

**TANFAC INDUSTRIES LIMITED**

**CIN: L24117TN1972PLC006271**

**Regd. Office: 14, SIPCOT Industrial Complex - CUDDALORE – 607 005**

**CHAIRMAN'S STATEMENT**

Dear Shareholders,

I am glad to welcome you all to the Forty Sixth Annual General Meeting of your Company. The Annual Report containing the Board's Report and the Audited Financial Statement of your Company for the financial year 2019-20, has been with you for some time and with your permission I shall take them as read.

I am pleased to inform that your Company, had registered good performance during the year which is **second highest in its history**. This was achieved despite the absence of the spot opportunities and tail winds that had helped it to register an all-time high performance during the previous year. I will elaborate this later when I speak about the business performance.

The past six months have been a defining period for all of us. The pandemic has tested our resilience and thrown lot of challenges and lessons.

Yet, we have all witnessed remarkable moments of change and transformation around us and the prime example is this virtual meeting which brings us all together from different region of the country.

Despite the uncertain and challenging business environment globally, there is no doubt that companies with quality leadership, sound business fundamentals, and a robust balance sheet, will emerge as champions in the new global order. Your Company, like in the past, with its firm footing, prudent approach and quality leadership, is poised to tide over this global crisis and emerge even stronger.

**COVID-19 & Current Economic Outlook:**

From a growth rate of 2.9% in 2019, the global economy is expected to contract by 4.9% in 2020, as per the IMF. However, global growth in 2021 is estimated to rebound to 5.4% YoY, as economic activity revives backed by fiscal and monetary measures across the globe.

The Indian economy delivered a subdued performance in the last fiscal year with FY20 GDP growth falling to 4.2% primarily due to weakness in manufacturing and construction sectors. As expected, we witnessed a contraction in economic growth in the first quarter on account of widespread shutdowns. Despite this slump in Q1, the activity levels are gradually normalizing.

Both the Reserve Bank of India (RBI) and the Government of India have announced several policy measures to provide relief to the affected sections of the economy and to support the process of recovery. I remain confident that India's long-term growth potential remains intact despite the temporary setback due to COVID. The IMF also has estimated that the Indian economy will rebound to 6% in FY22. The Government's move to promote domestic champions through the Atmanirbhar Bharat programme is expected to rekindle and push the economy forward and your company is committed to seize the opportunities that come on its way.

In these turbulent and dynamic times, TANFAC demonstrated extraordinary resilience aided by the unflinching support of its committed employees. Post the lockdown in the last week of March due to outbreak of the pandemic, your Company had acted swiftly and got special consent from the Cuddalore District Administration and restarted the plants in phases from 8<sup>th</sup> of April and gradually improved the operations during the first quarter. Our employees ensured uninterrupted business support while adopting to the new paradigm of work from home. The management team also reassessed business models, to identify strategic and tactical opportunities to improve effectiveness, prune avoidable costs, as well as prepare for the new normal with clear focus on Value Added Products, (VAPs), getting closer to customers and connecting with all stakeholders.

I take this opportunity to thank all the employees of the company and particularly to those who have gone beyond their call of duty, in providing help and support to the affected persons.

#### **OPERATIONS AND OVERALL PERFORMANCE:**

As I said in the beginning, your Company had registered good performance during the financial year 2019-20 which is the **second highest in its history**. During the financial year 2019-20, your company had recorded EBIDTA, Net Profit and Total Comprehensive Income of ₹27.10 Crores, ₹16.97 Crores and ₹17.28 Crores respectively.

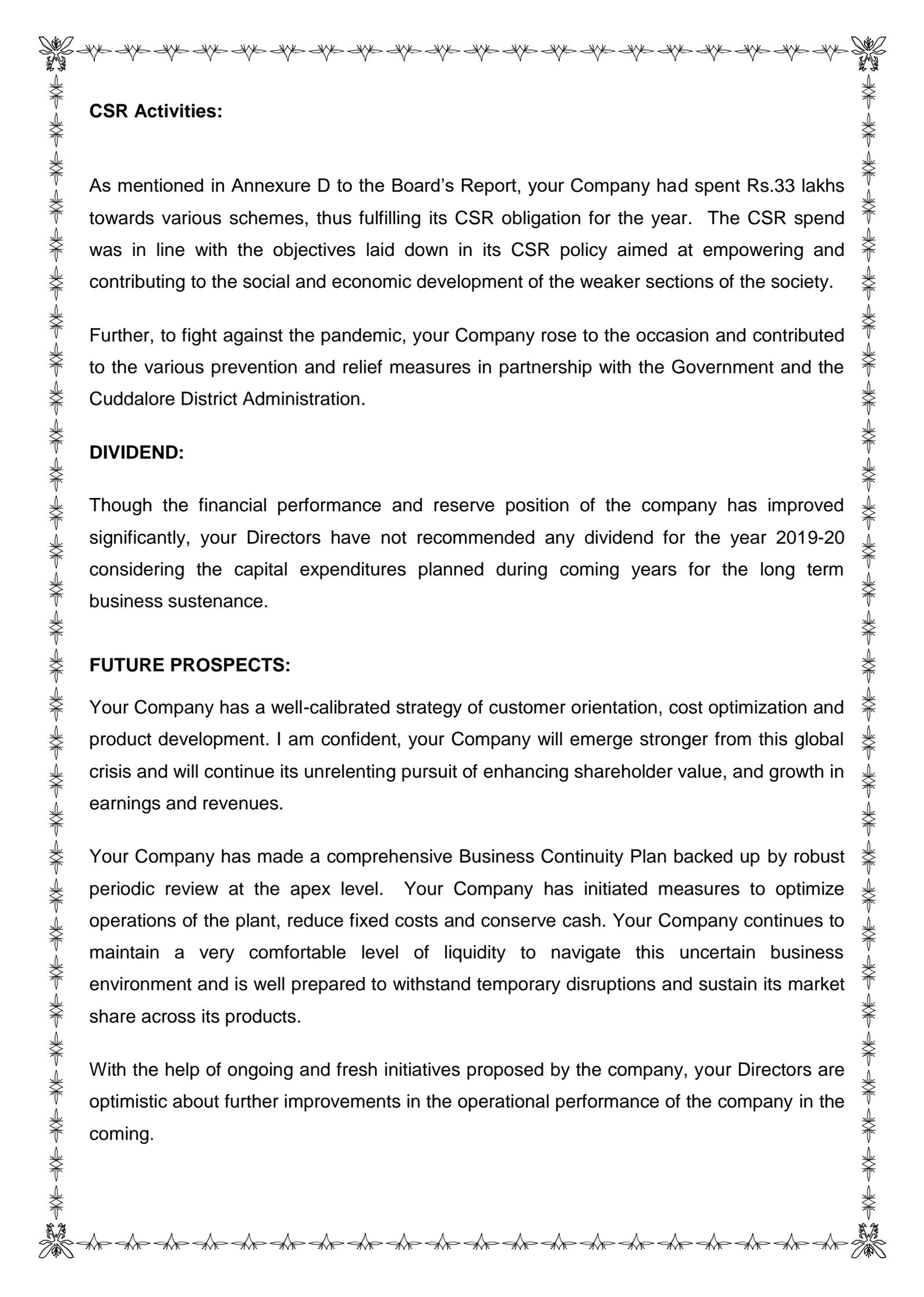
Your Company's sales performance had decreased by 26% at ₹164.80 Crores against ₹221.71 Crores in the previous year, due to reduction in sale and price of Sulphuric Acid. This was partially compensated by higher sales realization in HF Acid due to continuous focus on niche / value added segments and also successfully passing through the increase in raw material price.

I am pleased to stress further that your company's focus is on continuous improvement in the bottom line. Profitability had improved significantly due to initiatives like focus on improving the share of Value added products (VAPs) and optimization of product & customer mix. Your Company focused on continuous improvements in cost optimization including fuel and energy costs. These along with the other ongoing initiatives taken during the last few years have contributed to this phenomenal and continuous improvement in operations.

Your Company also focusses on significantly conserving cash. Tight control on working capital further helped in increasing the operating cash flow which is used to repay all its debts. This has helped the Company to significantly reduce the Finance cost to ₹0.84 Crores from ₹3.04 Crores during the previous year. I am glad to inform you that your Company had already achieved debt-free status and poised to further improve its cash position.

#### **Q1 FY'21 PERFORMANCE:**

Despite challenging circumstances due to lock down, your Company has posted a turnover of Rs.28 crores and EBIDTA of Rs.5 crores during the first quarter of current financial year compared to turnover of Rs.32 crores and EBIDTA of Rs. 4 crores during previous quarter (4<sup>th</sup> quarter of financial year 2019-20). Improved EBIDTA despite reduction in turnover was due to initiative taken for increasing the share of VAPs and reduction of fixed costs. Your Company will continue to focus on these initiatives in the remaining quarter of financial year 2020-21 and strive to reduce the impact in the overall performance of the year due to pandemic.



**CSR Activities:**

As mentioned in Annexure D to the Board's Report, your Company had spent Rs.33 lakhs towards various schemes, thus fulfilling its CSR obligation for the year. The CSR spend was in line with the objectives laid down in its CSR policy aimed at empowering and contributing to the social and economic development of the weaker sections of the society.

Further, to fight against the pandemic, your Company rose to the occasion and contributed to the various prevention and relief measures in partnership with the Government and the Cuddalore District Administration.

**DIVIDEND:**

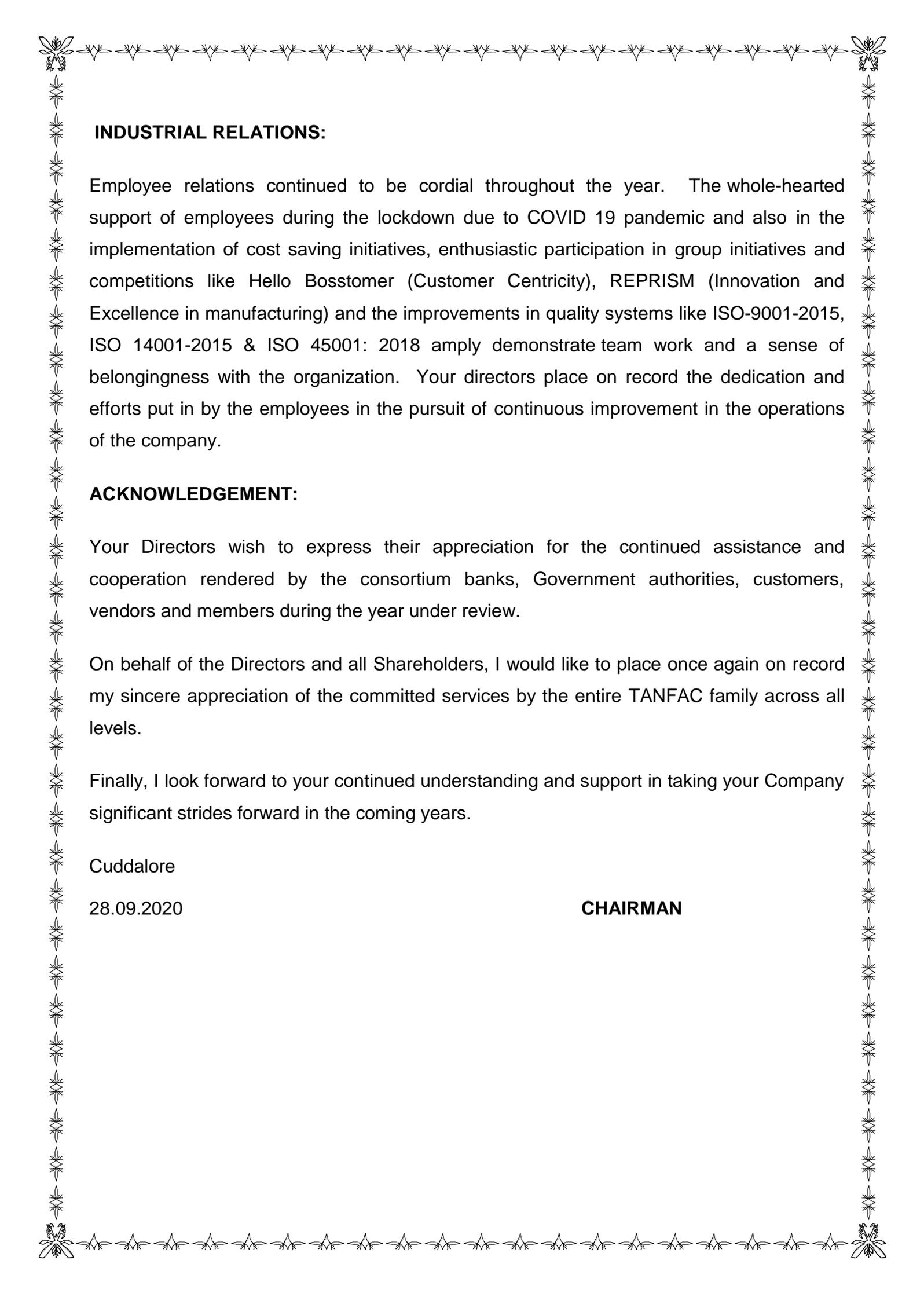
Though the financial performance and reserve position of the company has improved significantly, your Directors have not recommended any dividend for the year 2019-20 considering the capital expenditures planned during coming years for the long term business sustenance.

**FUTURE PROSPECTS:**

Your Company has a well-calibrated strategy of customer orientation, cost optimization and product development. I am confident, your Company will emerge stronger from this global crisis and will continue its unrelenting pursuit of enhancing shareholder value, and growth in earnings and revenues.

Your Company has made a comprehensive Business Continuity Plan backed up by robust periodic review at the apex level. Your Company has initiated measures to optimize operations of the plant, reduce fixed costs and conserve cash. Your Company continues to maintain a very comfortable level of liquidity to navigate this uncertain business environment and is well prepared to withstand temporary disruptions and sustain its market share across its products.

With the help of ongoing and fresh initiatives proposed by the company, your Directors are optimistic about further improvements in the operational performance of the company in the coming.



**INDUSTRIAL RELATIONS:**

Employee relations continued to be cordial throughout the year. The whole-hearted support of employees during the lockdown due to COVID 19 pandemic and also in the implementation of cost saving initiatives, enthusiastic participation in group initiatives and competitions like Hello Bosstomer (Customer Centricity), REPRISM (Innovation and Excellence in manufacturing) and the improvements in quality systems like ISO-9001-2015, ISO 14001-2015 & ISO 45001: 2018 amply demonstrate team work and a sense of belongingness with the organization. Your directors place on record the dedication and efforts put in by the employees in the pursuit of continuous improvement in the operations of the company.

**ACKNOWLEDGEMENT:**

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

On behalf of the Directors and all Shareholders, I would like to place once again on record my sincere appreciation of the committed services by the entire TANFAC family across all levels.

Finally, I look forward to your continued understanding and support in taking your Company significant strides forward in the coming years.

Cuddalore

28.09.2020

**CHAIRMAN**