2 2 6 1		
Application of Funds			
Net Fixed Assets	7 8 7 2 9 9	Investments	1 6 9 6
Net Current Assets	4 0 7 5 1 1	Misc. Expenditure	4 3 7 8 4
Accumulated Losses	N I L		

#### IV. Performance of the Company ('000)

Turnover / Other Income	1 5 0 0 8 5 3	Total Expenditure	1 6 1 5 3 7 2
Profit/(Loss) before Tax	(-) 1 1 4 5 1 9	Profit/(Loss) after Tax	(-) 9 7 8 0 5
Earnings Per Share (Rs)	(-) 9 . 8 1	Dividend rate	N I L

#### V. Generic names of three principal products / services of the Company (as per monetary terms)

Product Description	Item Code No. (ITC Code)
A L U M I N I U M - F L U O R I D E	2 8 2 6 1 2 0 0
H Y D R O - F L U O R I C - A C I D	2 8 1 1 1 1 0 0
P O T T A S I U M - B I F L U O R I D E	2 8 2 6 1 9 0 0

### 16. Previous Year's figures have been regrouped/rearranged wherever necessary.

Schedules 1 to 21 form an integral part of the Balance Sheet and Profit & Loss Account.

As per our Report Annexed

For SINGHI & CO  
Chartered Accountants  
SUDESH CHORARIA  
Partner  
Mem. No.204936  
Firm Regn. No. 302049E

For BHASKARAN & KRISHNAN  
Chartered Accountants  
B. GOPALAKRISHNAN  
Partner  
Mem. No.18702  
Firm Regn. No. 00426S

LALIT NAIK  
Director  
SURESH SODANI  
Joint President  
S.R. RAJAN  
CFO & Asst. Vice President  
(Fin & Comcl.)  
D.M. THIYAGESH  
Sr. Manager (Fin. & Acts.)  
and Company Secretary

APOORVA  
B. ELANGOVA  
R. KARTHIKEYAN  
V.T. MOORTHY  
M.R. SIVARAMAN  
A.M. SWAMINATHAN  
KANNAN KUNNI  
DR. SHANKAR NARASIMHAN  
T.S. RAGHAVAN  
Directors

Chennai  
14th May 2010

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

	2009-10 (Rs.in Lakhs)	2008-09 (Rs.in Lakhs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items	(1145.19)	154.40
Adjustments for :		
Depreciation	523.22	397.45
Interest	726.19	535.92
Loss/(Profit) on sale of fixed assets	0.01	(23.33)
Interest & Dividend Income	(1.47)	(7.23)
Loss on Sale of Investment	0.00	0.42
	<b>102.76</b>	<b>1057.63</b>
Operating Profit before working capital changes		
Adjustments for :		
Trade and Other Receivables	(37.02)	(581.00)
Inventories	3702.09	(3265.15)
Trade Payable and Provisions	(534.52)	(278.05)
Cash Generated from operations	<b>3130.55</b>	<b>(4124.20)</b>
	<b>3233.11</b>	<b>(3066.57)</b>
Interest paid	(726.19)	(535.92)
Direct Taxes payment / refund (net)	205.02	(447.40)
	<b>(521.17)</b>	<b>(983.32)</b>
Net cash from Operative activities	<b>2712.14</b>	<b>(4049.89)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(784.67)	(3881.97)
Sale of Fixed Assets	2.92	38.81
Purchase of Investments	0.00	(0.42)
Sale of Investments	0.00	0.00
Interest and Dividend Income	1.47	7.23
Net Cash from Investing Activities	<b>(780.28)</b>	<b>(3836.35)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Commercial Paper/Buyer's credit	(4195.41)	4760.84
Long term loan availed / (repaid) (net)	(435.89)	1620.09
Short term loan availed	2862.00	1413.36
Dividend paid	(116.70)	(204.23)
Net cash used in Financing Activities	<b>(1886.00)</b>	<b>7590.06</b>
Net Increase/(Decrease) in Cash and Cash Equivalents	<b>45.86</b>	<b>(296.18)</b>
Cash & Cash Equivalents (Opening Balance)	32.83	329.01
Cash & Cash Equivalents (Closing Balance)	<b>78.69</b>	<b>32.83</b>
	<b>45.86</b>	<b>(296.18)</b>

As per our Report Annexed

For SINGHI & CO  
Chartered Accountants  
SUDESH CHORARIA  
Partner  
Mem. No.204936  
Firm Regn. No. 302049E

For BHASKARAN & KRISHNAN  
Chartered Accountants  
B. GOPALAKRISHNAN  
Partner  
Mem. No.18702  
Firm Regn. No. 00426S

LALIT NAIK  
Director  
SURESH SODANI  
Joint President  
S.R. RAJAN  
CFO & Asst. Vice President  
(Fin & Comcl.)  
D.M. THIYAGESH  
Sr. Manager (Fin. & Acts.)  
and Company Secretary

APOORVA  
B. ELANGOVA  
R. KARTHIKEYAN  
V.T. MOORTHY  
M.R. SIVARAMAN  
A.M. SWAMINATHAN  
KANNAN KUNNI  
DR. SHANKAR NARASIMHAN  
T.S. RAGHAVAN  
Directors

Chennai  
14th May 2010



**TANFAC INDUSTRIES LIMITED**

Regd. Office: Plot No.14 Sipcot Industrial Complex  
Cuddalore – 607 005 Tamil Nadu

**ATTENDANCE SLIP**

PLEASE COMPLETE THE ATTENDANCE SLIP AND HAND IT OVER  
AT THE ENTRANCE OF THE MEETING HALL

I hereby record my presence at the **36<sup>th</sup> Annual General Meeting** of the Company being held at the Registered Office of the Company at 14, SIPCOT Industrial Complex, Cuddalore – 607 005 at 3.00 p.m. on Monday the 2nd August 2010.

Signature of the  
Member/Proxy

Folio No.  
Client ID No.  
DP ID No.

Note: Shareholders who come to attend the meeting are requested to bring their copies of the Annual Report with them.

✕ -----

**TANFAC INDUSTRIES LIMITED**

*REGD. OFFICE: PLOT NO.14 SIPCOT INDUSTRIAL COMPLEX  
CUDDALORE – 607 005 TAMIL NADU*



Folio No./Client ID No. & DP ID No.

**PROXY FORM**

I/We .....of..... being Member/ Shareholder of TANFAC INDUSTRIES LIMITED hereby appoint ..... of ..... OR failing him .....of ..... as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the 36<sup>th</sup> Annual General Meeting of the Company to be held on Monday the 2nd August, 2010 at 3.00 P.M. and at any adjournment thereof.

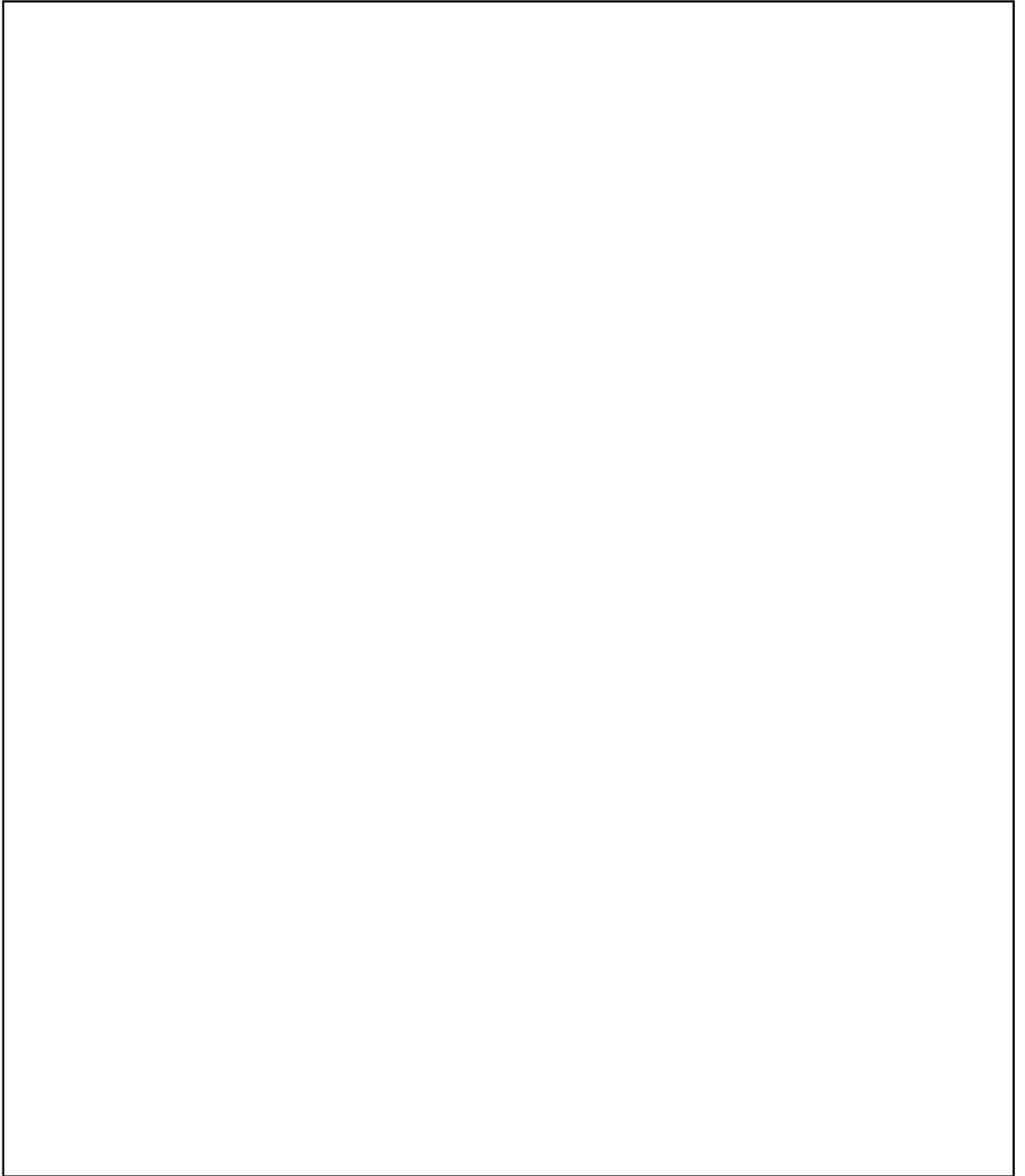
AS WITNESS in my/our absence to attend and vote for me/us on my/our behalf at the 36<sup>th</sup> Annual General Meeting of the Company to be held on Monday the 2nd August 2010 at 3.00 P.M. and at any adjournment thereof.

AS WITNESS my/our hand/hands this ..... day of .....2010.

Signature(s).....

Re. 1/-  
Revenue  
Stamp

Notes: The Proxy must be deposited at the Registered Office of the Company 48 hours before the time fixed for holding the meeting. **THE PROXY NEED OT BE A MEMBER OF THE COMPANY.**





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Chennai - 600 017.