

**TANFAC INDUSTRIES
LIMITED
ANNUAL REPORT
2011-2012**



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DIRECTORS

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

SENIOR MANAGEMENT

Shri Suresh Sodani – President
Shri N.R. Ravichandran – CFO & Vice President
[Finance and Commercial] and
Compliance Officer

AUDITORS

M/s. Khimji Kunverji & Co.
Chartered Accountants
19th Floor, Sunshine Tower,
Senapathi Bapat Marg, Elphinstone Road (West)
Mumbai – 400 013
Phone No.022-24214330/31/32/33

REGISTERED OFFICE AND WORKS

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

CORPORATE OFFICE

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

NOTICE OF THE THIRTY EIGHTH ANNUAL GENERAL MEETING

TANFAC INDUSTRIES LIMITED

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

NOTICE OF THE THIRTY EIGHTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 38th Annual General Meeting of TANFAC INDUSTRIES LIMITED will be held on Monday the 13th August, 2012 at 2.30 P.M. at the Registered Office of the Company at 14, SIPCOT Industrial Complex, Kudikadu, Cuddalore - 607005.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2012 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri V.T. Moorthy, who retires by rotation and being eligible, offers himself for re-appointment
3. To appoint a Director in place of Shri T.S. Raghavan, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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 re-appointed as "Statutory Auditors" of the Company, to hold office till the conclusion of the next Annual General Meeting on a such remuneration as may be fixed by the Board at the meeting for carrying out the audit."
5. To consider and if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:-

"RESOLVED THAT Shri M.S. Shanmugam, IAS, be and is hereby appointed as a Director of the Company liable to retire by rotation."

By Order of the Board

For TANFAC INDUSTRIES LIMITED

Place : Chennai
Date : 29.5.2012

[LALIT NAIK]
MANAGER AND DIRECTOR

NOTICE OF THE THIRTY EIGHTH ANNUAL GENERAL MEETING (Contd.)**NOTES :**

1. The Register of Members and Share Transfer Books of the Company will remain closed from 08.8.2012 (Wednesday) to 13.8.2012 (Monday) both days inclusive.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member.
3. The Form of Proxy shall be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
4. An Explanatory Statement as required by Section 173 of the Companies Act, 1956, in respect of item Nos. 2 to 5 is set out in the annexure.
5. Members holding shares in multiple folios in physical mode are requested to apply for consolidation to our Registrar and Transfer Agent (RTA) viz., M/s. Integrated Enterprises (India) Limited, Kences Towers, Second Floor, No.1, Ramakrishna Street, Off. North Usman Road, T. Nagar, Chennai – 600 017. All documents relating to share transfer, transmission, change of address, change of bank account details may be sent to our above RTA.
6. Members desirous of obtaining any information as regards Accounts and Operations of the Company are requested to write at least one week before the meeting so that the same could be complied in advance.
7. Pursuant to Section 205A of The Companies Act, 1956, all dividends upto the financial year 2003-2004, which remain unpaid or 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 31st March, 2005, 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 2004 - 2005 will be transferred to Central Government on 10.9.2012.
9. Members, who have not encashed their dividend warrants for the financial year ended 31st March, 2005 and subsequent years when the company had declared payment of dividends may claim the unclaimed dividend directly from the Company. The Shareholders can send their request letter directly to the Company's Registered Office at 14, SIPCOT Industrial Complex, Cuddalore - 607005.
10. As on 31.3.2012, 92.32% of the Company's shares have been dematerialized. Members who have not yet dematerialized their shares, may please get their shares dematerialized immediately.
11. As per the provisions of The Companies Act, 1956 as amended upto date, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form-2B prescribed by the Government can be obtained from RTA of the Company.
12. As a part of green initiatives, the Members who wish to receive the Notices/documents including Annual Report through email, may kindly register their email address to the following designated email ID i.e. tanfacgreen@adityabirla.com

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

ITEM NO.2

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

ITEM NO.3

Shri T.S. Raghavan, 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

As per Section 224-A of the Companies Act, 1956, if 25% or more of the subscribed capital of the Company is held by the Central or State Government, Public Financial Institutions or Nationalised Banks or General Insurance Companies, the appointment or re-appointment of the Auditors shall be made by a Special Resolution. Since more than 25% of the Subscribed Capital of the Company is held by Tamilnadu Industrial Development Corporation Limited (TIDCO), a Government

Company, the appointment of Auditors has to be made by a Special Resolution and accordingly the Special Resolution as set out in Item No.4 is recommended for adoption by the Members.

ITEM NO.5

Shri M.S. Shanmugam, IAS, Joint Secretary to Government, representing TIDCO, has been nominated as a Director on the Board with effect from 06.8.2011, in terms of Section 260 of The Companies Act, 1956. Notice under Section 257 of The Companies Act, 1956, along with requisite deposit has been received from a Member of the Company signifying his intention to propose the candidature of Shri M.S. Shanmugam, IAS, for the office of Director of the Company.

Details of Shri M.S. Shanmugam, IAS, pursuant to requirement of the listing agreement with the Stock Exchanges, relating to Corporate Governance, are given in the statement attached.

The Company will benefit immensely from the rich experience of Shri M.S. Shanmugam, IAS. The Company has received necessary letter of consent from him under section 264(1) of the Companies Act, 1956.

None of the Directors, other than Shri M.S. Shanmugam, IAS, is interested in the resolution

By Order of the Board
For TANFAC INDUSTRIES LIMITED

Place : Chennai
Date : 29.5.2012

[LALIT NAIK]
MANAGER AND DIRECTOR

TANFAC INDUSTRIES LIMITED

ANNEXURE TO NOTICE

Details of Directors seeking appointment/reappointment in Annual General Meeting scheduled to be held on 13.8.2012

Name of Director	SHRI V.T. MOORTHY	SHRI T.S. RAGHAVAN	SHRI M.S. SHANMUGAM, IAS
Date of Birth	01.07.1941	30.04.1940	23.6.1966
Date of Appointment	27.01.1984	08.05.2009	06.8.2011
Expertise in specific functional areas	Business Executive	Business Executive	Government Service
Qualification	B.E, M.I.E.	M.A. (Eco.), C.A.I.I.B.	M.A. (Eco.)
List of outside Directorship held	<p>DIRECTOR:</p> <ol style="list-style-type: none"> Ultra Tech Cement Limited 	<p>DIRECTOR:</p> <ol style="list-style-type: none"> Empee Distilleries Limited Empee Sugars Limited Leather Crafts India Limited Viswapriya Financial Services Limited Hindustan Safe Deposit Lockers Limited Subuthi Finance Limited One Life Capital Advisers Limited Giri Trading Agency Private Limited Lakshmi Vasam Buildings Private Limited 	<p>CHAIRMAN AND MANAGING DIRECTOR IN CHARGE:</p> <ol style="list-style-type: none"> Southern Structural Limited <p>DIRECTOR :</p> <ol style="list-style-type: none"> Tamilnadu Salt Corporation Limited Tamilnadu Cements Corporation Limited Tamilnadu Industrial Explosives Limited Tamilnadu Industrial Investment Corporation Limited TICEL Bio Park Limited Southern Petrochemical Industries Corporation Limited Tamilnadu Telecommunication Limited
Chairman/Member of the Committee of the Board of Directors of the Company	<p>Member:</p> <ol style="list-style-type: none"> Audit Committee Investors Relation Committee 	-	-
Chairman/Member of the Committees of Director of other Companies in which he is a Director - a. Audit Committee	-	<p>Chairman:</p> <ol style="list-style-type: none"> Empee Distilleries Limited <p>Member:</p> <ol style="list-style-type: none"> Empees Sugars Limited 	-

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

– From the Chairman to the Shareholders

PERFORMANCE REVIEW:

(₹ in Crores)

	Financial Year 2011-12	Financial Year 2010-11
Sales	146.36	152.43
Other Income (including operating income)	1.89	2.99
Operating Expenditure	151.20	140.12
Profit before Depreciation, Interest and Taxation (PBDIT)	(1.74)	15.98
Finance Cost :		
- Working Capital	4.32	4.33
- Term Loan	2.24	1.63
- Forex Cover charges and others	2.84	2.34
	9.40	8.30
Depreciation	5.99	5.37
Profit before Tax (PBT)	(17.13)	2.31
Tax - Current Tax	-	-
Profit/[Loss] after current tax	(17.13)	2.31
- Deferred Tax/Reversal	2.54	(0.68)
Profit/[Loss] after Tax	(19.68)	2.99
Extraordinary Items *	4.42	-
Profit / Loss for the period	(24.10)	2.99

*Expenses incurred on account of damages due to Natural Calamity (Cyclone)

OVERVIEW

The Company's performance during the Financial Year 2011-12 was impacted due to:

- ❖ slow down in demand for Hydrofluoric Acid given the weakness in user industries and steep reduction of prices by China in the international market.
- ❖ Severe damage of Plant and Machinery resultant from the cyclone 'Thane' leading to the shut down of the plants for more than 30 days during the year.
- ❖ Foreign Exchange losses because of the highly volatile Indian Rupee.
- ❖ Significant increase in Fluorspar rate in the international markets leading to loss on some long term contracts.
- ❖ Higher Interest charge as interest rates rose and lower cash generation.

SALES VOLUME AND REVENUE:

Sales turnover was marginally lower at ₹146.36 Crores despite the loss of production due to the cyclone 'Thane'.

Export turnover was at ₹ 25.58 Crores vis-a-vis ₹ 33.06 Crores in the previous year lower by 23%.

PROFIT/LOSS BEFORE TAX (PBT):

The company reported Loss Before Tax of ₹ 17.13 Crores (previous year Profit Before Tax ₹ 2.31 Crores) on account of factors cited.

OTHER INCOME:

Other income excluding operating income, export incentives, etc. was lower at ₹ 0.48 Crore vis-a-vis ₹1.59 Crores. in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

FINANCE COST :

The Finance cost including cover charges on foreign exchange borrowings was higher at ₹ 9.40 Crores vis-a-vis ₹ 8.30 Crores in the previous year, impaired by the interest rates on long term and short term borrowings as also higher working capital requirements, as input costs of the raw material and finished goods rose significantly.

DEPRECIATION:

Depreciation was higher at ₹ 5.99 Crores vis-a-vis ₹ 5.37 Crores in the previous year mainly due to full year depreciation on IBAP project as well as small addition to fixed assets.

INCOME TAX:

There is no provision of current income tax. Deferred tax provision stands at ₹ 2.54 Crores vis-a-vis deferred tax provision credit of ₹ 0.68 Crore in the previous year.

RISK MANAGEMENT:

OPERATIONAL RISK:

Your Company's most significant exposure relates to the US Dollar since key raw materials viz. Fluorspar and Sulphur are imported or linked to international prices. Additionally, your Company carries a direct risk on the C&F price of Fluorspar and Sulphur. Fluorspar export is controlled by the Chinese Govt. through the levy of export duty. Any variation in the export duty affects the C&F price of Fluorspar. China has lost its case at WTO on the imposition of export duty on certain minerals including Fluorspar. However, China has still not removed the export duty. 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 determines the sulphur price. The price of these key raw material is significantly influenced by global economic conditions, which can fluctuate. This 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 and management of margins and cash flows.

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

PRICE REALISATION FOR FINISHED PRODUCTS:

Your Company carries a direct risk on the selling price of its key products like, Aluminium Fluoride (AlF₃) 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 exist in the Company and have considered effectiveness and remedial actions where applicable for the

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

year covered by this report and upto the date of its approval by the Board of Directors. These procedures are periodically reviewed to ensure that the management controls the risk through 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 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 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:

The economic slow-down in the global economy as also in India has adversely affected most of the sectors of the economy. As a manufacturer, your Company's working is closely linked to the development and growth of its customers. The Company continued to face stiff competition from China in most of the products. Our strategy would be to spread the risk of products across various geographies so that the 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 competitive advantage and grow our sales volumes and margins.

Your Company has taken a number of initiatives to reduce the cost of production which should enable it to compete effectively with Chinese products and to increase sales volumes and margins. Your Board of Directors are optimistic on the turnaround of the Company in 2012-13.

EXPORTS:

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

DOMESTIC MARKET:

The Company witnessed a slow down for its products in the domestic market during the year 2011-12. Your Company is hopeful of improved domestic demand in the year 2012-13. Our thrust on higher price realisation and market enlargement coupled with a focus on operational efficiency and cost effectiveness should ensure improved performance in the domestic market.

SAFETY, HEALTH AND ENVIRONMENT PROTECTION (SHE):

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

Your Company is Integrated Management System certified. This comprises 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 HAZOP study for the existing and new projects. Accordingly Safety Management programmes are implemented.

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

Some of your Directors including Independent Directors have made visits to the factory immediately after cyclone 'Thane' to assess the damage to plant and machinery as also to examine the safety of the plant and machinery. They have given valuable suggestions for the improvement and enhancing the safety. The Company has also engaged external consultants to assess the structural safety of the plants after cyclone 'Thane' and is in the process of taking suitable action for strengthening the foundations and other safety features of the plants for safe operations.

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 and other nearby companies for off site emergency mock drill.

MANAGEMENT POLICY

We at Tanfac Industries Limited are committed to continual improvement of the processes of Management System effecting Quality, Cost and Delivery along with Environmental Impacts to prevent pollution and to comply with requirements of customers and other stakeholders.

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 System.
- Elimination of waste and conservation of resources like Raw Materials, Energy and Water.
- Involvement of people to achieve better Work Environment and Culture.
- To provide value for money to our customers by continuous up-gradation of technology and enhanced productivity by Benchmarking.
- Maintaining Safe and Healthy Work Environment.
- Minimize customer complaints and improve customer perception / feed back.
- Communicate the policy to all persons working for or on behalf of the organization.

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

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

CORPORATE GOVERNANCE :

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

TANFAC Industries Limited, a Joint Venture of the Aditya Birla Group with Tamilnadu Industrial Development Corporation Limited (TIDCO), has taken appropriate steps to comply with the corporate governance code keeping in view the interest of all stakeholders.

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

MANDATORY REQUIREMENTS :

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and in meeting its obligations to stakeholders, and is guided by a strong emphasis on transparency, accountability and integrity. The Company has adopted a codified Corporate Governance Charter, which is in line with the best practice, as well as 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.

The best practices of good governance followed by the company are in regard to the following:

- 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.
- Compliance of the requirements of clause 49 of the listing agreement with the stock exchanges as required by the Securities and Exchange Board of India (SEBI).

The objectives of the Corporate Governance includes –

- To take independent decisions by the Board.
- To adopt transparent procedures and practices and arrive at decisions on the strength of adequate information.
- Timely and accurate disclosure of all material operational and financial information to the stakeholders.

REPORT ON CORPORATE GOVERNANCE (Contd.)

- To keep Shareholders informed of the relevant details impacting the Company.
- To monitor effectively and regularly the functioning of the management team.
- To remain in effective control of the affairs of the Company at all times.
- To institutionalize good corporate governance practices that go beyond adherence to regulatory framework

I. BOARD OF DIRECTORS

Composition of the Board

TANFAC's Board consists of Nine Non-Executive Directors. Out of this, five Directors are 'Independent' i.e. they have no business relation with the Company.

Board/Committee position as on 31.03.2012 :

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	8	-	-	-
Shri M.S. Shanmugam, IAS	Non-Executive	7	1	-	-
Shri V.T. Moorthy	Independent	1	-	-	-
Shri Lalit Naik ¹	Non-Executive	3	-	-	-
Shri R. Karthikeyan	Non-Executive	7	-	-	-
Shri M.R. Sivaraman, IAS (Retd.)	Independent	1	-	1	1
Shri Kannan K Unni	Independent	4	-	-	-
Dr. Shankar Narasimhan	Independent	-	-	1	-
Shri T.S. Raghavan	Independent	7	-	2	-
Shri A.M. Swaminathan IAS (Retd.) ²	Independent	-	-	-	-
Selvi Apoorva, IAS ³	Non Executive	5	1	-	-
Shri B. Elangovan ⁴	Non-Executive	7	-	-	-
Dr. Pragnya Ram ⁵	Non-Executive	-	-	-	-

¹ Manager and Director / Employee of other group companies

² Resigned w.e.f. 21.5.2011

³ has been withdrawn by TIDCO w.e.f. 06.8.2011

⁴ has been withdrawn by TIDCO w.e.f. 22.8.2011

⁵ Resigned w.e.f. 22.8.2011

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

REPORT ON CORPORATE GOVERNANCE (Contd.)

Details of Board Meetings and Attendance

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

Date of Board Meeting	Place	No. of Directors present
21.5.2011	CHENNAI	11 out of 12
06.8.2011	CUDDALORE	8 out of 11
22.8.2011	CHENNAI	7 out of 9
12.11.2011	CHENNAI	6 out of 9
03.02.2012	CHENNAI	8 out of 9

Details of Remuneration to Board of Directors

Name of Director	Relationship with other Directors	Business relationship with the Company if any	Remuneration paid during 2011-2012 (All figures in ₹)			
			Sitting fees [@]	Salary and Perks	Commission	Total
Shri A.K. Agarwala	Non-Executive	NIL	60000	-	-	60000
Shri M.S. Shanmugam, IAS	Non-Executive	NIL	20000	-	-	20000
Shri V.T. Moorthy	Independent	NIL	240000	-	-	240000
Shri Lalit Naik	Non-Executive	NIL	-	-	-	-
Shri R. Karthikeyan	Non-Executive	NIL	210000	-	-	210000
Shri M.R. Sivaraman, IAS (Retd.)	Independent	NIL	240000	-	-	240000
Shri Kannan K Unni	Independent	NIL	160000	-	-	160000
Dr. Shankar Narasimhan	Independent	NIL	200000	-	-	200000
Shri T.S. Raghavan	Independent	NIL	100000	-	-	100000
Shri A.M. Swaminathan IAS (Retd.)	Independent	NIL	50000	-	-	50000
Selvi Apoorva, IAS	Non-Executive	NIL	-	-	-	-
Shri B. Elangovan	Non-Executive	NIL	20000	-	-	20000
Dr. Pragnya Ram	Non-Executive	NIL	20000	-	-	20000

[@] includes sitting fee paid for committee meetings.

In addition to attending board meetings, directors have visited the factory and taken stock of facts relating to major incidents such as 'Thane' cyclone damage and adherence to safety standards. Their observations and recommendations have been complied with by the management.

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.

REPORT ON CORPORATE GOVERNANCE (Contd.)

The code of business conduct and ethics and procedure has been posted on the Company's website www.tanfacs.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.

COMPLIANCE REVIEWS :

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

II. COMMITTEES OF THE BOARD

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

1. Audit Committee
2. Investors' Grievance Committee

AUDIT COMMITTEE

The Audit Committee is composed of members who have extensive knowledge of finance accounting and engineering. They regularly review processes and procedures to ensure the effectiveness of internal control systems so that the accuracy and adequacy of the reporting of financial results is maintained at high level at all times.

An Audit Committee Charter comprising of its Members in line with Clause 49 of the listing agreement has been approved by the Committee. In accordance with this, the committee monitors and provides effective supervision of the Management's handling of finances, stocks, loans and advances and the financial reporting process with a view to ensuring effective and efficient financial control. The committee reports to the Board.

To elaborate further the functions of the Audit Committee:

The Audit Committee has been assisting the Board of Directors in fulfilling its oversight responsibilities towards the –

- effective and efficient financial management of the Company
- integrity of the Company's financial statements;
- Company's compliance with tax legal and regulatory requirements and its Code of Conduct;
- independent auditor's qualifications and independence examination of report; and
- performance of the Company's internal audit function and independent auditors.
- adequacy and reliability of the internal control system

REPORT ON CORPORATE GOVERNANCE (Contd.)

To discharge the above responsibilities the Audit Committee is vested with the following powers :

- To review performance relating to procurement, production; sales and profits.
- The Committee shall act and have powers in accordance with the terms of reference as determined by the Board, which shall include the following:
- To investigate any activity within the scope of this Charter or referred to it by the Board and for this purpose, shall have full access to information contained in the books of accounts and the Company's facilities and personnel.
- To seek information from any employee or director of the Company, to perform its duties effectively and have direct access to such employee or director.
- To secure assistance and attendance of outsiders with relevant knowledge / expertise in accounting, legal or other matters, if it considers necessary.
- To engage independent counsel and other advisors as it deems appropriate to perform its duties and responsibilities.
- To determine the provision of appropriate funding by the Company for compensation to the external auditors, other advisors / experts that the Committee chooses to engage and other ordinary administrative expenses of the Committee.
- To visit the factory periodically to gain knowledge of its conditions.

Responsibilities:

The responsibilities of the audit committee shall include the following:

Financial statements:

Oversight of the company's financial management, financial reporting process and the disclosure of its financial information has to ensure that the financial statement is correct, sufficient and credible.

Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:

- a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
Disclosure under 'Management Discussion and Analysis of Financial Condition and Results of Operations'
- b. Changes, if any, in accounting policies and practices and reasons for the same
- c. Major accounting entries involving estimates based on the exercise of judgment by management
- d. Significant adjustments made in the financial statements arising out of audit findings
- e. Compliance with listing and other legal requirements relating to financial statements
- f. Disclosure of any related party transactions
- g. Qualifications in the draft audit report.

Internal Audit function

The Committee reviewed the Group Corporate Audit department's audit plan for the year and approved its budget and resource requirements. The Committee carried out a formal evaluation of the performance of the internal audit function. Limited review of report by the Statutory Auditors for all quarters excluding last quarter as required in terms of Clause 41 of the listing agreement has been carried out by the statutory auditors, 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.

REPORT ON CORPORATE GOVERNANCE (Contd.)

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

During the year under review, the audit committee met five 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.) [@]	5	1
Shri M.R. Sivaraman, IAS (Retd.) *	5	5
Shri Lalit Naik	5	4
Shri V.T. Moorthy	5	5
Shri R. Karthikeyan	5	4
Shri Kannan K Unni	5	4
Dr. Shankar Narasimhan	5	5

* Chairman of the Committee

[@]Resigned w.e.f. 21.5.2011 [Chairman – Meeting dated 21.5.2011]

The Compliance Officer acted as Secretary to the Audit Committee.

SHAREHOLDERS COMMITTEE

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

Its' primary focus is –

- ❖ 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.)

* since resigned w.e.f. 21.5.2011

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	1
Shri M.R. Sivaraman, IAS (Retd.)**	4	4
Shri Lalit Naik	4	4
Shri R. Karthikeyan	4	3
Shri V.T. Moorthy	4	4

[@] Resigned w.e.f. 21.5.2011[Chairman – Meeting dated 21.5.2011]

** Chairman of the Committee

The Company is in the process of appointing a wholetime Company Secretary as required under section 383A of the Companies Act 1956. The Board has authorised Shri N.R. Ravichandran, CFO & Vice President [Fin. & Comcl.] to act as Compliance Officer to the Committee/Board until the appointment of Company Secretary.

During the year, the Company has received a complaint from Shareholder through Bombay Stock Exchange regarding non-receipt of Annual Report for the year 2009-2010, which was redressed immediately.

ISIN :

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

Persons holding over 1% of the shares as on 31.3.2012 :

SL. NO.	NAME	NO. OF SHARES HELD	% TO SHARES
1.	AJIT SINGH JAGJIT SINGH CHAWLA	150,880	1.513
2.	AJIT SINGH CHAWLA	270,546	2.712
3.	KAMAL MAVJI VISARIA	213,869	2.144
4.	FOUR DIMENSIONS CAPITAL MARKETS PVT LTD	252,923	2.536
	TOTAL	888,218	8.905

Mr. Ajit Singh Chawla HUF vide his letter dated 12th May, 2012 informed that pursuant to Regulation 29(1) of SEBI SAST Regulation, 2011, has acquired 5% of the paid-up Equity Share Capital of the Company [i.e. 4,99,000] along with Person Acting in consortium of the following Shareholders, viz.,

- Ajit Singh Chawla [Ind]
- Raminder Kaur Chawla and
- Quality Share Investments & Consultant

RECONCILIATION OF SHARE CAPITAL AUDIT :

For each quarter of the financial year 2011-2012, 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.

REPORT ON CORPORATE GOVERNANCE (Contd.)

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.27.B.9 of the Annual Audited Accounts.

❖ Pecuniary relationship or transactions of the Non-Executive Directors

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

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

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

❖ Details of information on appointment of new directors:

A brief resume, nature of expertise in specific functional areas, names of companies in which the person already holds directorship and membership of committees of Board of Directors forms part of the Notice of the Annual General Meeting, annexed to this Annual Report.

❖ Details of non-compliance, penalties and strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

– None –

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 31.3.2012 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.tanfacs.com

REPORT ON CORPORATE GOVERNANCE (Contd.)

Presentation made to Institutional Investors or To analyst/Are they available on the company website	...	NO
Whether Management Discussion and Analysis Report is a part of annual report or not	...	YES
Whether Corporate Governance Report forms part of the Annual Report	...	YES

CEO/CFO Certification :

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

ANNUAL GENERAL MEETING (AGM) :

Current AGM : Date, time and venue

YEAR	LOCATION	DATE	TIME
2011-112	Regd. Office: CUDDALORE	13.8.2012	2.30 P.M.

Location and time, where last three General Meetings held:

YEAR	TYPE	LOCATION	DATE	TIME
2010-11	AGM	Regd. Office: CUDDALORE	06.8.2011	11.30 A.M.
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.

Directors attendance details for last Annual General Meeting dated 06.8.2011 :

1. SHRI M.S. SHANMUGAM
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
8. SHRI R. KARTHIKEYAN

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. |

REPORT ON CORPORATE GOVERNANCE (Contd.)**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	13.8.2012 at the Registered Office at - 14 SIPCOT Industrial Complex CUDDALORE – 607 005, TAMIL NADU
FINANCIAL CALENDAR – 2012-2013: (TENTATIVE) First Quarter Results Second Quarter Results Third Quarter Results Results for the year ending March 2013 Annual General Meeting for the year ending 31st March 2012.	End – On or before 14th August, 2012 End – On or before 14th November 2012 End – On or before 14th February, 2013 End – On or before 30th May 2013 Before September, 2013
DATE OF BOOK CLOSURE	08.8.2012(Wednesday)to13.8.2012 (Monday)
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

@ 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.

Listing fees for the year 2012-2013 have been paid to Chennai and Mumbai Stock Exchanges.

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 2012-2013, calculated in line with the revised guidelines as on 31.3.2012.

REPORT ON CORPORATE GOVERNANCE (Contd.)

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 (₹. Ps.)	LOW (₹. Ps.)	HIGH (₹. Ps.)	LOW (₹. Ps.)
APRIL ' 11	32.00	24.35	30.25	24.00
MAY ' 11	30.50	25.15	31.00	24.90
JUNE ' 11	32.35	26.25	32.70	23.60
JULY ' 11	31.75	27.10	35.95	25.10
AUGUST '11	31.35	22.10	34.00	23.00
SEPTEMBER '11	26.10	23.50	25.55	23.25
OCTOBER '11	25.40	23.50	25.00	23.50
OCTOBER '11	26.55	20.25	25.00	20.50
DECEMBER '11	23.85	19.50	23.90	19.50
JANUARY '12	23.55	19.30	23.60	20.00
FEBRUARY '12	22.50	19.75	23.85	20.00
MARCH '12	23.45	18.55	21.95	18.50

SHARE PRICE MOVEMENT – BSE [APRIL 2011 TO MARCH 2012]

TANFAC IND. (BSE: 506854) (Daily)
 30-Mar-2012 Chg: ▼-0.80 (-4.09%), O:19.70, H:20.20, L:18.55, C:18.75



REPORT ON CORPORATE GOVERNANCE (Contd.)

SHARE PRICE MOVEMENT – NSE [APRIL 2011 TO MARCH 2012]



<p>Registrar and Transfer Agents (For share transfers and other communications relating to share certificates, and change of address etc.)</p>	<p>... PHYSICAL and DEMAT</p>	<p>Investors Services Department INTEGRATED ENTERPRISES (INDIA) LTD KENCES TOWERS, IIND FLOOR, NO.1 RAMAKRISHNA STREET OFF NORTH USMAN ROAD, T.NAGAR CHENNAI – 600 017. TEL: (044)28140801 TO 3 FAX: (044) 28142479/28143378 Email Id: corpseiv@integratedindia.in</p>
<p>Share Transfer System</p>	<p>... 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.</p> <p>An officer of the Company is authorised to approve transfer of shares and the share transfer committee of the Board meets at regular intervals to ratify such transfers.</p> <p>Over 52% 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(c) of the listing agreement was obtained from a qualified practising Company Secretary, Mr. V. Raamanaathan and the same was also submitted with the Stock Exchanges where the Company shares were listed within the stipulated time.</p>	

REPORT ON CORPORATE GOVERNANCE (Contd.)

TRANSFER PERIOD IN DAYS	2011-2012			2010 -11		
	NO.OF CERTIFI- CATES	NO. OF SHARES	% TO SHARES	NO.OF CERTIFI- CATES	NO. OF SHARES	% TO SHARES
1-10	62	3000	51.02	68	3280	40.72
11-15	2	75	1.28	20	975	12.11
16-20	27	1305	22.19	18	875	10.86
21-30	30	1500	25.51	59	2925	36.31
31 AND ABOVE	-	-	-	-	-	-
TOTAL	121	5880	100.00	165	8055	100.00

VII. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH

NO. OF EQUITY SHARES HELD	2012				2011			
	NO. OF HOLDES	% TO HOLDERS	NO.OF SHARES	% TO SHARES	NO. OF HOLDERS	% TO HOLDERS	NO.OF SHARES	% TO SHARES
Up to 500	16638	94.86	1661508	16.66	16988	94.87	1703872	17.08
501 - 1000	502	2.86	412886	4.14	521	2.91	430446	4.32
1001 - 2000	197	1.12	300509	3.01	199	1.11	304702	3.05
2001 - 3000	72	0.41	180664	1.81	71	0.40	178719	1.79
3001 - 4000	33	0.19	117609	1.18	30	0.17	105110	1.05
4001 - 5000	16	0.09	76312	0.76	20	0.11	93408	0.94
5001 - 10000	33	0.19	236152	2.37	71	0.40	1173556	11.77
Above 100001	48	0.28	6989360	70.07	6	0.03	5985187	60.00
TOTAL	17539	100.00	9975000	100.00	17906	100.00	9975000	100.00
No. of Share- holders in Physical mode	9382	53.49	766044	7.68	9618	53.71	1287469	12.91
No. of Share- holders in electronic mode	8157	46.51	9208956	92.32	8288	46.29	8687531	87.09
TOTAL	17539	100.00	9975000	100.00	17906	100.00	9975000	100.00

REPORT ON CORPORATE GOVERNANCE (Contd.)

VIII. CATEGORIES OF SHAREHOLDING AS ON 31ST MARCH

CATEGORY	2012		2011	
	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	26817	0.27	26388	0.26
CORPORATES	707150	7.09	766530	7.68
CLEARING MEMBER	51820	0.52	26392	0.27
RESIDENT INDIVIDUALS	4094561	41.04	4061038	40.71
TOTAL	9975000	100.00	9975000	100.00

Dematerialisation of shares and liquidity :

As on 31st March, 2012, 9208956 shares were converted from the physical to electronic form. As required under SEBI circular dated 17.6.2011, the Company has achieved 100% of promoters shareholding in dematerialised form before the scheduled date of 30.9.2012.

Over 92.32% of outstanding equity shares have been dematerialised up to 31st March, 2012.

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

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

REPORT ON CORPORATE GOVERNANCE (Contd.)

Address for correspondence	<p>Shareholders correspondence should be addressed to : INTEGRATED ENTERPRISES (INDIA) LIMITED "KENCES TOWERS", IIND FLOOR NO.1 RAMAKRISHNA STREET OFF NORTH USMAN ROAD, T.NAGAR CHENNAI – 600 017. TEL: (044)28140801 TO 3 FAX: (044) 28142479/28143378 Email Id: corpserv@integratedindia.in</p> <p>Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participants.</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 performs his duty at their office. Hence no separate Chairman's office is maintained at your Company. Regarding the tenure of Independent Directors, your Company has not fixed the tenure (nine years) of the Independent Directors on the Board. The details are as follows :

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

[@] Resigned with effect from 21.5.2011.

Remuneration Committee:

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

Shareholders' Rights :

The Company's quarterly and half yearly results are published in the English and vernacular newspapers and the results are also uploaded in Company's website www.tanfac.com. As per the listing agreement requirements, the Company has furnished the Unaudited/Audited Financial Results and also Shareholding

REPORT ON CORPORATE GOVERNANCE (Contd.)

Pattern etc. to the listed Stock Exchanges, viz., Bombay Stock Exchange Limited, Madras Stock Exchange Limited. Announced results are uploaded by Bombay Stock Exchange Limited in their website www.bseindia.com and also by National Stock Exchange India Limited [NSE] [permitted to trade your Company's shares] in their website www.nseindia.com, which are made available to investors public. Therefore, no individual communications with respect to quarterly/half yearly financial performance are sent to the Shareholders. However, based on request from the Shareholders, if any, the Company would provide the same to them individually.

Audit Qualification:

There are no qualifications in the Auditors' Report on the accounts for the year 2011-2012.

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

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

Whistle Blower Policy

The Company has not adopted any formal whistle blower mechanism.

COMPLIANCE OFFICER RESPONSIBILITY STATEMENT

I, N.R. Ravichandran, Compliance Officer 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 : 29.5.2012

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

REPORT ON CORPORATE GOVERNANCE (Contd.)

CERTIFICATE ON CORPORATE GOVERNANCE

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

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of TANFAC INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by **TANFAC INDUSTRIES LIMITED**, for the year ended March 31, 2012, 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. Khimji Kunverji & Co.
Chartered Accountants
Registration No.105146W
(Hasmukh B Dedhia)
Partner
Membership No. 33494

Camp : Chennai
29.05.2012

REPORT ON CORPORATE GOVERNANCE (Contd.)

I. DISCLOSURE UNDER CLAUSE 32 :

Sl. No.	Disclosure of loans/advances/ investments outstanding during the year	As at 31st March, 2012 (₹)	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. b. No interest or interest below Section 372A of The Companies Act, 1956	NIL NIL	NIL NIL
4.	Loans and advances in the nature of loans to firms/ Companies in which Directors are interest	NIL	NIL

INSIDER TRADING REGULATIONS :

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

DECLARATION

The Board of Directors of the Company has renewed the “TANFAC INDUSTRIES LIMITED CODE OF CONDUCT” for the Senior Management of the Company including all functional heads and the “Code of Conduct for Non-Executive Directors” for the year 2011-2012.

Place : Chennai

Date : 29.05.2012

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 38th Annual Report along with the Audited Accounts of your Company for the financial year ended 31st March 2012 for your review.

FINANCIAL RESULTS

[₹ in Crores]

Details	Year ended 31st March 2012	Year ended 31st March 2011
Turnover	146.35	152.43
Gross Profit/ [Loss] after Interest but before Depreciation and Taxation	[11.14]	7.68
Less: Depreciation	5.99	5.37
Profit/[Loss] After Depreciation	[17.13]	2.31
Less: Provision for Taxation – Current Tax	-	-
Extraordinary items	4.42	-
Net Profit / [Loss] after Extraordinary items	[21.55]	2.31
Less: Deferred Tax / Reversal	2.54	[0.68]
Net profit/[Loss] for the period	(24.10)	2.99
Add: Balance brought forward	(5.12)	(8.11)
Profit/(Loss) available for appropriation	(29.22)	(5.12)
Transferred from General Reserves	-	0.58
Proposed dividend - (Current Year: NIL - Previous year: ₹ 0.50 per Equity Share)	-	0.50
Dividend Tax on Equity Shares	-	0.08
Balance Carried forward to Balance Sheet	(29.22)	(5.12)

OPERATIONS AND OVERALL PERFORMANCE

During the year under review the Sales Turnover at ₹146.35 Crores is lower against ₹152.43 crores in the previous year which is marginally lower at 4% on account of loss of production due to cyclone "Thane".

Your Company has suffered loss before depreciation, interest and taxation at ₹ 11.14 Crores as against profit of ₹ 7.68 Crores.

Your Company's operations have been impacted by:

- The slow down in demand for Hydrofluoric Acid and Aluminium Fluoride leading to a lower margin.
- Severe damage of Plant and Machinery due to the cyclone 'Thane', resulting in the shut down of the plants for more than 30 days.
- Foreign Exchange losses because of highly volatile Indian Rupee.
- Higher Interest charge, given the increase in interest rates and higher working capital requirements.

DIVIDEND:

As the Company has incurred a loss in the current year, your Directors have not recommended any dividend for the year 2011-2012.

FUTURE OUTLOOK:

The economic slow-down in the global economy as also in India has adversely affected most of the sectors of the economy. As a manufacturer, your Company's working is closely linked to the development and growth of its customers. The Company continued to face stiff competition from China in most of its products. Our strategy would be to spread the risk of products across various geographies. 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.

DIRECTORS' REPORT (Contd.)

Your Company has taken a number of initiatives to reduce the cost of production which should enable it to compete effectively with Chinese products and increase sales volumes and margins. Your Board of Directors are optimistic on the turnaround of the Company in 2012-13.

ALUMINIUM FLUORIDE:

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

HF ACID:

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

EXPORTS:

The export turnover fell by 23% at ₹ 25.58 crores as compared to ₹ 33.06 cores in the previous year as the off take by overseas customers was much less on account of market demand.

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

IMPACT ON CYCLONE "THANE" :

Cyclone "Thane" struck Cuddalore in the early hours of 30th December, 2011. Your Company's proactive measures ensured that there was no injury to any person in the plant as also there were no leakages thus avoiding any impact on the environment inside or outside the factory premises. The damage to property and material are covered by insurance. The insurance claim is under process.

RESEARCH AND DEVELOPMENT:

Your company's R&D all has developed two new products during the year, which are drug and agrochemical intermediates. A sample of these products has been approved by multinational

companies and the process of commercialization is under way.

Your company had improved upon the process of Specialty Organic Chemical whose quality is well accepted, it is now exploring the possibility of a tie up with interested parties for continuous production so as to improve the throughput and yield.

SAFETY, HEALTH AND ENVIRONMENT PROTECTION (SHE):

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

Your Company is Integrated Management System certified. This comprises 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.

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

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

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

DIRECTORS' REPORT (Contd.)

DIRECTORS:

TIDCO has nominated Shri M.S. Shanmugam, IAS, as Director of the Company in place of Selvi Apoorva, IAS, with effect from 6th August, 2011. TIDCO has withdrawn the nomination of Shri B. Elangovan as Director with effect from 22nd August, 2011. Dr. Pragnya Ram has resigned from the Board as Director with effect from 22nd August, 2011.

Your Company has received a Notice under Section 257 of The Companies Act, 1956, from a Member of the Company proposing the appointment of Shri M.S. Shanmugam, IAS, as Director in the forthcoming Annual General Meeting.

RETIREMENT BY ROTATION:

Shri V.T. Moorthy and Shri T.S. Raghavan, retire by rotation and being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE:

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

APPOINTMENT OF COMPANY SECRETARY:

Mr. D.M. Thiyagesh, had resigned from the services of the Company as "Company Secretary" with effect from 17th September, 2011. The Company is in the process of appointing a full time Company Secretary under the provision of Section 383A of the Companies Act 1956. In the absence of the Company Secretary, financial statements have not been authenticated by a whole time company secretary under section 215 of the Companies Act 1956.

To comply with the statutory requirements in time, the Board had authorized its CFO to act as "Compliance Officer" with effect from 1st October, 2011, until the appointment of Company Secretary. He will monitor the share transfer process, redressal of investors grievance, compliance of statutory compliances with the listed Stock Exchanges, SEBI, Registrar of Companies and other statutory requirements under The Companies Act, 1956. The Compliance Officer has also acted as Secretary to the Audit Committee.

AUDITORS & AUDITORS' REPORT:

M/s.Khimji Kunverji & Co., Chartered Accountants, Mumbai, 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

The Company has filed the cost audit report for the financial year 2010-2011 under prescribed form with the Ministry of Corporate Affairs on 24.9.2011, within the stipulated time of 180 days from the end of the financial year. Pursuant to the directions of the Central Government under the provisions of Section 233B of The Companies Act, 1956, 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 31.3.2012 and necessary forms have been filed by both the Company and Cost Accountant, Shri V. Gopalakrishnan, for his appointment.

PARTICULARS OF EMPLOYEES:

The details of employees drawing remuneration, requiring disclosures under Section 217(2A)

DIRECTORS' REPORT (Contd.)

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

PUBLIC DEPOSIT

The Company has not accepted any deposits from the Public during the year 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 is carrying out its community welfare activities in and around Cuddalore for more than a decade, reaching out to underserved communities. This entails transcending business interests and grappling with the "Quality of Life" challenges the poor face and working towards making a meaningful difference to them.

Our Group vision is:

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

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

- Girl child education under Kasturba Gandhi Balika Vidyalaya (KGBV) Scheme
- Health - including Family Welfare and Total Health (Disease) Management
- Child/Women Empowerment Projects
- Need Assessment
- Identification of funding sources and opportunities
- Link up with Government agencies, NGO's and other potential partners
- Implementation of Community Upliftment Projects involving government authorities, Village Panchayat and the end beneficiaries in specific areas of social development, such as health, education, water management, etc., to cater to the needs of children, women, adolescents, and the physically challenged, as also to contribute to the overall development of villages/community.

As a part of CSR initiatives, your Company has taken welfare measures by providing basic amenities in and around villages of the factory premises which have badly affected by "Thane" cyclone, which crossed coastal area of Cuddalore on 30th December, 2011.

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

DIRECTORS' REPORT (Contd.)

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, skill and performance commitment 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

Chennai
29.05.2012

CHAIRMAN

ANNEXURE TO DIRECTORS' REPORT (Contd.)

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2012.

1. CONSERVATION OF ENERGY

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

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

A. Power and Fuel Consumption		
1. ELECTRICITY	FINANCIAL YEAR ENDED	
	March 31, 2012	March 31, 2011
(a) Purchased Unit (KWH)	11,95,660	27,47,180
Total Amount (₹)	53,04,041	1,12,31,319
Rate/Unit (₹)	4.44	4.09
(b) Own Generation		
(i) Captive Power Plant 2.23 mw – Unit (kwh)	1,21,93,596	1,36,88,800
(ii) Through Diesel Generator-2650 KVA - Unit (KWH)	34,48,342	32,03,333
Unit per litre of Diesel/Furnace Oil	3.40	3.62
Cost of Diesel/HFO per KWH (₹)	9.39	7.75
2. Coal (for process steam)		
Quantity (Tonnes)	9,308.088	8,924.783
Total Cost (₹)	4,44,25,275	3,66,61,523
Average Rate (₹)	4,772.76	4,107.83
3. Furnace Oil/L.D.O.		
Quantity (MT)	3,722.478	3,672.700
Total Amount (₹)	13,68,24,881	9,59,81,773
Average Rate (₹)	36,756.40	26,133.85
4. Others/Internal Generation		
Quantity	–	–
Total Cost	–	–
Rate per unit	–	–
B. Consumption per unit of Production		
(a) Fluorine Chemicals		
Electricity (KWH)	552	529
Furnace Oil/LDO/LSHS (K.Ltrs)	0.207	0.169
Others –	–	–
(b) Sulphuric Acid and Oleum		
Electricity (KWH)	73	75
Furnace Oil/LDO (K.Ltrs)	–	–
Others	–	–

ANNEXURE TO DIRECTORS' REPORT (Contd.)

RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION

- Your company has implemented a scheme for reducing the effluent discharge by effective recycling in the plant.
- Your company's continued efforts had enabled to recycle the solid waste in Cement industry.
- Through a focus on energy conservation, your company has successfully implemented schemes so as to consistently achieve increased captive power generation.
- Your company is continuously implementing various schemes to reduce consumption norms.
- Your company has focused on production of special grades of HF Acid to meet specific customers' requirements.

Technology Absorption, Adaptation and Innovation

Your company has motivated its young engineers/scientists to improve upon the existing process for enhanced efficiency in areas like productivity, cost reduction and power savings, thereby reducing the dependency on imported technology.

C. FOREIGN EXCHANGE EARNING AND OUTGO : (₹ in Lakhs)

Details	2011-12	2010-11
Exports	2558.43	3305.66
Forex Earned	2623.30	3375.35
Forex used	5195.20	4248.38

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

Your Directors would like to inform its members that the audited accounts containing the financial statements for the financial year 2011 - 2012 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

To
The Members of
Tanfac Industries Limited

1. We have audited the attached Balance Sheet of **TANFAC INDUSTRIES LIMITED** ('the company') as at March 31, 2012 and also the Statement of Profit and Loss 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.
2. 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.
3. As required by the Companies [Auditor's Report] Order 2003 [as amended] ['the order'] issued by the Central Government in terms of subsection [4A] of Section 227 of The Companies Act, 1956, ('the Act') we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. 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;
 - ii. 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;
 - iii. The Balance Sheet, statement of Profit and Loss and Cash Flow Statement dealt with by the report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Act;
 - v. On the basis of the written representations received from the Directors as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2012 from being appointed as a Director in terms of Section 274(1)(g) of the Act;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by act in the manner so required and give a true and fair view in conformity with the Accounting principles generally accepted in India :
 - a. In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2012.
 - b. In the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date, and
 - c. In the case of Cash Flow Statement of the Cash Flows of the Company for the year ended on that date.

M/s. Khimji Kunverji & Co.
Chartered Accountants
Firm Registration No.105146W
Hashmukh B Dehdia
Partner
Membership No. 33494

Camp : Chennai
Date : 29th May, 2012

Annexure referred to in paragraph 3 of our report of even date

- i. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.
- b) The Company has phased programme for physical verification of all its fixed Assets, which in opinion, is reasonable having regard to the size of the company and nature of its asset. As informed to us, no material discrepancies were noticed on such verification.
- c) There was no substantial disposal of fixed assets during the year.
- ii. a) The management has conducted physical verification of inventories at reasonable intervals during the year;
- b) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) The Company is maintaining proper records of inventory and as informed to us, no material discrepancies were noticed on physical verification.
- iii. a) As informed, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Hence, clauses (iii)(b), (c) and (d) of the Order are not applicable.
- b) As informed, the Company has not taken any secured or unsecured loans from companies, firms or other parties listed in the Register maintained under Section 301 of the Act. Hence, clauses (iii) (f) and (g) of the Order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets, and for the sale of goods and services. During the course of our audit and on the basis of examination of the books and records of the company as also according to information and explanations given, and as per checking carried out in accordance with the auditing standards generally accepted in India, neither we have observed nor we have been reported of any continuing failure to correct any major weakness in the internal control system of the company.
- v. (a) According to the information and explanations provided to us, there have been no transactions which need to be entered in the register maintained under Section 301 of the Act. Hence, clause (v) (b) of the Order is not applicable to the Company.
- vi. According to the information and explanations given to us, the Company has not accepted any public deposits within the meaning of the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the rules framed there under. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this respect.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act, in respect of the Company's products to which said rules are made applicable and are of the opinion that prima facie, the prescribed accounts and records have been maintained.
- ix. a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Act, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

ANNEXURE TO AUDITORS' REPORT (Contd.)

b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess. and other undisputed statutory dues

outstanding at the year end, for a period of more than six months from the date they became payable

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

Name of Statute	Nature of the Dues	Disputed amount (₹ in Lakhs)	Period to which the amount relates	Forum where dispute is pending
TNGST Act 1959	Levy of sales tax from sales affected through Pondicherry	52.77	2004-05	Written petition before Hon'ble High Court of Madras
Custom Act	Duty on fluorspar shipment shortage	10.79	1998-99	Customs Officer
Central Excise Act	Interest Accrued to be added	0.27	2001-02	SB, CEGAT, Chennai
	Sale of Scrap	0.74	2003-04	SB, CEGAT, Chennai
	Cenvat credit disallowed on steels/pipes	31.02	April '03 - August '05	Additional/Joint Commissioner, Pondicherry
	Cenvat credit disallowed on steels/pipes	4.74	September '05 - March '06	Additional/Joint Commissioner, Pondicherry
	Cenvat credit disallowed on steels/pipes	4.84	April '06 - March '07	Additional/Joint Commissioner, Pondicherry
	Cenvat credit disallowed on steels/pipes	0.47	April '07 - March '07	Additional/Joint Commissioner, Pondicherry
	Cenvat credit disallowed on steels/pipes	1.93	October '07 - March '08	Additional/Joint Commissioner, Pondicherry
	Cenvat credit disallowed on steels/pipes	10.49	April '08 - September '08	Additional/Joint Commissioner, Pondicherry
	Cenvat credit disallowed on steels/pipes	21.55	September '08 - March '09	Additional/Joint Commissioner, Pondicherry
	Total	76.05		

ANNEXURE TO AUDITORS' REPORT (Contd.)

Name of Statute	Nature of the Dues	Disputed amount (₹ in Lakhs)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994 (Service Tax)	Service Tax on Lease Rent	12.3	2001-02 to 2004-05	The Commissioner/ The Asst. Commissioner, Pondicherry
	Service tax on consulting Engineers/Management Consultancy (including penalty)	0.46	2002-03 to 2003-04	CESTAT, Chennai
	Service tax on GTA	19.64	2006-07 to 2007-08	The Commissioner, Pondicherry
	Service Tax on tangible assets	1.13	2008-09	CESTAT, Chennai
	Total	33.53		
Income Tax Act	Replacement of equipment claimed as revenue expenditure, reclassified by Dept. as capital expenditure [tax demanded] (Including Interest)	85.39	2003 - 04	Income Tax Appellate Tribunal
	Disallowance of various expenses (Including Interest)	71.95	2005-06	The Commissioner of Income Tax [Appeals], Chennai
	Disallowance of various expenses (Including Interest)	71.42	2006-07	The Commissioner of Income Tax [Appeals], Chennai
	Disallowance of various expenses (Including Interest)	75.79	2007-08	The Commissioner of Income Tax [Appeals], Chennai
	Disallowance of various expenses (Including Interest)	16.89	2008-09	The Commissioner of Income Tax [Appeals], Chennai
		321.44		

ANNEXURE TO AUDITORS' REPORT (Contd.)

- x. The Company has accumulated losses of ₹ 2,922.42 lakhs and has incurred a cash loss of ₹ 1,446.63 lakhs in the current financial year but has not incurred cash loss in the immediately preceding financial year.
- xi. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of due to a financial institution or bank. The company has not issued any debenture.
- xii. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof in our opinion are not prima facie prejudicial to the interest of the Company.
- xvi. Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- xvii. According to information and explanation given to us and overall examination of the balance sheet of the company, we report that the funds raised on short term basis have been used for long term investment to the extent of ₹ 299.32 lakhs
- xviii. During the year, the Company has not made any preferential allotment of share, hence clause 4(xviii) of the order is not applicable to it
- xix. The Company has not issued any debentures. Hence, clause 4(xix) of the order is not applicable to it
- xx. The Company has not raised any money by way of public issue. Hence, clause 4(xx) of the order is not applicable to it
- xx. During the course of our examination of the books and records of the company, carried out in accordance with the auditing standards generally accepted in India, we have neither come across any instance of fraud on or by the company noticed or reported during the course of our audit nor have we been informed of any such case by the management

Camp: Chennai
Date: 29th May, 2012

M/s. Khimji Kunverji & Co.
Chartered Accountants
Firm Registration No.105146W
Hashmukh B Dehdia
Partner
Membership No. 33494

BALANCE SHEET AS AT 31ST MARCH 2012

Particulars	Note No	As at 31st March 2012 (₹ in Lakhs)	As at 31st March 2011 (₹ in Lakhs)
I EQUITY AND LIABILITIES			
(A) Shareholders Funds			
a) Share Capital	1	997.50	997.50
b) Reserves & Surplus	2	983.32	3,393.16
Total (A)		1,980.82	4,390.66
(B) Non Current Liabilities			
a) Long Term Borrowings	3	882.35	1,553.30
b) Deferred Tax Liabilities (Net)	4	808.93	554.54
c) Long Term Provisions	5	33.25	27.93
Total (B)		1,724.53	2,135.77
(C) Current Liabilities			
a) Short-Term Borrowings	6	7,773.07	4,117.93
b) Trade Payables	7	1,607.05	2,281.66
c) Other Current Liabilities	8	910.35	855.51
d) Short-Term Provisions	9	87.18	118.94
Total (C)		10,377.65	7,374.04
Total (A + B + C)		14,083.00	13,900.47
II ASSETS			
(D) Non Current Assets			
a) Fixed Assets			
i) Tangible Assets	10	7,398.20	7,673.11
ii) Intangible Assets		10.14	16.72
iii) Capital Work-in-progress		7.52	24.40
iv) Intangible Assets under development		-	-
Total (a)		7,415.86	7,714.23
b) Non Current Investments	11	16.96	16.96
c) Long Term Loans and Advances	12	110.40	120.00
d) Other Non Current Assets	13	109.46	218.92
Total (D)		7,652.68	8,070.11
(E) Current Assets			
a) Inventories	14	3,596.26	2,458.72
b) Trade Receivables	15	2,169.49	1,953.63
c) Cash and Bank Balances	16	97.66	49.91
d) Short Term Loans and Advances	17	446.91	907.40
e) Other Current Assets	18	120.00	460.70
Total (E)		6,430.32	5,830.36
Total (D + E)		14,083.00	13,900.47
Significant Accounting Policies and other Notes on Financial Statements	27 A & B		
Notes referred to above form an Integral part of Financial Statements			
As per our report of even date attached			
For KHIMIJI KUNVERJI & CO.			
Chartered Accountants		For TANFAC INDUSTRIES LIMITED	
Firm Registration No: 105146W	M.R.Sivaraman Director	Lalit Naik Manager and Director	R.Karthikeyan Director
Hasmukh B. Dedhia Partner	V.T.Moorthy Director	Suresh Sodani President	N.R.Ravichandran Vice President (F&C)
Membership No. 33494			Chennai : Dated May 29, 2012
Camp : Chennai			

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012

Particulars	Note No	Year Ended 31st March 2012 (₹ in Lakhs)	Year Ended 31st March 2011 (₹ in Lakhs)
I Revenue From Operations (Gross)	19	16,281.16	16,752.25
Less: Excise Duty		1,504.59	1,369.54
Net Revenue from Operations		14,776.57	15,382.71
II Other Income	20	48.37	159.12
III Total Revenue (I + II)		14,824.94	15,541.83
IV Expenses			
Cost of materials consumed including Packing Material consumed	21	10,292.52	8,817.77
(Increase) / Decrease in inventories of Finished Goods and WIP	22	(399.85)	655.86
Employee Benefits Expenses	23	796.92	743.54
Other Expenses	24	4,308.97	3,726.57
V Total Expenses		14,998.56	13,943.74
VI Profit before Interest, Tax and Depreciation		(173.62)	1,598.09
Depreciation and Amortisation Expenses		599.37	537.27
Finance Cost	25	940.49	830.15
VII Profit Before Exceptional Item, Extraordinary Items and Tax		(1,713.48)	230.67
Exceptional Items		-	-
VIII Profit Before Extraordinary Items and Tax		(1,713.48)	230.67
Extraordinary Items			
Expenses incurred on account of damages due to Natural Calamity (Cyclone)	26	441.98	-
IX Profit Before Tax		(2,155.46)	230.67
Tax Expense			
1) Current Tax		-	-
2) Deferred Tax		254.39	(68.07)
X Profit / (Loss) for the period continuing operations		(2,409.85)	298.74
Earnings per share of ₹.10 each	27 B.5		
After Extra-ordinary Items			
Basic (₹)		(24.16)	2.99
Diluted(₹)		(24.16)	2.99
Before Extra-Ordinary Items			
Basic (₹)		(19.73)	2.99
Diluted (₹)		(19.73)	2.99
Notes referred to above form an integral part of Financial Statements			
As per our report of even date attached			
For KHIMIJI KUNVERJI & CO.		For TANFAC INDUSTRIES LIMITED	
Chartered Accountants			
Firm Registration No: 105146W	M.R.Sivaraman Director	Lalit Naik Manager and Director	R.Karthikeyan Director
Hasmukh B. Dedhia Partner	V.T.Moorthy Director	Suresh Sodani President	N.R.Ravichandran Vice President (F&C)
Membership No. 33494			Chennai : Dated May 29, 2012
Camp : Chennai			

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

Particulars	2011-12 (₹ in Lakhs)		2010-11 (₹ in Lakhs)	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax	(2155.46)		230.67	
Adjustments for :				
Depreciation & Amortisation of Expenses	708.83		646.73	
Finance Cost	940.49		830.15	
Provision for Liabilities no longer required Written Back	(34.22)		(98.50)	
Damages due to Natural Calamity (Cyclone) - Refer Note No. 26	441.98		-	
Loss/(Profit) on Sale of Fixed Assets	(1.24)		3.93	
Interest & Dividend Income	(1.79)		(1.47)	
Operating Profit Before Working Capital changes		(101.41)		1611.51
Adjustments for :				
Trade and Other Receivables	585.33		204.89	
Inventories	(1137.54)		506.42	
Trade Payable and Provisions	(620.63)		465.70	
		(1172.84)		1177.01
Cash Generated From/ (Used in) Operations		(1274.25)		2788.52
Damages Due to Natural Calamity (Cyclone) - Refer Note No. 26	(441.98)		-	
Direct Taxes (Payment) / Refund (Net)	4.68		-	
		(437.30)		-
Net Cash Generated From/ (Used in) operations		(1711.55)		2788.52
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(304.35)		(391.24)	
Sale of Fixed Assets	4.59		8.79	
Creditors for Capital Asset	(1.37)		(2.68)	
Non Current Assets	9.59		(63.27)	
Interest and Dividend Income	1.79		1.47	
Net Cash Flow From/(Used in) Investing Activities		(289.74)		(446.93)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Buyer's credit	2866.36		(1299.48)	
Long term loan availed (Net)	(670.94)		800.90	
Short term loan availed	788.78		(1026.21)	
Non current Liabilities	5.32		(15.43)	
Finance Cost	(940.49)		(830.15)	
Net Cash flow from/(used in) financing Activities		2049.03		(2370.37)
Net Increase/(Decrease) in Cash and Cash Equivalents		47.74		(28.78)
Cash & Cash Equivalents (Opening Balance)	49.92		78.70	
Cash & Cash Equivalents (Closing Balance)	97.66		49.92	
		47.74		(28.78)
As per our report of even date attached				
For KHIMIJI KUNVERJI & CO.		For TANFAC INDUSTRIES LIMITED		
Chartered Accountants				
Firm Registration No: 105146W		M.R.Sivaraman	Lalit Naik	R.Karthikeyan
		Director	Manager and Director	Director
Hasmukh B. Dedhia		V.T.Moorthy	Suresh Sodani	N.R.Ravichandran
Partner		Director	President	Vice President (F&C)
Membership No. 33494		Chennai : Dated May 29, 2012		
Camp : Chennai				

NOTES FORMING PART OF ACCOUNTS

27A SIGNIFICANT ACCOUNTING POLICIES

a. **Accounting Concepts:** The Company follows the Mercantile System of accounting and recognise Income and Expenditure on accrual basis except those with significant uncertainties and confirm to prevailing practices and also provisions of applicable Accounting Standards(AS) notified under Companies (Accounting Standard) Rules 2006.

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

The carrying amounts of assets are reviewed at the Balance Sheet date to determine if there is any indication of impairment based on external / internal factors.

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

d. **Depreciation:**

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

e. **Investments:**

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

f. **Inventories:**

Inventories are valued on the following basis:

- i) Finished Goods - At Cost (calculated on Annual Weighted Average Method) or Net Realisable Value whichever is lower.
- ii) Material in Process - At Cost.
- iii) Waste - At actual Realisable Value.
- iv) Raw Materials / Stores & Spare Parts - At Cost

NOTES FORMING PART OF ACCOUNTS (Contd.)

g. Foreign Currency Transactions:

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

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

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

h. Borrowing Costs:

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

i. Excise and Customs:

i) Excise Duty on Finished Goods Stock lying at the factory is accounted for at the point of manufacture of goods and is accordingly considered for Valuation of Finished Goods stock lying in the factory as on the Balance Sheet date.

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

j. Sales and Export Incentives:

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

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

l. Deferred Revenue Expenditure:

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

m. Taxes on Income:

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

ii) **Deferred Tax** Asset and Liability arising on account of timing differences, being the differences between Taxable Income and Accounting Income that originate in one period and are capable of reversal in one or more subsequent periods, are recognised at the rate of

NOTES FORMING PART OF ACCOUNTS (Contd.)

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".

n. Provisions:

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

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

o. Contingencies:

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

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

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE - 1 SHARE CAPITAL

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Authorised		
2,50,00,000 Equity Shares of ₹.10/- each	2,500.00	2,500.00
10,00,000 11% Redeemable Cumulative Preference Shares of ₹ 100 each	1,000.00	1,000.00
	<u>3,500.00</u>	<u>3,500.00</u>
Issued, Subscribed and Paid up		
99,75,000 Equity shares of ₹10/- each fully paid up	997.50	997.50
	<u>997.50</u>	<u>997.50</u>

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

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

Particulars	As at 31st March 2012	As at 31st March 2011
Equity Shares at the beginning of the year	9,975,000	9,975,000
Add: Shares issued if any during the year	–	–
Equity Shares at the end of the year	<u>9,975,000</u>	<u>9,975,000</u>

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

Name of the Shareholder	As on 31st March 2012		As on 31st March 2011	
	No. of Shares	%age of holding	No. of Shares	%age of holding
Tamilnadu Industrial Development Corporation Limited	2,595,000	26%	2,595,000	26%
TGS Investment & Trade Private Limited	1,990,652	20%	1,990,652	20%
Pilani Investment & Industries Corporation Limited	498,000	5%	498,000	5%

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

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE - 2 RESERVES AND SURPLUS

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
a) Capital Reserve		
i) State Capital Subsidy from SIPCOT	30.00	30.00
ii) Profit on sale of Forfeited Shares	0.46	0.46
TOTAL	30.46	30.46
b) Securities Premium Account	2.18	2.18
c) General Reserve		
Opening balance	3,873.10	3,931.07
Less: Transferred to P&L A/c - (Dividend paid out of Reserves)	-	57.97
TOTAL	3,873.10	3,873.10
d) Profit and Loss Account		
Opening balance	(512.58)	(811.32)
Add: Net profit after tax transferred to P&L A/c	(2,409.84)	298.74
TOTAL	(2,922.42)	(512.58)
Total (a + b + c + d)	983.32	3,393.16

NOTE - 3 LONG TERM BORROWINGS

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
SECURED LOANS		
Term Loan from		
(i) Banks	882.35	1,553.30
(ii) Others	-	-
TOTAL	882.35	1,553.30

3.1 Secured Long Term Borrowings:

Term Loan from Banks

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

Particulars	Date of Maturity	Applicable Interest Rate
Term Loan I (Monthly installments of ₹ 36.20 lacs)	30.12.2012	12.55%
Term Loan II (Quarterly Installments of ₹ 88.24 lacs)	23.09.2015	12.75%

NOTES FORMING PART OF ACCOUNTS (Contd.)

3.2 The installments due within 12 months from the date of Balance Sheet have been grouped under Other Current Liabilities as 'Current Maturities of Long Term Borrowings' (Refer Note No.8).

NOTE - 4 DEFERRED TAXATION

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

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
(A) Deferred tax Assets		
i. Expenses allowable against taxable income in future years	–	24.48
ii. Voluntary Retirement Scheme allowable in 5 equal instalments under the Income Tax Act	–	6.48
iii. Provision for Doubtful Debts	–	0.97
iv. Unabsorbed Depreciation Loss / Business Loss	386.17	551.41
v. MAT Credit	–	15.43
TOTAL (A)	386.17	598.77
Less: (B) Deferred Tax Liability		
i. Depreciation	1,124.08	1,153.31
ii. Deferred Revenue Expenditure	71.02	–
TOTAL (B)	1,195.10	1,153.31
Net Deferred Tax Liability (B) - (A)	808.93	554.54

Deferred Tax Assets on unabsorbed carried forward business loss is not recognised on account of prudence.

NOTE - 5 LONG TERM PROVISIONS

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Employee Benefits		
Leave Encashment (Refer Note No.9)	33.25	27.93
TOTAL	33.25	27.93

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE - 6 SHORT TERM BORROWINGS

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
SECURED LOANS		
Loan Repayable on Demand from Bank (Note 6.1 below)	3,197.98	2,409.20
Other	-	-
TOTAL - I	3,197.98	2,409.20
UNSECURED LOANS		
Loan Repayable on Demand from Bank (Note 6.2 below)	4,575.09	1,708.73
Other	-	-
TOTAL - II	4,575.09	1,708.73
TOTAL (I + II)	7,773.07	4,117.93

6.1 Secured Loan - Working Capital Loans from Bank**Nature of Security**

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

6.2 Short Term Borrowings - Unsecured Loan

Unsecured working capital loan including Import Finance Loan taken in Foreign Currency (US \$) for payment of imported Raw Materials. The currency risk is partly hedged. Interest is charged at LIBOR Plus spread. Applicable interest amount is payable along with principle amount. Due date for repayment of these loans is between 90 to 180 days from the date of availment. Details of loan are given below:

Nature of Unsecured Loan	Due Date of Repayment	Interest % P.A.	Amount (₹ Lakhs)
Buyers Credit for Raw Material Imports	20-Apr-12	2.61	1,755.33
	18-May-12	3.91	595.36
	24-Jul-12	4.29	643.92
	17-May-12	3.00	386.93
	22-May-12	3.29	514.89
	26-Jun-12	1.97	337.32
	08-Jun-12	1.97	341.35
TOTAL #			4,575.09

Company has covered by forward hedge of USD 76.56 lakhs out of total USD 85.34 lakhs (also Refer Note 27 B.10).

NOTES FORMING PART OF ACCOUNTS (Contd.)

6.3 The following Forward Contracts are booked for purchase of Foreign Currency against Buyer's Credit loan taken by the company for Raw Material import payment obligation and future forecasted import of Raw Material. The Exchange Risk is attempted to be mitigated through Forward Cover booking.

Nature of Contract	Foreign Currency	Amount in Foreign Currency As at	
		31st March 2012	31st March 2011
Forward Contracts	USD Lakhs	98.74	63.49

NOTE - 7 TRADE PAYABLES

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Trade Payables	1,607.05	2,281.66
TOTAL	1,607.05	2,281.66

Disclosure under Sec. 22 of MSMED Act, 2006

(Chapter V - Delayed Payment to Micro and Small Enterprises)

Micro, Small and Medium Enterprises

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

Particulars	FY 2011 - 12 (₹ In Lakhs)	FY 2010 - 11 (₹ In Lakhs)
The principal amount (interest nil) remaining unpaid to any supplier as at the end of the each accounting year	50.09	9.23
The amount of interest paid by the buyer in terms of section 16 of the Micro Small and Medium Enterprises Development Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	NIL	1.19
The amount of interest due and payable for the period of delay in making payments (which have been paid but beyond the appointed day during the year) but without adding the interest specified Under Micro Small and Medium Enterprise Development Act, 2006.	NIL	1.19
The amount of interest accrued and remaining unpaid at the end of each accounting year : and	NIL	NIL
The amount of further interest remaining due and payable even in the succeeding years until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act 2006.	NIL	NIL

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE - 8 OTHER CURRENT LIABILITIES

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Current Maturities of Long term Borrowings (Refer Note No.- 3.2)	670.94	699.11
Interest accrued but not due on borrowings	35.18	12.70
Interest accrued & due on borrowings (Paid on April 3, 2012)	17.44	-
Advance from Customers	37.76	39.26
Unclaimed Dividend	27.65	27.18
Other Payables		
Statutory Dues	92.19	46.63
Security Deposits	8.50	9.40
Payables pertaining to employees	14.42	13.59
Creditors for Fixed Assets	6.27	7.64
TOTAL	910.35	855.51

NOTE - 9 SHORT TERM PROVISIONS

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Employee Benefits - Leave Encashment (Refer Note No.5)	4.86	4.08
Proposed Dividend	-	57.96
Income Tax (Net of Advance Tax - ₹ 2,138 lacs; Previous Year - ₹.2,143 lacs)	4.91	0.38
Disputed Liabilities (Refer Note No. 27 B.3)	52.77	56.52
Provision for Expenses	24.64	-
TOTAL	87.18	118.94

NOTE - 10 FIXED ASSETS

(₹ In Lakhs)

Particulars	Tangible								Intangible					
	Free- hold Land	Lease- hold Land	Building- Freehold	Building- Leasehold	Road, Well, Culvert, Fencing etc	Plant & Machinery	Plant & Machinery- Data Processing Equipments	Vehicles & Tanks	Furnitures & Fixtures	Office Equip- ment	TOTAL	Software Items	Speci- alised Software	TOTAL
Gross Block														
As at 1 April 2010	31.27	39.68	205.08	522.52	75.43	11,053.78	170.25	202.91	67.45	160.62	12,528.99	6.21	52.08	58.29
Additions	-	-	2.38	-	-	1,847.97	1.11	22.31	1.11	4.00	1,878.88	-	-	-
Deletions/Adjustment	-	-	-	-	-	5.34	-	14.41	-	1.18	20.93	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 March 2011 / 1 April, 2011 (A)	31.27	39.68	207.46	522.52	75.43	12,896.41	171.36	210.81	68.56	163.44	14,386.94	6.21	52.08	58.29
Additions	-	-	-	-	24.74	249.20	9.60	29.87	0.82	8.00	321.23	-	-	-
Deletions/Adjustment	-	-	-	-	-	-	-	17.34	-	1.62	18.96	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31st March 2012 (B)	31.27	39.68	207.46	522.52	100.17	13,145.61	180.96	222.34	69.38	169.82	14,689.21	6.21	52.08	58.29
Accumulated Depreciation														
As at 1 April 2010	-	9.08	39.88	173.45	31.28	4,706.70	136.02	158.46	48.97	110.94	5,414.78	5.54	25.04	30.58
For the year	-	0.43	3.35	16.48	1.90	470.05	11.94	10.47	3.92	7.74	526.28	0.17	10.82	10.99
Impairment (see Note below)	-	-	-	21.99	-	758.99	-	-	-	-	780.98	-	-	-
Deletions/Adjustment	-	-	-	-	-	1.15	-	6.00	-	1.06	8.20	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 March 2011 / 1 April, 2011 (C)	-	9.51	43.23	211.93	33.18	5,934.59	147.96	162.93	52.89	117.62	6,713.84	5.71	35.86	41.57
For the year	-	0.43	3.38	16.48	2.03	535.37	9.25	14.84	3.43	7.56	592.79	0.10	6.48	6.59
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deletions/Adjustment	-	-	-	-	-	-	-	-	-	0.80	15.62	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 31st March 2012 (D)	-	9.94	46.61	228.41	35.21	6,469.96	157.21	162.96	56.32	124.39	7,291.01	5.81	42.35	48.16
Net book amount as at 31 March 2011 (A-C)	31.27	30.17	164.23	310.59	42.25	6,961.83	23.40	47.88	15.67	45.82	7,673.11	0.50	16.22	16.72
Net book amount as at 31 March 2012 (B-D)	31.27	29.74	160.85	294.11	64.96	6,675.65	23.75	59.38	13.05	45.44	7,398.20	0.40	9.74	10.14
Capital Work in Progress as at 31 March 2011											24.40			
Capital Work in Progress as at 31 March 2012											7.52			

Notes :

During the year 2004-05, impairment provision was made in respect of Building and Plant and machinery of Organic Fluorine plant as per details given below

(₹ In Lakhs)

Asset	Cost	Acc. Deprn.	Impairment	Carrying Cost
Building	27.90	4.51	21.99	1.40
Plant & Machinery	1,112.09	297.50	758.99	55.60
Total	1,139.99	302.01	780.98	57.00

NOTES FORMING PART OF ACCOUNTS (Contd.)

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

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
16,963 Shares of ₹.100/- each fully paid up in Equity shares of Cuddalore Sipcot Industries Common Utilities Limited (Jointly controlled Company for disposing of Common Effluents)	16.96	16.96
TOTAL	16.96	16.96

NOTE - 12 LONG TERM LOANS AND ADVANCES

(Unsecured, Considered Good except otherwise stated)

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Security Deposits & Other Deposits	4.04	2.84
Loans & Advances to related parties	1.98	1.98
Rent Advance	4.29	4.29
Other Loans & Advances:		
VAT Input Credit, Statutory/Electricity deposits etc	100.09	110.89
TOTAL	110.40	120.00

NOTE - 13 OTHER NON CURRENT ASSET

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Deferred Revenue Expenditure (Refer Note below and Note No.18)	109.46	218.92
TOTAL	109.46	218.92

The Company had implemented the Multi-purpose Plant Project to manufacture 3 Phenoxy & other products with a total capital outlay of ₹1024.19 lacs. The plant was ready to commence commercial production in January 2009 and was accordingly capitalized. However, the company faced serious technical issues in the processing of the Raw Materials which leads to significant losses of Raw Materials giving very low yields and also final product was not meeting the quality parameters of the customers. Hence based on advise of technical experts, further modification works were carried out over the period. The trial run was once again taken up in April'10 and the results are satisfactory. Based on expert opinion, the management has decided to treat the expenses incurred by the company to the tune of ₹ 547.30 lacs (including Raw Materials Costs, Power Cost, etc.,) during the intervening period between the date, the project was ready to commence Commercial Production and the date at which commercial production actually began as Deferred Revenue Expenditure to be written off equally over a period of five years.

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE - 14 INVENTORIES

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
INVENTORIES (Lower of Cost or Net Realisable Value)		
Raw materials including Packing Materials	1,659.36	1,666.22
Raw materials including Packing Materials - In transit	772.76	-
Work-in-progress	64.54	16.53
Finished goods	724.93	330.67
Stores, Spares & Consumables	277.65	275.31
Coal, Fuel Oil & Other utilities	164.41	169.99
	<u>3,663.65</u>	<u>2,458.72</u>
Less: Provision for Inventories (Refer Note No 26)	67.39	-
TOTAL	<u>3,596.26</u>	<u>2,458.72</u>

NOTE - 15 TRADE RECEIVABLES

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Due for period exceeding six months		
Secured, considered good	-	-
Unsecured, considered good	45.03	7.58
Unsecured, considered doubtful	-	2.86
Less : Provision for doubtful debt	-	(2.86)
Total (I)	<u>45.03</u>	<u>7.58</u>
Others		
Secured, considered good		
Unsecured, considered good	2,124.46	1,946.05
Unsecured, considered doubtful	-	-
Less : Provision for doubtful debt	-	-
Total (II)	<u>2,124.46</u>	<u>1,946.05</u>
TOTAL (I + II)	<u>2,169.49</u>	<u>1,953.63</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE - 16 CASH & BANK BALANCE

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
A. Cash & Cash Equivalent		
Balances with Bank		
Current Accounts	3.50	12.52
Cash Credit Accounts	19.57	5.14
EEFC Account	0.51	4.61
PCFC Account	0.26	-
Deposit Accounts # (with original maturity less than 3 months)	46.00	-
Cash on Hand	0.17	0.46
TOTAL (A)	<u>70.01</u>	<u>22.73</u>
B. Other Bank Balance		
Unclaimed Dividend	27.65	27.18
TOTAL (B)	<u>27.65</u>	<u>27.18</u>
TOTAL (A + B)	<u>97.66</u>	<u>49.91</u>

Pledged with Banks as margin towards LC's.

NOTE -17 SHORT TERM LOANS AND ADVANCES (Unsecured, Considered Good except otherwise stated)

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Security Deposits and Other Deposits	2.65	5.55
Advance for Expenses and Purchases of Material	56.14	197.59
Advances to Employees	8.60	7.79
Rent Advance	-	1.45
Others Loans and Advances		
Claims Recoverable, VAT Input Credit etc	233.81	669.73
Prepaid Expenses	145.71	25.29
TOTAL	<u>446.91</u>	<u>907.40</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE - 18 OTHER CURRENT ASSET (Unsecured, Considered Good except otherwise stated)

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Interest accrued on Loans & Advances	1.68	22.52
Interest accrued on Fixed Deposit	0.12	-
Export Incentives	8.74	328.72
Deferred Revenue Expenditure (Refer Note No. 13)	109.46	109.46
TOTAL	120.00	460.70

NOTE -19 Revenue from Operations

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
A. Sale of Products		
Manufactured	16,140.22	16,612.30
Traded	-	-
TOTAL	16,140.22	16,612.30
B. Other Operating Income		
Interest on deposits	1.79	1.47
Insurance claims	10.61	22.22
Export Incentives	85.54	67.47
Scrap sales	43.00	48.79
TOTAL (B)	140.94	139.95
TOTAL (A + B)	16,281.16	16,752.25
Less: (C) Excise Duty on Sales	1,504.59	1,369.54
Total Revenue from Operation (A + B -C)	14,776.57	15,382.71
Details of Sale Value of Goods manufactured under broad heads		
Fluorine Chemicals	12,071.11	13,359.21
Sulphuric Acid and Oleum	3,114.81	2,318.78
Others (Gypsum and Specialty Chemicals)	954.30	934.31
	16,140.22	16,612.30

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE -20 Other Income

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Rent Recovery from Employees	1.62	1.72
Profit on sale of Fixed assets	1.24	-
Other Miscellaneous receipt	11.29	58.90
Excess provisions & Liabilities no longer required written back	34.22	98.50
TOTAL	48.37	159.12

NOTE -21 Cost of Materials including Packing Material Consumed (Refer Note No. 27 B.11 (3))

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Cost of Raw materials consumed	9,803.45	8,384.13
Cost of Packing materials consumed	489.07	433.64
TOTAL	10,292.52	8,817.77
Details of Materials Consumed under broad heads as follows		
Flurospar	5,648.80	3,703.46
Sulphur	2,691.08	2,166.55
Alumimum Hydroxide	536.38	806.66
Pottassium Carbonate	322.82	366.30
Others (includes Boric acid/Ether/ and other materials used in speciality products)	1,093.44	1,774.80
TOTAL	10,292.52	8,817.77

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE - 22 Changes in Inventories of Finished goods and Work in Progress

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Closing stock		
Finished Goods	724.93	330.68
Work in Progress	64.54	16.53
TOTAL	<u>789.47</u>	<u>347.21</u>
Less:		
Opening Stock		
Finished Goods	330.68	1,029.31
Work in Progress	16.53	20.31
TOTAL	<u>347.21</u>	<u>1,049.62</u>
Excise duty on Closing Stock	68.11	25.70
Excise duty on Opening Stock	25.70	72.25
Increase/(Decrease) in Excise duty on Finished Goods	<u>42.41</u>	<u>(46.55)</u>
Increase/(Decrease) in Inventories of Finished Goods and WIP	<u>399.85</u>	<u>(655.86)</u>
Manufactured Goods		
Fluorine Chemicals	700.64	208.41
Sulphuric Acid and Oleum	22.10	40.01
Others	2.19	82.26
TOTAL	<u>724.93</u>	<u>330.68</u>
Work in progress		
Fluorine Chemicals	63.41	15.62
Sulphuric Acid and Oleum	1.07	0.85
Others	0.06	0.06
TOTAL	<u>64.54</u>	<u>16.53</u>

NOTE - 23 Employee Benefit Expenses (Refer Note No. 27 B.8)

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Salaries, Wages and Bonus	643.72	583.50
Contribution to Provident & Other Funds	64.22	83.33
Staff Welfare Expenses	88.98	76.71
TOTAL	<u>796.92</u>	<u>743.54</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE - 24 Other Expenses

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Consumption of stores and Spares(Refer Note 27 B.11 (3))	539.40	626.69
Power & Fuel	1,962.89	1,669.20
Effluent Treatment Expenses	72.83	76.58
Water charges	60.36	72.59
Other Manufacturing Expenses -Consumables and Operation Expenses (Job Work Charges)	14.43	8.40
Rent	31.06	45.75
Repairs & Maintenance		
Building	36.54	49.89
Plant & machinery	212.29	219.91
Others	167.28	172.76
Insurance (Net)	39.58	32.54
Rates & Taxes	26.52	29.31
Travelling & Conveyance	65.82	73.09
Vehicle Running Expenses	21.56	27.42
Communication Expenses	23.57	21.48
Auditors Remuneration		
Audit Fee	1.75	1.50
Tax Audit Fee	0.50	0.40
For Certification work (including Quarterly Limited Review)#	1.60	0.30
Travel and Stay Expenses	0.98	0.10
Cost Audit Fee	0.40	0.20
Printing & Stationery	12.22	12.95
Legal & Professional Charges	25.83	29.63
Consultancy Charges	35.52	18.85
Miscellaneous Expenses	72.75	60.46
R&D Expenses (Refer Note 27 B.7)	46.64	51.24
Bank Charges (other than borrowings)	64.60	62.66
Fluctuation in Exchange Rates (excluding Forward Cover Charges)	445.32	(42.71)
Directors sitting fees	13.20	11.70
Loss on sale of Fixed assets	-	3.93
Area maintainance charges	18.83	20.30
Security Service charges	35.37	30.55
Lease Charges	12.56	11.55
Freight Packing & Forwarding	126.37	193.71
Commission on Sales	10.95	24.18
Deferred Revenue Expenditure (Refer Note No. 13)	109.46	109.46
TOTAL	4,308.97	3,726.57

includes ₹ 15,000 paid to erstwhile auditors

NOTES FORMING PART OF ACCOUNTS (Contd.)

NOTE - 25 Finance Cost

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Interest Expenses		
Banks		
Borrowings - Term Loan	223.80	162.72
Borrowings - Working capital	254.93	290.61
Borrowings - Working Capital Demand Loan	119.85	53.64
Others		
Interest on Inter Corporate Deposit	56.14	76.66
Others	1.18	12.79
Other Borrowing cost		
Processing Fees	122.23	68.15
Forward Cover Charges	162.36	165.58
Total	<u>940.49</u>	<u>830.15</u>

NOTE - 26 Extraordinary items

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Restoration of Damages - Due to Cyclone	441.98	-
(On the early hours of 30th December 2011, Cyclone "Thane" crossed Cuddalore. Due to this, there were damages to the properties and materials of the company. These resulted in operation of the plant being stalled for more than 30 days in January 2012. Necessary repair works were carried out. Financial loss pertaining to repair costs, loss of material etc., amounting to ₹ 441.98 lakhs has been shown as extra-ordinary items in the Statement of Profit & Loss. Insurance claim is under process.)		
Total	<u>441.98</u>	<u>-</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

27B. Other Notes on Financial Statements**27B.1 a) Contingent Liabilities not provided for:**

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Claims against the Company not acknowledged as debts		
i) Income-tax	-	293.04
ii) Custom Duty	10.79	10.79
iii) Excise Duty	76.05	32.03
iv) Sales Tax	-	27.00
v) Service Tax	32.40	34.08

b) SIPCOT has raised a demand of ₹ 12.00 lacs for payment of additional cost for the land at Cuddalore taken on long-term lease together with interest @ 16.5%p.a. The Company has paid an initial amount of ₹ 6.00 lacs in 1995 and additional amount of ₹ 6.00 lacs in 2001, as per the directions of the Honourable High Court of Madras. However, SIPCOT has preferred an appeal against the order of the High Court challenging the waiver of interest. Matter is pending at High Court of Madras.

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.

27.B.2 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) - ₹ 5.38 lacs (Previous Year ₹ 62.63 lacs)

27.B.3 During the Financial Year 1991 - 92 the Company has received a notice from the Tamilnadu Sales Tax authorities towards levy of tax etc. on sales effected from Pondicherry Depot during 1989-90 and 1990-91. Based on the directions of the Honourable High Court of Madras, the Appellate Assistant Commissioner, Commercial Taxes, Chennai passed the order in favour of the company thereby reducing the demand to ₹ 52.77 lacs.

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

27.B.4 The Company had implemented Isobutyl Acetophenone (IBAP) project during 2010-11 with a capital outlay of ₹ 1471.92 lacs. Based on plant trials, company had made some modifications, cost amounting to ₹ 19.94 lacs during the current year. The company has initiated joint development / refinement of technology to make the project commercially viable with an interested party. The company has signed Confidentiality Agreement with the said party and a Memorandum of Understanding for such joint efforts and /or transfer of Plant with Technology is being negotiated. The company is also working with Indian Institute of Technology - Madras for resolving the technical issues pertaining to yield of IBAP. The management estimates that the project would become commercially viable through all these efforts during financial year 2013-14.

NOTES FORMING PART OF ACCOUNTS (Contd.)

27.B.5 Earnings per share is calculated by dividing the profit attributable to the Equity shareholders by the weighted average number of Equity shares outstanding during the year, details whereof are as under:

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Profit / (loss) after taxation	(2,409.85)	298.74
Extra-Ordinary Items (Refer Note No. 26)	(441.98)	-
Profit / (loss) after taxation before Extra-Ordinary Items	(1,967.87)	298.74
Weighted average number of shares outstanding during the year (Nos)	9,975,000	9,975,000
Earnings per share of ₹ 10 each After Extra-ordinary Items		
Basic (₹)	(24.16)	2.99
Diluted(₹)	(24.16)	2.99
Before Extra-Ordinary Items		
Basic (₹)	(19.73)	2.99
Diluted (₹)	(19.73)	2.99

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

Particulars	(₹. In Lakhs)
Balance as at 1st April 2011	56.52
Additional Provision created during the year	-
Provision used during the year	-
Provision reversed during the year	3.75
Balance as at 31st March 2012 (Refer Note 9)	52.77

27.B.7 Details of expenditure incurred in Research & Development (R&D) (Refer Note 24)

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
Revenue Expenditure		
Salaries & wages	31.64	30.88
Material Consumables/spares	1.11	0.23
Other expenditure - P F contribution and others	13.88	20.13
Total R&D Expenditure	<u>46.63</u>	<u>51.24</u>

NOTES FORMING PART OF ACCOUNTS (Contd.)

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

RETIREMENT BENEFITS

i. Defined Contribution Plans –

The Company has recognised the following amount as an expense and included in Note No. 23 - "Contribution to Provident & Other Funds:

Particulars	As at 31st March 2012 (₹ In Lakhs)	As at 31st March 2011 (₹ In Lakhs)
i) Contribution to Government Employees Provident/Pension Fund	36.26	35.45
ii) Contribution to Superannuation Fund	13.89	13.99
iii) Contribution to ESIC	3.03	6.39
iv) Contribution to EDLI	0.78	1.08
v) Others	10.26	26.42
TOTAL	64.22	83.33

ii. Defined Benefit Plan

A. Gratuity

Particulars	Year ended 31st March 2012 (₹ In Lakhs)	Year ended 31st March 2011 (₹ In Lakhs)
Net Employee Expenses / (Benefit)		
Current Service Cost	18.04	26.40
Interest cost on benefit obligation	11.41	8.84
Expected return on Plan Assets	-12.62	-10.08
Net Actual (Gain) / Loss recognized in the year	2.59	-22.90
Net charge to P & L Account	14.23	2.26
Actual return on Plan Assets	8.00%	7.00%
Benefit Asset / (Liability)		
Defined benefit obligation	150.64	139.19
Fair Value of Plan Assets	151.72	152.50
Benefit Assets / (Liability)	1.08	13.32
Movement in benefit liability		
Opening Defined Benefit Obligation	139.19	115.80
Interest cost	11.41	8.84
Current Service cost	18.04	26.40
Benefit paid	(9.96)	(10.64)
Actual (Gain) / (Losses) on Obligation	(8.03)	(1.22)
Closing Benefit Obligation	150.64	139.19
Current Liability (within 12 months)	12.50	-
Non Current Liability	138.14	-

NOTES FORMING PART OF ACCOUNTS (Contd.)

Particulars	Year ended 31st March 2012 (₹ In Lakhs)	Year ended 31st March 2011 (₹ In Lakhs)
Movement in Fair Value of Plan Assets		–
Opening Fair Value of Plan Assets	152.50	131.38
Expected Return on Plan Assets	12.62	10.08
Actuarial Gains/(Losses) on Assets	(5.44)	21.68
Contribution by Employer plus Premium Received	2.00	–
Benefits paid plus Premium plus Expenses	(9.96)	(10.64)
Closing Fair Value of Plan Assets	151.72	152.50
The Principal Actuarial Assumptions are as follows		
Discount Rate	8.50%	7.00%
Estimated rate of Return on Plan Assets	8.00%	–
Salary increase	6.00%	6.00%
Withdrawal Rates	5.00%	5.00%
Amount incurred as expenses for defined contribution plans		
Contribution to Provident / Pension Fund	36.26	35.45
Contribution to Superannuation Fund	13.89	13.99
The major categories of plan assets as a percentage of the Fair Value of Total Plan Asset are as follows:		
Investment in Bonds	21.00%	32.00%
Investment in Mutual Fund	62.00%	34.00%
Bank Balances in Current Account	17.00%	34.00%

B. Leave Encashment

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

27.B.9 RELATED PARTY DISCLOSURES

A. Relationships

Promoters of the Company

26% Equity shares of the Company are held by Tamil Nadu Industrial Development Corporation Limited

19.96% Equity shares of the Company are held by T.G.S Investment & Trade Private Limited – since 03.02.2006

5% Equity shares of the Company are held by Pilani Investment & Industries Corporation Limited

Joint Venture:

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

Key Management Personnel:

Shri Lalit Naik - Manager and Director

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

NOTES FORMING PART OF ACCOUNTS (Contd.)

B. RELATED PARTY DISCLOSURES

Name of the related party	Nature of relationship	Nature of Transaction	Year Ended 31st March 2012 ₹ Lakhs	Year Ended 31st March 2011 ₹ Lakhs
Cuddalore Sipcot Industries Common Utilities Limited	Joint Venture for common Effluent Utilities	Deposit for commissioning of Effluent Treatment System	1.98	1.98
		Charges for Effluent Discharge	19.35	18.04

27.B.10 Foreign Currency Exposure which are not hedged as at March 31,2012 (Refer Note No. 6.2)

Particular	Currency	Foreign	Closing Rate	₹ in Lakhs
Trade Receivables	USD Lakhs	13.19	50.87	671.22
Trade payable	USD Lakhs	8.78	50.88	446.56

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

Particulars	Year ended 31st March 2012 (₹ In Lakhs)	Year ended 31st March 2011 (₹ In Lakhs)
Raw Materials	6,787.81	4,931.06
Packing material	-	-
Component and Spare Parts	10.27	10.14
Capital Goods	-	1.71
Purchase of Finished Goods	-	-
TOTAL	6,798.08	4,942.91

2. Expenditure in Foreign Currency (on Remittance Basis)

Particulars	Year ended 31st March 2012 (₹ In Lakhs)	Year ended 31st March 2011 (₹ In Lakhs)
Travelling Expenses	3.02	6.28
Consultancy Fees	16.97	3.29
Lease Rent	12.13	2.88
Commission on Sales	4.96	25.08
Freight & Forwarding Expenses	51.40	22.36
Others	1.67	6.76
TOTAL	90.15	66.65

NOTES FORMING PART OF ACCOUNTS (Contd.)

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

Particulars	Year Ended 31st March 2012		Year Ended 31st March 2011	
	% age	₹ in Lacs	% age	₹ in Lacs
i) Raw Materials				
Imported	67	6,886.23	56	4,955.45
Indigenous	33	3,406.29	44	3,862.32
Total	100	10,292.52	100	8,817.77
ii) Spare Parts				
Imported	3	21.30	2	10.21
Indigenous	97	663.08	98	616.48
Total	100	684.38	100	626.69

4. Earning in Foreign Currency

Particulars	Year ended 31st March 2012 (₹ In Lakhs)	Year ended 31st March 2011 (₹ In Lakhs)
i) On Export of Goods (F.O.B. Basis)	2,612.69	3,375.35
ii) Others (Insurance)	10.61	-
Total	2,623.30	3,375.35

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

27.B.13 The company is in process of compliance with provision of section 383A of the Companies Act, 1956

27.B.14 Prior year expenses: Prior Year Expenses (Income) (Net) ₹ NIL (Previous Year (Net) Debit ₹ 3.80 lakhs) stands adjusted to the respective expenses heads.

27.B.15 The figures of previous year have been reclassified and/or regrouped wherever necessary to confirm to current year classification or group

For TANFAC INDUSTRIES LIMITED

M.R.Sivaraman
Director

Lalit Naik
Manager and Director

R.Karthikeyan
Director

V.T.Moorthy
Director

Suresh Sodani
President

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

Chennai : Dated May 29, 2012

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 38th Annual General Meeting of the Company being held at the Registered Office of the Company at 14, SIPCOT Industrial Complex, Cuddalore – 607 005 at 2.30 P.M. on Monday the 13th August, 2012.

Signature of the Member/Proxy :

Folio No.:
Client ID No.:
DP ID No.:

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

TANFAC INDUSTRIES LIMITED



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

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

PROXY FORM

I/Weof..... being Member/ Shareholder of TANFAC INDUSTRIES LIMITED hereby appoint of OR failing himof as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the 38th Annual General Meeting of the Company to be held on Monday the 13th August, 2012 at 2.30 P.M. and at any adjournment thereof.

AS WITNESS in my/our absence to attend and vote for me/us on my/our behalf at the 38th Annual General Meeting of the Company to be held on Monday the 13th August, 2012 at 2.30 P.M. and at any adjournment thereof.

AS WITNESS my/our hand/hands this day of2012.

Signature(s).....



Note: The Proxy must be deposited at the Registered Office of the Company 48 hours before the time fixed for holding the meeting. **THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

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INTEGRATED ENTERPRISES (INDIA) LIMITED

Unit: **Tanfac Industries Limited**

2nd Floor, "Kences Towers",

No. 1, Ramakrishna Street,

Off. North Usman Road, T. Nagar

Chennai - 600 017.

Email Id: corpserv@integratedindia.in