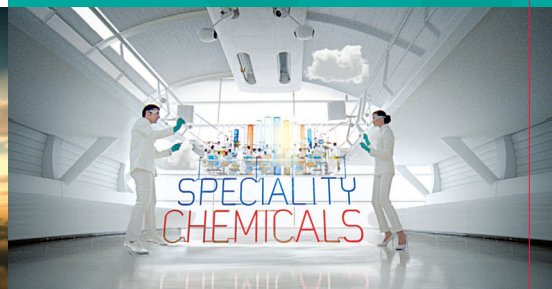


# ANNUAL REPORT

## 2010 - 2011



Leadership through Consolidation

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

## NOTICE OF THE THIRTY SEVENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 37<sup>th</sup> Annual General Meeting of TANFAC INDUSTRIES LIMITED will be held on Saturday the 6<sup>th</sup> August, 2011 at 11.30 a.m. at the Registered Office of the Company at 14, SIPCOT Industrial Complex, Kudikadu, Cuddalore - 607 005.

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2011 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Shri Kannan K Unni, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Pragnya Ram, who retires by rotation and being eligible, offers herself for re-appointment.
5. To consider and if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION:  
  
"RESOLVED that M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai (Registration No. 105146W) be and are hereby appointed Auditors of the Company to hold office from the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and the Board be authorized to fix their remuneration for carrying out Audit besides travelling and other out of pocket expenses, in place of the retiring Auditors viz., M/s. Bhaskaran and Krishnan, Chartered Accountants, Chennai (Firm Regn. No.00426S) and M/s. Singhi & Co., Chartered Accountants, Chennai (Firm Regn. No.302049E) who have expressed their unwillingness to continue".

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

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

Place : Chennai  
Date : 07.7.2011

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

### NOTES :

1. The Register of Members and Share Transfer Books of the Company will remain closed from 01-8-2011 Monday to 06-8-2011 Saturday both days inclusive.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member.
3. **The Form of Proxy shall be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.**
4. An Explanatory Statement as required by Section 173 of the Companies Act, 1956, in respect of item Nos. 3 to 5 is set out in the annexure.
5. All documents relating to share transfer, transmission, change of address, change of bank account details may be sent 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.
6. Members desirous of obtaining any information as regards Accounts and Operations of the Company are requested to write at least one week before the meeting so that the same could be complied in advance.
7. Pursuant to Section 205A of The Companies Act, 1956, all dividends upto the financial year 2002-2003, which remain unclaimed have been transferred to Central Government' Investors Education and Protection Fund Account.
8. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividends for the financial year ended 31<sup>st</sup> March, 2004, 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 2003 - 2004 will be transferred to Central Government on 04.9.2011.
9. Members, who have not encashed their dividend warrants for the financial year ended 31st March, 2004 and thereafter may claim the unclaimed dividend with a request letter directly from the Company's Registered Office at 14, SIPCOT Industrial Complex, Cuddalore - 607005.  
  
The payment of dividend as recommended by the Board of Directors subject to approval by the Members at their Annual General Meeting will be made on or before 23-8-2011 to -  
  
a) All beneficiary owners in respect of shares held in Dematerialised form as per the data as may be made available by NSDL and the CDSL as of the closure of business hours on July 30th 2011 (Saturday).  
  
b) All members in respect of shares held in physical form after giving effect to the valid transfer requests lodged with the company on or before the closure of business hours on July 30th 2011 (Saturday).
10. As on 31.3.2011, 87.09% of the Company's shares have been dematerialized. Members who have not yet dematerialized their shares, may please get their shares dematerialized immediately to eliminate risk associated with physical shares and for erase in portfolio management. Members can contact the company or RTA, for assistance in this regard.
11. The Ministry of Corporate Affairs vide its circular Nos.17/2011 and 18/2011 dated 21.4.2011 and 29.4.2011, respectively, has undertaken a green initiatives in Corporate Governance and allowed companies paperless compliances by stating that the services of document by a company can be made through electronic mode.  
  
Members are requested to support this green initiatives to save our environment by registering their e-mail address to the following designated e-mail ID so that the company can share its documents through electronic mode.  
  
E-mail ID : tanfacgreen@adityabirla.com

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

### **ITEM NO.3**

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

### **ITEM NO.4**

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

### **ITEM NO.5**

Present Statutory Auditors, viz., M/s. Bhaskaran and Krishnan, Chartered Accountants, Chennai (Firm Regn. No.00426S and Membership No. 18702) and M/s. Singhi & Co., Chartered Accountants, Chennai (Firm Regn. No.302049E, Membership No.204936) who are eligible for re-appointing them as Statutory Auditors at the ensuing Annual General Meeting, have expressed their unwillingness to continue as Statutory Auditors and the same was accepted by the Committee/Board through circular resolution dated 07.7.2011.

The Members of the Audit Committee/Board of Directors have recommended and passed resolution by circulation dated 07.7.2011 for appointing M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai (Registration No.105146W) as Statutory Auditors of the Company for the financial year 2011-2012 at a such remuneration as may be decided by the Board for carrying out Audit besides travelling and other out of pocket expenses subject to Members' approval at the ensuing Annual General Meeting.

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

Non of the Directors is interested / concerned in the resolution except as Members of the Company.

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

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

Place : Chennai  
Date : 07.7.2011

**ANNEXURE TO NOTICE****TANFAC INDUSTRIES LIMITED****Details of Directors seeking appointment/reappointment in Annual General Meeting scheduled to be held on 06.8.2011**

Name of Director	SHRI KANNAN K UNNI	DR. PRAGNYA RAM
Date of Birth	15.07.1941	16.10.1945
Date of Appointment	24.04.2007	12.04.2001
Expertise in specific functional areas	Business Executive	Journalism
Qualification	B.Sc (Agri) Dip. In Mktg Mgmt. IMEDE, Loussanne	M.A., Ph.D , PGD (Jour.)
List of outside Directorship held	CHAIRMAN : 1. Bilag Industries Pvt Ltd DIRECTOR: 1. Micro Inks Ltd 2. HIKAL Ltd 3. Stanes Agencies Ltd	-
Chairman/Member of the Committee of the Board of Directors of the Company	Member: 1. Audit Committee	-
Chairman/Member of the Committees of Director of other Companies in which he is a Director -		
a. Audit Committee	Member: 1. Micro Inks Ltd. 2. HIKAL Ltd - Chairman	- -
b. Securities Committee/Investors Grievance Committee	Member: 1. HIKAL Ltd.	- -
c. Remuneration Committee	Member: 1. HIKAL Ltd.	-

## MANAGEMENT DISCUSSION AND ANALYSIS

### MANAGEMENT DISCUSSION AND ANALYSIS

- From the Chairman to the Shareholders

#### PERFORMANCE REVIEW :

(₹ in Crores)

	Financial Year 2010-11	Financial Year 2009-10
Sales	152.43	147.89
Other Income (including operating income)	2.99	2.19
Operating Expenditure	141.78	149.04
Profit before Depreciation, Interest and Taxation (PBDIT)	13.64	1.04
Interest :		
- Working Capital	4.33	6.32
- Term Loan	1.63	0.94
	5.96	7.26
Depreciation	5.37	5.23
Profit before Tax (PBT)	2.31	[11.45]
Tax - Current Tax	-	-
Profit/[Loss] after current tax	2.31	[11.45]
- Deferred Tax/Reversal	-0.68	-1.67
Profit/[Loss] after Tax	2.99	[9.78]

#### OVERVIEW

During the year under review, your Company's Sales Turnover grew marginally by 3 % on account of higher sales realization especially in the second half of the year.

Profit before depreciation, interest and taxation for the current year rose to ₹13.64 Crores compared to ₹ 1.04 Crores in the previous year. Your Company recorded a Net profit of ₹ 2.99 Crores as against a net loss of ₹ 9.78 Crores in the previous year.

Your Company's turn-around was driven by a change in the product mix, higher realisations and strict control over costs, despite lower production due to some technical constraints in the HF Plant as well as the new Organic Plants.

These technical difficulties have now been overcome.

#### SALES VOLUME AND REVENUE:

Sales turnover is up by 3% compared to the previous year mainly due to higher realization. The Sales volume was lower due to technical

issues in the plant which have since been resolved.

Export turnover was at ₹ 33.06 Crores is lower by 16% as compared to ₹ 39.51 Crores in the previous year.

#### PROFIT BEFORE TAX (PBT):

Profit before tax - ₹ 2.31 Crores vis-a-vis the previous year wherein your Company reported a loss of ₹ 11.45 Crores.

#### OTHER INCOME:

Other income including, operating income and export benefit was higher by 37% at ₹ 2.99 Crores as against ₹ 2.19 Crores in the previous year.

#### INTEREST:

Interest charges were brought down at ₹ 5.96 Crores in the current year compared to ₹ 7.26 Crores in the previous year, mainly on account of profits generated, reduction in current assets and strict control over the working capital.



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### DEPRECIATION:

Depreciation stepped up to ₹ 5.37 Crores as compared to ₹ 5.23 Crores in the previous year, given the new projects as well as additions to existing fixed assets.

### INCOME TAX

Deferred Tax Credit stood at ₹ 0.68 Crore. The earlier year's Deferred Tax Credit was ₹ 1.67 Crores.

### RISK MANAGEMENT:

#### OPERATIONAL RISK:

Your Company's most significant exposure relates to the US Dollar since key raw materials viz. Fluorspar and Sulphur are being imported. Additionally your Company carries a direct risk on the C&F price of Fluorspar and Sulphur. Fluorspar import is controlled by the Chinese Government through the levy of export duty. Any variation in export duty affects the C&F price of Fluorspar. China is a major producer of Acid Grade Fluorspar and so it determines the international prices of Fluorspar. Similarly the demand-supply position of sulphur governs the sulphur price. As the prices of these key raw materials are significantly influenced by global economic conditions, which can fluctuate, it could have an impact on your Company's margins and cash flows. The management of these fluctuations is important in terms of our overall cost competitiveness, management of margins and cash flows.

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

#### PRICE REALISATION FOR FINISHED PRODUCTS:

Your Company carries a direct risk on the selling price of its key products like Aluminium Fluoride

(AlF<sub>3</sub>) and HF Acid. This is determined by market forces.

#### FOREIGN EXCHANGE RISK:

Your Company hedges its net foreign exchange risk adequately.

#### CREDIT RISK:

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

#### ATTRITION OF TALENTED PEOPLE

Attracting and retaining talented employees is key to your Company's success. Your Company believes in creating an environment where individuals can achieve their goals, both professionally and personally. Your Company ensures that its employees have the right resources and capabilities to compete effectively. Your Company has made investments in training and development which are aimed at equipping our employees for proactively meeting the challenges in their roles. Through these processes, we retain our talent and overcome the risk posed by the attrition of talented people.

#### RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

The Group Corporate Audit Cell plays a key role in providing the operating management and the Board an objective view and reassurance of the effectiveness of the risk management and related

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

control systems and processes, outcomes and disclosure, including –

- Status of risk management, control and management's response
- Report on business risk and positive assurance on operating controls and corporate policies and a quarterly review of business risk and safeguards
- Deviation, if any, from the standard operating practices and its remedial measure

### **ADEQUATE INTERNAL CONTROLS:**

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

### **OUTLOOK:**

Your Company has turned around in the current year due to the change in its product mix and by concentrating on higher contributing products for the overall improvement in the profitability. The company will continue to focus on increasing volumes of such products by augmenting the market reach and supplying higher volumes to existing customers. Our strategy would be to spread the risk of all products across various geographies so that impact of lower demand from a single geography does not significantly impact the profitability of the Company. We will continue to focus on moving up the value chain in speciality products where we can have a competitive advantage and grow our sales volumes and margins.

Your Company has taken a number of initiatives to reach out to new customers which should help it to sell higher volumes of better contributing products. In doing so, your company will better its performance in 2011-12.

Your Company would like to capitalize on its success during 2010-11. Your Board of Directors is optimistic on the outlook for the financial year 2011-12, which we trust would be better than the current year.

### **EXPORTS:**

Your Company endeavors continuously to increase its export revenue by expanding its customer base in new geographies. We are buoyant on the outlook for exports in the next year.

### **DOMESTIC MARKET:**

The demand for various products of your Company in the domestic market has picked up during the year 2010-11. With the expectation of a good GDP growth in 2011-12, we hope to further increase the demand for our products. Various capacity expansions are underway at our regular customers which will help in bolstering the growth in the domestic markets. Our thrust on improved price realization, market enlargement and new product development, coupled with the focus on operational efficiency and cost effectiveness should ensure sustainable growth in the long term.

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

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

Your Company is Integrated Management System certified. This comprises of ISO 14001-2004 for Environment Management System Standards, Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 for Safety and ISO 9001 – 2008 for Quality Management by Det Norske VERITAS (DNV) India.

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

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

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

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

A few independent Directors have made several visits to the factory and examined the safety measures in portion and have given detailed suggestions for improvements in addition to the suggestion given in the safety audit report of the internal audit group. Most of their recommendations have been implemented and others are under way.

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

### MANAGEMENT POLICY

We, at Tanfac Industries Limited, are committed to continual improvement of the processes of Management System effecting Quality, Cost, and Delivery along with Environmental Impacts to prevent pollution and to comply with requirements of customers, 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 QMS and 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 Systems.
- Elimination of waste and conservation of resources like Raw Materials, Energy and Water.
- Involvement of people to achieve a better Work Environment and Culture.
- To provide value for money to our customers by continuous up-gradation of technology and enhanced productivity by Bench Marking.
- 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.

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

### CAUTIONARY STATEMENT:

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

## **REPORT ON CORPORATE GOVERNANCE**

**(Pursuant to Clause 49 of the Listing Agreement)**

### **CORPORATE GOVERNANCE :**

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

TANFAC Industries Limited, a Joint Venture of the Aditya Birla Group with Tamilnadu Industrial Development Corporation Limited (TIDCO), has taken appropriate steps to comply with the corporate governance code compliance, keeping in view the interest of all stakeholders. The Corporate Governance system helps transparency in Board processes and independence in the functioning of the Board and provides effective leadership to the Company and management for achieving sustained prosperity for all stakeholders. It also helps foster independent judgement for achieving Company's objectives, fairness to all stakeholders, social, regulatory and environment concern.

Adoption of good corporate governance practices, builds confidence among stakeholders as well as prospective stakeholders. It also serves to enhance the individual Company's performance as well as improves its ability to easily access capital markets.

Your Company conducts its affairs with its stakeholders, government and society at large in a transparent manner. It endorses full disclosure of material facts, independence of the Board and fair play with all stakeholders. Your Company endeavours constantly to comply with and to continuously improve on these aspects, to earn the trust and respect of the Members, lenders and all other stakeholders.

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

### **MANDATORY REQUIREMENTS :**

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

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

- Appropriate composition and size of the Board, with each Director bringing in key expertise in different areas.
- Proactive flow of information to the members of the Board and Board committees to enable effective discharge of their fiduciary duties.
- Ethical business conduct by the management and employees.
- Full fledged systems and processes for internal controls on all operations, risk management and financial reporting.
- Timely and accurate disclosure of all material operational and financial information to the stakeholders.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

- The Securities and Exchange Board of India (SEBI) through clause 49 of the listing agreement with the stock exchanges regulates corporate governance for listed companies.

### I. BOARD OF DIRECTORS

#### Composition of the Board

TANFAC's Board consists of Twelve Non-Executive Directors. Out of this, six Directors are 'Independent' i.e. they do not have any business relationship with the Company.

Board/Committee position as on 31.03.2011 :

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	7	-	-	-
Selvi Apoorva, IAS	Non Executive	5	-	-	-
Shri V.T. Moorthy	Independent	1	-	-	-
Shri Lalit Naik <sup>1</sup>	Non-Executive	1	-	-	-
Shri R. Karthikeyan	Non-Executive	9	-	-	-
Shri B. Elangovan	Non-Executive	7	-	-	-
Dr. Pragnya Ram	Non-Executive	-	-	-	-
Shri A.M. Swaminathan IAS (Retd.)	Independent	-	-	-	-
Shri M.R. Sivaraman, IAS (Retd.)	Independent	1	-	1	1
Shri Kannan K Unni	Independent	3	-	1	-
Dr. Shankar Narasimhan	Independent	-	-	-	-
Shri T.S. Raghavan	Independent	8	1	-	-

<sup>1</sup> Manager and Director / Employee of other group companies

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

#### Details of Board Meetings and Attendance

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

## REPORT ON CORPORATE GOVERNANCE (Contd.)

Date of Board Meeting	Place	No. of Directors present
14 <sup>th</sup> May, 2010	CHENNAI	10 OUT OF 12
2 <sup>nd</sup> August, 2010	CUDDALORE	7 OUT OF 12
10 <sup>th</sup> November, 2010	CHENNAI	8 OUT OF 12
9 <sup>th</sup> February, 2011	CHENNAI	10 OUT OF 12

### Details of Remuneration to Board of Directors

Name of Director	Relationship with other Directors	Business relationship with the Company if any	Remuneration paid during 2010-2011 (All figures in ₹)			
			Sitting fees @	Salary and Perks	Commis-sion	Total
Shri A.K. Agarwala	Non-Executive	NIL	20000	-	-	20000
Selvi Apoorva, IAS	Non-Executive	NIL	20000	-	-	20000
Shri V.T. Moorthy	Independent	NIL	180000	-	-	180000
Shri Lalit Naik <sup>1</sup>	Non-Executive	NIL	-	-	-	-
Shri R. Karthikeyan	Non-Executive	NIL	120000	-	-	120000
Shri B. Elangovan	Non-Executive	NIL	60000	-	-	60000
Dr. Pragnya Ram	Non-Executive	NIL	20000	-	-	20000
Shri A.M. Swaminathan, IAS (Retd.)	Independent	NIL	150000	-	-	150000
Shri M.R. Sivaraman, IAS (Retd)	Independent	NIL	200000	-	-	200000
Shri Kannan K Unni	Independent	NIL	160000	-	-	160000
Dr. Shankar Narasimhan	Independent	NIL	160000	-	-	160000
Shri T.S. Raghavan	Independent	NIL	80000	-	-	80000

<sup>1</sup> Manager and Director / Employee of other group companies

### CODE OF BUSINESS CONDUCT

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

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

The Board and the senior management affirm their 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.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

### 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.

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

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

1. Provide oversight of the company's financial reporting process and the disclosure of its financial information
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the quarterly/annual financial statements before submission to the Board for approval
5. Reviewing, with the management, performance of the statutory and internal auditors, and adequacy of the internal control systems.
6. Reviewing the adequacy of internal audit function and to discuss with internal auditors any significant findings and follow up.
7. To look into the reasons for substantial defaults in the payment to the shareholders (in case of non payment of declared dividends) and creditors.
8. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

### INTERNAL AUDIT FUNCTION

The Committee reviewed the Group Corporate Audit department's audit plan for the year and approved its budget and resource requirements. The Committee carried out a formal evaluation of the performance of the internal audit function. A Limited Review of report by the Statutory Auditors for all quarters excluding the 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 consists of seven Non-Executive Directors out of which five Directors are Independent.

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

Name of Member	No. of Meetings	
	Held	Attended
Shri A.M. Swaminathan, IAS (Retd.)*	4	4
Shri Lalit Naik	4	3
Shri V.T. Moorthy@	4	3
Shri R. Karthikeyan	4	2
Shri M.R. Sivaraman, IAS (Retd.)	4	4
Shri Kannan K Unni	4	4
Dr. Shankar Narasimhan	4	4

\* Chairman of the Committee

@ Appointed as Member at the Audit Committee Meeting held on 02.8.2010

### 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 : –

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

The Composition of the committee is as follows :

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



## REPORT ON CORPORATE GOVERNANCE (Contd.)

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

Name of Member	No. of Meetings	
	Held	Attended
Shri A.M. Swaminathan, IAS [Retd.]*	4	3
Shri Lalit Naik	4	3
Shri R. Karthikeyan	4	2
Shri V.T. Moorthy	4	4
Shri M.R. Sivaraman, IAS (Retd.)	4	4

\*Chairman of the Committee

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

During the year, no Shareholder' complaints were received.

### ISIN :

International securities identification number (ISIN) is a unique identification number of traded scrips. 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**.

### Persons holding over 1% of the shares as on 31.3.2011:

SL.NO.	NAME	NO. OF SHARES HELD	% TO SHARES
1.	FOUR DIMENSIONS CAPITAL MARKETS PVT LTD	385023	3.86
2.	AJIT SINGH CHAWLA	302643	3.03
3.	KAMAL MAVJI VISARIA	213869	2.15
4.	AJIT SINGH JAGJIT SINGH CHAWLA	100000	1.00
	TOTAL	1001535	10.04

### RECONCILIATION OF SHARE CAPITAL AUDIT :

For each quarter of the financial year 2010-2011, Shri V. Raamanaathan, 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.14(B) of Schedule 21 of the Accounts in the Annual Report.

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

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

## REPORT ON CORPORATE GOVERNANCE (Contd.)

- ❖ 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 new directors:  
No new directors have been appointed during the period 2010-11. However, the details as required for Directors who are retiring by rotation and offer themselves for reappointment at the ensuing Annual General Meeting, has been furnished as an annexure to this Annual Report.
- ❖ Details of non-compliance, penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

- None -

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

The Company has not issued any convertible debentures. However, the shares held by Non Executive Director as on 31.3.2011 is as under :

Shri A.K. Agarwala – 1150 shares

#### ❖ Means of communication

Half year report sent to each household of Shareholders	....	NO
Quarterly results – Which newspapers normally published in	....	BUSINESS LINE/ 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, www.bseindia.com, where your Company shares are listed and  National Stock Exchange website : www.nseindia.com, where your company's shares are permitted to trade through internal arrangement by the Regional Stock Exchange viz. Madras Stock Exchange Limited besides your Company's website 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

## REPORT ON CORPORATE GOVERNANCE (Contd.)

### ANNUAL GENERAL MEETING (AGM) :

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

YEAR	LOCATION	DATE	TIME
2010-11	Regd. Office: CUDDALORE	06-8-2011	11.30 A.M.

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

YEAR	TYPE	LOCATION	DATE	TIME
2009-10	AGM	Regd. Office: CUDDALORE	02.8.2010	3.00 P.M.
2008-09	AGM	Regd. Office: CUDDALORE	24.8.2009	2.00 P.M.
2007-08	AGM	Regd. Office: CUDDALORE	18.7.2008	3.00 P.M.

#### Directors attendance details for last Annual General Meeting dated 02.8.2010 :

1. Shri B. Elangovan
2. Shri Lalit Naik
3. Shri V.T. Moorthy
4. Shri M.R. Sivaraman
5. Shri Kannan K Unni
6. Shri T.S. Raghavan
7. Dr. Shankar Narasimhan

#### Postal Ballot

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

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

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

### V. SHAREHOLDER INFORMATION :

AGM – DATE, TIME AND VENUE	06-8-2011 (Saturday) at 11.30 A.M. at the Registered Office at - 14 SIPCOT Industrial Complex, CUDDALORE – 607 005, TAMIL NADU.
FINANCIAL CALENDAR – 2011-2012: (TENTATIVE) First Quarter Results Second Quarter Results Third Quarter Results Results for the year ending March 2012 Annual General Meeting for the year ending 31 <sup>st</sup> March 2012.	End - On or before 14 <sup>th</sup> August, 2011 End – On or before 14 <sup>th</sup> November 2011 End – On or before 14 <sup>th</sup> February, 2012 April/May 2012  Before September, 2012
DATE OF BOOK CLOSURE	01-8-2011 (Monday) to 06-8-2011 (Saturday)
DIVIDEND PAYMENT DATE	On or before 23-8-2011

## REPORT ON CORPORATE GOVERNANCE (Contd.)

REGISTERED OFFICE	14, SIPCOT INDUSTRIAL COMPLEX CUDDALORE – 607 005 E-mail: mohan.srinivasan@adityabirla.com Website: www.tanfac.com
LISTING DETAILS : EQUITY SHARES :	MADRAS STOCK EXCHANGE LTD. Exchange Building, 11 Second Line Beach CHENNAI – 600 001.  Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street MUMBAI – 400 023.  THE CALCUTTA STOCK EXCHANGE ASSOCIATION LIMITED 7 Lyons Range, KOLKATTA – 700 001.
STOCK CODE : MADRAS STOCK EXCHANGE LTD BOMBAY STOCK EXCHANGE LTD THE CALCUTTA STOCK EXCHANGE ASSN LTD.	506854

Listing fees for the year 2011-2012 have been paid to Chennai and Mumbai Stock Exchanges. Details as per SEBI guidelines for voluntary delisting of Equity Shares with The Calcutta Stock Exchanges Association Limited were furnished during November, 2004 and their reply is awaited.

The Company has also made the payment of Annual Custody Fees to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the financial year 2011-2012.

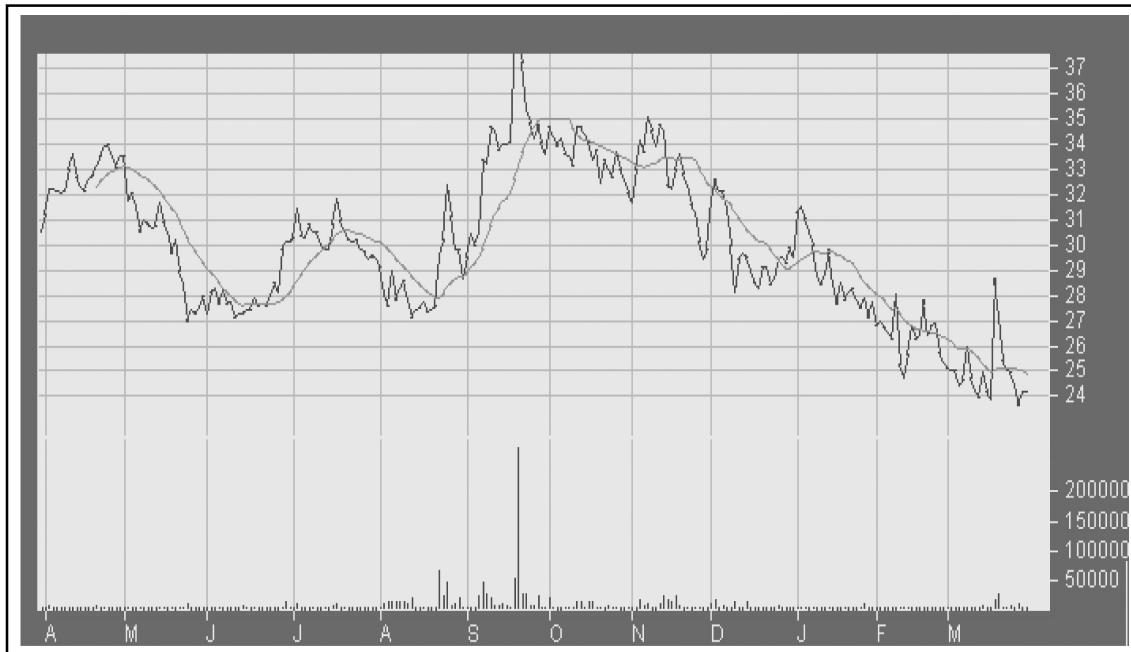
### VI. STOCK PRICE DATA (HIGH/LOW DURING EACH MONTH IN LAST FINANCIAL YEAR):

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 ' 10	34.55	30.60	38.50	29.95
MAY ' 10	34.80	26.50	37.80	26.05
JUNE ' 10	33.00	27.00	33.60	26.35
JULY ' 10	32.50	28.60	33.40	27.00
AUGUST '10	34.60	26.80	36.00	26.55
SEPTEMBER '10	41.95	29.20	42.00	27.70
OCTOBER '10	36.00	31.70	38.80	27.50
NOVEMBER '10	38.00	28.60	36.70	29.15
DECEMBER '10	34.50	27.90	33.70	25.15
JANUARY '11	32.00	26.10	32.80	26.25
FEBRUARY '11	28.15	24.05	31.00	24.00
MARCH '11	31.80	23.00	32.50	22.00

\* Share price quoted under permitted to trade wef 2.3.2010 through internal arrangement by the Regional Stock Exchange, viz., Madras Stock Exchange Limited.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

## BSE-SHARE PRICE MOVEMENTS - APRIL 2010 TO MARCH 2011



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

.... PHYSICAL  
and  
DEMAT

Investors Services Department  
INTEGRATED ENTERPRISES (INDIA) LTD  
KENCES TOWERS, SECOND FLOOR  
NO.1 RAMAKRISHNA STREET  
OFF. NORTH USMAN ROAD, T.NAGAR  
CHENNAI – 600 017.  
TEL: (044)28140801 TO 8  
FAX: (044) 28142479/28143378  
Email Id: corpserve@iepindia.com

## Share Transfer System

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

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

Over 53% of transfers of shares carried during the year were completed within 15 days from the date of receipt. During the year, half yearly certificate(s) confirming due compliance of the share transfer formalities by the Company pursuant to clause 47<sup>o</sup> of the listing agreement was obtained from a Qualified Practicing Company Secretary, Mr. V. Raamanaathan and the same was also submitted to the Stock Exchanges where the Company shares are listed within the stipulated time.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

Transfer period in days	2010-11			2009-10		
	No. of Certificates	No. of shares	% to shares	No. of Certificates	No. of shares	% to shares
1-10	68	3280	40.72	35	1725	27.71
11-15	20	975	12.11	45	2250	36.14
16-20	18	875	10.86	11	550	8.83
21-30	59	2925	36.31	35	1701	27.32
31 AND ABOVE	-	-	-	-	-	-
<b>TOTAL</b>	<b>165</b>	<b>8055</b>	<b>100.00</b>	<b>126</b>	<b>6226</b>	<b>100.00</b>

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

2011				2010				
No. OF EQUITY SHARES HELD	No. OF FOLIOS	%	No. OF SHARES	%	No. OF FOLIOS	%	No. OF SHARES	%
Up to 500	16988	94.87	1703872	17.08	17446	94.99	1749178	17.54
501 - 1000	521	2.91	430446	4.32	530	2.89	439603	4.41
1001 - 2000	199	1.11	304702	3.05	205	1.12	314193	3.15
2001 - 3000	71	0.40	178719	1.79	66	0.36	165836	1.66
3001 - 4000	30	0.17	105110	1.05	24	0.13	85921	0.86
4001 - 5000	20	0.11	93408	0.94	20	0.11	94152	0.94
5001 - 10000	71	0.40	1173556	11.77	70	0.38	1058918	10.62
Above 100001	6	0.03	5985187	60.00	6	0.03	6067199	60.82
<b>TOTAL</b>	<b>17906</b>	<b>100.00</b>	<b>9975000</b>	<b>100.00</b>	<b>18367</b>	<b>100.00</b>	<b>9975000</b>	<b>100.00</b>
No. of Share-holders in Physical mode	9618	53.71	1287469	12.91	9972	54.29	1319494	13.23
No. of Share-holders in elec-tronic mode	8288	46.29	8687531	87.09	8395	45.71	8655506	86.77
<b>TOTAL</b>	<b>17906</b>	<b>100.00</b>	<b>9975000</b>	<b>100.00</b>	<b>18367</b>	<b>100.00</b>	<b>9975000</b>	<b>100.00</b>

## REPORT ON CORPORATE GOVERNANCE (Contd.)

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

CATEGORY	2011		2010	
	No.of shares held	% age of share-holding	No.of shares held	% age of share-holding
PROMOTERS/PROMOTERS GROUP	5084802	50.98	5084802	50.98
UTI AND MUTUAL FUNDS	8200	0.08	8200	0.08
BANKS, FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES	1000	0.01	1000	0.01
FOREIGN INSTITUTIONAL INVESTORS	650	0.01	650	0.01
GDRs	NIL	NIL	NIL	NIL
NRIs/OCBs	26388	0.26	33005	0.33
CORPORATES	766530	7.68	782094	7.84
CLEARING MEMBER	26392	0.27	21881	0.22
RESIDENT INDIVIDUALS	4061038	40.71	4043368	40.53
TOTAL	9975000	100.00	9975000	100.00

**Dematerialisation of shares and liquidity:**

As on 31<sup>st</sup> March, 2011, 8687531 shares were converted from the physical to electronic form.

Over 87.09% of outstanding equity shares has been dematerialised up to 31<sup>st</sup> March, 2011.

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 an account with Depository Participants of either of the Depositories by quoting the Company's **ISIN No.INE639B01015**.

Details of use of public funds obtained in the last three years	No funds have been raised from the public in the last three years.
Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion dates and likely impact on equity	Not issued
Plant location	14 SIPCOT INDUSTRIAL COMPLEX, CUDDALORE – 607 005, TAMILNADU

## REPORT ON CORPORATE GOVERNANCE (Contd.)

Address for correspondence	<p>Shareholders correspondence should be addressed to :</p> <p>INTEGRATED ENTERPRISES (INDIA) LTD "KENCES TOWERS", IIND FLOOR NO.1 RAMAKRISHNA STREET NORTH USMAN ROAD, T.NAGAR CHENNAI – 600 017. TEL: (044)28140801 TO 3 FAX: (044) 28142479/28143378 Email Id: corpserve@iepindia.com</p> <p>Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.</p> <p>Investors' Grievance with respect to non receipt of dividend may please be addressed to our Secretarial Department at our Registered Office at 14, SIPCOT Industrial Complex, Cuddalore – 607 005, Tamilnadu, quoting their Email Id, if any.</p>
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### 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 perform his duty at their office. Hence no separate Chairman's office is maintained at your Company. Regarding the tenure of Independent Directors, your Company has not fixed the tenure (nine years) of the Independent Directors on the Board. The details are as follows :

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

#### Remuneration Committee:

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

#### Shareholders' Rights :

The Company's quarterly and half yearly results are published in an English and vernacular newspaper (Indian Express and Makkal Kural respectively). Results are also uploaded on the Company's website [www.tanfac.com](http://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 and Madras Stock Exchange Limited. Announced results are uploaded by Bombay Stock Limited in their website [www.bseindia.com](http://www.bseindia.com) and also by National Stock Exchange of India Limited (NSE) (Permitted to trade your Company's Shares), on their website [www.nseindia.com](http://www.nseindia.com). These are made available to the investor public. Therefore, no individual communications with respect to quarterly/half yearly financial performance is sent to the Shareholders. However, based on requests from the Shareholders, if any, the Company would provide the same to them individually.

#### **Audit Qualification:**

There are no qualifications in the Auditors' Report on the accounts for the year 2010-2011.

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

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

#### **Whistle Blower Policy**

The Company has not adopted any formal whistle blower mechanism.

#### **COMPANY SECRETARY'S RESPONSIBILITY STATEMENT**

I, D.M. THIYAGESH, Company Secretary of TANFAC INDUSTRIES LIMITED hereby confirm that the Company has –

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

Place: Chennai  
Date : 21.5.2011

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

## **CERTIFICATE ON CORPORATE GOVERNANCE**

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

## **CERTIFICATE ON CORPORATE GOVERNANCE**

### **To the Members of TANFAC INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by TANFAC INDUSTRIES LIMITED, for the year ended March 31, 2011, as stipulated in Clause 49 of the listing agreements of the said Company with Stock Exchange in India.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreements.

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

For and on behalf of  
M/s. Bhaskaran & Krishnan  
Chartered Accountants

Chennai  
21.05.2011

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

**I. DISCLOSURE UNDER CLAUSE 32 :**

Sr. No.	Disclosure of loans/advances/ investments outstanding during the year	As at 31 <sup>st</sup> March, 2011 (₹)	Maximum amount during the year (₹)
1.	Loans and advances in the nature of loans to subsidiary	Not Applicable	Not Applicable
2.	Loans and advances in the nature of loans to associate	Not Applicable	Not Applicable
3.	Loans and advances in the nature of loans where there is –		
	a. No repayment schedule or repayment beyond seven years of The Companies Act, 1956.	NIL	NIL
	b. No interest or interest below Section 372A of The Companies Act, 1956	NIL	NIL
4.	Loans and advances in the nature of loans to firms/companies in which Directors are interest	NIL	NIL

**INSIDER TRADING REGULATIONS :**

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

**DECLARATION**

The Board of Directors of the Company has renewed the “TANFAC INDUSTRIES LIMITED CODE OF CONDUCT” for the Senior Management of the Company including all functional heads and the “Code of Conduct for Non-Executive Directors” for the year 2010-2011.

Place: Chennai

Date : 21.5.2011

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 37<sup>th</sup> Annual Report along with the Audited Accounts of your Company for the financial year ended 31<sup>st</sup> March 2011 for your review

### FINANCIAL RESULTS

Details	[₹ in Crores]	
	Year ended 31st March 2011	Year ended 31st March 2010
Turnover	<u>152.43</u>	<u>147.90</u>
<b>Gross Profit/ [Loss] after Interest but before Depreciation and Taxation</b>	<b>7.68</b>	[6.22]
<b>Less: Depreciation</b>	<b>5.37</b>	5.23
<b>Profit/[Loss] After Depreciation</b>	<u><b>2.31</b></u>	<u>[11.45]</u>
Less: Provision for Taxation – Current Tax	-	-
<b>Net Profit / [Loss]</b>	<u><b>2.31</b></u>	<u>[11.45]</u>
<b>Less: Deferred Tax</b>	<u><b>[0.68]</b></u>	<u>[1.67]</u>
<b>Net profit/ [Loss] after tax</b>	<b>2.99</b>	[9.78]
Add: Balance brought forward	<b>(8.11)</b>	1.67
Profit available for appropriation	<b>(5.13)</b>	[8.11]
Transferred from General reserve	<b>0.58</b>	-
Proposed dividend - (Current year Re.0.50 per Equity Shares - Previous year: ₹ NIL)	<b>0.50</b>	-
Dividend Tax on Equity Shares	<b>0.08</b>	-
Balance Carried forward to Balance Sheet	<u><b>(5.13)</b></u>	<u>[8.11]</u>

### OPERATIONS AND OVERALL PERFORMANCE:

During the year under review Sales Turnover rose by 3%, led by higher sales realization.

Profit before depreciation, interest and taxation at ₹ 13.64 Crores Compared to ₹ 1.04 Crores in the previous year is indeed commendable. The Company recorded a Net profit of ₹ 2.99 Crores as against a net loss of ₹ 9.78 Crores in the previous year.

The Company increased sales volume of Hydrofluoric Acid and reduced the volume of Aluminium Fluoride which has helped to improve profitability.

Export turnover was lower by 16% at ₹ 33.06 Crores as compared to ₹ 39.51 Crores in the previous year, mainly due to reduction in Aluminium Fluoride exports and lower realization from such sales.

### DIVIDEND:

Your Directors recommend a dividend [tax free] of ₹ 0.50 per Equity Shares i.e. 5% on Equity Shares. The outgo on account of the dividend will be ₹ 0.50 Crore. The dividend distribution tax to be borne by the Company will be ₹ 0.08 Crore. The total outgo works out to ₹ 0.58 Crore.

### FUTURE OUTLOOK:

Your company focus is on increasing volumes of higher contributing products by increasing the market reach supplying higher volumes to existing customers, spreading the risk of all products across various geographies and moving up the value chain in speciality products.

Initiatives to reach out to new customers with better contributing products are gaining momentum. This would help improve the company's performance in 2011-12. We are optimistic on the outlook for the financial year 2011-12 which we trust would be better than the current year.

### 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.

## DIRECTORS' REPORT (Contd.)

### HF ACID:

Your Company is a dominant player in Hydrofluoric Acid [HF] market and will continue to maintain, its leadership position by increasing volumes in future.

### RESEARCH AND DEVELOPMENT:

Your company's R&D initiatives endeavour to improve the process of specialty organic chemicals to be competitive in market. Your company is also examining commercialization of alternate products to effectively utilize the existing facility. To this end, your company is working in close coordination with Aditya Birla Science & Technology Company Limited recognized by Department of Scientific and Industrial Research to take advantage of the state of the art technological facility available with them, more particularly, in areas of modelling and simulations.

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

Your Company is committed to following Safety, Health and Environmental Management System, details of which are provided in the management discussion and analysis.

### DIRECTORS:

#### RETIREMENT BY ROTATION:

Shri Kannan K Unni and Dr. Pragnya Ram, retire by rotation and being eligible, offer themselves for re-appointment.

#### CORPORATE GOVERNANCE:

Your Company is strongly committed to good Corporate Governance practices. A Committee of Directors has been constituted to assist the Board in good Corporate Governance. The Corporate Governance Report along with the Auditors certificate relating to compliance of Corporate Governance practices as stipulated in Clause 49 of the Listing Agreement of the Stock Exchange, is attached.

### AUDITORS & AUDITORS' REPORT:

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

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

### COST AUDITOR:

Pursuant to the directions of the Central Government under the provisions of Section 233B of The Companies Act, 1956, in respect of the audit of cost records of the Company for our Sulphuric Acid product, Shri V. Gopalakrishnan, Cost Accountant, has been appointed as Cost Auditor for the financial year ended 31.3.2011. The Company has submitted the cost audit report for the financial year 2009-2010 to the Central Government in time.

### PARTICULARS OF EMPLOYEES:

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

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

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

### INDUSTRIAL RELATIONS:

Employee relations continued to be cordial throughout the year. The whole-hearted support of employees in the implementation of WCM, ISO-9002 systems and ISO 14001 amply

## DIRECTORS' REPORT (Contd.)

demonstrate team work and a sense of belongingness with the organization and solidarity with your Management.

### **PUBLIC DEPOSIT:**

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

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

Your Company's CSR initiatives are an integral part of overall business policy and aligned with its business goals. Your Company encourages employees volunteerism for social development.

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

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

- ❖ Health - including Family Welfare and Total Health (Disease) Management
- ❖ Child/Women Empowerment Projects
- ❖ Need Assessment
- ❖ Identification of funding sources and opportunities
- ❖ Link up with Government agencies, NGO's and other potential partners

### **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 Board is pleased to inform you that the Government of India has bestowed the Padma Bhushan Award on Smt. Rajashree Birla for her exemplary contribution in the area of "Social Work" who is the Group Chairperson, Aditya Birla Center for Community Initiatives and Rural Development. This award was presented to her by the President of India at Rashtrapati Bhavan, New Delhi.

The All India Management Association (AIMA) Managing India Award 2011 for 'Corporate Citizen of the Year', was conferred up on Smt. Birla by Shri P. Chidambaram, India's Union Minister for Home Affairs.

### **HUMAN RESOURCES DEVELOPMENT:**

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

### **ACKNOWLEDGEMENT:**

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

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

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

For and on behalf of the Board

CHAIRMAN

Chennai  
21.05.2011

## ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2011.

**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 is as indicated :-

**A. Power and Fuel Consumption**

1	ELECTRICITY	FINANCIAL YEAR ENDED	
		March 31, 2011	March 31, 2010
	(a) Purchased Unit (KWH)	2747180	2466720
	Total Amount (₹)	11231319	10506358
	Rate/Unit (₹)	4.09	4.26
	(b) Own Generation		
	(i) Captive Power Plant 2.23 mw – Unit (kwh)	13688800	14946680
	(ii) Through Diesel Generator-2650 KVA - Unit (KWH)	3203333	5087185
	Unit per litre of Diesel/Furnace Oil	3.62	2.87
	Cost of Diesel/HFO per KWH (₹)	7.75	9.71
2	Coal (for process steam)		
	Quantity (Tonnes)	8924.783	8224.402
	Total Cost (₹)	36661523.46	33153808.94
	Average Rate (₹)	4107.83	4031.15
3	Furnace Oil/L.D.O.		
	Quantity (MT)	3672.700	4333.280
	Total Amount (₹)	95981772.55	97360256
	Average Rate (₹)	26133.85	22468.03
4	Others/Internal Generation		
	Quantity	-	-
	Total Cost	-	-
	Rate per Unit	-	-

**B. Consumption per unit of Production**

(a)	Aluminium Fluoride		
	Electricity (KWH)	233	195
	Furnace Oil/LDO/LSHS (K. Ltrs.)	0.047	0.025
	Others		
(b)	Hydrofluoric Acid		
	Electricity (KWH)	681	680
	Furnace Oil/LDO/LSHS (K.Ltrs)	0.232	0.223
	Others	-	-
(c)	Sulphuric Acid and Oleum		
	Electricity (KWH)	75	76
	Furnace Oil/LDO (K. Ltrs.)	-	-
	Others	-	-

## ANNEXURE TO DIRECTORS' REPORT (Contd.)

### RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION

- Your Company is continuously implementing various schemes to reduce consumption norms and energy conservation. To this end efficient energy saving compressors were installed.
- Your Company continues to work towards process improvement in specialty organic chemicals to reduce product cost and to be competitive.
- Your company's R&D engagement is geared to develop new products which would fit into the multipurpose facility.
- Your company continues to develop methodologies, implements WCM systems and invests to improve safety, Health and Environment of its people and its surroundings

#### Technology Absorption, Adaptation and Innovation

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

### C. FOREIGN EXCHANGE EARNING AND OUTGO :

(₹ in Lacs)

Details	2010-11	2009-10
Exports	3305.66	3951.43
Forex Earned	3305.66	3951.43
Forex used	4248.38	6391.51

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

Your Directors would like to inform members that the audited accounts containing the financial statements for the financial year 2010 - 2011 are in full conformity with the requirement of the Act. They believe that the financial statements reflect fairly the form and substance of transactions carried out during the year and reasonably present the Company's financial conditions and results of operations.

Your Directors further confirm that:

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

Details of technology imported during the past five years:

Year	Technology imported	Status
	- NIL -	



## AUDITORS' REPORT

We have audited the attached Balance Sheet of TANFAC INDUSTRIES LIMITED as at 31st March, 2011 and the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion, the Company has kept proper books of accounts as required by law so far as appears from our examination of those books.

For BHASKARAN & KRISHNAN  
Chartered Accountants  
Firm Regn. No. 00426S

(B.GOPALAKRISHNAN)  
Partner  
Membership No.18702

Chennai,  
Dated : 21<sup>st</sup> May, 2011.

3. The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by the report are in agreement with the books of account.
4. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of The Companies Act, 1956.
5. On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2011 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31<sup>st</sup> March, 2011 from being appointed as a Director in terms of Clause [g] of subsection (1) of Section 274 of The Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the "NOTES" thereon, give the information required by The Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the Accounting principles generally accepted in India :
  - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2011.
  - ii) In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date, and
  - iii) In the case of Cash Flow Statement of the Cash Flows of the Company for the year ended on that date.

For SINGHI & CO.,  
Chartered Accountants  
Firm Regn. No. 302049E

(SUDESH CHORARIA)  
Partner  
Membership No. 204936

## ANNEXURE TO AUDITORS' REPORT

[Referred to in our Report of even date on the Accounts of TANFAC INDUSTRIES LIMITED as at and for the year ended 31<sup>st</sup> March, 2011]

- i) a) The Company has maintained proper records to show full particulars including quantitative details and situation of its Fixed Assets.
- b) The Fixed Assets of the Company have been physically verified by the management, wherever possible, at the close of the year as confirmed by the management. No material discrepancy has come to notice on such physical verification.
- c) The Company has not disposed off any substantial part of fixed assets during the year.
- ii) a) The management has conducted physical verification of inventories at all its locations at reasonable intervals during the year;
- b) The procedures of physical verification of stock followed by the Management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business.
- c) The Company is maintaining proper records of inventory. As far as we can ascertain and according to the information and the explanations given to us, the discrepancies noticed between the physical stocks and book stocks were not material and the same have been properly dealt with in the books of account.
- iii) a) As per the information and explanations provided to us, the Company has not granted any secured or unsecured loans to Companies, firms or other parties listed in the register maintained under Section 301 of The Companies Act, 1956.
- b) As per the information and explanations provided to us, the Company has not taken any secured or unsecured loans from companies, firms or other parties listed in the Register maintained under Section 301 of The Companies Act, 1956.
- iv) On the basis of checks carried out during the course of audit and as per explanations given to us, in our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of Inventory and Fixed Assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls in these respects.
- v) a) As per the information and explanations given to us, no transactions have been undertaken during the year in pursuance of contracts or arrangements that need to be entered into the register maintained under Section 301 of The Companies Act, 1956.
- b) As per the information and explanations given to us, there are no transactions of purchase and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of The Companies Act, 1956.
- vi) The Company has not accepted any deposits from the public during the year, to which the provisions of Section 58-A, 58-AA or any other relevant provisions of The Companies Act, 1956 and the rules framed there under apply;
- vii) In our opinion, the company has an Internal Audit System, which is commensurate with the size and nature of its business;
- viii) The company has maintained proper Cost records as prescribed by the Central Government under Section 209 (1)(d) of the Companies Act 1956 for the manufacture of Sulphuric Acid, but no detailed examination of such records have been carried out by us.
- ix) a) The Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Customs Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities;
- b) According to the information and explanations given to us and the books and records examined by us, there was no undisputed amount outstanding as on 31<sup>st</sup> March, 2011 in respect of Provident

## ANNEXURE TO AUDITORS' REPORT (Contd.)

Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Value Added Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues for a period of more than six months from the date they became payable;

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

Name of the Statute	Nature of the Dues	Disputed Amount (₹ in Lacs)	Period to which the amount relates	Forum where dispute is pending
TNGST Act 1959	a) Classification of scrap sales	1.68	2002-03	Appellate Asst. Commissioner
	b) Additional Sales Tax	25.32	2002-03	Appellate Asst. Commissioner
		<u>27.00</u>		
Customs Act, 1961	Duty on fluorspar shipment Storage	10.79	1998-99	Customs Officer
Central Excise Act 1944	a) Interest Accrued to be added	0.27	2001-02	SB, CEGAT, Chennai
	b) Sale of Scrap	0.74	2003-04	SB, CEGAT, Chennai
	c) Cenvat credit disallowed on steels/pipes	31.02	2003-04 to 2004-05	Additional/Joint Commissioner, Pondicherry
		<u>32.03</u>		
Service Tax Act.1994	a) Service Tax on Lease Rent	12.30	2001-02 to 2004-05	The Commissioner/ Asst. Commissioner, Cuddalore
	b) Service tax on consulting Engineers/Management Consultancy	0.26	2002-03 to 2003-04	CESTAT, Chennai
	c) Service tax on GTA	20.39	2006-07 to 2007-08	The Commissioner, Pondicherry
	d) Service Tax on tangible assets	1.13	2008-09	CESTAT, Chennai
		<u>34.08</u>		

## ANNEXURE TO AUDITORS' REPORT (Contd.)

Name of the Statute	Nature of the Dues	Disputed Amount (₹ in Lacs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act. 1961	a) Replacement of equipment claimed as revenue expenditure, reclassified by Dept. as capital expenditure (tax demanded)	85.39	2003-04	Income Tax Appellate Tribunal
	b) Disallowance of various expenses	61.04	2006-07	The Commissioner of Income Tax (appeals), Chennai
	c) Disallowance of various expenses	71.32	2007-08	The Commissioner of Income Tax (appeals), Chennai
	d) Disallowance of various expenses	75.29	2008-09	The Commissioner of Income Tax (Appeals), Chennai.
		<hr/> 293.04		

- x) The Company has accumulated losses of ₹ 512.57 Lacs and has not incurred cash loss in the current financial year but has incurred cash loss of ₹ 621.98 lacs in the immediately preceding financial year.
- xi) Based on our audit procedures, and as per the information and explanations given to us, by the management, the Company has not defaulted in repayment of dues to financial institutions and banks;
- xii) According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities;
- xiii) The provisions of any special statute applicable to chit fund, nidhi or mutual benefit fund/societies are not applicable to the Company.
- xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments and hence, the requirements of Para 4 (xiv) of the above order are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions;
- xvi) The term loans raised has been applied for the purpose for which it was obtained.
- xvii) On the basis of our examination of the cash flow statement, it appears that the funds raised on short term basis have been to the tune used for long term purposes of ₹ 261.98 lacs.
- xviii) During the year, the Company has not made any preferential allotment of share.
- xix) The Company does not have any outstanding debentures during the year.
- xx) The Company has not raised any money by way of public issue during the year.

**ANNEXURE TO AUDITORS' REPORT (Contd.)**

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

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

For BHASKARAN & KRISHNAN  
*Chartered Accountants*  
Firm Regn. No. 00426S  
(B.GOPALAKRISHNAN)  
Partner  
Membership No.18702

For SINGHI & CO.,  
*Chartered Accountants*  
Firm Regn. No. 302049E  
(SUDESH CHORARIA)  
Partner  
Membership No. 204936

Chennai,  
Dated : 21st May, 2011.

## BALANCE SHEET AS AT 31st MARCH 2011

SCHEDULES		As at 31.03.2011 (₹ in Lacs)	As at 31.03.2010 (₹ in Lacs)	
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	1	997.50	997.50	
Reserves and Surplus	2	3,393.16	3,152.38	
		4,390.66	4,149.88	
<b>LOAN FUNDS</b>				
Secured Loan	3	4,661.60	4,622.20	
Unsecured Loan		1,708.74	3,008.21	
DEFERRED TAX LIABILITY (NET) (Refer Note 10 of schedule 21)		554.54	622.61	
Total funds employed		11,315.54	12,402.91	
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	4	14,445.24	12,587.29	
Less:Depreciation and Impairment		6,755.41	6,226.34	
Net Block		7,689.84	6,360.95	
Add:Capital Work-in-Progress		24.40	1,512.05	
		7,714.24	7,872.99	
Investments	5	16.96	16.96	
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
Inventories	6	2,458.72	2,965.14	
Sundry Debtors	7	1,953.63	1,966.62	
Cash and Bank Balances	8	49.92	78.69	
Loans and Advances	9	1,378.26	1,507.25	
		5,840.52	6,517.70	
<b>Less:CURRENT LIABILITIES AND PROVISIONS</b>				
Current Liabilities	10	2,438.07	2,320.82	
Provisions	11	146.50	121.77	
		2,584.56	2,442.59	
Net Current Assets		3,255.96	4,075.11	
Miscellaneous Expenditure (To the extent not written off/adjusted)	12	328.38	437.84	
Total funds applied		11,315.54	12,402.91	
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES ON ACCOUNTS</b>				
	21			
As per our Report Annexed				
For BHASKARAN & KRISHNAN Chartered Accountants Firm Regn. No. 000426S	For SINGHI & CO. Chartered Accountants Firm Regn. No.302049E	A.K.AGARWALA DIRECTOR	B. ELANGO VAN DIRECTOR	V.T. MOORTHY DIRECTOR
B. GOPALAKRISHNAN Partner Mem. No.18702	SUDESH CHORARIA Partner Mem No. 204936	LALIT NAIK DIRECTOR	R. KARTHIKEYAN DIRECTOR	M.R.SIVARAMAN DIRECTOR
Chennai 21st May 2011	D.M.THIYAGESH SR.MANAGER (FIN. & ACTS.) AND COMPANY SECRETARY	DR. PRAGNYA RAM DIRECTOR	T.S.RAGHAVAN DIRECTOR	A.M. SWAMINATHAN DIRECTOR
		SURESH SODANI PRESIDENT	DR. SHANKAR NARASIMHAN DIRECTOR	KANNAN K. UNNI DIRECTOR

# **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011**

	SCHEDULES	For the Year ended 31.03.2011 (₹ in Lacs)	For the year ended 31.03.2010 (₹ in Lacs)
<b>INCOME</b>			
Gross Sales	13	16,612.30	15,623.52
Less:Excise Duty		1,369.54	833.98
Net Sales		15242.76	14789.54
Other Income	14	299.07	218.99
<b>TOTAL - A</b>		<b>15,541.84</b>	<b>15,008.53</b>
<b>EXPENDITURE</b>			
(Increase)/Decrease in stock	15	655.86	1388.25
Consumption of Raw Materials	16	8817.77	8566.72
Manufacturing Expenses	17	2799.26	2895.73
Payments to and Provision for Employees	18	891.15	808.57
Other Expenses	19	903.97	1135.59
Interest	20	596.42	726.19
Deferred Revenue Expenditure written off		109.46	109.46
<b>TOTAL - B</b>		<b>14,773.89</b>	<b>15,630.50</b>
<b>PROFIT / (LOSS) BEFORE DEPRECIATION AND TAX (A-B)</b>		<b>767.95</b>	<b>(621.98)</b>
Depreciation		537.27	523.22
<b>PROFIT / (LOSS) BEFORE TAX</b>		<b>230.68</b>	<b>(1145.19)</b>
LESS : Provision for Current Tax		-	-
<b>PROFIT / (LOSS) AFTER CURRENT TAX</b>		<b>230.68</b>	<b>(1145.19)</b>
LESS : Provision for / (Release of) Deferred Tax		(68.07)	(167.14)
<b>Net Profit / (Loss) after Tax</b>		<b>298.75</b>	<b>(978.05)</b>
Balance brought forward from previous year		(811.32)	166.73
<b>PROFIT / (LOSS) AVAILABLE FOR APPROPRIATION</b>		<b>(512.57)</b>	<b>(811.33)</b>
<b>APPROPRIATIONS :</b>			
Proposed Dividend on Equity Shares		49.88	-
Dividend Tax		8.09	-
Transferred from General Reserve (Dividend paid out of Reserves)		(57.97)	-
<b>Balance Carried to Balance Sheet</b>		<b>(512.57)</b>	<b>(811.33)</b>
<b>SIGNIFICANT ACCOUNTING POLICIES &amp; NOTES ON ACCOUNTS</b>	<b>21</b>	<b>(512.57)</b>	<b>(811.33)</b>
<b>Earning per share : (Refer Note 11 of schedule 21) (₹)</b>			
Basic		2.99	(9.81)
Diluted		2.99	(9.81)
<p>As per our Report Annexed</p> <div> <div> For BHASKARAN &amp; KRISHNAN Chartered Accountants Firm Regn. No. 000426S   B. GOPALAKRISHNAN Partner Mem. No.18702   Chennai 21st May 2011 </div> <div> For SINGHI &amp; CO. Chartered Accountants Firm Regn. No.302049E   SUDESH CHORARIA Partner Mem No. 204936   D.M.THİYAGESH SR.MANAGER (FIN. &amp; ACTS.) AND COMPANY SECRETARY </div> <div> A.K.AGARWALA DIRECTOR   LALIT NAIK DIRECTOR   DR. PRAGNYA RAM DIRECTOR   SURESH SODANI PRESIDENT </div> <div> B. ELANGO VAN DIRECTOR   R. KARTHIKEYAN DIRECTOR   T.S.RAGHAVAN DIRECTOR   DR. SHANKAR NARASIMHAN DIRECTOR </div> <div> V.T. MOORTHY DIRECTOR   M.R.SIVARAMAN DIRECTOR   A.M. SWAMINATHAN DIRECTOR   KANNAN K. UNNI DIRECTOR </div> </div>			

## SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2011

	As at 31.03.2011 (₹ in Lacs)	As at 31.03.2010 (₹ in Lacs)
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
Authorised		
25000000 Equity Shares of ₹ 10/- each	2,500.00	2,500.00
1000000 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		
9975000 Equity Shares of ₹10/- each fully paid-up in cash	997.50	997.50
	<u>997.50</u>	<u>997.50</u>
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>i) Capital Reserve</b>		
State Capital Subsidy from SIPCOT As per last Balance Sheet	30.00	30.00
Profit on sale of forfeited shares As per last Balance Sheet	0.46	0.46
Share Premium Account As per last Balance Sheet	2.18	2.18
	<u>32.64</u>	<u>32.64</u>
<b>ii) General Reserve :</b>		
As per last Balance Sheet	3,931.07	3,931.07
Add: Transfer during the year	-	-
LESS: Transfer to Profit & Loss Account (Dividend paid out of Reserves)	57.97	-
	<u>3,873.10</u>	<u>3,931.07</u>
<b>iii) Profit and (Loss) Account</b>	<u>(512.57)</u>	<u>(811.32)</u>
Total ( i to iii )	<u>3393.16</u>	<u>3152.38</u>



## SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2011 (Contd.)

	As at 31.03.2011 (₹ in Lacs)	As at 31.03.2010 (₹ in Lacs)
<b>SCHEDULE 3</b>		
<b>A) SECURED LOANS</b>		
a) Term Loans	<b>2,252.40</b>	1,186.80
From Bank		
(By way of Pari Passu first charge in favour of HDFC Bank Ltd. on all fixed assets of the Company both present and future excluding Factory Land and Building)		
Repayable within one year ₹ 699.11 lacs (Previous year ₹ 434.40 lacs.)		
b) Other Loans		
From Banks - In Cash Credit Accounts	<b>1,582.77</b>	2,003.15
- Working Capital Demand Loan	<b>600.00</b>	950.00
- Bills discounting	-	3.42
- Packing Credit Account	<b>226.43</b>	478.83
(Pari Passu 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 2.23 MW captive power plant located in the existing factory building)		
	<b>4,661.60</b>	4,622.20
<b>B) UNSECURED LOANS</b>		
Buyers Credit from Banks	<b>1,708.74</b>	1,508.21
Intercompany deposit	-	1,500.00
	<b>1,708.74</b>	3,008.21
<b>Total (A + B)</b>	<b>6,370.33</b>	7,630.41

# SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2011 (Contd.)

## Schedule 4 : FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION/WRITE OFFS				Impairment Loss up to 31.03.2011	NET BLOCK	
	As At 01/04/2010	Additions/ Transfer during the year	Less Transfer/ Sale during the year	As At 31/03/2011	Upto 31/03/2010	For the Year	On Sale/ Adjust-ments	Upto 31/03/2011		As at 31.03.2011	As at 31/03/2010
Land											
Freehold	31.27			31.27						31.27	31.27
Leasehold	39.68			39.68	9.08	0.43	-	9.51		30.17	30.60
Building											
Freehold	205.08	2.39	-	207.46	39.88	3.35	-	43.23		164.23	165.20
Leasehold	522.52	-	-	522.52	173.45	16.48	-	189.93	21.99	310.59	327.08
Road, Well, Culvert, Fencing Etc	75.43	-	-	75.43	31.28	1.90	-	33.18		42.25	44.15
Plant & Machinery											
Installation etc	11,053.78	1,847.96	5.34	12,896.41	4,706.70	470.05	1.15	5,175.60	758.99	6,961.82	5,588.10
Data-Processing Equipments	228.55	1.11	-	229.66	166.60	22.93		189.53		40.13	61.94
Office Equipments, Furniture & Fixtures, and Air Conditioners, Refrigerators etc	228.08	5.11	1.18	232.01	159.91	11.67	1.06	170.52		61.49	68.17
Vehicles & Tanks etc	202.91	22.31	14.41	210.81	158.46	10.47	6.00	162.93		47.88	44.45
Total (A)	12,587.29	1,878.89	20.93	14,445.24	5,445.36	537.28	8.21	5,974.43	780.98	7,689.83	6,360.95
Capital Work In Progress (B)	1,512.05	459.41	1,947.05	24.40						24.40	1,512.05
Total (A+B)	14,099.34	2,338.29	1,967.98	14,469.65	5,445.36	537.28	8.21	5,974.43	780.98	7,714.24	7,872.99
Previous Year	13,320.43	784.67	5.77	14,099.33	4,924.99	523.22	2.84	5,445.36	780.98	7,872.99	

(₹ in Lacs)

**SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2011 (Contd.)**

	As at 31.03.2011 (₹ in Lacs)	As at 31.03.2010 (₹ in Lacs)
<b>SCHEDULE 5</b>		
<b>INVESTMENTS</b>		
<b>LONG TERM OTHER THAN TRADE</b>		
<b>QUOTED INVESTMENTS</b>		
<b>UNQUOTED INVESTMENTS</b>		
i) 16963 Equity Shares of ₹ 100/-each of M/s.Cuddalore Sipcot Industries Common Utilities Ltd.	16.96	16.96
	<u>16.96</u>	<u>16.96</u>
<b>SCHEDULE 6</b>		
<b>INVENTORIES</b>		
(As certified by the Management)		
Finished Goods	330.68	1,029.31
Materials-in-Process	16.53	20.31
Raw Materials and Packing Material (including in transit)	1,666.22	1,554.62
Stores and Spare parts	445.29	360.90
	<u>2458.72</u>	<u>2965.14</u>

## SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2011 (Contd.)

	As at 31.03.2011 (₹ in Lacs)	As at 31.03.2010 (₹ in Lacs)
<b>SCHEDULE 7</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured, considered good except otherwise stated)		
Debts outstanding for a period exceeding six months		
i) considered good	7.58	5.23
ii) considered doubtful	2.86	48.94
Less Provision	2.86	48.94
	7.58	5.23
Others	1,946.05	1,961.39
	<u>1,953.63</u>	<u>1,966.62</u>
<b>SCHEDULE 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in hand	0.46	0.65
Balances with Scheduled Banks:		
In Current Accounts	12.52	13.52
In E.E.F.C Accounts	4.61	0.90
In Cash Credit Accounts	5.14	32.41
In Dividend Account	27.18	31.22
	<u>49.92</u>	<u>78.69</u>
<b>SCHEDULE 9</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, Considered Good)		
Interest receivable	22.52	22.25
Advances recoverable in cash or in kind		
or for value to be received and/or to be adjusted	211.12	93.48
Claims receivable	602.52	532.34
Deposit with Government Departments and others	95.46	95.63
Prepaid expenses	25.29	29.95
Balance with Excise, Customs etc.	421.36	733.60
	<u>1,378.26</u>	<u>1,507.25</u>

**SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2011 (Contd.)**

	As at 31.03.2011 (₹ in Lacs)	As at 31.03.2010 (₹ in Lacs)
<b>SCHEDULE 10</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
Outstanding Dues to Micro, Small and Medium Enterprises (Refer note No.9 of Schedule 21)	9.23	4.03
Outstanding Dues to others	2,319.82	2166.50
	2,329.05	2,170.53
Advance from Customers	39.26	79.89
Unclaimed dividends	27.18	31.22
Other Liabilities	42.58	39.19
	2,438.07	2,320.82
<b>SCHEDULE 11</b>		
<b>PROVISIONS</b>		
For Proposed Dividend (incl.Dividend Tax)	57.97	-
For Disputed Liabilities	56.52	71.92
For Leave Salary	32.01	49.85
	146.50	121.77
<b>SCHEDULE 12</b>		
<b>MISCELLANEOUS EXPENDITURE</b> (to the extent not written off/adjusted)		
Deferred Revenue Expenditure	328.38	437.84
	328.38	437.84

## SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	For the Year Ended 31.03.2011 (₹ in Lacs)	For the Year Ended 31.03.2010 (₹ in Lacs)
<b>SCHEDULE 13</b>		
<b>SALES</b>		
Sales		
Finished Goods	15,881.62	14,925.57
Waste Anhydrite	730.68	697.95
	<u>16,612.30</u>	<u>15,623.52</u>
Less : Excise Duty	1,369.54	833.98
	<u>15,242.76</u>	<u>14,789.54</u>
<b>SCHEDULE 14</b>		
<b>OTHER INCOME</b>		
Interest (Gross)		
On Deposits (Tax deducted at source ₹ 0.24 lacs)	1.47	1.47
Previous year ₹ 0.20 lacs )		
Insurance & Other Claims	22.22	
Profit on sale of Raw Materials (Net)		0.76
Profit on Sale of Investments		0.42
Export Incentivies	67.47	103.64
Miscellaneous Receipts	109.41	71.17
Excess Provision & Liabilities no	98.50	41.52
Longer required written back		
	<u>299.07</u>	<u>218.99</u>
<b>SCHEDULE 15</b>		
<b>(INCREASE)/DECREASE IN STOCK</b>		
Opening Stock	1,049.62	2,732.29
Less: Closing Stock	347.21	1,049.62
	<u>702.41</u>	<u>1682.67</u>
Less: Transferred to Capital Expenditure	(0.87)	282.45
Less : Difference of Excise duty on opening and closing Inventories	47.42	11.97
(Increase)/Decrease in Stock	<u>655.86</u>	<u>1388.25</u>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011  
(Contd.)**

	<b>For the Year Ended 31.03.2011 (₹ in Lacs)</b>	<b>For the Year Ended 31.03.2010 (₹ in Lacs)</b>
<b>SCHEDULE 16</b>		
<b>CONSUMPTION OF RAW MATERIALS</b> (Including Packing Materials)		
Opening Stock	1,554.62	3,608.03
Add:Purchases	8,929.38	6,519.38
	10,483.99	10,127.41
Less:Closing Stock Sales	1,666.22	1,554.62 6.08
	1,666.22	1,560.69
	8,817.77	8,566.72
<b>SCHEDULE 17</b>		
<b>MANUFACTURING EXPENSES</b>		
Consumption of stores and spare parts	626.69	611.68
Power and Fuel	1,669.20	1,719.46
Water Charges	72.59	81.26
Effluent Treatment Expenses	76.58	64.57
Job work charges	8.40	27.88
Repairs and Maintenance		
Buildings	49.89	36.07
Plant and Machinery	219.91	267.50
Others	76.00	87.32
	345.80	390.89
	2,799.26	2,895.73
<b>SCHEDULE 18</b>		
<b>PAYMENTS TO AND PROVISION FOR EMPLOYEES</b>		
Salaries, wages,Bonus and Gratuity	731.10	700.56
Contribution to Provident and other Funds	83.33	44.61
Employees Welfare Expenses	76.71	63.40
	891.15	808.57

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011  
(Contd.)**

	<b>For the Year ended 31.03.2011 (₹ in Lacs)</b>	<b>For the Year ended 31.03.2010 (₹ in Lacs)</b>
<b>SCHEDULE 19</b>		
<b>OTHER EXPENSES</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
Rent	45.75	58.83
Rates and Taxes	29.31	20.28
Insurance(Net)	32.54	30.21
Travelling and Conveyance	73.09	77.94
Vehicle Running Expenses	27.42	21.24
Communication Expenses	21.48	23.33
Miscellaneous Expenses	121.15	201.68
Research and Development Expenses (Refer Note No.7 of Schedule21)	51.24	47.29
Auditors' Remuneration		
Audit Fee	1.50	1.20
Tax Audit Fee	0.40	0.30
Taxation Matter	0.95	0.23
For Certification work	0.30	0.23
Travel and Stay Expenses	0.10	0.25
	3.25	2.20
Bank charges	130.81	153.13
Directors' Sitting Fees	11.70	13.60
Loss on sale of Fixed Assets	3.93	0.01
Fluctuation in Exchange Rates	122.87	248.74
	<b>674.53</b>	<b>898.47</b>
<b>SELLING EXPENSES</b>		
Rental Charges (ISO Containers)	11.55	11.68
Freight,Packing and Forwarding Expenses(net)	193.71	188.24
Commission on Sales	24.18	37.19
	<b>229.43</b>	<b>237.11</b>
	<b>903.97</b>	<b>1135.59</b>
<b>SCHEDULE 20</b>		
<b>INTEREST</b>		
On Term Loans	162.72	93.78
Others	433.70	632.41
	<b>596.42</b>	<b>726.19</b>



## SCHEDULES TO NOTES TO BALANCE SHEET AS AT 31st MARCH 2011 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

### SCHEDULE 21

#### 1. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

**c. Capital Work-in-Progress:** These are stated at cost including direct overhead expenses.

**d. Depreciation :**

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

**e. Investments:**

- i) Quoted / Unquoted Long-term investments are stated at cost, unless, there is a decline other than temporary in the carrying value thereof, which is duly provided for in the Accounts.

**f. Inventories:**

Inventories are valued on the following basis:

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

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

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

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

The exchange differences arising on settlement/year end restatement of monetary items are recognized in the Profit & Loss Account in the period in which they arise.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

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

**m. Deferred Revenue Expenditure:**

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

**n. Taxes on Income:**

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

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

**o. Provisions :**

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions made in terms of Accounting Standard 29 are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

**p. Contingencies:**

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

**q. Prior year expenses:** Prior Year expenses / (income) (net) Debit ₹3.80 Lacs (Previous year (Net)Debit ₹ 9.53 lacs) stands adjusted to the respective expenses heads.

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

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

(a) Outstanding Letters of Credit/Bank Guarantees ₹2721.07 lacs (Previous Year ₹1170.92 lacs).

(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 Honorable High Court of Madras. However, SIPCOT has preferred an appeal against the order of the High Court challenging the waiver of interest. Matter is pending at the High Court of Madras.

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

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

- (d) i) Disputed Sales Tax Liability ₹ 27.00 lacs (net of advance) (Previous year ₹1.68 lacs ).  
 ii) Disputed Central Excise/Service Tax Liability ₹ 66.11 lacs (net of advance) (Previous year ₹70.72 lacs).  
 iii) Disputed Custom Duty Liability ₹10.79 lacs (Previous year ₹10.79 lacs)  
 iv) Disputed Income Tax liability ₹293.04 lacs (Previous year ₹139.10 lacs)

4. Contracts remaining to be executed on Capital Account not provided for ₹ 62.63 lacs (Net) (Previous year ₹ 61.84 lacs (Net) )

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

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

7. Research and Development Expenses includes:

	31.3.2011 (₹ lacs)	31.3.2010 (₹ lacs.)
Salaries, Wages and Bonus	30.88	31.71
Contribution to Provident and other Funds	4.25	3.81
Employees' Welfare Expenses	3.58	3.95
Consumption of Stores & Spares	0.23	0.68
Other expenses	12.30	7.14
	<u>51.24</u>	<u>47.29</u>

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

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

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

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

Sl. No.		31.03.2011 (₹ In Lacs)	31.03.2010 (₹ In Lacs)
i	Net Employee Expenses / (Benefit)		
	Current Service Cost	26.40	20.64
	Interest cost on benefit obligation	8.84	9.42
	Expected return on plan assets	(10.08)	(8.47)
	Net Actual (gain) / loss recognized in the year	(22.90)	(37.60)
	Net charge to P & L Account	2.26	(16.01)
ii	Actual return on plan assets	7.00%	14.00%
iii	Benefit Asset / (Liability)		
	Defined benefit obligation	139.19	115.80
	Fair value of Plan Assets	152.50	131.38
	Benefit Assets / (liability)	13.32	15.58
iv	Movement in benefit liability		
	Opening defined benefit obligation	115.80	118.84
	Interest cost	8.84	9.42
	Current Service cost	26.40	20.64
	Benefit paid	(10.64)	(2.25)
	Actual (gain) / (losses) on obligation	(1.22)	(30.84)
	Closing benefit obligation	139.19	115.80
v	Movement in fair value of plan assets		
	Opening fair value of plan assets	131.38	95.59
	Expected Return plan assets	10.08	8.47
	Actuarial gains/(losses) on assets	21.68	6.75
	Contribution by employer	-	22.82
	Benefits paid	(10.64)	(2.25)
	Closing fair value of plan assets	152.50	131.38
vi	The principal actuarial assumptions are as follows		
	Discount rate	7.00%	7.00%
	Salary increase	6.00%	6.00%
	Withdrawal rates	5.00%	5.00%
vii	Amount incurred as expenses for defined contribution plans		
	Contribution to Provident / Pension fund	35.45	33.86
	Contribution to Superannuation fund	13.99	14.56
viii	The major categories of plan assets as a percentage of the fair value of total plan asset are as follows:		
	Investment in Bonds	32%	21%
	Investment in Mutual Fund	34%	62%
	Bank balances in Current Account	34%	17%

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

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

(x) The Company expects to contribute ₹ NIL to Gratuity fund in 2011 – 2012.

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

(₹ in Lacs)

### Gratuity

Defined Benefit Obligation	...	139.19
Plan Assets	...	152.50
Surplus / (Deficit)	...	13.32

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

### 9. Micro Small and medium enterprises

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

(₹ in Lacs.)

Particulars	FY 2010-11	FY 2009-10
The principal amount (interest-nil) remaining unpaid to any supplier as at the end of each accounting year	9.23	4.03
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	NIL	NIL
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	NIL	1.19
The amount of interest accrued and remaining unpaid at the end of each accounting year : and	NIL	1.19
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

### 10. Deferred Taxation:

The deferred tax assets & liabilities comprise of tax effect of the following timing differences: (₹ in Lacs)

	2010-11	2009-10
<b>Deferred tax Assets:</b>		
i. Expenses allowable against taxable income in future years	24.48	16.94
ii. Voluntary Retirement Scheme allowable in 5 equal installments under the Income Tax Act	6.48	19.43
iii. Provision for Doubtful Debts	0.97	16.63
iv. Unabsorbed Depreciation Loss / Business Loss	551.41	372.70
v. MAT Credit	15.43	15.43
<b>Total Deferred Tax Assets</b>	<b>598.77</b>	<b>441.13</b>

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

(₹ in Lacs)

	2010-11	2009-10
<b>Less: Deferred Tax Liability</b>		
i. Excess of Net block as per Accounts over the written down value as per the provisions of the Income Tax Act 1961	1153.31	1063.74
<b>Net Deferred Tax Liability</b>	<b>554.54</b>	622.61

## 11. Earnings per share :

Amount in (₹)

Particulars	31-03-2011	31-03-2010
Basic Earnings per share	2.99	-9.81
Diluted Earnings per share	2.99	-9.81
Nominal Value per share	10.00	10.00

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

(₹ in Lacs)

Particulars	31-03-2011	31-03-2010
Profit / (Loss) after taxation	298.75	(978.05)
Weighted average number of shares Outstanding during the year (Nos)	9975000	9975000

12. Sundry debtors amounting to ₹ 271.74 lacs (Previous year ₹ 34.90 lacs) are not hedged as on the Balance sheet date.

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

Sales Tax (₹ in lacs)

Balance as at 1 <sup>st</sup> April 2010	71.92
Additional Provision created during the year	-
Provision used during the year	-
Provision reversed during the year	15.40
Balance as at 31 <sup>st</sup> March 2011	56.52

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

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

### 14.A. Related party disclosures

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

i) Relationships :-

Promoters of the Company :

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

ii) Joint Ventures :-

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

iii) Other related parties in the Group where common control exists :-

- a) Aditya Birla Nuvo Ltd.(formerly Indian Rayon Industries Limited)
- b) Hindalco Industries Limited

iv) Key Management Personnel:-

- a) Shri Lalit Naik - Manager and Director
- b) Shri Suresh Sodani - President

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

### 14.B. Related party Disclosures

(Amount in ₹ Lacs)

Sl. No.	Name of the the Related Party	Nature of Relation-ship	Nature of Transac-tion if any	2010-11	2009-10	Out-standing Amount	Account Head
1.	CUSECS	Joint venture for common Effluent Utilities	Effluent Treatment Expenses	18.04	14.33	1.98	Deposit Mfg. Expenses
2.	Shri Suresh Sodani	President	Salary and Allowance	43.88	18.45 <sup>@</sup>		Salary and Allowance
3.	Shri Vishnu Bhat	President	Salary and Allowance	-	38.34 <sup>@</sup>		Salary and Allowance
4.	Directors		Sitting Fees	11.70	13.60		Sitting Fees

<sup>@</sup> Part of the year



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

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

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

	31.3.2011		31.3.2010	
	Licensed TPY	Installed TPY	Licensed TPY	Installed TPY
Aluminium Fluoride	N.A.	15600	N.A.	15600
Anhydrous Hydrofluoric Acid	N.A.	15600	N.A.	15600
Sulphuric Acid (Including Oleum 14400 TPY)	N.A.	81600	N.A.	81600
Speciality Fluorides	N.A.	8400	N.A.	3400

(b) Particulars of Production and Sales:

Finished Goods	31.3.2011			31.3.2010		
	Production	Sales		Production	Sales	
	Qty (MT)	Qty (MT)*	Value (₹ in Lacs)	Qty (MT)	Qty (MT)*	Value (₹ in Lacs)
Aluminium Fluoride	6006	6922	3944.27	8079	9505	6010.65
Anhydrous						
Hydrofluoric Acid	10895	11061	5954.72	11940	12159	4765.80
Sulphuric Acid/oleum	74158	73705	2089.34	77798	78716	1066.40
Specialty Fluoride	2065	2305	2490.90	2240	2048	2248.70
Others			763.53			697.99
<b>Total</b>			<b>15242.76</b>			<b>14789.54</b>

- Including captive consumption

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

(c) Particulars of Opening Stock and Closing Stock:

Finished Goods	31.03.2011				31.03.2010			
	Opening Stock		Closing Stock		Opening Stock		Closing Stock	
	Qty. (MT)	Value (₹ lacs)	Qty. (MT)	Value (₹ lacs)	Qty. (MT)	Value (₹ lacs)	Qty. (MT)	Value (₹ lacs)
Aluminium Fluoride	975	557.89	59	37.08	2401	1674.30	975	557.89
AHF Acid	230	128.49	64	39.54	449	304.49	230	128.49
Sulphuric Acid/Oleum	419	11.87	872	40.01	1338	35.43	419	11.87
Specialities Fluoride	394	330.91	154	212.95	202	218.46	394	330.91
Others		0.15		1.10		0.59		0.15
<b>TOTAL</b>		<b>1029.31</b>		<b>330.68</b>		<b>2233.27</b>		<b>1029.31</b>

(d) Particulars of Raw Materials Consumed :

Raw Materials	31.3.2011		31.3.2010	
	Qty. (MT)	Value (₹ lacs)	Qty. (MT)	Value (₹ lacs)
Acid Grade Fluorspar	26148	3703.47	30567	4515.55
Sulphur	24996	2166.55	26085	1228.90
Aluminium Hydroxide	5483	806.66	6658	978.42
Others (incl,packing Materials)		2141.09		1843.85
		<b>8817.77</b>		<b>8566.72</b>

(e) Value of imports calculated on CIF basis:

(₹ in lacs)

Particulars	31.3.2011	31.3.2010
Raw Materials	4931.06	4898.67
Spares and Components	10.14	26.74
Capital Goods	1.71	NIL

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

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

(₹ in lacs)

Particulars	31.3.2011	31.3.2010
Travelling Expenses	6.28	6.53
Consultancy fees	3.29	8.39
Lease Rent	2.88	10.85
Commission on sales	25.08	11.30
Freight & Forwarding expenses	22.36	4.47
Others	6.76	4.74
<b>TOTAL</b>	<b>66.65</b>	<b>46.28</b>

(g) Earnings in Foreign Exchange:

(₹ in lacs)

Particulars	31.3.2011	31.3.2010
FOB Value of Exports	3375.35	3978.13

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

Particulars	31.3.2011		31.3.2010	
	%	Value (₹ lacs)	%	Value (₹ lacs)
i) Raw Materials				
Imported	56	4955.45	70	6032.63
Indigenous	44	3862.32	30	2534.09
<b>Total</b>	<b>100</b>	<b>8817.77</b>	<b>100</b>	<b>8566.72</b>
ii) Stores and Spares				
Imported	2	10.21	4	24.62
Indigenous	98	615.48	96	587.05
<b>Total</b>	<b>100</b>	<b>626.69</b>	<b>100</b>	<b>611.67</b>

## SCHEDULES 21 (Contd.) SCHEDULE OF NOTES

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

#### I. Registration Details

Registration No. : 

6	2	7	1
---	---	---	---

 State Code 

1	8
---	---

Balance Sheet Date 

3	1	-	0	3	-	2	0	1	1
---	---	---	---	---	---	---	---	---	---

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

Public Issue 

N	I	L
---	---	---

 Rights Issue 

N	I	L
---	---	---

Bonus Issue 

N	I	L
---	---	---

 Private Placement 

N	I	L
---	---	---

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

Total Liabilities 

1	1	3	1	5	5	4
---	---	---	---	---	---	---

 Total Assets 

1	1	3	1	5	5	4
---	---	---	---	---	---	---

Sources of Funds

Paidup Capital 

	9	9	7	5	0
--	---	---	---	---	---

 Reserves & Surplus 

3	3	9	3	1	6	
---	---	---	---	---	---	--

Secured Loans 

4	6	6	1	6	0
---	---	---	---	---	---

 Unsecured Loans 

1	7	0	8	7	4
---	---	---	---	---	---

Net Deferred Tax Liability 

	5	5	4	5	4
--	---	---	---	---	---

Application of Funds

Net Fixed Assets 

7	7	1	4	2	4
---	---	---	---	---	---

 Investments 

		1	6	9	6
--	--	---	---	---	---

Net Current Assets 

3	2	5	5	9	6
---	---	---	---	---	---

 Misc. Expenditure 

	3	2	8	3	8
--	---	---	---	---	---

Accumulated Losses 

N	I	L
---	---	---

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

Turnover / Other Income 

1	5	5	4	1	8	4
---	---	---	---	---	---	---

 Total Expenditure 

1	5	3	1	1	1	6
---	---	---	---	---	---	---

Profit/(Loss) before Tax 

		2	3	0	6	8
--	--	---	---	---	---	---

 Profit/(Loss) after Tax 

		2	9	8	7	5
--	--	---	---	---	---	---

Earnings Per Share (Rs) 

	2	.	9	9
--	---	---	---	---

 Dividend rate 

	5	%		
--	---	---	--	--

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

Product Description Item Code No. (ITC Code)

A L U M I N I U M - F L U O R I D E 

2	8	2	6	1	2	0	0
---	---	---	---	---	---	---	---

H Y D R O - F L U O R I C - A C I D 

2	8	1	1	1	1	0	0
---	---	---	---	---	---	---	---

P O T T A S I U M - B I F L U O R I D E 

2	8	2	6	1	9	0	0
---	---	---	---	---	---	---	---

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

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

As per our Report Annexed

For BHASKARAN & KRISHNAN  
Chartered Accountants  
Firm Regn. No. 000426S

B. GOPALAKRISHNAN  
Partner  
Mem. No. 18702

Chennai  
21st May 2011

For SINGHI & CO.  
Chartered Accountants  
Firm Regn. No. 302049E

SUDESH CHORARIA  
Partner  
Mem No. 204936

D.M.THİYAGESH  
SR.MANAGER (FIN. & ACTS.)  
AND COMPANY SECRETARY

A.K.AGARWALA  
DIRECTOR

LALIT NAIK  
DIRECTOR

DR. PRAGNYA RAM  
DIRECTOR

SURESH SODANI  
PRESIDENT

B. ELANGO VAN  
DIRECTOR

R. KARTHIKEYAN  
DIRECTOR

T.S.RAGHAVAN  
DIRECTOR

DR. SHANKAR  
NARASIMHAN  
DIRECTOR

V.T. MOORTHY  
DIRECTOR

M.R.SIVARAMAN  
DIRECTOR

A.M. SWAMINATHAN  
DIRECTOR

KANNAN K. UNNI  
DIRECTOR

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

	2010-11 (₹ in Lacs)	2009-10 (₹ in Lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items	230.68	(1145.19)
Adjustments for :		
Depreciation	537.27	523.22
Interest	596.42	726.19
Loss/(Profit) on sale of fixed assets	3.93	0.01
Interest & Dividend Income	(1.47)	(1.47)
Operating Profit before working capital changes	1366.83	102.76
Adjustments for :		
Trade and Other Receivables	251.45	(37.02)
Inventories	506.42	3702.09
Trade Payable and Provisions	84.01	(534.52)
Cash Generated from operations	2208.71	3130.55
Interest paid	(596.42)	(726.19)
Direct Taxes payment / refund (net)	0.00	205.02
	(596.42)	(521.17)
Net cash from Operative activities	1612.29	2712.14
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(391.24)	(784.67)
Sale of Fixed Assets	8.79	2.92
Purchase of Investments	0.00	0.00
Sale of Investments	0.00	0.00
Interest and Dividend Income	1.47	1.47
Net Cash from Investing Activities	(380.98)	(780.28)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Commercial Paper/Buyer's credit	(1299.47)	(4195.41)
Long term loan availed / (repaid) (net)	1065.60	(435.89)
Short term loan availed	(1026.21)	2862.00
Dividend paid	0.00	(116.70)
Net cash used in Financing Activities	(1260.08)	(1886.00)
Net Increase/(Decrease) in Cash and Cash Equivalents	(28.77)	45.86
Cash & Cash Equivalents (Opening Balance)	78.69	32.83
Cash & Cash Equivalents (Closing Balance)	49.92	78.69
	(28.77)	45.86

As per our Report Annexed

For BHASKARAN & KRISHNAN  
Chartered Accountants  
Firm Regn. No. 000426SB. GOPALAKRISHNAN  
Partner  
Mem. No.18702Chennai  
21st May 2011For SINGHI & CO.  
Chartered Accountants  
Firm Regn. No.302049ESUDESH CHORARIA  
Partner  
Mem No. 204936D.M.THIIYAGESH  
SR.MANAGER (FIN. & ACTS.)  
AND COMPANY SECRETARYA.K.AGARWALA  
DIRECTORLALIT NAIK  
DIRECTORDR. PRAGNYA RAM  
DIRECTORSURESH SODANI  
PRESIDENTB. ELANGOVAN  
DIRECTORR. KARTHIKEYAN  
DIRECTORT.S.RAGHAVAN  
DIRECTORDR. SHANKAR  
NARASIMHAN  
DIRECTORV.T. MOORTHY  
DIRECTORM.R.SIVARAMAN  
DIRECTORA.M. SWAMINATHAN  
DIRECTORKANNAN K. UNNI  
DIRECTOR



## TANFAC INDUSTRIES LIMITED

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

### ATTENDANCE SLIP

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

I hereby record my presence at the **37<sup>th</sup> Annual General Meeting** of the Company being held at the Registered Office of the Company at 14, SIPCOT Industrial Complex, Cuddalore – 607 005 at 11.30 A.M. on Saturday the 6th August, 2011.

Signature of the  
Member/Proxy

Folio No.  
Client ID No.  
DP ID No.

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

✕ - - - - -

## TANFAC INDUSTRIES LIMITED

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

**TANFAC**

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

### PROXY FORM

I/We .....of..... being Member/ Shareholder of  
TANFAC INDUSTRIES LIMITED hereby appoint ..... of  
..... OR failing him .....of .....  
as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the 37<sup>th</sup> Annual  
General Meeting of the Company to be held on Saturday the 6th August, 2011 at 11.30 A.M. and at any  
adjournment thereof.

AS WITNESS in my/our absence to attend and vote for me/us on my/our behalf at the 37<sup>th</sup> Annual  
General Meeting of the Company to be held on Saturday the 6th August, 2011 at 11.30 A.M. and at any  
adjournment thereof.

AS WITNESS my/our hand/hands this ..... day of .....2011.

Signature(s).....

Re. 1/-  
Revenue  
Stamp

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











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Unit: **Tanfac Industries limited**

2nd Floor, "Kences Towers",

No. 1, Ramakrishna Street,

Off. North Usman Road, T. Nagar

Chennai - 600 017.