

**TANFAC INDUSTRIES
LIMITED
ANNUAL REPORT
2013-2014**



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DIRECTORS

Shri A.K. Agarwala
Shri V.T. Moorthy
Shri Lalit Naik – Manager and Director
Shri M.R. Sivaraman, IAS [Retd.]
Dr. Shankar Narasimhan
Shri Kannan K Unni
Shri T.S. Raghavan
Shri R. Karthikeyan

UNIT HEAD

Shri K. Sendhil Naathan

CHIEF FINANCIAL OFFICER (CFO)

Shri N.R. Ravichandran

AUDITORS

M/s. Khimji Kunverji & Co.
Chartered Accountants
Sunshine Tower, Level 19
Senapathi Bapat Marg, Elphinstone Road
Mumbai – 400 013
Phone No.: 022 - 2439 1111

REGISTERED OFFICE AND WORKS

Plot No.14 SIPCOT Industrial Complex
Kudikadu, Cuddalore – 607 005
Cuddalore Dist. TAMIL NADU
Phone No.04142-239001 TO 239005
Fax No. 04142-239008
Email: mohan.srinivasan@adityabirla.com

CORPORATE OFFICE

Oxford Centre, First Floor
No.66 Sir C.P. Ramaswamy Road
Alwarpet
Chennai – 600 018
Phone No.044-24990451 / 24990464
Fax No. 044-24993583
Email: chandramohanan.d@adityabirla.com

NOTICE OF THE FORTIETH ANNUAL GENERAL MEETING

TANFAC INDUSTRIES LIMITED

REGD. OFFICE: 14 SIPCOT Industrial Complex, CUDDALORE - 607 005.

CIN: L24117TN1972PLC006271

Website : www.tanfacs.com

NOTICE OF THE FORTIETH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 40th Annual General Meeting of TANFAC INDUSTRIES LIMITED will be held on Wednesday the 13th August, 2014 at 2.45 P.M. at the Registered Office of the Company at 14, SIPCOT Industrial Complex, Kudikadu, Cuddalore – 607005 to transact the following businesses :

ORDINARY BUSINESS

1. To receive, consider and adopt the financial statement of the Company for the year ended 31st March, 2014, including the audited balance sheet as at March 31, 2014, the statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION :-

"RESOLVED THAT M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai [Registration No.105146W] be and are hereby re-appointed as "Statutory Auditors" of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company at such remuneration as may be fixed by the Board at the meeting for carrying out the audit."

SPECIAL BUSINESS

3. To consider and if thought fit, to pass, with or without modification(s), the

following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and other applicable provisions of The Companies Act, 2013 and The Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and under clause 49 of the listing agreement, Shri Kannan K Unni (DIN: 00227858), who was appointed as a Director liable to retire by rotation and whose terms expires at this Annual General Meeting and in respect of whom the Company has received a Notice in writing from a Member under Section 160 of The Companies Act, 2013, signifying his intention to propose Shri Kannan K Unni as a candidate for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a term upto March, 31, 2019, not liable to retire by rotation."

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of The Companies Act, 2013 and The Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Cost Auditor, viz., Shri N. Krishna Kumar (Membership No.27885), appointed

NOTICE OF THE FORTIETH ANNUAL GENERAL MEETING (Contd.)

by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending March 31, 2015, be paid the remuneration of ₹35,000/- (Rupees Thirty Five Thousand only), besides out of pocket expenses, if any, at actual"

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT in supersession of the earlier resolution passed at the Annual General Meeting of the Members of the Company held on 7th July, 1995, the consent of the Members of the Company under the provisions of Section 180(1)(c) and other applicable provisions, if any, of The Companies Act, 2013 and its underlying rules as may be amended from time to time and the relevant provisions of the Articles of Association of the Company, be and is hereby accorded to the borrowings by the Board of Directors of the Company from time to time, of all moneys deemed by them to be requisite or proper for the purpose of carrying on the business of the Company, so however, that apart from deposits accepted in the ordinary course of business, if any, temporary loans repayable on demand or within six months from the date of the loan or temporary loans, if any, obtained from the Company's Bankers, the total amount of such borrowings outstanding at any time shall not exceed ₹ 200 Crores (Rupees Two Hundred Crores only) notwithstanding that temporary loans, if any, obtained for the purpose of financing expenditure of a capital nature) will exceed the aggregate of the paid-up share capital of the Company and its free reserves."

"RESOLVED FURTHER THAT the Board be and is hereby authorized and empowered to arrange or settle the terms and conditions on which all such moneys are to be borrowed from time to time as to interest, repayment, security of otherwise howsoever as it may think fit and to do all such acts, deeds and things, to execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to a Committee be constituted by the Board, if necessary."

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT in supersession of the earlier resolution passed by the Members of the Company at their Annual General Meeting and pursuant to Section 180(1) (a) and other applicable provisions, if any, of The Companies Act, 2013, as amended from time to time and subject to other approvals, if applicable or required under any statute(s)/rule(s)/regulation(s) or any law for the time being in force or required from any other concerned authorities, consent of the Company be and is hereby given to the Board of Directors of the Company ("the Board") to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations, if any, created by the Company, on such movable and immovable properties, both present and future and in such manner as the Board may deem fit, in favour of Banks, Financial Institutions and other lending/investing agencies or bodies/trustees of holders of debentures/bonds which may be issued to or subscribed to by all or any of the Banks, Financial Institutions, other lending /investing agencies or any other person(s)/ bodies corporate by way of

NOTICE OF THE FORTIETH ANNUAL GENERAL MEETING (Contd.)

private placement, or such other financial instruments (hereinafter collectively referred to as "Lenders"), provided that the total amount of loans together with interest thereon, additional interest, compound interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company in respect of said loans, for which such charges, mortgages or hypothecations are created, shall not, at any time exceed within the overall borrowing limits of ₹200 Crores (Rupees Two Hundred Crores only) fixed pursuant to Section 180(1)(c) of The Companies Act, 2013."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things, to execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to a Committee be constituted by the Board, if necessary."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board
For TANFAC INDUSTRIES LIMITED

[LALIT NAIK]
MANAGER AND DIRECTOR

Place : Chennai
Date : 29.5.2014

NOTICE OF THE FORTIETH ANNUAL GENERAL MEETING (Contd.)

NOTES :

1. The Register of Members and Share Transfer Books of the Company will remain closed from 07.8.2014 (Thursday) to 13.8.2014 (Wednesday) both days inclusive.
2. A Member entitled to attend and vote at the Annual General Meeting ("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. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or Shareholder.
5. A Statement pursuant to Section 102(1) of the Companies Act, 2013, in respect of Special Business under item Nos. 3 to 6 to be transacted at the Meeting is set out in the annexure.
6. Members holding shares in multiple folios in physical mode in identical names or joint holding in the same order of names are requested to send their Share Certificates with a request 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 for consolidation. All documents relating to share transfer, transmission, change of address, change of bank account details may be sent to our above RTA.
7. 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.
8. Pursuant to Section 205A of The Companies Act, 1956, all dividends upto the financial year 2005-2006, which remained unclaimed have been transferred to the Investors Education and Protection Fund Account within the due dates, established by the Central Government.
9. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividends for the financial year ended 31st March, 2007, 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 2006 – 2007, lying with the Company will be transferred to Central Government on 18th August, 2014.
10. Members, who have not encashed their dividend warrants for the financial year ended 31st March, 2007 and thereafter may claim the unclaimed dividend(s) directly from the Company's Registered Office at 14, SIPCOT Industrial Complex, Cuddalore - 607005.
11. Members holding shares in physical form can avail of the nomination facility by filing Form 2B (in duplicate) with the Company's Registrar and Share Transfer Agents which will be made available on request and in the case of shares held in dematerialised form, the nomination has to be lodged with their Depository Participant.
12. **As on 31.3.2014, 92.62% of the Company's shares have been dematerialized. Members, who have not yet dematerialized their shares, at their own interest, may please get their shares dematerialized to avail of the benefits of electronic holding/trading.**
13. The Securities and Exchange Board of India (SEBI) has mandated the submission of

NOTICE OF THE FORTIETH ANNUAL GENERAL MEETING (Contd.)

the Permanent Account Number (PAN) by every participant in the securities market. Members holding the shares in electronic form are, therefore, requested to submit their PAN to the Depository Participant(s), Members holding shares in physical form shall submit their PAN details to the RTA of the Company.

14. The annual report of the Company circulated to the Members of the Company, will be made available on the Company's website at www.tanfac.com.
15. Attention of the Members is drawn to the fact that wherever provisions of the new Companies Act, 2013 have already come into force, the Company has adopted the same and reference of those Sections have been made accordingly.

VOTING THROUGH ELECTRONIC MEANS

In compliance with the provisions of Section 108 of The Companies Act, 2013, read with Rule 20 of The Companies (Management and Administration) Rules, 2014, the Company is pleased to provide to the Members the facility to exercise their right to vote at the 40th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services provided by National Securities Depository Limited (NSDL).

The instructions for e-voting are as under :

(a) In case of Members receiving an e-mail from NSDL

- (i) Open the PDF file "TANFAC e-voting.pdf" attached to the e-mail, using your Client ID/ Folio No. as password. The PDF contains your User ID and password for e-voting. Please note that the password provided in PDF is an initial password.
- (ii) Launch an internet browser and open <http://www.evoting.nsdl.com/>
- (iii) Click on Shareholder – Login

- (iv) Insert User ID and Initial Password as noted in Step (i) above and click login
 - (v) Password change menu will appear. Change the password with a new password of your choice. Please keep a note of the new password. It is strongly recommended not to share your password with any person and take utmost care to keep it confidential.
 - (vi) Home page of e-voting will open. Click on e-voting – active voting cycles.
 - (vii) Select E-Voting Event Number (EVEN) of TANFAC Industries Limited.
 - (viii) Cast your vote which is readily available by selecting appropriate option and click on "SUBMIT" and further click on "CONFIRM" when prompted.
 - (ix) Upon confirmation, the message "Vote cast successfully" will be displayed.
 - (x) Once you have voted on the resolution(s), you will not be allowed to modify your vote.
 - (xi) Institutional Shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolutions/Authority Letter, along with attested specimen signature of the duly authorized signatory (ies) who are authorized to vote, to the Scrutinizer by an e-mail at raamcs66@gmail.com with a copy marked to evoting@nsdl.co.in.
- (b) In case of Shareholders receiving physical copy of the Notice of AGM and Attendance Slip** (Members holding shares in dematerialized form whose email IDs are not registered with the Company/Depository Participants and Members holding shares in physical form) :
- (i) Initial password is provided as below/at the bottom of the attendance slip for the AGM :

NOTICE OF THE FORTIETH ANNUAL GENERAL MEETING (Contd.)

| EVEN (E-Voting Event Number) | USER ID | PASSWORD/PIN |
|------------------------------|---------|--------------|
| | | |

- (ii) Please follow all steps from Sr.No.(a)(ii) to (a)(xi) above, to cast vote.
- (iii) In case of any queries, you may refer to the "Frequently Asked Questions" [FAQs] and e-voting user manual available in the downloads section of NSDL's e-voting website www.evoting.nsd.com.
- (iv) Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot Password" option available on the site to reset the password.
- (v) If you are already registered with NSDL for e-voting then you can use your existing user ID and password for casting your vote.
- (vi) You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- (c) **Other Instructions :**
- (i) The e-voting period commences on **Thursday the August 7, 2014 at 9.00 a.m. and ends on Saturday, August 9, 2014 at 6.00 P.M.** During this period, Members of the Company, holding shares either in physical form or

in dematerialized form, as on July 11, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, he/she shall not be allowed to change it subsequently.

- (ii) The Shareholders shall have one vote per equity share held by them as on July, 11, 2014 and the facility for e-voting would be provided once for every folio/client id, irrespective of number of joint holders.
- (iii) Mr. V. Raamanaathan, Practicing Company Secretary (C.P. No.3109), has been appointed as the "Scrutinizer" to scrutinize the e-Voting process in the fair and transparent manner. The scrutinizer will submit his final report to the Chairman of the Company within three working days after conclusion of e-voting period as per guidelines of The Companies (Management and Administration) Rules, 2014.
- (iv) The scrutinizer's decision on the validity of e-voting will be final.
- (v) The results shall be declared on or after the AGM of the Company. The results declared, along with the Scrutinizer's Report, shall be placed on the Company's website www.tanfac.com and on the website of NSDL within two working days of passing of the resolutions at the AGM of the Company and communicated to the BSE Limited and Madras Stock Exchange Limited, where the Company's shares are listed.

By Order of the Board
For TANFAC INDUSTRIES LIMITED

(LALIT NAIK)
MANAGER AND DIRECTOR

Place : Chennai
Date : 29.5.2014

STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013

The following statement sets out all material facts relating to the special business mentioned in the accompanying Notice.

ITEM NO.3

Shri Kannan K Unni, is a Non Executive (Independent) Director of the Company holding the position as Director with effect from 24.4.2007, retires by rotation at the ensuing Annual General Meeting under the provisions of the erstwhile Companies Act, 1956.

The Securities and Exchange Board of India vide its circular CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 has amended Clause 49 of the listing agreement which inter alia stipulating the conditions for the appointment of independent directors by a listed company effective from 1st October, 2014.

It is proposed to appoint Shri Kannan K Unni as an Independent Director under Section 149(4) of The Companies Act, 2013 and the rules made there under and clause 49 of the listing agreement to hold office for five consecutive years for a term up to March 31, 2019 and not liable to retire by rotation.

The Company has received Notice in writing from a Member along with the deposit of requisite amount under Section 160 of The Companies Act, 2013, proposing the candidature of Shri Kannan K Unni for the office of Director of the Company.

The Company has received a letter in writing from Shri Kannan K Unni consent to act as Director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014 along with declaration as prescribed under sub-section (6) of Section 149 of The Companies Act, 2013.

Brief resume of Shri Kannan K Unni, nature of his expertise in specific functional areas and name(s) of Companies in which he hold directorships and Memberships/Chairmanships of Board Committees, inter-se as stipulated under Clause 49 of the listing agreement with the stock exchanges, are provided in the corporate governance report forming part of the annual report.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Shri Kannan K Unni as an Independent Director.

Save and except the above, none of the other Directors/Key Managerial Personnel of the Company. Their relatives are, in any way, concerned or interested, financially or otherwise in these resolution.

The Board recommends the Ordinary Resolution set out in Item No.3 of the Notice for approval by the Members.

None of the Directors, Key Managerial Personnel and their relatives, except Shri Kannan K Unni, are in any way concerned/interested in the said resolution of the Notice.

ITEM NO.4

The Board of Directors of the Company at their meeting held on 29th May 2014, has, on recommendation by the Audit Committee, appointed Mr. N. Krishna Kumar, Cost Accountant, (Membership No. 27885), as the Cost Auditor for the financial year 2014-15 on a remuneration of Rs. 35,000/- (Rupees Thirty Five Thousand only) besides out of pocket expenses, if any, at actual.

As per Section 148 of the Companies Act, 2013 and applicable rules thereunder, the remuneration payable to the Cost Auditor is to be ratified by the Members of the Company at their Annual General Meeting. The Board recommends the Ordinary Resolution set out in item no. 4 of the Notice for approval by the members.

None of the Directors, Key Managerial Personnel and their relatives are in any way concerned/interested in the said resolution of the Notice.

ITEM NO.5

Pursuant to Section 180 of The Companies Act, 2013 (hereinafter referred to as "the act") (corresponding to Section 293 of The Companies Act, 1956) has been notified by The Ministry of Corporate Affairs (MCA) with effect from September, 12, 2013. In terms of

STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 (Contd.)

Section 180(1)(c) which corresponds to Section 293(1)(d) of The Companies Act, 1956, read with Article 28(w) of the of the Articles of Association of the Company, borrowings by the Company (apart from the deposits accepted in the ordinary course of business by the Company, if any, temporary loans repayable on demand or within six months from the date of the loan and temporary loans, if any, obtained from the Company's bankers, other than loans raised for the purpose of financing expenditure of a capital nature), in excess of the paid-up share capital of the Company and its free reserves, require the approval of the Members by way of special resolution.

The Members of the Company at their Twenty First Annual General Meeting held on 7th July, 1995, had approved the borrowing of sums not exceeding ₹ 100 Crores (Rupees One Hundred Crores only) under Section 293(1)(d) of The Companies Act, 1956.

The Ministry of Corporate Affairs (MCA) has vide its Circular dated 25th March, 2014, clarified that the resolution passed under Section 293 of The Companies Act, 1956, prior to September 12, 2013, with reference to borrowings (subject to the limits prescribed) and/or creation of security on assets of the Company will be effective for a period of one year from the date of notification of Section 180 of the act which would be September 11, 2014.

Pursuant to the above clarification, it is proposed to seek a fresh approval of the Members under Section 180 of The Companies Act, 2013. Considering the substantial growth in business and operations of the Company, present and future requirements, your approval is being sought to increase the borrowing limits from ₹ 100 Cores (Rupees One Hundred Crores) to ₹ 200 Crores (Rupees Two Hundred Crores).

The Board of Directors, therefore, recommend the passing of the Special Resultion contained in Item No.5.

None of the Directors, Key Managerial Personnel and their relatives are in any way concerned/ interested in the said resolution of the Notice.

ITEM NO.6

Pursuant to erstwhile Section 293(1)(a) of The Companies Act, 1956, the Board of Directors of a Company could, with the consent of the Shareholders obtain by an Ordinary Resolution, create charge/mortgage/hypothecation on the Company's assets, both present and future, in favour of the lenders/trustees for the holders of debentures/bonds, to secure the repayment of moneys borrowed by the Company (including temporary loans obtained from the Company's Bankers in the ordinary course of business).

As per the provisions of Section 180(1)(a) of The Companies Act, 2013, the above powers can be exercised by the Board only with the consent of the Shareholders obtained by a Special Resolution.

Further as per clarification issued by The Ministry of Corporate Affairs (MCA) vide its Circular dated 25th March, 2014, the ordinary resolution passed earlier under Section 293(1) (a) of The Companies Act, 1956 will remain valid for a period upto 11th September, 2014. It is necessary to obtain fresh approval of the Shareholders by means of Special Resolution, to enable the Board of Directors of the Company to create charge/mortgate/ hypothecation on the Company's assets, both present and future, in favour of the lenders/trustees for the holders of debentures/bonds, to secure the repayment of moneys borrowed by the Company (including temporary loans obtained from the Company's Bankers in the ordinary course of business).

The Board of Directors, therefore, recommend the passing of the Special Resultion contained in Item No.6.

None of the Directors, Key Managerial Personnel and their relatives are in any way concerned/ interested in the said resolution of the Notice.

STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 (Contd.)

ANNEXURE

Pursuant to Clause 49 of the listing agreements with the stock exchanges, following information is furnished about the Director proposed to be appointed as an Independent Director:

Shri Kannan K Unni, B.Sc (Agr.), Diploma in Marketing Management, IMEDE, Loussanne, has got more than four decades of experience in management of agrochemicals, seed and animal health business in multinational companies. He has proficiency in mergers, acquisitions and divestments at national and international levels.

Shri Kannan K Unni was with multinational companies, such as, Hoechst and Bayer group of companies for four decades. He was also the Chairman and Managing Director of Bilag Industries Limited – a Bayer group company.

Shri Kannan K Unni or through his relative(s) do not hold any shares in the Company as on 29.5.2014

Companies (other than Tanfac Industries Limited) in which Shri Kannan K Unni holds Directorship and Committee Membership:

DIRECTORSHIP:

HIKAL LIMITED

STANES AGENCIES LIMITED

T. STANES & COMPANY LIMITED

SUGUNA FOODS LIMITED

CHAIRPERSON OF BOARD COMMITTEES:

Audit Committee and Shareholders Grievance Committee in HIKAL LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

– From the Chairman to the Shareholders

PERFORMANCE REVIEW:

(₹ in Crores)

| | Financial Year 2013-14 | Financial Year 2012-13 |
|---|------------------------|------------------------|
| Sales | 116.32 | 143.42 |
| Other Income (including operating income) | 1.23 | 3.62 |
| Operating Expenditure | 107.53 | 147.99 |
| Profit before Depreciation, Interest and Taxation (PBDIT) | 10.02 | (0.95) |
| Finance Cost : | | |
| - Working Capital | 7.04 | 6.57 |
| - Term Loan | 1.02 | 1.58 |
| - Forex Cover charges and others | 1.65 | 3.39 |
| | 9.71 | 11.55 |
| Depreciation and Impairment | 5.83 | 9.38 |
| Profit before Tax (PBT) | (5.52) | (21.88) |
| Exceptional items / Excess Income Tax provision | 0.00 | (3.82) |
| Profit/[Loss] after Exceptional items | (5.52) | (18.06) |
| - Deferred Tax/Reversal | (2.48) | (4.04) |
| Profit/[Loss] after Tax | (3.04) | (14.02) |
| Extraordinary Items * / Insurance claim | 0.00 | (2.67) |
| Profit / Loss for the period | (3.04) | (11.35) |

* Insurance Claim received against claim for damages due to natural calamity (cyclone) on 30th December 2011.

OVERVIEW

Despite 19% drop in sale due to sluggishness in the market, the Company had improved its operational performance due to following efforts by the management.

- (a) Continuous improvements in operational parameters like consumption norms of raw materials and utilities
- (b) Continuous focus on cost reduction
- (c) Developing alternate sources for its main raw material Fluorspar from Thailand and Kenya to take advantage of competition and reduce dependence on China

- (d) Improved customer and product mix
- (e) Continuously engaging with suppliers of other packing and raw materials for reduction in rates compared to the market price.
- (f) Tight control on Working Capital

These factors helped in achieving Profit Before Depreciation, Interest and Tax (PBDIT) of ₹ 10.02 crores during the year compared to a loss of ₹ 0.95 crore during the previous year.

However, significant depreciation of the Indian Rupee against US Dollar coupled with its volatility in Foreign Currency market, higher interest rate

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

on working capital limits due to poor credit rating impacted the cash profit. Profit Before Depreciation and Tax (PBDT) during the year was ₹ 0.31 crores against a loss of ₹ 12.50 crores during the previous year.

SALES VOLUME AND REVENUE:

The Company's Sales Turnover was lower by 19% at ₹ 116.32 Crores as against ₹ 143.42 crores in the previous year on account of the sluggish demand.

Its Export turnover was at ₹ 17.13 Crores vis-a-vis ₹ 15.64 Crores in the previous year, registering an increase of 10%.

OTHER INCOME:

Other income including operating income stood at ₹ 1.23 Crores compared to ₹ 3.62 Crores in the previous year.

FINANCE COST:

During the year the Company was adversely affected due to the increase in the interest rate on account of poor credit rating due to continued losses and the resultant erosion in net worth. The volatility of the Indian Rupee against the US dollar has also raised the premium for cover charges. However, tight control on working capital helped in reduction in Short Term Loan by ₹ 6 Crores to ₹ 63 Crores at the end of the financial year against ₹ 70 Crores as at the end of the previous year.

This has resulted in reduction in the Finance cost including cover charges on foreign exchange borrowings to ₹ 9.71 Crores as against ₹ 11.55 Crores in the previous year.

DEPRECIATION AND IMPAIRMENT :

Depreciation during the year was at ₹ 5.83 Crores as against ₹ 6.00 Crores in the previous year. There was no impairment provision during the current year vis-a-vis ₹ 3.38 Crores provision made during previous year.

INCOME TAX

There is no provision for current income tax. Deferred tax provision was reversed by ₹ 2.48 Crores against ₹ 4.04 Crores in the previous year.

Excess income tax provision reversed was nil during the current year compared to ₹ 3.82 Crores considered during previous year.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM :

The Company's Enterprise Risk Management frame work pertaining to assessment and identification and mitigation action plan are being reviewed by the Board at every quarter in their Board Meeting. The Company's risk management practices seek to sustain and enhance the long term competitive advantage.

The Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations.

Some of the risks relate to competitive intensity and cost volatility. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

These are routinely tested and certified by Statutory as well as Internal Auditors and their audit observations and follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations, including those relating to strengthening of the Company's risk management.

OPERATIONAL RISK:

Your Company's most significant exposure relates to US Dollar since key raw materials viz. Fluorspar and Sulphur are imported or linked to international prices and foreign currency movements. China is a major producers of Acid Grade Fluorspar and

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

so it continues to determine the international prices of Fluorspar. Similarly the demand-supply position of sulphur sets the sulphur price. The prices of these key raw materials are significantly influenced by the fluctuating global economic conditions and impact the Company's margins and cash flows considerably. The management of these fluctuations is important in terms of our overall cost competitiveness and the bottomline.

We plan to continue to work closely with our key suppliers to mitigate the impact. We intend to continue to hedge our imports through forward contracts in line with the Company's hedging policy.

PRICE REALISATION FOR FINISHED PRODUCTS:

The selling price of your Company's key products like Aluminium Fluoride (AlF₃) and HF Acid are determined by the global market dynamics, international prices and also the exchange rate of Indian Rupee against US dollar.

FOREIGN EXCHANGE RISK:

Your Company hedges its net foreign exchange risk adequately as per its hedging policy.

CREDIT RISK:

Your Company handles the credit risk through a careful evaluation of the credit profile of the customers and extends credit depending on their risk profile.

HUMAN RESOURCES

Your Company believes in creating an environment where individuals can achieve their goals, both professionally and personally. Competency development of the employees continues to be strategic focus for us. Your Company continues to make investments in training and development of its employees to proactively meet the challenges in their roles.

OUTLOOK:

The Company is considering moving to new-generation products using the existing infrastructure to ensure its growth in the future. Your Company will continue to focus on moving up the value chain in speciality products where it can have competitive advantage and grow sales volumes and margins.

For optimum utilisation of its Isobutyl Acetophenone (IBAP) plant, your Company has signed a Memorandum of Understanding (MoU) with an interested party for producing IBAP on a long term conversion basis.

Your Board of Directors is optimistic on the turnaround of the Company in coming years.

EXPORTS:

Your Company endeavors continuously to increase its export revenue by expanding the customer base in new countries. We are optimistic on the outlook for exports in the coming years.

DOMESTIC MARKET:

The Company continued to witness a slow down of demand for its products in the domestic market during the year 2013-14. Your Company is hopeful of improvement in demand in the year 2014-15. Our thrust on improved price realisation and market enlargement along with focus on operational efficiency and cost effectiveness should result in improved performance in the domestic market.

SAFETY, HEALTH AND ENVIRONMENT PROTECTION (SHE):

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

Your Company is Integrated Management System (IMS) certified. This comprises ISO 9001-2008 for Quality Management System (QMS), ISO 14001-2004 for Environment Management

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

System (EMS) & OHSAS 18001:2007 for Occupational Health and Safety Assessment Series for Safety Management System by DNV GL AS, India.

We ensure that the economic considerations do not compromise Safety and Environment Protection measures and the Board has mandated accordingly. Identifying activities that offer scope for conserving energy, water, reducing chemical consumption norms and recycling of water and process wastes are ongoing initiatives.

Your Company ongoingly updates its safety and risk management processes to carry out HAZOP study for the existing and new projects. Your Directors also periodically visit the factory to review the safety arrangements. Their suggestions are implemented with care and in a systematic manner.

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

As recommended by the Members of the Audit Committee, the Company takes continuous measures towards structural and foundation rehabilitation work in Anhydrous Hydrofluoric Acid and Aluminium Fluoride plant and takes corrective action wherever necessary for further strengthening safety features of the plants for safe operations.

Your Company periodically conducts onsite mock drills and actively coordinates with the local government and 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 affecting Quality, Cost, and Delivery along with Environmental Impact to prevent pollution and to comply with requirements of customers and interested parties and 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 Quality Management System (QMS) and Environmental Management System (EMS) through monitoring of performance indicators, identifying and updating Environmental Aspects, Implementing Management Programmes and Pollution Prevention.
- Establishing and Reviewing Management objectives at functional level to meet contemporary requirements for improvement of the Management System.
- Elimination of waste and conservation of resources like Raw Materials, Energy and Water.
- Involvement of staff to achieve better Work Environment and Culture.
- To provide value for money to our customers by a continuous up-gradation of technology and enhanced productivity by Benchmarking.
- Maintaining Safe and Healthy Work Environment.
- Minimize customer complaints and improve customer perception / feed back.
- Communicate the policy to all persons working for or on behalf of the organization.
- To take all safety measures as mandated by law and by the Board.
- The Environment Management Cell ensures effective implementation of the policy. Your management allocates necessary resources on priority.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)**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

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

CORPORATE GOVERNANCE :

Your Company is committed to the adoption of best governance practices and adherence to it in letter and spirit. Our philosophy of governance rests on five basic tenets, viz., Board accountability to Shareholders and other stakeholders, strategic guidance and effective monitoring by the Board, protection of minority interests and rights, equitable treatment of all Shareholders as well as transparency, accountability and timely disclosure.

It is a mechanism for monitoring the actions, policies and decisions of a Company which involve the alignment of interests among the stakeholders.

Effective Corporate Governance practices are categorised through principle based standards developed through adoption of ethical practices in all of its dealings with all its stakeholders encompassing regulators, Employees, Shareholders, Customers and Suppliers.

TANFAC Industries Limited, a Joint Venture of the Aditya Birla Group with Tamilnadu Industrial Development Corporation Limited (TIDCO), believes in adopting the “best practices” that are followed in the area of corporate governance across various geographies.

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

MANDATORY REQUIREMENTS :

COMPANY’S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance encompasses a system of law and sound approaches by which companies are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby mitigating agency risks which may stem from the misdeeds of corporate officers.

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, guided by a strong emphasis on transparency, accountability and integrity. This includes respect for human values, individual dignity and adherence to honest, ethical and professional conduct. Your Company not only adheres to the prescribed corporate governance practices as per clause 49 of the listing agreement but also committed to sound corporate governance principles and practices.

It ensures –

- Adequate disclosures and effective decision making to achieve corporate objectives;
- Transparency in business transactions;
- Statutory and legal compliances;
- Protection of shareholder interests;
- Commitment to values and ethical conduct of business.

Your Company is continuously striving to go beyond adherence to regulatory framework. The Company’s code of conduct ensures compliance with the various laws, all statutory and regulatory requirements,

REPORT ON CORPORATE GOVERNANCE (Contd.)

listing agreement requirements with the stock exchange(s), transparency in corporate disclosures, high quality of accounting practices and adhering to the best level of business ethics.

The Securities and Exchange Board of India vide its circular CIR/CFD/POLICY CELL/2/2014 April 17, 2014, has made amendment in clause 49 effective from 1st October, 2014, in line with the provisions of The Companies Act, 2013 and is aimed to encourage companies to adopt best practices on corporate governance.

I. BOARD OF DIRECTORS

Composition of the Board

TANFAC's Board consists of Nine Non-Executive Directors as on 31st March, 2014. Out of this, five Directors are 'Independent' i.e. they have no business relation with the Company. The Company has defined guidelines and an established framework for the meetings of the Board and Board Committees.

Board/Committee position as on 31.03.2014 :

| 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 | 9 | - | - | - |
| Shri M.S. Shanmugam, IAS ¹ | Non-Executive | 7 | 1 | | |
| Shri V.T. Moorthy | Independent | - | - | - | - |
| Shri Lalit Naik ² | Non-Executive | 5 | - | - | - |
| Shri R. Karthikeyan | Non-Executive | 6 | - | - | - |
| Shri M.R. Sivaraman, IAS (Retd.) | Independent | 1 | - | 1 | 1 |
| Shri Kannan K Unni | Independent | 4 | - | - | - |
| Dr. Shankar Narasimhan | Independent | - | - | 1 | - |
| Shri T.S. Raghavan | Independent | 6 | - | 1 | - |

¹ has been withdrawn by TIDCO on 13.3.2014 and approved by the Board at their meeting held on 29th May, 2014.

² Manager and Director / Employee of other group companies

Definition of Independent Directors

Pursuant to clause 49 of the listing agreement with the stock exchanges, an Independent Director is a person who is not an officer or employee of the company or its subsidiaries. It also states that none of his/her relatives has or had material pecuniary relationship or transaction with the Company, which in the opinion of the Board, would interfere in exercising independent judgment and carrying out the responsibilities of a director.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Pursuant to Section 149(6) of The Companies Act, 2013 definition of an independent director in relation to a company has also been provided.

Details of Board Meetings and Attendance

The Board met five times during the financial year 2013-2014. The agenda papers were circulated well in advance of each meeting of the Board of Directors. The working of our unit for the Board reviews include, strategic review from Audit Committee, detailed analysis and review of annual strategic and operating plans, possible risks and mitigation plan, variance analysis, financial reports and such other matters pursuant to Corporate Governance practices, as required by Clause 49 of the listing agreement with the Stock Exchanges.

| Date of Board Meeting | Place | No. of Directors present |
|-----------------------|---------|--------------------------|
| 14.5.2013 | CHENNAI | 6 out of 9 |
| 30.5.2013 | CHENNAI | 6 out of 9 |
| 31.7.2013 | CHENNAI | 8 out of 9 |
| 14.11.2013 | CHENNAI | 5 out of 9 |
| 10.02.2014 | CHENNAI | 7 out of 9 |

Details of Remuneration to Board of Directors

| Name of Director | Relationship with other Directors | Business relationship with the Company if any | Remuneration paid during 2013-2014 (All figures in Rupees) | | | |
|----------------------------------|-----------------------------------|---|---|------------------|------------|---------|
| | | | Sitting fees@ | Salary and Perks | Commission | Total |
| Shri A.K. Agarwala | Non-Executive | NIL | 50,000 | - | - | 50,000 |
| Shri M.S. Shanmugam, IAS | Non-Executive | NIL | - | - | - | - |
| Shri V.T. Moorthy | Independent | NIL | 145,000 | - | - | 145,000 |
| Shri Lalit Naik | Non-Executive | NIL | - | - | - | - |
| Shri R. Karthikeyan | Non-Executive | NIL | 120,000 | - | - | 120,000 |
| Shri M.R. Sivaraman, IAS (Retd.) | Independent | NIL | 125,000 | - | - | 125,000 |
| Shri Kannan K Unni | Independent | NIL | 60,000 | - | - | 60,000 |
| Dr. Shankar Narasimhan | Independent | NIL | 100,000 | - | - | 100,000 |
| Shri T.S. Raghavan | Independent | NIL | 70,000 | - | - | 70,000 |

@ includes sitting fee paid for committee meetings.

REPORT ON CORPORATE GOVERNANCE (Contd.)**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 to ensure integrity, transparency, independence and accountability in dealing with all stakeholders. 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 have been posted on the Company’s website www.tanfacs.com.

The Board and the senior management affirm compliance with the code of business conduct and ethics annually. As required under clause 49 of the listing agreement, a declaration to this effect has been given by our Manager and Director, Shri Lalit Naik else where in this report.

COMPLIANCE REVIEWS :

TANFAC has a dedicated team and a defined framework to review the compliances 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.

COMPANY SECRETARY

The Company had appointed full time Company Secretary on 1st February, 2013 as required under the provision contained in The Companies Act, 1956. Due to personal reasons, he resigned from the services of the Company as Company Secretary with effect from 3rd January, 2014.

The Company’s CFO has been appointed as compliance officer and he has acted as secretary to the Audit Committee/Investors Grievance Committee and complying with the requirements under the Companies Act and listing agreement with the Stock Exchanges till the appointment of full time Company Secretary.

The Company is in the process of appointing a suitable candidate for the position of Company Secretary.

II. COMMITTEES OF THE BOARD

The Board Committees appointed by the Board focus on specific areas and make informed decisions within the authority delegated. Each Committee of the Board is guided by its charter, which defines the composition, scope and powers of the committee. The Committees also make 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’ Grievance Committee

AUDIT COMMITTEE

The Audit Committee is composed of members who possess extensive knowledge of finance, accounting and engineering meets. The Audit Committee’s composition comply with the requirements of Section 177 of The Companies Act, 2013 and Clause 49 of the listing agreement with the stock exchanges.

The Members of Audit Committee monitor and provide effective supervision of the Management’s handling of finances, stocks, loans and advances and the financial reporting process with a view to ensuring effective and efficient financial control. The committee reports to the Board.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Powers of the Audit Committee:

The powers of the audit committee include –

- To investigate any activity within its terms of reference
- To seek information from any employee
- To obtain outside legal or other professional advice
- To secure attendance of outsiders with relevant expertise, if it considers necessary

Role of the Audit Committee:

The role of the audit committee inter alia, shall include the following:

- ❖ Oversight of the company's financial management, financial reporting process and the disclosure of its financial information has to ensure that the financial statement is correct, sufficient and credible.
- ❖ Reviewing, with the management, the quarterly/annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required being included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report.
- ❖ Disclosure under 'Management Discussion and Analysis of Financial Condition and Results of Operations'
- ❖ Recommend to the Board, the appointment/reappointment of statutory auditors and to fix their audit fees/approve payment for such other services rendered by them.
- ❖ Reviewing with the management, the quarterly financial statements before submission to the Board for its approval.
- ❖ Review, with the management, performance of statutory and internal auditors and adequacy of internal control systems.
- ❖ To carry out such other function as is mentioned in the terms of reference of the Audit Committee.
- ❖ Review with the management, the performance of statutory auditors, including cost auditor and internal auditor, adequacy of internal control systems.

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 reviewed the internal control over financial reporting put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations.

REPORT ON CORPORATE GOVERNANCE (Contd.)

A 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 carried out 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 and confirmed that they were satisfied with the effectiveness of the function.

The Audit Committee has recommended to the Board the re-appointment of M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai (Registration No. 105146W), as the statutory auditors of the company to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting and that the necessary resolutions for appointing them as statutory auditors be placed before the Shareholders for their approval.

The Audit Committee presently consists of six Non-Executive Directors out 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 M.R. Sivaraman, IAS (Retd.) * | 4 | 4 |
| Shri Lalit Naik | 4 | 3 |
| Shri V.T. Moorthy | 4 | 4 |
| Shri R. Karthikeyan | 4 | 3 |
| Shri Kannan K Unni | 4 | 2 |
| Dr. Shankar Narasimhan | 4 | 3 |

* Chairman of the Committee

The Compliance Officer/Company Secretary acts as Secretary to the Audit Committee.

SHAREHOLDERS COMMITTEE

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

Its' primary focus is on –

- ❖ Approval and rejection of share transfer or share transmission of equity shares
- ❖ To Issue duplicate share certificate(s)
- ❖ To review redressal and resolution of grievances of shareholders relating to the above subject, 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

REPORT ON CORPORATE GOVERNANCE (Contd.)

The Composition of the committee is as follows:

1. Shri V.T. Moorthy
2. Shri Lalit Naik
3. Shri R. Karthikeyan
and
4. 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 :

| Name of Member | No. of Meetings | |
|-----------------------------------|-----------------|----------|
| | Held | Attended |
| Shri M.R. Sivaraman, IAS (Retd.)* | 4 | 4 |
| Shri Lalit Naik | 4 | 3 |
| Shri R. Karthikeyan | 4 | 3 |
| Shri V.T. Moorthy | 4 | 4 |

*Chairman of the Committee

The Compliance Officer/Company Secretary acts as Secretary to the Committee.

During the year no complaint was received from the Shareholder(s).

SCORES :

Securities and Exchange Board of India (SEBI) Complaints Redress System (SCORES) has formed a website www.scores.gov.in to take up investors complaints related issue, viz, transfer of securities, non payment dividend etc. with the listed companies. SCORES processed in a centralized web based complaints redress system in which action taken report by concerned companies are uploaded in this website for online view by investors against their complaints, action taken and know its current status.

During the year, no complaint was registered against your Company under this website.

BSE CORPORATE COMPLIANCE & LISTING CENTRE ('the listing Centre') :

Bombay Stock Exchange listing centre is a web-based application designed for corporates. All periodical/quarterly compliance filing, viz. Shareholding pattern, report on corporate governance, and other such reports are filed electronically on the listing centre.

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**.

CORPORATE IDENTIFICATION NUMBER (CIN) :

Your Company's Corporate Identification number registered with Registrar of Company is **L24117TN1972PLC006271**

REPORT ON CORPORATE GOVERNANCE (Contd.)

Persons holding over 1% of the shares as on 31.3.2014 :

| SL. NO. | NAME OF SHAREHOLDER | NO. OF SHARES HELD | %AGE TO SHARES |
|---------|--|--------------------|----------------|
| 1 | FOUR DIMENSIONS CAPITAL MARKETS PVT LTD | 244000 | 2.446 |
| 2 | KAMAL MAVJI VISARIA | 213869 | 2.144 |
| 3 | AJIT SINGH JAGJIT SINGH CHAWLA | 177220 | 1.777 |
| 4 | AJIT SINGH CHAWLA | 170546 | 1.710 |
| 5 | MOTILAL OSWAL FINANCIAL SERVICES LIMITED | 162148 | 1.625 |
| 6 | FOUR DIMENSIONS SECURITIES (INDIA) LTD | 100000 | 1.003 |
| | TOTAL | 1067783 | 10.705 |

RECONCILIATION OF SHARE CAPITAL AUDIT :

For each quarter of the financial year 2013-2014, a qualified Practicing Company Secretary has completed reconciliation of share capital audit to 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 agreement 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.26B(9) of the Annual Audited Accounts.

❖ 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.

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 Independent Director:

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 and 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 -

REPORT ON CORPORATE GOVERNANCE (Contd.)

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

No. of shares held by Non Executive Director as on 31.3.2014 is as under :

Shri A.K. Agarwala – 1150 shares

The Company has not issued any convertible debentures during the year.

Means of communication

| | | |
|--|-----|--|
| Half year report sent to each household of Shareholders | ... | No. However details are available at the company's website. |
| Quarterly results – Which newspapers normally published in | ... | BUSINESS STANDARD / MAKKAL KURAL (REGIONAL LANGUAGE) |
| Any Web site, where displayed | ... | Information with regard to Quarterly Unaudited / Annual Audited Results, Shareholding pattern, Annual Reports can be accessed from - Bombay Stock Exchange website viz., www.bseindia.com , where your Company shares are listed ; National Stock Exchange website viz., www.nseindia.com (where allowed to trade your Company's securities in NSE trading platform by an agreement between Madras Stock Exchange Limited and National Stock Exchange of India Limited) and Your Company's website viz., www.tanfac.com |
| 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 |

CEO/CFO Certification :

The Manager and Director and the Chief Financial Officer of the Company duly authorised by the Board have given their annual certification on financial reporting and internal controls to the Board as required under clause 49 of the listing agreement which is available in this report.

REPORT ON CORPORATE GOVERNANCE (Contd.)

ANNUAL GENERAL MEETING (AGM) :**Current AGM, Date, time and venue**

| YEAR | LOCATION | DATE | TIME |
|---------|-------------------------|-----------|-----------|
| 2013-14 | Regd. Office: CUDDALORE | 13.8.2014 | 2.45 P.M. |

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

| YEAR | TYPE | LOCATION | DATE | TIME |
|---------|--------|-------------------------|-----------|------------|
| 2012-13 | E.G.M. | Regd. Office: CUDDALORE | 12.9.2013 | 2.30 P.M. |
| 2012-13 | A.G.M | Regd. Office: CUDDALORE | 12.9.2013 | 11.30 A.M. |
| 2012-13 | E.G.M. | Regd. Office: CUDDALORE | 14.6.2013 | 11.30 A.M. |
| 2011-12 | AGM | Regd. Office: CUDDALORE | 13.8.2012 | 2.30 P.M. |
| 2010-11 | AGM | Regd. Office: CUDDALORE | 06.8.2011 | 11.30 A.M. |

Directors attendance details for last Annual General/Extraordinary General Meeting dated 12.9.2013 :

1. SHRI R. KARTHIKEYAN
2. SHRI M.R. SIVARAMAN, IAS (Retd.)
3. DR. SHANKAR NARASIMHAN

Details of attendance details for Extraordinary General Meeting dated 14.6.2013:

1. SHRI V.T. MOORTHY
2. SHRI M.R. SIVARAMAN, IAS (Retd.)
3. SHRI R. KARTHIKEYAN
4. SHRI T.S. RAGHAVAN

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.

REPORT ON CORPORATE GOVERNANCE (Contd.)

V. SHAREHOLDER INFORMATION :

| | |
|--|---|
| AGM – DATE, TIME AND VENUE | 13.8.2014 (Wednesday) 2.45 P.M. at the Registered Office of the Company at - 14 SIPCOT Industrial Complex CUDDALORE – 607 005, TAMIL NADU |
| FINANCIAL CALENDAR 2014-2015 : (TENTATIVE) First Quarter Results Second Quarter Results Third Quarter Results Results for the year ending March 2015 Annual General Meeting for the year ending 31st March 2015. | End - On or before 14th August, 2014 End – On or before 14th November 2014 End – On or before 14th February, 2015 End – On or before 30th May 2015 Before September, 2015 |
| DATE OF BOOK CLOSURE | 07.8.2014 (Thursday) to 13.8.2014 (Wednesday) |
| 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. |
| STOCK CODE : MADRAS STOCK EXCHANGE LTD BOMBAY STOCK EXCHANGE LTD | 506854 |

The Company has paid listing fees for the year 2014-2015 to Chennai and Mumbai Stock Exchanges within the stipulated time.

The Company has also made the payment of Annual Custody Fee/Issuer Fee to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the financial year 2014-2015 subject to revision, if any, to be paid.

REPORT ON CORPORATE GOVERNANCE (Contd.)

VI. STOCK PRICE DATA (HIGH/LOW DURING EACH MONTH IN LAST FINANCIAL YEAR 2013-14):

| MONTH | THE BOMBAY STOCK EXCHANGE LIMITED (BSE) | | NATIONAL STOCK EXCHANGE OF INDIA LIMITED | |
|---------------|---|--------------|--|---------------|
| | BSE SCRIP CODE: 506854 | | NSE SYMBOL: TANFACIND | |
| | HIGH (Rs.Ps.) | LOW (Rs.Ps.) | HIGH (Rs.Ps.) | LOW (Rs. Ps.) |
| APRIL '13 | 13.00 | 10.31 | 13.00 | 11.55 |
| MAY '13 | 11.02 | 8.80 | 11.00 | 11.00 |
| JUNE '13 | 9.00 | 7.20 | 10.50 | 9.50 |
| JULY '13 | 10.50 | 8.27 | 9.05 | 9.05 |
| AUGUST '13 | 9.70 | 6.90 | 8.60 | 8.60 |
| SEPTEMBER '13 | 7.77 | 6.62 | 8.20 | 8.00 |
| OCTOBER '13 | 8.04 | 6.80 | 8.30 | 7.90 |
| NOVEMBER '13 | 7.84 | 6.32 | 7.90 | 6.25 |
| DECEMBER '13 | 7.87 | 6.52 | 7.05 | 6.40 |
| JANUARY '14 | 8.70 | 6.90 | 7.10 | 6.40 |
| FEBRUARY '14 | 9.48 | 7.01 | 7.80 | 6.80 |
| MARCH '14 | 8.26 | 7.20 | 7.60 | 6.65 |

Note: NSE quoted share prices are not comparable with BSE due to thin volume of trading at NSE

SHARE PRICE MOVEMENT – BSE [APRIL 2013 TO MARCH 2014]

| | | | |
|---|-----|--|--|
| Registrar and Transfer Agents (For share transfers and other communications relating to share certificates, and change of address etc.) | ... | PHYSICAL and DEMAT | Investors Services Department INTEGRATED ENTERPRISES LTD "KENCES TOWERS" IIND FLOOR NO.1 RAMAKRISHNA STREET OFF. NORTH USMAN ROAD, T.NAGAR CHENNAI – 600 017. TEL: (044)28140801 TO 3 FAX: (044) 28142479/28143378 Email Id: corpseiv@integratedindia.in |
| Share Transfer System | ... | <p>Share Transfers in physical form are registered and returned within 15 days as per the Securities and Exchange Board of India (SEBI) vide its circular CIR/MIRSD/8 /2012 July 05, 2012, effective from October 01, 2012</p> <p>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 transfers.</p> <p>During the year, the company obtained from a Company Secretary in Practice half-yearly certificates for compliance with the share transfer formalities as required under Clause 47(c) of the listing agreement and filed the same with the listed stock exchanges.</p> | |

REPORT ON CORPORATE GOVERNANCE (Contd.)

VII. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH

| NO. OF EQUITY SHARES HELD | 2014 | | | | 2013 | | | |
|--|---------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | NO. OF HOLDES | % TO HOLDERS | NO.OF SHARES | % TO SHARES | NO. OF HOLDERS | % TO HOLDERS | NO.OF SHARES | % TO SHARES |
| Up to 500 | 16052 | 94.67 | 1578692 | 15.83 | 16261 | 94.74 | 1607422 | 16.12 |
| 501 - 1000 | 489 | 2.88 | 403571 | 4.05 | 493 | 2.87 | 404363 | 4.05 |
| 1001 - 2000 | 216 | 1.27 | 330696 | 3.32 | 208 | 1.21 | 316639 | 3.17 |
| 2001 - 3000 | 70 | 0.41 | 178091 | 1.79 | 75 | 0.44 | 189184 | 1.90 |
| 3001 - 4000 | 29 | 0.17 | 101008 | 1.01 | 29 | 0.17 | 102497 | 1.03 |
| 4001 - 5000 | 20 | 0.12 | 93928 | 0.94 | 20 | 0.12 | 94858 | 0.95 |
| 5001 - 10000 | 35 | 0.21 | 257513 | 2.58 | 32 | 0.19 | 237456 | 2.38 |
| Above 100001 | 45 | 0.27 | 7031501 | 70.48 | 45 | 0.26 | 7022581 | 70.40 |
| TOTAL | 16956 | 100.00 | 9975000 | 100.00 | 17163 | 100.00 | 9975000 | 100.00 |
| No. of Shareholders in Physical mode | 9119 | 53.78 | 735814 | 7.38 | 9236 | 53.81 | 750489 | 7.52 |
| No. of Shareholders in electronic mode | 7837 | 46.22 | 9239186 | 92.62 | 7927 | 46.19 | 9224511 | 92.48 |
| TOTAL | 16956 | 100 | 9975000 | 100.00 | 17163 | 100.00 | 9975000 | 100.00 |

VIII. CATEGORIES OF SHAREHOLDING AS ON 31ST MARCH

| CATEGORY | 2014 | | 2013 | |
|---|--------------------|-----------------------|--------------------|-----------------------|
| | 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 |
| NON RESIDENT INDIANS(NRIs)/OCBs | 25534 | 0.26 | 25584 | 0.25 |
| CORPORATES | 840593 | 8.43 | 838738 | 8.41 |
| CLEARING MEMBER | 5431 | 0.05 | 35104 | 0.35 |
| RESIDENT INDIVIDUALS | 4008790 | 40.19 | 3980922 | 39.91 |
| TOTAL | 9975000 | 100.00 | 9975000 | 100.00 |

REPORT ON CORPORATE GOVERNANCE (Contd.)**DEMATERIALIZATION OF SHARES AND LIQUIDITY :**

As on 31st March, 2014, 92,39,186 shares against subscribed fully paid equity shares of 99,75,000, were converted from the physical to electronic form. Over 92.62% of outstanding equity shares have been dematerialised up to 31st March, 2014.

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 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. |
| Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion dates and likely impact on equity | Not issued |
| Plant location | 14 SIPCOT INDUSTRIAL COMPLEX, CUDDALORE – 607 002, TAMILNADU |
| Address for correspondence | INTEGRATED ENTERPRISES (INDIA) LTD "KENCES TOWERS", IIND FLOOR NO.1 RAMAKRISHNA STREET OFF. NORTH USMAN ROAD, T.NAGAR CHENNAI – 600 017. TEL: (044)28140801 TO 3 FAX: (044) 28142479/28143378 Email Id: corpseiv@integratedindia.in 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, OR mail to - mohan.srinivasan@adityabirla.com. |

INTIMATION TO THE BIFR

The networth of the Company for the financial year 2012-2013 had eroded by more than 50% of its peak networth during the immediately preceding four financial years. As required under the provisions of Section 23(1)(a)(i) of The Sick Industrial Companies (Special Provisions) Act, 1985, the Company has given the necessary intimation to The Board for Industrial and Financial Reconstruction (BIFR) and filed Form C prescribed for this purpose after the adoption of accounts by the Members at their Annual General Meeting.

The Members present at their Extraordinary General Meeting held on 12th September, 2013, have passed the required resolution.

REPORT ON CORPORATE GOVERNANCE (Contd.)

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. As per the existing listing agreement applicable for the period upto 30th September, 2014, the tenure of Independent Directors, of 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 M.R. Sivaraman, IAS (Retd.) | 23.01.2006 |
| 2. | Shri Kannan K Unni | 24.04.2007 |
| 3. | Dr. Shankar Narasimhan | 24.04.2007 |
| 4. | Shri T.S. Raghavan | 08.05.2009 |
| 5. | Shri V.T. Moorthy | 27.01.1984 |

Remuneration and Nomination Committees:

The Company will form these committees within the stipulated time as per the provisions of The Companies Act, 2013 and Revised Listing Agreement with the Stock Exchanges effective from 1st October 2014.

Shareholders' Rights :

The Company's quarterly and half yearly results are published in the English and vernacular newspapers and the results are also uploaded on the Company's website www.tanfac.com.

As per the listing agreement requirements, the Company has furnished the Unaudited/Audited Financial Results and also Shareholding Pattern etc. to the listed Stock Exchanges, viz., Bombay Stock Exchange Limited, Madras Stock Exchange Limited. The announced results are uploaded by Bombay Stock Exchange Limited on their website www.bseindia.com and also by National Stock Exchange India Limited [NSE] [allowed to trade your Company's shares] in their website www.nseindia.com, which are made available to investors. Therefore, no individual communication with respect to quarterly/half yearly financial performance is sent to the Shareholders. However, based on the 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 financial year 2013-2014.

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 to the imparting of training to the Non Executive Directors. The members of the Board are professionals having extensive experience in their fields and contribute substantially towards the decision making process.

WHISTLE BLOWER POLICY

The Company has not adopted any formal whistle blower mechanism.

REPORT ON CORPORATE GOVERNANCE (Contd.)

CEO/CFO CERTIFICATION

Shri Lalit Naik, Manager and Director and Shri N.R. Ravichandran, Chief Financial Officer of the Company have certified to the Board that :

- a. They have reviewed financial statements and the cash flow statement for the financial year ended 31st March, 2014 and that to the best of their knowledge and belief :
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- b. There are, to the best of their knowledge, no transactions entered into by the company during the year, are fraudulent, illegal or violation of the company's code of conduct.
- c. They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and they have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- d. They have indicated to the auditors and the Audit committee;
 - (i) that there no significant changes in internal control during the year;
 - (ii) that there are no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;

and

 - (iii) that there no fraud of which they have become aware and the involvement therein, of the management or an employee having a role in the company's internal control system.

LALIT NAIK
MANAGER AND DIRECTOR

N.R. RAVICHANDRAN
CHIEF FINANCIAL OFFICER

Place: Chennai

Date : 29.5.2014

REPORT ON CORPORATE GOVERNANCE (Contd.)

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, 2014, 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 has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in Clause 49 of the listing agreement. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the management, we certify that the Company has complied with the conditions of corporate governance as stipulated in Clause 49 of the above mentioned listing agreement.

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

For and on behalf of
M/s. Khimji Kunverji & Co.
Chartered Accountants
Registration No.105146W

(Hasmukh B Dedhia)
Partner
(F-033494)

Camp : Chennai
29.04.2014

REPORT ON CORPORATE GOVERNANCE (Contd.)

I. DISCLOSURE UNDER CLAUSE 32 :

| Sl. No. | Disclosure of loans/advances/ investments outstanding during the year | As at 31 st March, 2014 (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. (b) No interest or interest below Section 372A of The Companies Act, 1956 | NIL NIL | 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.

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 2013-2014.

Place: Chennai

Date : 29.5.2014

LALIT NAIK
MANAGER AND 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 40th Annual Report along with the Audited Accounts of your Company for the financial year ended 31st March 2014 for your review.

FINANCIAL RESULTS

[₹ in Crores]

| Details | Year ended 31 st March 2014 | Year ended 31 st March 2013 |
|--|--|--|
| Turnover | 116.32 | 143.42 |
| Gross Profit/ [Loss] after Interest but before Depreciation and Taxation | 0.31 | (12.51) |
| Less: Depreciation and Impairment | 5.83 | 9.38 |
| Profit/[Loss] before Taxation | (5.52) | (21.88) |
| Exceptional items/ Excess Income Tax provision | - | (3.82) |
| Profit/(Loss) after Exceptional items | (5.52) | (18.06) |
| Less: Deferred Tax/ (Reversal) | (2.48) | (4.04) |
| Profit/(Loss) after Tax | (3.03) | (14.02) |
| Extraordinary items/ Insurance claim | - | (2.67) |
| Net profit/[Loss] for the period | (3.03) | (11.35) |
| Add: Balance brought forward | (40.57) | (29.22) |
| Profit/(Loss) available for appropriation | (43.60) | (40.57) |
| Transferred from General Reserves | - | - |
| Balance Carried forward to Balance Sheet | (43.60) | (40.57) |

OPERATIONS AND OVERALL PERFORMANCE:

The Company's sales performance was impacted due to the continued sluggishness in the key end user segments of Hydrofluoric Acid and stiff competition from China in Aluminium Fluoride segment. Despite this 19% drop in sales, the Company had improved its operational performance due to the following efforts by the management :

- Continuous improvements in operational parameters like consumption norms of raw materials and utilities
- Continuous focus on cost reduction
- Developing alternate sources for its main raw material Fluorspar from Thailand and Kenya to take advantage of competition and reduce dependence on China
- Improved customer and product mix
- Continuously engaging with suppliers of other raw materials for reduction in rates compared to market price.
- Tight control on Working Capital

These factors helped in achieving Profit Before Depreciation, Interest and Tax (PBDIT) of ₹ 10.02 crores during the year compared to a loss of ₹ 0.95 crore during the previous year.

However, significant depreciation of Indian Rupee against US Dollar and also its volatility in Foreign Currency market, higher interest outgo on working capital limits due to poor credit rating impacted the cash profit. Profit before Depreciation and Tax (PBDT) during the year was ₹ 0.31 crores against a loss of ₹ 12.50 Crores during the previous year.

DIRECTORS' REPORT (Contd.)**DIVIDEND:**

As the Company has incurred a loss in the current year, your Directors have not recommended any dividend for the year 2013-2014.

FUTURE OUTLOOK:

The Company is considering moving to new-generation products using the existing infrastructure to ensure its future growth. Your Company will continue to focus on moving up the value chain in speciality products where it can have a competitive advantage and grow sales volumes and margins.

For optimum utilisation of its Isobutyl Acetophenone (IBAP) plant, your Company has signed a Memorandum of Understanding (MoU) with an interested party for producing IBAP on a long term conversion basis.

Your Board of Directors is optimistic on the turn around of the Company in coming years.

ALUMINIUM FLUORIDE:

Your Company has strategically reduced the production of Aluminium Fluoride due to its lower contribution. However, your Company will continue to service its long term strategic customers.

HF ACID:

Sluggish demand continued in key end user segments of Hydrofluoric Acid – Refrigerant gases, Fluoro polymers and stainless steel leading to under utilisation of its HF capacity.

EXPORTS:

The Export turnover was higher by 10% at ₹ 17.13 crores as compared to ₹ 15.64 cores in the previous year despite lower off take by its

overseas customers given the market demand and stiff competition from China.

Your Company endeavors continuously to increase export revenue by expanding its customer base in new countries.

RESEARCH AND DEVELOPMENT:

Your Company successfully carried out pilot trials of a product which finds application in Water and Waste Water Industry. This product will be commercially launched this year. Additionally, the Company is in the process of developing few more products which find application in various segments like the Textiles, Pulp and Paper and the Chemical Industries.

SAFETY, HEALTH AND ENVIRONMENT PROTECTION (SHE):

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

A report on Safety, Health and Environmental Management System and Process is already forming part of the Management Discussion and Analysis.

RESIGNATION OF DIRECTOR

Shri M.S. Shanmugam, IAS, Director of the Company, representing TIDCO has been transferred to Tamil Nadu Health System Project as Project Director. Consequent to this, Tamilnadu Industrial Development Corporation Limited (TIDCO) vide its letter No.71/SECT/2014 dated 13th March, 2014 has forwarded the letter of resignation by Shri M.S. Shanmugam, IAS as Director of the Company. The Board of Directors of the Company at their meeting held on 29th May, 2014, accepted the resignation

DIRECTORS' REPORT (Contd.)

and recorded the appreciation of the valuable services rendered by Shri M.S. Shanmugam, IAS, during his tenure as Director of the Company.

RETIREMENT BY ROTATION:

In terms of Articles of Association of the Company, Shri Kannan K Unni, Director, retires by rotation and being eligible, offer himself for re-appointment. As required under Clause 49 (IV) (G) of the Listing Agreement of the Stock Exchanges, the relevant details of Directors retiring by rotation and seeking re-appointment at the ensuing Annual General Meeting are given in the annexure to the notice of the Annual General Meeting. The Company has received the Notice in writing along with the requisite deposit from a Member proposing Shri Kannan K Unni for appointment as an Independent Director as per Section 149(4) of The Companies Act, 2013.

The Company has received declarations from all the Independent Directors of the Company. These confirm that they meet with the criteria of independence as prescribed both under Section 149(6) of The Companies Act, 2013 and under clause 49 of the listing agreement with the Stock Exchanges by the Company.

COMPANY SECRETARY

The Company had appointed a full time Company Secretary on 1st February, 2013 as required under the provision contained in The Companies Act, 1956. Due to personal reason, he has resigned from the services of the Company as Company Secretary with effect from 3rd January, 2014.

In the absence of the Company Secretary, the financial statements have not been authenticated

by a whole time Company Secretary under section 215 of the Companies Act 1956 and under the new provision of Section 134 of The Companies Act, 2013.

The Company's CFO has been authorised by the Board as Compliance Officer and he acts as Secretary to the Audit Committee/ Investors Relation Committee, complying with the requirements under the Companies Act and listing agreement with the Stock Exchanges until the appointment of full time Company Secretary. He also assists the Board in the conduct of the affairs of the Company, facilitate the convening of meetings and attends the Board, Committee and General Meetings.

The Company is taking continuous efforts to appoint a full time Company Secretary in line with the provision of section 203 of The Companies Act 2013.

CORPORATE GOVERNANCE:

Your Company is strongly committed Corporate Governance. The Company has already constituted Committees of Directors to assist the Board in 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 herewith.

A Certificate of the CEO and CFO of the Company in terms of sub-clause(v) of Clause 49 of Listing Agreement, inter alia, confirming the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee, is also annexed.

DIRECTORS' REPORT (Contd.)

Your Directors are pleased to report that the Company has fully complied with the SEBI guidelines and corporate governance as on the financial year ended 31st March, 2014 and continued to comply with the same.

The Ministry of Corporate Affairs has made a majority of the provisions of the Companies Act, 2013 effective from 1st April, 2014. The new act is a positive step towards strengthening the corporate governance regime in the country.

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

As required under clause 49 of the listing agreement with the stock exchanges, Management's Discussion and Analysis Report for the year under review forms part of the Annual Report.

AUDITORS & AUDITORS' REPORT:

M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai, the Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received a letter from the above auditors to the effect that their re-appointment, if made, would be within the prescribed limits under Section 141(3)(g) of The Companies Act, 2013 and that they are not disqualified for re-appointment.

COST AUDITOR

The Company has filed the cost audit report for the financial year 2012-2013 under Form I -XBRL with the Ministry of Corporate Affairs within the stipulated time of 180 days from the end of the financial year.

Pursuant to the directions of the Central Government under the provisions of Section 233B of The Companies Act, 1956, Shri N. Krishnakumar, Cost Accountant, Cuddalore (Membership No.27885) has been appointed to conduct an audit of the cost accounts for the financial year 2013-2014 pertaining to Inorganic and Organic products manufactured by the Company covered under Central Excise Tariff Heading Chapter Nos.28 and 29 respectively, as notified by the Central Government vide its Order F.No.52/26/CAB-2010 dated 24th January, 2012 and such other amendments thereto by the Government from time to time and necessary forms have been filed.

INTIMATION TO BIFR

The net worth of the Company for the financial year 2013-2014 has eroded by more than 50% of its peak net worth during the immediately preceding four financial years.

As required under the provisions of Section 23(1)(a)(i) of The Sick Industrial Companies (Special Provisions) Act, 1985, your Company will comply with the above provisions within the stipulated time for the financial year ending 31st March, 2014 after the accounts are adopted by the Members at their ensuing Annual General Meeting to be held on 13th August, 2014.

PARTICULARS OF EMPLOYEES:

The details of employees drawing remuneration, requiring disclosures under Section 217(2A) of The Companies Act, 1956, read with The Companies (Particulars of Employees) Rules, 1975, as amended, shall be made available to the Shareholders on his/ her specific request to the Company.

DIRECTORS' REPORT (Contd.)

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 demonstrates 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. There was no outstanding towards unclaimed deposit payable to depositors as on 31st March, 2014.

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

Corporate Social Responsibility (CSR) is a continuing commitment by business to behave ethically and contribute to the economic development while improving the quality of life of the workforce and their families as well as of the local community and the society at large.

Though your Company does not fall under the ambit of Section 135 of the Companies Act 2013,

it continues to commit itself to the tenets of CSR through the active support and guidance of the Aditya Birla Centre for Community Initiatives and Rural Development. Its CSR initiatives are an integral part of overall business policy and aligned with its business goals.

Projects are identified in a participatory manner, in consultation with the community, literally sitting with them and gauging their basic needs. Projects are prioritized based on consensus arising out of discussions with the Village Panchayats and other influential person.

Your Company is carrying out its community welfare activities in and around Cuddalore for more than a decade, reaching out to underserved communities under the aegis of The Aditya Birla Centre for Community Initiatives and Rural Development. This entails transcending business interests and grappling with the "Quality of Life" challenges 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.

- Girl child education under Kasturba Gandhi Balika Vidyalaya (KGBV) Scheme
- Health - including Family Welfare and Total Health (Disease) Management

DIRECTORS' REPORT (Contd.)

- 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 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 is widely acclaimed for its people development practices and has reinforced its position in this area. This, coupled with the ability to attract best talent, provides a competitive edge to the organization. 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 and adhering to group values. Your Company has been investing in progressive employee relations practices to build capability at the grass root level. Regular programs are held to enhance the knowledge, skill and performance commitment of the employees for continual performance improvement.

ACKNOWLEDGEMENT:

Your Directors wish to express their appreciation for the continued assistance and cooperation rendered by the consortium banks, Government authorities, customers, vendors and members during the year under review.

On behalf of the Directors and all of you Shareholders, I would like to place on record my sincere appreciation of the committed services by 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

Chennai
29.5.2014

CHAIRMAN

ANNEXURE TO DIRECTORS' REPORT (Contd.)

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, 2014.

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, 2014 | March 31, 2013 |
| (a) Purchased Unit (KWH) | 6,90,760 | 3,91,880 |
| Total Amount (₹) | 41,22,912 | 23,35,514 |
| Rate/Unit (₹) | 5.97 | 5.96 |
| (b) Own Generation | | |
| (i) Captive Power Plant 2.23 mw – Unit (kwh) | 1,28,91,900 | 1,48,50,100 |
| (ii) Through Diesel Generator-2650 KVA - Unit (KWH) | 22,84,769 | 32,91,155 |
| Unit per litre of Diesel/Furnace Oil | 2.96 | 2.92 |
| Cost of Diesel/HFO per KWH (₹) | 14.82 | 13.98 |
| 2 Coal (for process steam) | | |
| Quantity (Tonnes) | 7,387.00 | 9,546.32 |
| Total Cost (₹) | 3,90,34,143 | 4,73,13,637 |
| Average Rate (₹) | 5,284.17 | 4,659.22 |
| 3 Furnace Oil/L.D.O. | | |
| Quantity (MT) | 2,572.173 | 3,448.245 |
| Total Amount (₹) | 10,81,23,731 | 13,97,87,592 |
| Average Rate (₹) | 42,035.95 | 40,538.76 |
| 4 Others/Internal Generation | | |
| Quantity | - | - |
| Total Cost | - | - |
| Rate per Unit | - | - |
| B. Consumption per unit of Production | | |
| (a) Fluorine Chemicals | | |
| Electricity (KWH) | 684 | 614 |
| Furnace Oil/LDO/LSHS (K. Ltrs.) | 0.234 | 0.229 |
| Others | | |
| (b) Sulphuric Acid and Oleum | | |
| Electricity (KWH) | 72 | 70 |
| Furnace Oil/LDO (K. Ltrs.) | - | - |
| Others | - | - |

ANNEXURE TO DIRECTORS' REPORT (Contd.)

RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION

Your Company –

- Has entered in to new agreement with a customer for production of larger quantities of Isobutyl Acetophenone (IBAP) for FY14-15. This was possible through R&D efforts made, in the previous year by achieving the customers targeted norms of IBB consumption norms.
- Your company through in-house development conducted pilot trials of a new product which would be commercially launched this year. Further your company is in the process of developing few products which has synergy to the said product.
- Continues to successfully operate the scheme implemented for reducing the effluent discharge by effective recycling in the plant.
- Continued efforts has enabled to recycle the solid waste in cement industry through focus on energy conservation, successfully implemented schemes so as to consistently achieve increased captive power generation.
- Planting saplings to maintain greenery and protection of environment is on-going activity.

Technology Absorption, Adaptation and Innovation

Your Company has adopted innovative steps to commercialise the process for new products through In-house R&D, thereby showing self dependency on development of technology for speciality products.

The Kaizen Mela conducted this year has motivated young Engineers / Scientists to come up with creative ideas to improve efficiency in areas of production, energy savings, safety and system improvements.

C. FOREIGN EXCHANGE EARNING AND OUTGO :

(₹ in Lakhs)

| Details | 2013-14 | 2012-13 |
|--------------|----------|----------|
| Exports | 1,713.48 | 1,564.24 |
| Forex Earned | 1,886.70 | 1,616.74 |
| Forex used | 4,595.18 | 6,359.69 |

Directors' Responsibility Statement u/s under Section 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 2013 - 2014 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:

- in the preparation of annual accounts, applicable accounting standards have been followed and there are no material departure from the same;
- 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 and of the profit and loss of the Company for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of The Companies Act, 1956 (to the extent applicable) and The Companies Act, 2013 (to the extent notified), for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.
- the Company had laid down internal financial controls and that such internal financial controls are adequate and were operating effectively.
- proper systems devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Details of technology imported during the past five years:

| Year | Technology imported | Status |
|------|---------------------|--------|
| | - NIL - | |

INDEPENDENT AUDITORS' REPORT

To
The Members
Tanfac Industries Limited

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting principles generally accepted in India, including the Accounting Standards notified under the companies Act, 1956("the Act"), read with general circular 08/2014 dated 4th April 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
 - b) In the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter Paragraph

7. In forming our opinion, which is not qualified, we have considered note no 26.B.13 of the financial statements stating that, despite losses and reducing net worth, the financial statements of the company have been prepared under 'Going Concern' assumption basis having regard to the business plans of the company and continued financial support from a promoter.

INDEPENDENT AUDITORS' REPORT (Contd.)**Report on Other Legal and Regulatory Requirements**

8. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters Specified in paragraphs 4 and 5 of the Order.
9. As required by section 227(3) of the Act, we report that:
- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Camp : Chennai
Date : 29th May, 2014

For Khimji Kunverji & Co.
Chartered Accountants
Firm Registration No.105146W

Hasmukh B Dehdia
Partner
Membership No. F-33494

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 8 of our report of even date

- | | |
|---|--|
| <p>i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.</p> <p>b. The Company has phased programme for physical verification of all its fixed Assets, Which in opinion, is reasonable having regard to the size of the company and nature of its asset. As informed to us, no material discrepancies were noticed on such verification.</p> <p>c. There was no substantial disposal of fixed assets during the year.</p> <p>ii) a. The management has conducted physical verification of inventories at reasonable intervals during the year;</p> <p>b. The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.</p> <p>c. The Company is maintaining proper records of inventory and as informed to us, no material discrepancies were noticed on physical verification.</p> <p>iii) a. As informed, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Hence, clauses (iii) (b), (c) and (d) of the Order are not applicable.</p> <p>b. As informed, 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 Act. Hence, clauses (iii) (f) and (g) of the Order are not applicable.</p> <p>iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system</p> | <p>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 and on the basis of examination of the books and records of the company as also according to information and explanations given, and as per checking carried out in accordance with the auditing standards generally accepted in India, neither we have observed nor have we been reported of any continuing failure to correct any major weakness in the internal control system of the company</p> <p>v) (a) According to the information and explanations provided to us, there have been no transactions which need to be entered in the register maintained under Section 301 of the Act. Hence, clause (v) (b) of the Order is not applicable to the Company.</p> <p>vi) According to the information and explanations given to us, the Company has not accepted any public deposits within the meaning of the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this respect.</p> <p>vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.</p> <p>viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act, in respect of the Company's products to which said rules are made applicable and</p> |
|---|--|

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 8 of our report of even date

are of the opinion that prima facie, the prescribed accounts and records have been maintained.

- ix) a. The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

- b. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other undisputed statutory dues outstanding at the year end, for a period of more than six months from the date they became payable except undisputed export obligations as mentioned herein below:

| Nature of Statute | Nature of Dues | Amount (₹ in Lacs) | Period To which amount relates | Due Date | Date of Payment (#) |
|-------------------|----------------|--------------------|--------------------------------|------------|---------------------|
| Profession Tax | Profession Tax | 1.29 | 2013-2014 | 30/09/2013 | 24/05/2014 |

Cheque remitted by the company on January 28, 2014 become stale on April 28, 2014

- c. According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

| Name of Statute | Nature of the Dues | Disputed amount (₹ in Lacs) | Period to which the amount relates | Forum where dispute is pending |
|---------------------------|---|-----------------------------|------------------------------------|--|
| TNGST Act 1959 | Levy of sales tax from sales affected through Pondicherry | 52.77 | 2004-05 | Written petition before Hon'ble High Court of Madras |
| Customs Act | Duty on fluorspar shipment shortage | 10.79 | 1998-99 | Customs Officer |
| Central Excise Act | Interest Accrued to be added | 0.27 | 2001-02 | SB, CEGAT, Chennai |
| | Cenvat credit disallowed on steels/pipes | 31.02 | April '03 - August '05 | Additional/Joint Commissioner, Pondicherry |
| | Cenvat credit disallowed on steels/pipes | 4.74 | September '05 - March '06 | |
| | Cenvat credit disallowed on steels/pipes | 4.84 | April '06 - March '07 | |
| | Cenvat credit disallowed on steels/pipes | 0.47 | April '07 - September '07 | |
| | Cenvat credit disallowed on steels/pipes | 1.93 | October '07 - March '08 | |
| | Cenvat credit disallowed on steels/pipes | 10.49 | April '08 - September '08 | |
| | Cenvat credit disallowed on steels/pipes | 21.55 | September '08 - March '09 | |
| | Total | 75.31 | | |

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 8 of our report of even date

| Name of Statute | Nature of the Dues | Disputed amount (₹ in Lacs) | Period to which the amount relates | Forum where dispute is pending |
|------------------------------------|---|--------------------------------|------------------------------------|--|
| Finance Act, 1994 (Service Tax) | Service Tax on Lease Rent | 12.30 | 2001-02 to 2004-05 | The Commissioner/The Asst. Commissioner, Pondicherry |
| | Service Tax on consulting Engineers/Management Consultancy (including penalty) | 0.46 | 2002-03 to 2003-04 | CESTAT, Chennai |
| | Service Tax on GTA | 19.64 | 2006-07 to 2007-08 | The Commissioner, Pondicherry |
| | Service Tax Credit disallowed on Maintenance/Repairs | 13.16 | 2011-12 | The Dy. Commissioner, Pondicherry |
| | Service Tax Credit disallowed on housekeeping / medical centre & subscription | 0.87 | 2011-13 | The Assistant Commissioner, Cuddalore |
| | Total | 46.20 | | |
| Income Tax Act | Replacement of equipment claimed as revenue expenditure, reclassified by Dept. as capital expenditure [tax demanded] (Including Interest) | 85.39 | 2002-03 | Income Tax Appellate Tribunal |
| | Disallowance of various expenses (Including Interest) | 75.79 | 2007-08 | The Commissioner of Income Tax [Appeals], Chennai |
| | | 161.18 | | |

x) The Company has accumulated losses (Debit balance of Profit & Loss Account) of ₹ 4360.67 lacs, and also had incurred cash loss of ₹ 492.04 lacs in the immediately preceding financial year but not in the current financial year.

xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of due to a financial institution

or bank. The company has not issued any debentures.

xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society.

ANNEXURE TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 8 of our report of even date

Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

- xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the 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 banks or financial institutions. Accordingly, clause 4(xv) of the order is not applicable to the company.
- xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- xvii) According to information and explanation given to us and overall examination of the balance sheet of the company, we report that the funds raised on short term basis

have been used for long term investment to the extent of ₹ 368.72 lacs.

- xviii) During the year, the Company has not made any preferential allotment of share, hence clause 4(xviii) of the order is not applicable to it.
- xix) The Company has not issued any debentures. hence clause 4(xix) of the order is not applicable to it
- xx) The Company has not raised any money by way of public issue, hence clause 4(xx) of the order is not applicable to it.
- xxi) During the course of our examination of the books and records of the company, carried out in accordance with the auditing standards generally accepted in India, we have neither come across any instance of fraud on or by the company noticed or reported during the course of our audit nor have we been informed of any such case by the management.

Camp: Chennai
Date: 29th May, 2014

For Khimji Kunverji & Co.
Chartered Accountants
Firm Registration No.105146W
Hasmukh B Dehdia
Partner
Membership No. F-33494

BALANCE SHEET AS AT 31ST MARCH 2014

| Particulars | Note | As at 31st March 2014 (₹ in Lakhs) | As at 31st March 2013 (₹ in Lakhs) |
|---|---|---|--|
| I EQUITY AND LIABILITIES | | | |
| (A) Shareholders fund | | | |
| a) Share Capital | 1 | 997.50 | 997.50 |
| b) Reserves & Surplus | 2 | (454.94) | (151.47) |
| Total (A) | | 542.56 | 846.03 |
| (B) Non Current Liabilities | | | |
| a) Long Term Borrowings | 3 | 176.47 | 529.41 |
| b) Deferred Tax Liabilities (Net) | 4 | 156.15 | 404.59 |
| c) Long Term Provisions | 5 | 47.54 | 47.03 |
| Total (B) | | 380.16 | 981.03 |
| (C) Current Liabilities | | | |
| a) Short-Term Borrowings | 6 | 6,430.13 | 7,002.69 |
| b) Trade Payables | 7 | 2,044.45 | 1,004.69 |
| c) Other Current Liabilities | 8 | 621.14 | 584.66 |
| d) Short-Term Provisions | 9 | 569.62 | 289.13 |
| Total (C) | | 9,665.34 | 8,881.17 |
| Total (A + B + C) | | 10,588.06 | 10,708.24 |
| II ASSETS | | | |
| (D) Non Current Assets | | | |
| a) Fixed Assets | | | |
| i) Tangible Assets | 10 | 5,917.77 | 6,483.27 |
| ii) Intangible Assets | | 3.82 | 6.18 |
| iii) Capital Work-in-progress | | - | - |
| iv) Intangible Assets under development | | - | - |
| | | 5,921.59 | 6,489.45 |
| b) Non Current Investments | 11 | 16.96 | 16.96 |
| c) Long Term Loans and Advances | 12 | 98.95 | 114.00 |
| Total (D) | | 6,037.51 | 6,620.42 |
| (E) Current Assets | | | |
| a) Inventories | 13 | 2,464.84 | 1,874.53 |
| b) Trade Receivables | 14 | 1,812.74 | 1,532.63 |
| c) Cash and Bank Balances | 15 | 83.85 | 95.20 |
| d) Short Term Loans and Advances | 16 | 150.63 | 429.10 |
| e) Other Current Assets | 17 | 38.50 | 156.36 |
| Total (E) | | 4,550.56 | 4,087.82 |
| Total (D + E) | | 10,588.06 | 10,708.24 |
| Significant Accounting Policies and Notes on Financial Statements | 26 A&B | | |
| The Accompanying notes are an Integral part of the Financial Statements | | | |
| As per our report of even date | | For and on behalf of the Board of Directors | |
| For KHIMJI KUNVERJI & CO. Chartered Accountants Firm Registration No: 105146W | K. Sendhil Naathan Unit Head | Lalit Naik Manager and Director | R. Karthikeyan Director |
| Hasmukh B. Dedhia Partner Membership No. F 33494 | N.R. Ravichandran CFO - Vice President (F&C) | V.T. Moorthy Director | M.R. Sivaraman Director |
| Camp : Chennai | | | Dated May 29, 2014 |

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2014

| Particulars | Note | Year Ended 31st March 2014 (₹ in Lakhs) | Year Ended 31st March 2013 (₹ in Lakhs) |
|---|---|---|---|
| I Revenue From Operations (Gross) | 18 | 12,965.64 | 16,184.68 |
| Less: Excise Duty | | <u>1,246.46</u> | <u>1,613.55</u> |
| Net Revenue from Operations | | <u>11,719.18</u> | <u>14,571.13</u> |
| II Other Income | 19 | 36.24 | 173.32 |
| III Total Revenue (I + II) | | <u>11,755.42</u> | <u>14,744.45</u> |
| IV Expenses | | | |
| Cost of materials consumed including Packing Material consumed | 20 | 6,974.18 | 9,691.05 |
| (Increase) / Decrease in inventories of Finished Goods and WIP | 21 | (372.92) | 415.55 |
| Employee Benefits Expenses | 22 | 930.22 | 890.70 |
| Other Expenses | 23 | 3,111.96 | 3,733.85 |
| V Total Expenses | | <u>10,643.44</u> | <u>14,731.15</u> |
| VI Profit Before Interest, Tax and Depreciation | | 1,111.98 | 13.30 |
| Depreciation and Amortisation Expenses (Refer Note 17) | | 692.64 | 1,047.09 |
| Finance Cost | 24 | 971.24 | 1,154.85 |
| VII Profit Before Exceptional Item, Extraordinary Item and Tax | | <u>(551.90)</u> | <u>(2,188.64)</u> |
| Exceptional Item | 25B | - | (382.07) |
| VIII Profit Before Extraordinary Items and Tax | | <u>(551.90)</u> | <u>(1,806.57)</u> |
| Insurance claim settled for Expenses incurred on account of damages due to Natural calamity (Cyclone) | 25A | - | (267.44) |
| IX Profit Before Tax | | <u>(551.90)</u> | <u>(1,539.13)</u> |
| Tax Expense | | | |
| 1) Current Tax | | - | - |
| 2) Deferred Tax | | <u>(248.44)</u> | <u>(404.34)</u> |
| X Profit (Loss) for the period continuing operations | | (303.46) | (1,134.79) |
| Earnings per share of face value of ₹ 10 each | | | |
| After Extra-ordinary Item | | | |
| Basic (₹) | | (3.04) | (11.38) |
| Diluted(₹) | | (3.04) | (11.38) |
| Before Extra-ordinary Item | | | |
| Basic (₹) | | (3.04) | (14.06) |
| Diluted (₹) | | (3.04) | (14.06) |
| As per our report of even date | | For and on behalf of the Board of Directors | |
| For KHIMJI KUNVERJI & CO. Chartered Accountants Firm Registration No: 105146W | K. Sendhil Naathan Unit Head | Lalit Naik Manager and Director | R. Karthikeyan Director |
| Hasmukh B. Dedhia Partner Membership No. F 33494 | N.R. Ravichandran CFO - Vice President (F&C) | V.T. Moorthy Director | M.R. Sivaraman Director |
| Camp : Chennai | | | Dated May 29, 2014 |

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2014

| Particulars | 2013-14 (₹ in Lakhs) | | 2012-13 (₹ in Lakhs) | |
|---|---|------------------------------------|----------------------------|------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net Profit before Tax | (551.90) | | (1,539.13) | |
| Adjustments for : | | | | |
| Depreciation and Amortisation of Expenses | 692.64 | | 1,047.09 | |
| Finance Costs | 971.24 | | 1,154.85 | |
| Provision for Liabilities no longer required written back | - | | (31.14) | |
| Damages due to Natural Calamity (Cyclone) - Refer Note No. 25A | - | | (267.44) | |
| Loss/(Profit) on Sale of Fixed Assets | 0.74 | | (14.38) | |
| Interest and Dividend Income | (3.54) | | (3.62) | |
| Operating Profit Before Working Capital changes | | 1,109.18 | | 346.24 |
| Adjustments for : | | | | |
| Trade and Other Receivables | 24.18 | | 633.51 | |
| Inventories | (590.31) | | 1,721.73 | |
| Trade Payable and Provisions | 1,358.11 | | (834.31) | |
| | | 791.98 | | 1,520.93 |
| Cash Generated From/ (Used in) Operations | | 1,901.16 | | 1,867.17 |
| Damages Due to Natural Calamity (Cyclone) - Refer Note No. 25A | - | | 267.44 | |
| Direct Taxes (Payment) / Refund (Net) | - | | 475.65 | |
| | | | | 743.09 |
| Net Cash Generated From/ (Used in) Operations | | 1,901.16 | | 2,610.26 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of Fixed Assets | (16.39) | | (44.19) | |
| Sale of Fixed Assets | 0.34 | | 31.89 | |
| Creditors for Capital Asset | (0.88) | | (4.51) | |
| Interest and Dividend Income | 1.16 | | 0.27 | |
| Net Cash Flow From/(Used in) Investing Activities | | (15.78) | | (16.54) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Buyer's credit / ICD | 445.00 | | (728.60) | |
| Long term loan availed (Net) | (352.94) | | (670.94) | |
| Short term loan availed | (1,017.56) | | (41.78) | |
| Finance Costs | | (971.24) | | (1,154.85) |
| Net Cash flow from/(used in) Financing Activities | | (1,896.74) | | (2,596.17) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | (11.36) | | (2.45) |
| Cash and Cash Equivalents (Opening Balance) | 95.20 | | 97.66 | |
| Cash and Cash Equivalents (Closing Balance) | 83.85 | (11.36) | 95.20 | (2.45) |
| As per our report of even date | For and on behalf of the Board of Directors | | | |
| For KHIMJI KUNVERJI & CO. Chartered Accountants Firm Registration No: 105146W | K. Sendhil Naathan Unit Head | Lalit Naik Manager and Director | R. Karthikeyan Director | |
| Hasmukh B. Dedhia Partner Membership No. F 33494 | N.R. Ravichandran CFO - Vice President (F&C) | V.T. Moorthy Director | M.R. Sivaraman Director | |
| Camp : Chennai | Dated May 29, 2014 | | | |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 1 SHARE CAPITAL

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|---|--|--|
| Authorised | | |
| 2,50,00,000 Equity Shares of ₹ 10/- each | 2,500.00 | 2,500.00 |
| 10,00,000 11% Redeemable Cumulative Preference Shares of ₹ 100 each | 1,000.00 | 1,000.00 |
| | <u>3,500.00</u> | <u>3,500.00</u> |
| Issued, Subscribed and Paid up | | |
| 99,75,000 Equity shares of ₹10/- each fully paid up | 997.50 | 997.50 |
| | <u>997.50</u> | <u>997.50</u> |

1.1 The Company has issued only one class of Equity Shares having face value of ₹ 10 each carrying equal rights.

1.2 Reconciliation of the No. of Shares outstanding is set out below:

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|--------------------------|--------------------------|
| Equity Shares at the beginning of the year | 9,975,000 | 9,975,000 |
| Add: Shares issued, if any, during the year | - | - |
| Equity Shares at the end of the year | <u>9,975,000</u> | <u>9,975,000</u> |

1.3 Details of the shareholder holding more than 5% shares of the total no. of shares issued by the company.

| Name of the Shareholder | As at 31st March 2014 | | As at 31st March 2013 | |
|--|--------------------------|-----------------|--------------------------|-----------------|
| | No. of Shares | %age of holding | No. of Shares | %age of holding |
| Tamilnadu Industrial Development Corporation Limited | 2,595,000 | 26.02% | 2,595,000 | 26.02% |
| TGS Investment & Trade Private Limited | 1,990,652 | 19.96% | 1,990,652 | 19.96% |
| Pilani Investment & Industries Corporation Limited | 498,000 | 4.99% | 498,000 | 4.99% |

- 1.4
- | | | |
|-----|---|-----|
| i | Shares issued for consideration other than cash in last 5 financial years | Nil |
| ii | Shares issued by way of bonus in last 5 financial years | Nil |
| iii | Shares bought back in last 5 financial years | Nil |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 2 RESERVES AND SURPLUS

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|--|--|--|
| a) Capital Reserve | | |
| i) State Capital Subsidy from SIPCOT | 30.00 | 30.00 |
| ii) Profit on sale of Forfeited Shares | 0.46 | 0.46 |
| TOTAL | 30.46 | 30.46 |
| b) Securities Premium Account | 2.18 | 2.18 |
| c) General Reserve | | |
| Opening balance | 3,873.10 | 3,873.10 |
| Less: Transferred to P&L A/c | - | - |
| TOTAL | 3,873.10 | 3,873.10 |
| d) Profit and Loss Account | | |
| Opening balance | (4,057.21) | (2,922.42) |
| Add: Net profit after tax transferred to P&L A/c | (303.46) | (1,134.79) |
| TOTAL | (4,360.67) | (4,057.21) |
| Total (a + b + c + d) | (454.94) | (151.47) |

NOTE - 3 LONG TERM BORROWINGS

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|----------------------|--|--|
| SECURED LOANS | | |
| Term Loan from | | |
| (i) Banks | 176.47 | 529.41 |
| TOTAL | 176.47 | 529.41 |

3.1 Secured Long Term Borrowings:

Term Loan from Banks

The company has availed Term Loan I of ₹ 2172 lacs and Term Loan II of ₹ 1500 lacs from a bank which are secured by way of Pari Passu first charge on all Fixed Assets of the company, both present and future, excluding Factory Land and Building.

| Particulars | Date of Maturity | Applicable Interest Rate |
|--|------------------|--------------------------|
| Term Loan I - Fully Repaid | - | - |
| Term Loan II (Quarterly Instalments of ₹ 88.24 lacs) | 23.09.2015 | 13.75% |

3.2 The instalments due within 12 months from the date of Balance Sheet have been grouped under Other Current Liabilities as 'Current Maturities of Long Term Borrowings' (Refer Note 8).

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 4 DEFERRED LIABILITIES (NET)

The Deferred Tax Assets & Liabilities comprise of tax effect of the following timing differences:

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|---|--|--|
| (A) Deferred Tax Assets | | |
| i. Unabsorbed Depreciation Loss / Business Loss | 816.81 | 640.62 |
| TOTAL (A) | <u>816.81</u> | <u>640.62</u> |
| Less: | | |
| (B) Deferred Tax Liability | | |
| i. Depreciation | 972.96 | 1,011.39 |
| ii. Deferred Revenue Expenditure | - | 33.82 |
| TOTAL (B) | <u>972.96</u> | <u>1,045.21</u> |
| Net Deferred Tax Liability (B) - (A) | <u>156.15</u> | <u>404.59</u> |

Deferred Tax Assets on Carried Forward Business Loss is not recognised on account of prudence.

NOTE - 5 LONG TERM PROVISIONS

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|---|--|--|
| Employee Benefits | | |
| Leave Encashment (Refer Note 9 & 26 B.8)) | 47.54 | 47.03 |
| TOTAL | <u>47.54</u> | <u>47.03</u> |

NOTE - 6 SHORT TERM BORROWINGS

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|--|--|--|
| SECURED LOANS | | |
| Loan Repayable on Demand from Bank (Refer Note 6.1 below) | 2,138.64 | 3,156.20 |
| TOTAL - I | <u>2,138.64</u> | <u>3,156.20</u> |
| UNSECURED LOANS | | |
| Loan Repayable on Demand from Bank (Refer Note 6.2 below) | 741.49 | 2,646.49 |
| Others - Intercorporate deposit (Refer Note 26B.9) | 3,550.00 | 1,200.00 |
| TOTAL - II | <u>4,291.49</u> | <u>3,846.49</u> |
| TOTAL (I + II) | <u>6,430.13</u> | <u>7,002.69</u> |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

6.1 Secured Loan - Working Capital Loans from Bank

Nature of Security

Paripassu first charge in favour of consortium banks on entire Immovable and Movable goods and other assets present and future and further secured by deposit of Title Deed of the existing Immovable properties of the company excluding Land and Building of Residential Staff Quarters and 2.3 MW Captive Power Plant located in the existing Factory Building.

6.2 Short Term Borrowings - Unsecured Loan

Unsecured working capital loan including Import Finance Loan taken in Foreign Currency (US \$) for payment of imported Raw Materials. The currency risk is partly hedged. Interest is charged at LIBOR Plus spread. Applicable interest amount is payable along with principal amount. Due date for repayment of these loans are between 80 to 270 days from the date of availment. Details of loan are given below:

| Nature of Unsecured Loan | Due Date of Repayment | Interest % P.A. | Amount (₹ Lakhs) |
|--|-----------------------|-----------------|------------------|
| Buyers Credit for Raw Material Imports in USD# | 22/04/2014 | 1.38 | 211.22 |
| | 30/05/2014 | 1.15 | 84.66 |
| | 03/04/2014 | 1.74 | 31.20 |
| | 17/04/2014 | 1.44 | 161.93 |
| | 05/05/2014 | 0.94 | 61.82 |
| | 23/05/2014 | 1.08 | 46.36 |
| | 25/06/2014 | 0.73 | 97.94 |
| | 30/05/2014 | 1.09 | 46.36 |
| TOTAL | | | 741.49 |

Hedged by forward contract of USD 10,74,372.57 out of USD 12,37,880.84.

6.3 The following forward contracts are booked for purchase of foreign currency for Raw material import payment/Buyer's credit obligation. The exchange risk is attempted to be mitigated through forward cover booking.

| Nature of Contract | Foreign Currency | Amount in Foreign Currency As at | |
|--------------------|------------------|----------------------------------|-----------------|
| | | 31st March 2014 | 31st March 2013 |
| Forward Contracts | USD Lakhs | 29.07 | 49.27 |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 7 TRADE PAYABLES

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|----------------|--|--|
| Trade Payables | 2,044.45 | 1,004.69 |
| TOTAL | 2,044.45 | 1,004.69 |

**Disclosure under Sec. 22 of MSMED Act, 2006
(Chapter V - Delayed Payment to Micro and Small Enterprises)**

Micro, Small and Medium Enterprises

Information in respect of Micro, Small and Medium Enterprises Development Act, 2006, based on the information available with the company. The required disclosures are given below:

(₹ in Lakhs)

| Particulars | As at | |
|---|-----------------|-----------------|
| | 31st March 2014 | 31st March 2013 |
| The Principal amount (Interest - Nil) remaining unpaid to any supplier as at the end of the each accounting year | 49.98 | 47.38 |
| The amount of interest paid by the buyer in terms of section 16. of the Micro Small and Medium Enterprises 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 payments (which have been paid but beyond the appointed day during the year) but without adding the interest specified Under Micro Small and Medium Enterprises Development Act, 2006 | NIL | NIL |
| The amount of interest accrued and remaining unpaid at the end of each accounting year : and | NIL | 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 enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act 2006 | NIL | NIL |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 8 OTHER CURRENT LIABILITIES

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|--|--|--|
| Current Maturities of Long term Borrowings (Refer Note 3.2) | 352.94 | 352.94 |
| Interest accrued but not due on borrowings | 17.15 | 32.10 |
| Interest accrued & due on borrowings (Paid on 1st April 2014) | 11.00 | 15.06 |
| Advance from Customers | 56.98 | 40.64 |
| Unclaimed Dividend | 22.35 | 25.39 |
| Other Payables | | |
| Statutory Dues | 137.93 | 97.09 |
| Security Deposits | 11.95 | 6.95 |
| Payables pertaining to employees | 9.95 | 12.73 |
| Creditors for Fixed Assets | 0.88 | 1.76 |
| TOTAL | 621.14 | 584.66 |

NOTE - 9 SHORT TERM PROVISIONS

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|--|--|--|
| Employee Benefits - Leave Encashment (Refer Note 5) | 17.63 | 6.82 |
| Income Tax (Net of Advance Tax - ₹ 93 lacs & PY ₹ 90 lacs) | 16.89 | 20.00 |
| Disputed Liabilities (Refer Note 26 B.3) | 52.77 | 52.77 |
| Provision for Expenses | 368.85 | 156.34 |
| Provision for Gratuity (Refer Note 26 B.8) | 53.07 | 53.20 |
| Mark to Market on Currency Forward contracts | 60.40 | - |
| TOTAL | 569.62 | 289.13 |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 10 FIXED ASSETS

(₹ In Lakhs)

| Particulars | Tangible | | | | | | | | | | Intangible | | |
|--|-----------------------|------------------------|------------------------------------|--|----------------------|---|---------------------|--------------------------|---------------------------|--------|-------------------|--------------------------|-------|
| | Free- hold Land | Lease- hold Land | Building- Freehold Leasehold | Road, Well, Culvert, Fencing etc | Plant & Machinery | Plant & Machinery- Data Processing Equipments | Vehicles & Tanks | Furnitures & Fixtures | Office Equip- ments | TOTAL | Software Items | Specialised Softwares | TOTAL |
| Gross Block | | | | | | | | | | | | | |
| As at 1st April 2012 | 31.27 | 39.68 | 207.46 | 522.52 | 100.17 | 13,145.60 | 180.96 | 222.34 | 69.38 | 169.82 | 6.21 | 52.08 | 58.29 |
| Additions | - | - | - | - | - | 49.58 | 0.92 | - | 0.61 | 0.61 | - | - | - |
| Deletions/Adjustment | - | - | - | - | - | 1,148.69 | - | 8.45 | - | 1.30 | - | - | - |
| As at 31st March 2013 / 1st April, 2013 (A) | 31.27 | 39.68 | 207.46 | 522.52 | 100.17 | 12,046.50 | 181.87 | 213.89 | 69.98 | 169.13 | 6.21 | 52.08 | 58.29 |
| Additions | - | - | - | - | - | 7.87 | - | 7.90 | 0.03 | 0.59 | - | - | - |
| Deletions/Adjustment | - | - | - | - | - | - | 13.56 | - | - | 2.13 | - | - | - |
| As at 31st March 2014 (B) | 31.27 | 39.68 | 207.46 | 522.52 | 100.17 | 12,054.37 | 168.31 | 221.79 | 70.02 | 167.59 | 6.21 | 52.08 | 58.29 |
| Accumulated Depreciation | | | | | | | | | | | | | |
| As at 1st April 2012 | - | 9.94 | 46.61 | 228.41 | 35.21 | 6,469.96 | 157.21 | 162.96 | 56.32 | 124.39 | 5.81 | 42.35 | 48.16 |
| For the year | - | 0.43 | 3.38 | 16.48 | 2.30 | 542.52 | 7.68 | 13.80 | 2.38 | 6.36 | 0.06 | 3.89 | 3.95 |
| Impairment (Refer Note below) | - | - | - | - | - | 338.34 | - | - | - | - | - | - | - |
| Deletions/Adjustment | - | - | - | - | - | 1,119.67 | - | 4.65 | - | 1.16 | - | - | - |
| As at 31st March 2013 / 1st April, 2013 (C) | - | 10.37 | 49.99 | 244.89 | 37.52 | 6,231.16 | 164.89 | 172.10 | 58.70 | 129.59 | 5.87 | 46.24 | 52.11 |
| Depreciation | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation for the year | - | 0.43 | 3.38 | 15.46 | 1.70 | 537.69 | 4.45 | 10.34 | 1.90 | 5.47 | 0.03 | 2.34 | 2.36 |
| Impairment | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Deletions/Adjustment | - | - | - | - | - | - | 12.94 | - | - | 1.68 | - | - | - |
| As at 31st March 2014 (D) | - | 10.80 | 53.38 | 260.35 | 39.21 | 6,768.84 | 156.40 | 182.45 | 60.61 | 133.38 | 5.90 | 48.57 | 54.48 |
| Net book value as at 31st March 2013 (A-C) | 31.27 | 29.31 | 157.47 | 277.63 | 62.66 | 5,815.34 | 16.99 | 41.79 | 11.28 | 39.55 | 0.34 | 5.85 | 6.18 |
| Net book value as at 31st March 2014 (B-D) | 31.27 | 28.88 | 154.09 | 262.17 | 60.96 | 5,285.53 | 11.91 | 39.35 | 9.41 | 34.22 | 0.31 | 3.51 | 3.82 |
| Capital Work-in-Progress as at 31st March 2013 | | | | | | | | | | | | | |
| Capital Work-in-Progress as at 31st March 2014 | | | | | | | | | | | | | |

Notes :

During the year 2012-2013, Impairment provision was made in respect of Plant and Machinery as per details given below :

| Asset | Cost | | Acc.Deprn. | | Impairment | | Carrying Cost | |
|---|-----------------|--|---------------|--|---------------|--|-----------------|--|
| | | | | | | | | |
| Plant & Machinery - IBAP (Refer Note 26B.4) | 1,543.84 | | 190.78 | | 277.96 | | 1,075.10 | |
| Plant & Machinery - Bio Mass Plant | 131.24 | | 64.31 | | 60.37 | | 6.56 | |
| Total | 1,675.08 | | 255.09 | | 338.33 | | 1,081.66 | |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 11 NON CURRENT INVESTMENT(NON TRADE AND UNQUOTED)

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|--|--|--|
| 16,963 Shares of ₹ 100/- each fully paid up in Equity shares of M/s. Cuddalore Sipcot Industries Common Utilities Limited (Jointly controlled Company for disposing of Common Effluents) | 16.96 | 16.96 |
| TOTAL | 16.96 | 16.96 |

NOTE - 12 LONG TERM LOANS AND ADVANCES

(Unsecured, Considered Good except otherwise stated)

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|---|--|--|
| Security Deposits & Other Deposits | 2.74 | 3.94 |
| Loans & Advances to related parties | 1.98 | 1.98 |
| Rent Advance | 4.29 | 4.29 |
| Other Loans & Advances: VAT Input Credit, Statutory/Electricity deposits etc | 89.94 | 103.79 |
| TOTAL | 98.95 | 114.00 |

NOTE - 13 INVENTORIES

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|--|--|--|
| Raw materials including Packing Materials | 1,115.16 | 1,181.99 |
| Raw materials including Packing Materials - In transit | 212.80 | - |
| Work-in-progress | 1.44 | 1.75 |
| Finished goods | 734.70 | 325.89 |
| Stores, Spares & Consumables | 269.99 | 271.61 |
| Coal, Fuel Oil & Other utilities | 130.75 | 93.30 |
| TOTAL | 2,464.84 | 1,874.53 |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 14 TRADE RECEIVABLES

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|-------------------------------------|--|--|
| Due for period exceeding six months | | |
| Secured, considered good | - | - |
| Unsecured, considered good | - | 1.60 |
| Unsecured, considered doubtful | - | - |
| Less : Provision for doubtful debt | - | - |
| Total (I) | <u>-</u> | <u>1.60</u> |
| Others | | |
| Secured, considered good | - | - |
| Unsecured, considered good | 1,812.74 | 1,531.03 |
| Unsecured, considered doubtful | - | - |
| Less : Provision for doubtful debt | - | - |
| Total (II) | <u>1,812.74</u> | <u>1,531.03</u> |
| TOTAL (I + II) | <u>1,812.74</u> | <u>1,532.63</u> |

NOTE - 15 CASH AND BANK BALANCES

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|---|--|--|
| A. Cash and Cash Equivalent | | |
| Balances with Bank | | |
| Current Accounts | 0.85 | 1.33 |
| EEFC Account | 0.65 | 0.60 |
| Deposit Accounts # (with maturity less 3 months) | 60.00 | 67.89 |
| TOTAL (A) | <u>61.50</u> | <u>69.81</u> |
| B. Other Bank Balance | | |
| Unclaimed Dividend | 22.35 | 25.39 |
| TOTAL (B) | <u>22.35</u> | <u>25.39</u> |
| TOTAL (A + B) | <u>83.85</u> | <u>95.20</u> |

Pledged with Banks as margin towards Buyer's credit ₹ NIL (Previous Year ₹ 67.89 Lacs)

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 16 SHORT TERM LOANS AND ADVANCES (Unsecured, Considered Good except otherwise stated)

| Particulars | Year Ended 31st March 2014 (₹ in Lakhs) | Year Ended 31st March 2013 (₹ in Lakhs) |
|--|---|---|
| Security Deposits & Other Deposits | 0.94 | 2.52 |
| Advance for Expenses & Purchases of Material | 65.78 | 69.95 |
| Advances to Employees | 9.39 | 9.66 |
| Others Loans & Advances | - | - |
| Claims Recoverable, VAT Input Credit etc | 49.50 | 316.18 |
| Prepaid Expenses | 25.02 | 30.79 |
| TOTAL | 150.63 | 429.10 |

NOTE - 17 OTHER CURRENT ASSETS (Unsecured, Considered Good except otherwise stated)

| Particulars | As at 31st March 2014 (₹ in Lakhs) | As at 31st March 2013 (₹ in Lakhs) |
|---|--|--|
| Interest accrued on Loans & Advances | 2.34 | 3.21 |
| Interest accrued on Fixed Deposit | 0.04 | 0.14 |
| Export Incentives receivable | 36.12 | 33.60 |
| Deferred Revenue Expenditure [#] | - | 109.46 |
| Mark to Market | - | 9.95 |
| TOTAL | 38.50 | 156.36 |

The Company had implemented the Multi-purpose Plant Project to manufacture 3 Phenoxy & other products with a total capital outlay of ₹ 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 Materials which leads to significant losses of Raw Materials giving very low yields and also final product was not meeting the quality parameters of the customers. 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 2010 and the results are satisfactory. Based on expert opinion, the management has decided to treat the expenses incurred by the company to the tune of ₹ 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 five years.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 18 Revenue from Operations

| Particulars | Year Ended 31st March 2014 (₹ in Lakhs) | Year Ended 31st March 2013 (₹ in Lakhs) |
|--|---|---|
| A. Sale of Products | | |
| Manufactured | 12,878.33 | 15,955.38 |
| TOTAL (A) | <u>12,878.33</u> | <u>15,955.38</u> |
| B. Other Operating Income | | |
| Insurance claims | 0.32 | 1.48 |
| Export Incentives | 38.93 | 36.17 |
| Conversion charges | 27.16 | 152.02 |
| Scrap sales | 20.90 | 39.62 |
| TOTAL (B) | <u>87.31</u> | <u>229.30</u> |
| TOTAL (A + B) | 12,965.64 | 16,184.68 |
| Less: (C) Excise Duty on Sales | 1,246.46 | 1,613.55 |
| Total Revenue from Operation (A + B - C) | <u>11,719.18</u> | <u>14,571.13</u> |
| Details of Sale Value of Goods manufactured under broad heads | | |
| Fluorine Chemicals | 8,444.07 | 11,291.28 |
| Sulphuric Acid and Oleum | 3,843.39 | 3,686.36 |
| Others (Gypsum and Specialty Chemicals) | 590.87 | 977.74 |
| | <u>12,878.33</u> | <u>15,955.38</u> |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 19 Other Income

| Particulars | Year Ended 31st March 2014 (₹ in Lakhs) | Year Ended 31st March 2013 (₹ in Lakhs) |
|--|---|---|
| Rent Recovery from Employees | - | 0.27 |
| Interest on Income tax refunds | - | 78.43 |
| Interest on deposits | 3.54 | 3.62 |
| Profit on sale of Fixed assets | - | 14.38 |
| Other Miscellaneous receipt | 19.70 | 5.23 |
| Fluctuation in Exchange Rates (excluding forward cover charges) | 13.00 | 40.26 |
| Excess \Provisions & Liabilities no longer required written back | - | 31.14 |
| TOTAL | 36.24 | 173.32 |

NOTE - 20 Cost of Materials including Packing Material Consumed (Refer Note 26 B.11 (3))

| Particulars | Year Ended 31st March 2014 (₹ in Lakhs) | Year Ended 31st March 2013 (₹ in Lakhs) |
|--|---|---|
| Cost of Raw materials consumed | 6,524.81 | 9,232.72 |
| Cost of Packing materials consumed | 449.37 | 458.33 |
| TOTAL | 6,974.18 | 9,691.05 |
| Details of Materials Consumed under broad heads as follows | | |
| Flurospar | 2,979.34 | 4,392.74 |
| Sulphur | 2,525.42 | 3,295.34 |
| Alumimum Hydroxide | 205.52 | 417.84 |
| Pottassium Carbonate | 460.66 | 433.90 |
| Others (includes Boric acid/Ether and other materials used in speciality products) | 803.23 | 1,151.23 |
| TOTAL | 6,974.18 | 9,691.05 |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 21 Changes in Inventories of Finished goods and Work-in-Progress

| Particulars | Year Ended 31st March 2014 (₹ in Lakhs) | Year Ended 31st March 2013 (₹ in Lakhs) |
|---|---|---|
| Closing stock | | |
| Finished Goods | 734.70 | 325.89 |
| Work-in-Progress | 1.44 | 1.75 |
| TOTAL | 736.13 | 327.64 |
| Less: | | |
| Opening Stock | | |
| Finished Goods | 325.89 | 724.93 |
| Work-in-Progress | 1.75 | 64.54 |
| TOTAL | 327.64 | 789.47 |
| Excise duty on Closing Stock | 57.41 | 21.84 |
| Excise duty on Opening Stock | 21.84 | 68.11 |
| Increase/(Decrease) in Excise duty on Finished Goods | 35.57 | (46.28) |
| Increase/(Decrease) in Inventories of Finished Goods and WIP | 372.92 | (415.55) |
| Manufactured Goods | | |
| Fluorine Chemicals | 619.43 | 234.32 |
| Sulphuric Acid and Oleum | 96.03 | 56.94 |
| Others | 19.23 | 34.63 |
| TOTAL | 734.70 | 325.89 |
| Work-in-progress | | |
| Fluorine Chemicals | 1.37 | 1.68 |
| Sulphuric Acid and Oleum | - | - |
| Others | 0.06 | 0.06 |
| TOTAL | 1.44 | 1.75 |

NOTE - 22 Employee Benefit Expenses (Refer Note No. 26 B.8)

| Particulars | Year Ended 31st March 2014 (₹ in Lakhs) | Year Ended 31st March 2013 (₹ in Lakhs) |
|---|---|---|
| Salaries, Wages and Bonus | 731.59 | 693.28 |
| Contribution to Provident and Other Funds | 112.19 | 111.83 |
| Staff Welfare Expenses | 86.44 | 85.60 |
| TOTAL | 930.22 | 890.70 |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 23 Other Expenses

| Particulars | Year Ended 31st March 2014 (₹ in Lakhs) | Year Ended 31st March 2013 (₹ in Lakhs) |
|---|---|---|
| Consumption of Stores and Spares (Refer Note 26 B.11 (3)) | 409.46 | 493.78 |
| Power & Fuel | 1,695.43 | 2,092.86 |
| Effluent Treatment Expenses | 37.65 | 63.59 |
| Water charges | 84.09 | 85.90 |
| Other Manufacturing Expenses – [Consumables and Operation Expenses (Job Work Charges)] | 8.62 | 9.80 |
| Rent | 8.33 | 23.13 |
| Repairs & Maintenance | | |
| Building | 14.37 | 31.27 |
| Plant & Machinery | 175.38 | 211.70 |
| Others | 171.17 | 203.35 |
| Insurance (Net) | 49.06 | 39.43 |
| Rates & Taxes | 24.02 | 20.09 |
| Travelling & Conveyance | 58.03 | 64.08 |
| Vehicle Running Expenses | 19.25 | 19.51 |
| Communication Expenses | 20.38 | 23.11 |
| Auditors Remuneration | | |
| Audit Fee | 3.00 | 3.00 |
| Tax Audit Fee | 0.80 | 0.80 |
| For Certification work (including Quarterly Limited Review) | 2.20 | 1.80 |
| Travel and Stay Expenses | 1.02 | 0.59 |
| Cost Audit Fee | 0.30 | 0.30 |
| Printing & Stationery | 12.61 | 12.50 |
| Legal & Professional Charges | 16.08 | 14.28 |
| Consultancy Charges | 4.27 | 25.37 |
| Miscellaneous Expenses | 48.89 | 58.13 |
| R&D Expenses (Refer Note 26 B.7) | 41.32 | 55.29 |
| Bank Charges (other than borrowings) | 43.50 | 39.04 |
| Directors sitting fees | 6.70 | 11.20 |
| Loss on sale of Fixed assets | 0.74 | - |
| Area maintenance charges | 14.56 | 25.22 |
| Security Service charges | 34.92 | 35.27 |
| Lease Charges | 15.51 | 14.01 |
| Freight Packing & Forwarding | 89.70 | 51.56 |
| Commission on Sales | 0.59 | 3.88 |
| TOTAL | 3,111.96 | 3,733.84 |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

NOTE - 24 Finance Cost

| Particulars | Year Ended 31st March 2014 (₹ in Lakhs) | Year Ended 31st March 2013 (₹ in Lakhs) |
|--|---|---|
| Interest Expenses | | |
| Banks | | |
| Borrowings - Term Loan | 102.04 | 158.33 |
| Borrowings - Working Capital | 246.63 | 421.31 |
| Borrowings - Working Capital Demand Loan | 39.91 | 121.57 |
| Others | | |
| Interest on Inter Corporate Deposit | 415.74 | 111.12 |
| Others | 1.22 | 3.45 |
| Other Borrowing cost | | |
| Processing Fees | 86.86 | 113.54 |
| Forward Cover Charges | 78.84 | 225.53 |
| Total | <u>971.24</u> | <u>1,154.85</u> |

NOTE - 25A Extraordinary items

| Particulars | Year Ended 31st March 2014 (₹ in Lakhs) | Year Ended 31st March 2013 (₹ in Lakhs) |
|--|---|---|
| Restoration of Damages - Due to Cyclone Insurance claim against damages due to cyclone (On the early hours of 30th December 2011, Cyclone "Thane" crossed Cuddalore. Due to this, there were damages to the properties and materials of the company. These resulted in operation of the plant being stalled for more than 30 days in January 2012. Necessary repair works were carried out. Financial loss pertaining to repair costs, loss of material etc., was shown as extra-ordinary item in the Statement of Profit & Loss of last financial year. Insurance claim received as full and final settlement of the claim has been accounted for as income in the previous year) | - | (267.44) |
| Total | <u>-</u> | <u>(267.44)</u> |

NOTE - 25B Exceptional items

| Particulars | Year Ended 31st March 2014 (₹ in Lakhs) | Year Ended 31st March 2013 (₹ in Lakhs) |
|---|---|---|
| Excess Provision for Income Tax written back | - | (333.73) |
| Interest on Income Tax Refunds on earlier years | - | (58.88) |
| Interest paid on Income Tax assessment on earlier years | - | 10.54 |
| Total | <u>-</u> | <u>(382.07)</u> |

SIGNIFICANT ACCOUNTING POLICIES

26A SIGNIFICANT ACCOUNTING POLICIES

- a. Accounting Concepts:** The Company follows the Mercantile System of accounting and recognise Income and Expenditure on accrual basis except those with significant uncertainties and confirm to prevailing practices and also provisions of applicable Accounting Standards (AS) notified under Companies (Accounting Standard) Rules 2006.
- 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 the 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.
- 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 to 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 to 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 acquisition/installation.
 - 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:**
- 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.
- f. Inventories:**
- Inventories are valued on the following basis:
- i) Finished Goods - At cost (calculated on Annual Weighted Average Method) or Net Realisable Value whichever is lower.
 - ii) Material in Process - At cost.
 - iii) Waste - At actual Realisable Value.
 - iv) Raw Materials / Stores & Spares - At cost.

SIGNIFICANT ACCOUNTING POLICIES

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 recognised in the Profit & Loss Account in the period in which they arise.

Forward contracts, other than those entered into 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 differences arising on such contracts are recognized in the period in which they arise and the premium or discount is accounted as expenses / 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. 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.

i. 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.

j. Sales & Export Incentives:

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

k. **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.

l. 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.

m. 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 recognised at the rate of income tax prevailing at the Balance Sheet date or at the substantively enacted tax rate,

SIGNIFICANT ACCOUNTING POLICIES

subject to the consideration of prudence, as per the Accounting Standard-22 "Accounting for Taxes on Income".

n. Provisions:

A provision is recognised 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.

o. 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.

- p.** In conformity with Accounting Standard 28 "Impairment of Assets", the company has carried the appropriate procedure for ensuring that assets are carried at no more than their recoverable amount.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

26 B. Other Notes on Financial Statements**26 B.1 a) Contingent Liabilities not provided for:**

| Particulars | As at 31st March 2014 (₹ In Lakhs) | As at 31st March 2013 (₹ In Lakhs) |
|--|--|--|
| Claims against the Company not acknowledged as debts | | |
| i) Custom Duty | 10.79 | 10.79 |
| ii) Excise Duty | 75.31 | 75.31 |
| iii) Service Tax | 46.20 | 45.56 |

b) SIPCOT has raised a demand of ₹ 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 an initial amount of ₹ 6.00 lacs in 1995 and additional amount of ₹ 6.00 lacs in 2001, as per the directions of the Honourable 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 High Court of Madras.

26.B.2 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) - ₹ NIL lacs (Previous Year ₹ NIL lacs).

26.B.3 During the Financial Year 1991-92 the Company has 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 Assistant Commissioner, Commercial Taxes, Chennai passed the order in favour of the company thereby reducing the demand to ₹ 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 ₹ 52.77 lacs.

26.B.4 The Company had implemented Isobutyl Acetophenone (IBAP) project during 2010-11 with a capital outlay of ₹ 1477.27 lacs and has made some modifications during 2011-12 and 2012-13 with additional capex amounting to ₹ 35.20 lacs to resolve technical issues faced. The company had signed a Memorandum of Understanding (MOU) with an interested party for transfer of machinery and technology at an agreed value subject to certain conditions in 2012-13 and had recognized impairment provision of ₹ 277.96 lacs during that year based on the said MOU. The discussion/negotiations for conversion charges for proposed minimum level of production are currently in progress. The management does not expect any further impairment provision for the said project based on rates/quantity being negotiated.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

26.B.5 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, details whereof are as under:

| Particulars | Year Ended 31st March 2014 (₹ In Lakhs) | Year Ended 31st March 2013 (₹ In Lakhs) |
|--|---|---|
| Profit / (Loss) after taxation | (303.46) | (1,134.79) |
| Extra-Ordinary Items (Refer Note No. 25A) | - | 267.44 |
| Profit / (Loss) after taxation before Extra-Ordinary Items | <u>(303.46)</u> | <u>(1,402.23)</u> |
| Weighted average number of shares outstanding during the year (Nos) | 9,975,000 | 9,975,000 |
| <u>Earnings per share of face value of ₹ 10 each</u> | | |
| After Extra-ordinary Items | | |
| Basic (₹) | (3.04) | (11.38) |
| Diluted(₹) | (3.04) | (11.38) |
| Before Extra-Ordinary Items | | |
| Basic (₹) | (3.04) | (14.06) |
| Diluted (₹) | (3.04) | (14.06) |

26.B.6 Disclosure required by Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets"

| Particulars | (₹ In Lakhs) |
|--|--------------|
| Balance as at 1st April 2013 | 52.77 |
| Additional Provision created during the year | - |
| Provision used during the year | - |
| Provision reversed during the year | - |
| Balance as at 31st March 2014 (Refer Note 9) | 52.77 |

26.B.7 Details of expenditure incurred in Research & Development (R&D) (Refer Note 23)

| Particulars | Year Ended 31st March 2014 (₹ In Lakhs) | Year Ended 31st March 2013 (₹ In Lakhs) |
|--|---|---|
| Revenue Expenditure | | |
| Salaries & Wages including contribution to funds | 37.66 | 40.21 |
| Material Consumables/spares | 0.16 | 0.95 |
| Other expenditure | 3.50 | 14.13 |
| Total R&D Expenditure | <u>41.32</u> | <u>55.29</u> |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

26.B.8 Disclosure in respect of Employee Benefits pursuant to Accounting Standard - 15 (Revised)

RETIREMENT BENEFITS

i. Defined Contribution Plans –

The Company has recognised the following amount as an expense and included in Note No. 22 - "Contribution to Provident & Other Funds:

| Particulars | Year Ended 31st March 2014 (₹ In Lakhs) | Year Ended 31st March 2013 (₹ In Lakhs) |
|---|---|---|
| i) Contribution to Employees Provident/Pension Fund | 39.94 | 39.82 |
| ii) Contribution to Superannuation Fund | 17.35 | 16.80 |
| iii) Contribution to ESIC | 2.27 | 2.87 |
| iv) Contribution to EDLI | 1.63 | 3.04 |
| TOTAL | 61.19 | 62.53 |

ii. Defined Benefit Plan

A. Gratuity

| Particulars | Year ended 31st March 2014 (₹ In Lakhs) | Year ended 31st March 2013 (₹ In Lakhs) |
|---|---|---|
| Net Employee Expenses / (Benefit) | | |
| Current Service Cost | 13.54 | 58.60 |
| Interest cost on benefit obligation | 16.82 | 11.48 |
| Expected return on Plan Assets | (11.79) | (11.21) |
| Net Actual (Gain) / Loss recognized in the year | (19.33) | (5.23) |
| Net charge to P & L Account | (0.76) | 53.64 |
| Actual return on Plan Assets | 8.00% | 8.00% |
| Benefit Asset / (Liability) | | |
| Defined benefit obligation | 184.78 | 195.24 |
| Fair Value of Plan Assets | 186.12 | 142.04 |
| Benefit Assets / (Liability) | 1.33 | (53.60) |
| Movement in Benefit Liability | | |
| Opening Defined Benefit Obligation | 195.24 | 150.64 |
| Interest cost | 16.82 | 11.48 |
| Current Service cost | 13.54 | 58.60 |
| Benefit paid | (21.54) | (23.15) |
| Actual (Gain) / (Losses) on Obligation | (19.27) | (2.33) |
| Closing Benefit Obligation | 184.79 | 195.24 |
| Current Liability (within 12 months) | 13.54 | 19.63 |
| Non Current Liability | 171.24 | 175.61 |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

| Particulars | Year ended 31st March 2014 (₹ In Lakhs) | Year ended 31st March 2013 (₹ In Lakhs) |
|---|---|---|
| Movement in Fair Value of Plan Assets | | |
| Opening Fair Value of Plan Assets | 142.04 | 151.72 |
| Expected Return on Plan Assets | 11.79 | 11.21 |
| Actuarial Gains/(Losses) on Assets | 0.06 | 2.90 |
| Contribution by Employer plus Premium Received | 54.37 | 0.00 |
| Benefits paid plus Premium plus Expenses | (22.13) | (23.80) |
| Closing Fair Value of Plan Assets | 186.12 | 142.04 |
| The Principal Actuarial Assumptions are as follows: | | |
| Discount Rate | 9.12% | 8.25% |
| Estimated rate of Return on Plan Assets | 8.00% | 8.00% |
| Salary increase | 6.00% | 6.00% |
| Withdrawal Rates | 5.00% | 5.00% |
| Amount incurred as expenses for defined contribution plans | | |
| Contribution to Provident / Pension Fund | 39.94 | 39.82 |
| Contribution to Superannuation Fund | 17.35 | 16.80 |
| The major categories of plan assets as a percentage of the Fair Value of Total Plan Asset are as follows: | | |
| Investment in Bonds | 5.51% | 8.22% |
| Investment in Mutual Fund | 88.14% | 88.27% |
| Bank Balances in Current Account | 6.36% | 3.51% |

B. Leave Encashment

The provision for leave encashment is made based on actuarial valuations using same estimates as used for gratuity as above

26.B.9 RELATED PARTY DISCLOSURES

A. Relationships

Promoters of the Company:

- 26.02% 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 Private Limited since 03.02.2006
- 4.99% Equity shares of the Company are held by Pilani Investment & Industries Corporation Limited

Joint Venture:

Holding 13.05% Equity shares of Cuddalore Sipcot Industries Common Utilities Limited

Key Management Personnel:

Shri Lalit Naik - Manager and Director

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

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

B. RELATED PARTY DISCLOSURES

| Name of the related party | Nature of relationship | Nature of Transaction | Year Ended 31st March 2014 (₹ In Lakhs) | Year Ended 31st March 2013 (₹ In Lakhs) |
|---|--|--|--|--|
| Cuddalore Sipcot Industries Common Utilities Limited | Joint Venture for common Effluent Utilities | Deposit for commissioning of Effluent Treatment System | 1.98 | 1.98 |
| | | Charges for Effluent Discharge | 19.67 | 19.66 |
| Aditya Birla Chemicals (India) Limited | Key Management Personnel | Inter Corporate Deposit | - | 300.00 |
| | | Interest Payment | 36.16 | 4.93 |
| Aditya Birla Chemicals (Thailand) Ltd | Key Management Personnel | Purchase of Raw Material | 400.64 | - |
| Aditya Birla Epoxy (India) Ltd | Key Management Personnel | Inter Corporate Deposit | 3550.00 | - |
| | | Interest Payment | 15.65 | - |

26.B.10 Foreign Currency Exposure which are not hedged as at March 31, 2014

| Particulars | Currency | Foreign currency Amount | Closing Rate | Amount (₹ In Lacs) |
|-------------------|----------|----------------------------|--------------|-----------------------|
| Trade Receivables | USD | 394,776 | 59.88 | 236.39 |
| Trade Payables | USD | 739,694 | 59.90 | 443.08 |

26.B.11 1. Value of Imports calculated on C.I.F. Basis

| Particulars | Year ended 31st March 2014 (₹ In Lakhs) | Year ended 31st March 2013 (₹ In Lakhs) |
|---------------------------|---|---|
| Raw Materials | 3,466.96 | 4,804.80 |
| Component and Spare Parts | 5.91 | 4.88 |
| TOTAL | 3,472.87 | 4,809.68 |

2. Expenditure in Foreign Currency (on Remittance Basis)

| Particulars | Year ended 31st March 2014 (₹ In Lakhs) | Year ended 31st March 2013 (₹ In Lakhs) |
|-------------------------------|---|---|
| Travelling Expenses | 5.18 | 3.12 |
| Consultancy Fees | - | 3.43 |
| Commission on Sales | - | 4.58 |
| Interest | 17.54 | 103.01 |
| Freight & Forwarding Expenses | 23.13 | 3.29 |
| Others | 0.44 | 3.03 |
| TOTAL | 46.29 | 120.46 |

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

3. Value of Imported and Indigenous Raw Materials, Spare Parts and Components & Capital Goods consumed and percentage thereof to the total consumption.

| Particulars | Year Ended 31st March 2014 | | Year Ended 31st March 2013 | |
|------------------|----------------------------|-----------------|----------------------------|-----------------|
| | % age | ₹ in Lakhs | % age | ₹ in Lakhs |
| i) Raw Materials | | | | |
| Imported | 51.24 | 3,573.59 | 53.03 | 5,138.92 |
| Indigenous | 48.76 | 3,400.59 | 46.97 | 4,552.13 |
| Total | 100.00 | 6,974.18 | 100.00 | 9,691.05 |
| ii) Spare Parts | | | | |
| Imported | 1.36 | 5.59 | 3.42 | 16.89 |
| Indigenous | 98.64 | 403.87 | 96.58 | 476.88 |
| Total | 100.00 | 409.46 | 100.00 | 493.78 |

4. Earning in Foreign Currency

| Particulars | Year ended 31st March 2014 (₹ In Lakhs) | Year ended 31st March 2013 (₹ In Lakhs) |
|--------------------------------------|---|---|
| l) On Export of Goods (F.O.B. Basis) | 1,886.70 | 1,616.74 |
| Total | 1,886.70 | 1,616.74 |

26.B.12 The company operates in single segment i.e, Fluro-Chemicals in India and all other activities evolve around the same. Hence, there is no reportable primary/secondary segment.

26.B.13 Despite losses and reducing net worth, the financial statements of the company have been prepared on 'Going Concern' basis having regard to business plans of the Company and continued Financial support from a promoter.

26.B.14 The figures of previous year have been reclassified and/or regrouped wherever necessary to confirm to current year classification or grouping.

For and on behalf of the Board of Directors

K. Sendhil Naathan
Unit Head

Lalit Naik
Manager and Director

R. Karthikeyan
Director

N.R. Ravichandran
CFO - Vice President (F&C)

V.T. Moorthy
Director

M.R. Sivaraman
Director

Camp : Chennai

Dated May 29, 2014

TANFAC INDUSTRIES LIMITED

REGD. OFFICE: PLOT NO.14 SIPCOT INDUSTRIAL COMPLEX
CUDDALORE – 607 005 TAMIL NADU
CIN: L24117TN1972PLC00627



FORM NO.MGT-11

PROXY FORM

[Pursuant to Section 105(6) of The Companies Act, 2013 and rule 19(3) of The Companies
(Management and Administration) Rules, 2014]

FORTIETH ANNUAL GENERAL MEETING

Wednesday, August, 13, 2014

Name of the member(s) :

Registered address :

I/We, being the member(s), holding Equity Shares of the above named company,
hereby appoint –

(1) Name: Address

Email Id: Signature or failing him / her

(2) Name: Address

Email Id: Signature or failing him / her

(3) Name: Address

Email Id: Signature or failing him / her

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Fortieth Meeting of the Company, to be held on Wednesday, August, 13, 2014 at 2.45 P.M. at 14, SIPCOT Industrial Complex, Cuddalore – 607 005 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Resolution No. | Description of Resolutions | Special/ Ordinary | Optional* | |
|--------------------------|--|-------------------|-----------|---------|
| | | | For | Against |
| Ordinary Business | | | | |
| 1. | Adoption of Accounts for the financial year ended 31.3.2014 | Ordinary | | |
| 2. | Re-appointment of M/s. Khimji Kunverji & Co., as Statutory Auditors | Ordinary | | |
| Special Business | | | | |
| 3. | Appointment of Shri Kannan K Unni as an Independent Director | Ordinary | | |
| 4. | Remuneration to cost auditor for the financial year 2014-2015 | Ordinary | | |
| 5. | Borrowings power under Section 180(1)(c) of The Companies Act, 2013 | Special | | |
| 6. | Powers to mortgage the assets of the Company under Section 180(1)(a) of The Companies Act, 2013. | Special | | |

Signed this _____ day of _____ 2014

Affix
Re.1/-
Revenue
Stamp

Signature(s).....

- Notes: *
1. This form of proxy in order to be effective, should be duly completed, stamped, signed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Annual General Meeting.
 2. It is optional to put a ✓ in the appropriate box column against the resolution(s) indicated in the box. If you leave the "For" or "Against" column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she think appropriate.
 3. A person can act as proxy on behalf of Members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
 4. 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 NOT BE A MEMBER OF THE COMPANY.





SECY/S.E./L.A./2014-15/025

July 23, 2014

Bombay Stock Exchange Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers, Dalal Street
MUMBAI – 400 001.

SCRIP CODE : 506854

Dear Sir,

Sub: Annual Report for the year 2013-2014 -Form A – Unqualified Report for the year ended 31.3.2014 – Clause 31(a) of the listing agreement requirement – reg. -o0o-

Pursuant to clause 31(a) of the listing agreement, we are sending herewith the six copies of Annual Report for the year 2013-2014 and Notice for Extra Ordinary General Meeting both to be held at our Registered Office at Plot No.14, SIPCOT Industrial Complex, Cuddalore on Wednesday the 13th August, 2014 at 2.45 P.M. and 4.00 P.M. respectively.

As required under 31(a) of the listing agreement, we are furnishing the details under Form A as below :

FORM A

| | | |
|----|--|------------------------------|
| 1. | Name of the Company | TANFAC INDUSTRIES LIMITED |
| 2. | Annual financial statements for the year ended | 31 st March, 2014 |
| 3. | Type of Audit observation | Un-qualified |
| 4. | Frequency of observation | Not applicable |

Thanking you,

Yours faithfully,
For TANFAC INDUSTRIES LIMITED


[N.R. RAVICHANDRAN]
CFO & VICE PRESIDENT [FIN.&COMCL.]
AND COMPLIANCE OFFICER

Encl. : As above

TANFAC INDUSTRIES LIMITED

(Joint Sector Company with TIDCO)

Regd. Office & Factory : 14, SIPCOT Industrial Complex, Cuddalore - 607 005.
Tel : +91 - 4142 - 239001 - 5, Fax : +91 - 4142 - 239008,
Chennai Off : Oxford Centre, 1st Floor, 66, Sir C.P. Ramaswamy Road,
Alwarpet, Chennai - 600 018. INDIA.
Tel : +91 - 044 - 2499 0451 / 0561 / 0464, Fax : +91 - 044 - 2499 3583
Web : www.tanfacs.com



CIN: L24117TN1972PLC006271