

**TANFAC INDUSTRIES  
LIMITED  
ANNUAL REPORT  
2012-2013**



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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]

## COMPANY SECRETARY

Shri M. Kurthalanathan

## AUDITORS

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

## REGISTERED OFFICE AND WORKS

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

## CORPORATE OFFICE

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

## NOTICE OF THE THIRTY NINTH ANNUAL GENERAL MEETING

**TANFAC INDUSTRIES LIMITED**  
REGD. OFFICE: 14 SIPCOT Industrial Complex  
CUDDALORE - 607 005.

### NOTICE OF THE THIRTY NINTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 39th Annual General Meeting of TANFAC INDUSTRIES LIMITED will be held on Thursday the 12th September, 2013 at 11.30 A.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, 2013 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri A.K. Agarwala, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri M.R. Sivaraman, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Shankar Narasimhan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION :-  
  
"RESOLVED THAT M/s. 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 such remuneration as may be fixed by the Board at the meeting for carrying out the audit."

By Order of the Board

For TANFAC INDUSTRIES LIMITED

Place : Chennai  
Date : 31.7.2013

[M. KURTHALANATHAN]  
COMPANY SECRETARY

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

## NOTES :

1. The Register of Members and Share Transfer Books of the Company will remain closed from 05.9.2013 (Thursday) to 12.9.2013 (Thursday) 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 2004-2005 which remained unclaimed have been transferred to Central Government's 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, 2006, 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 2005 - 2006 will be transferred to Central Government on 27.8.2013.
9. Members, who have not encashed their dividend warrants for the financial year ended 31st March, 2006 and thereafter may claim the unclaimed dividend directly from the Company's Registered Office at 14, SIPCOT Industrial Complex, Cuddalore - 607005.
10. As on 31.3.2013, 92.48% 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. **Green Initiative :**  
**Ministry of Corporate Affairs ("MCA") vide its circular nos.17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011, has launched "Green Initiatives in Corporate Governance" allowing paperless compliances by the Companies for sending Notice/documents to their Shareholders through electronic mode.**  
**Shareholders are requested to support this green initiative by furnishing their e-mail id to the following designated email id viz. tanfacgreen@adityabirla.com to enable the Company to forward all the requisite information in electronic mode.**  
**In case of shareholders holding shares in demat form, the email ids of the shareholders registered with the DP and made available to the Company shall be registered email ID unless communication is received to the contrary.**

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

### **ITEM NO.2**

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

### **ITEM NO.3**

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

### **ITEM NO.4**

Dr. Shankar Narasimhan, Director, retires by rotation and being eligible, offers himself for

reappointment. Pursuant to requirement of the listing agreement of the Stock Exchanges relating to Corporate Governance, a statement showing details of the above Director is attached herewith.

### **ITEM NO.5**

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

By Order of the Board  
For TANFAC INDUSTRIES LIMITED

Place : Chennai  
Date : 31.7.2013

M. KURTHALANATHAN  
COMPANY SECRETARY

## TANFAC INDUSTRIES LIMITED

## ANNEXURE TO NOTICE

Details of Directors seeking appointment/reappointment in Annual General Meeting scheduled to be held on 12.9.2013.

Name of Director	SHRI A.K. AGARWALA	SHRI M.R. SIVARAMAN, IAS (RETD.)	Dr. SHANKAR NARASIMHAN
Date of Birth	01.7.1933	31.3.1940	19.8.1959
Date of Appointment	12.11.1980	23.01.2006	24.4.2007
Expertise in specific functional areas	Business Executive	Held various senior positions in Central/State Government	Professor – Dept. Of Chemical Engg. IIT Madras
Qualification	B.Com, F.C.A, L.L.B.	M.A. (Economics)	B.Tech, M.S., Ph.D (Chem.Engg.)
List of outside Directorship held	<p>DIRECTOR :</p> <ol style="list-style-type: none"> <li>HINDALCO Industries Limited</li> <li>Aditya Birla Chemicals (India) Limited</li> <li>Udyog Services Limited</li> <li>Aditya Birla Insurane Brokers Limited</li> <li>Novelis Inc. Canada</li> <li>Aditya Birla Power Company Limited</li> <li>P.T. Elegant Textile Industry</li> <li>P.T. Indo-Bharat Rayon</li> </ol> <p>ADDITIONAL DIRECTOR :</p> <ol style="list-style-type: none"> <li>Aditya Birla Health Services Limited</li> </ol>	<p>CHAIRMAN:</p> <ol style="list-style-type: none"> <li>Naltech Pvt Ltd</li> </ol> <p>DIRECTOR :</p> <ol style="list-style-type: none"> <li>Creative Eye Limited</li> <li>Yash Air Private Limited</li> </ol>	<p>DIRECTOR :</p> <ol style="list-style-type: none"> <li>Gyan Data Private Limited</li> </ol>
Chairman/Member of the Committee of the Board of Directors of the Company	-	Member :	Member :
Chairman/Member of the Committees of Director of other Companies in which he is a Director -	-	<ol style="list-style-type: none"> <li>Audit Committee</li> <li>Investors Relation Committee</li> </ol>	<ol style="list-style-type: none"> <li>Audit Committee</li> </ol>
a. Audit Committee	-	Member:	-
b. Securities Committee/Investors Grievance Committee	-	Member:	-
c. Remunerational Committee	-	Member:	-
		<ol style="list-style-type: none"> <li>Creative Eye Ltd</li> </ol>	

## MANAGEMENT DISCUSSION AND ANALYSIS

### MANAGEMENT DISCUSSION & ANALYSIS

– From the Chairman to the Shareholders

#### PERFORMANCE REVIEW:

(₹ in Crores)

	Financial Year 2012-13	Financial Year 2011-12
Sales	143.42	146.36
Other Income (including operating income)	3.62	1.89
Operating Expenditure	147.99	149.98
Profit before Depreciation, Interest and Taxation (PBDIT)	(0.95)	(1.74)
Finance Cost :		
- Working Capital	6.57	4.32
- Term Loan	1.58	2.24
- Forex Cover charges and others	3.39	2.84
	11.55	9.40
Depreciation and Impairment	9.38	5.99
Profit before Tax (PBT)	(21.88)	(17.13)
Exceptional items / Excess Income Tax provision	(3.82)	-
Profit/[Loss] after Exceptional items	(18.06)	(17.13)
- Deferred Tax/Reversal	(4.04)	2.54
Profit/[Loss] after Tax	(14.02)	(19.68)
Extraordinary Items * / Insurance claim	(2.67)	4.42
Profit / Loss for the period	(11.35)	(24.10)

\*Expenses incurred on account of restoration of damages due to natural calamity (cyclone)

#### OVERVIEW

The Company's performance during the Financial Year 2012-13 continued to be impacted due to sluggish demand in key end user segments of Hydrofluoric Acid and stiff competition from China in Aluminium Fluoride segment leading to lower sales volumes.

Further higher interest outgo and impairment of certain assets also impacted the bottomline. Insurance claim and writeback of excess income tax provision pertaining to earlier year reduced the overall loss.

#### SALES VOLUME AND REVENUE:

Sales Turnover has marginally decreased to ₹143.42 Crores against ₹146.36 crores in the previous year on account of sluggish demand.

Export turnover was at ₹15.64 Crores vis-a-vis ₹25.58 Crores in the previous year registering a decrease of 39% due to stiff competition in international markets.

#### OTHER INCOME:

Other income including operating income was at ₹3.62 Crores vis-a-vis ₹1.89 Crores in the previous year.

#### FINANCE COST :

Finance cost including cover charges on foreign exchange borrowings was higher at ₹11.55 Crores vis-a-vis ₹9.40 Crores in the previous year mainly due to increase in interest rates on long term and short term borrowings.



## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### DEPRECIATION AND IMPAIRMENT :

Depreciation and impairment was higher at ₹9.38 Crores vis-a-vis ₹5.99 Crores in the previous year mainly due to impairment provision for IBAP plant and Bio Gas Plant totalling to ₹3.38 Crores.

### INCOME TAX

There is no provision of current income tax. Deferred tax provision was reversed by ₹4.04 Crores vis-a-vis deferred tax provision of ₹2.54 Crores in the previous year.

Further due to receipt of refund of Income Tax pertaining to an earlier year, excess income tax provision of ₹3.82 Crores was reversed during the year and shown under exceptional item.

### RISK MANAGEMENT:

#### OPERATIONAL RISK:

Your Company's most significant exposure relates to US Dollar since key raw materials viz. Fluorspar and Sulphur are imported or linked to international prices. Additionally your Company carries a direct risk on the C&F price of Fluorspar and Sulphur. Fluorspar export is controlled by Chinese Government through levy of export duty which has been removed w.e.f. 1st January, 2013. This will provide a more level playing field vis-a-vis chinese players going forward. China is a major producers 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 prices of these key raw materials are significantly influenced by fluctuating global economic conditions, which 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 by adjusting our product prices suitably subject to market conditions.

#### PRICE REALISATION FOR FINISHED PRODUCTS:

Your Company carries a direct risk on the selling price of its key products like Aluminium Fluoride (AlF<sub>3</sub>) and HF Acid. This is determined by market forces.

#### FOREIGN EXCHANGE RISK:

Your Company hedges its net foreign exchange risk adequately.

#### CREDIT RISK:

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

#### RETAINING TALENTED PEOPLE

Attracting and retaining talented employees is key to your Company's future progress. Your Company believes in creating an environment where individuals can achieve their goals, both professionally and personally. Your Company has made investments in training and development which are aimed at equipping the 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 during this difficult market conditions.

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### **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 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 means of a properly defined frame work.

The Group Corporate Audit Cell plays a key role in providing the operating management and the Board an objective view and reassurance of the effectiveness of the risk management and related 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 Company is considering moving to new-generation products using the existing infrastructure to ensure its growth in the future. The Company does not have the required technology/know-how and expertise in these new generation products. Further technology for these new products is not easily available. The Company, is therefore, approaching existing players in these new lines of business for a possible tie up or any other suitable arrangement(s) which is mutually acceptable, in the overall interests of the Company.

Your Company will continue to focus on moving up value chain in speciality products where we can have competitive advantage and grow our sales volumes and margins.

For better utilisation of its Isobutyl Acetophenone (IBAP) plant, your Company has signed a Memorandum of Understanding (MoU) with an interested party for transfer of machinery and technical know-how at an agreed value. Your Company expect to conclude definitive agreement during the financial year 2013-14.

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

### **EXPORTS:**

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

### **DOMESTIC MARKET:**

The Company witnessed slow down for its products in the domestic market during the year

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

2012-13. Your Company is hopeful of improved domestic demand in the year 2013-14. Our thrust on improved price realisation and market enlargement coupled with focus on operational efficiency and cost effectiveness should ensure improved performance in the domestic market for 2013-14.

### **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.

As recommended by the Members of the Audit Committee, the Company has involved external consultants to assess the structural safety of the plants after cyclone 'Thane'. The Company

had carried out structural and foundation rehabilitation work in Anhydrous Hydrofluoric Acid and Aluminium Fluoride plant and taken corrective action wherever necessary for further strengthening 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 interested parties and public.

### **MANAGEMENT OBJECTIVE**

Your Company's Management Policy entails:

- Meeting Customer needs and expectations.
- Compliance with all applicable Environmental Regulations and other related requirements.
- Continual improvement of QMS and EMS through monitoring of performance indicators, identifying and updating Environmental Aspects, Implementing Management Programmes and Pollution Prevention.
- Establishing and Reviewing Management objectives at functional level to meet contemporary requirements for improvement of the Management System.
- Elimination of waste and conservation of resources like Raw Materials, Energy and Water.

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- Involvement of people to achieve better Work Environment and Culture.
- To provide value for money to our customers by continuous up-gradation of technology & 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.

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

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

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

**MANDATORY REQUIREMENTS :****COMPANY’S PHILOSOPHY ON CODE OF GOVERNANCE**

The Company’s philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and in meeting its obligations to stakeholders, guided by a strong emphasis on transparency, accountability and integrity. This includes respect for human values, individual dignity and adherence to honest, ethical and professional conduct. Your Company is continuously striving to go beyond adherence to regulatory framework. The Company’s code of conduct ensures compliance with the various laws, all statutory and regulatory requirements, listing agreement requirements with the stock exchange(s), transparency in corporate disclosures, high quality of accounting practices and adhering to the best level of business ethics.

**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.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

Board/Committee position as on 31.03.2013 :

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 <sup>1</sup>	Non-Executive	3	-	-	-
Shri R. Karthikeyan	Non-Executive	6	-	-	-
Shri M.R. Sivaraman, IAS (Retd.)	Independent	1	-	1	1
Shri Kannan K Unni	Independent	5	-	-	-
Dr. Shankar Narasimhan	Independent	-	-	1	-
Shri T.S. Raghavan	Independent	8	-	2	-

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

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

### Details of Board Meetings and Attendance

The Board met five times during the past financial year 2012-2013 and the 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
29.5.2012	CHENNAI	8 out of 9
13.8.2012	CUDDALORE	6 out of 9
25.9.2012	CHENNAI	5 out of 9
02.11.2012	CHENNAI	8 out of 9
01.02.2013	CHENNAI	6 out of 9

## REPORT ON CORPORATE GOVERNANCE (Contd.)

## Details of Remuneration to Board of Directors

Name of Director	Relationship with other Directors	Business relationship with the Company if any	Remuneration paid during 2012-2013 (All figures in Rupees)			
			Sitting fees@	Salary and Perks	Commission	Total
Shri A.K. Agarwala	Non-Executive	NIL	40000	-	-	40000
Shri M.S. Shanmugam, IAS	Non-Executive	NIL	-	-	-	-
Shri V.T. Moorthy	Independent	NIL	220000	-	-	220000
Shri Lalit Naik	Non-Executive	NIL	-	-	-	-
Shri R. Karthikeyan	Non-Executive	NIL	200000	-	-	200000
Shri M.R. Sivaraman, IAS (Retd.)	Independent	NIL	220000	-	-	220000
Shri Kannan K Unni	Independent	NIL	160000	-	-	160000
Dr. Shankar Narasimhan	Independent	NIL	180000	-	-	180000
Shri T.S. Raghavan	Independent	NIL	100000	-	-	100000

@ includes sitting fee paid for committee meetings.

**CODE OF BUSINESS CONDUCT**

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

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

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

**COMPLIANCE REVIEWS :**

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

**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

## REPORT ON CORPORATE GOVERNANCE (Contd.)

to the Board on various matters from time to time. All decisions and recommendations of the Committees are placed before the Board for information or for approval. The Company has two Board Level Committees, namely :

1. Audit Committee
2. Investors' Grievance Committee

### **AUDIT COMMITTEE**

The Audit Committee is composed of members who 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.

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

### **Powers of Audit Committee:**

The powers of the Audit Committee include –

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

### **Role of Audit Committee :**

The role of the Audit Committee shall include the following :

- ❖ Oversight of the Company's Financial Management, Financial Reporting Process and the disclosure of its financial information has to ensure that the Financial Statement is correct, sufficient and credible.
- ❖ Reviewing, with the Management, the quarterly/annual Financial Statements before submission to the Board for approval, with particular reference to:
  - a. Matters required 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.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by Management.
  - d. Significant adjustments made in the Financial Statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to Financial Statements.
  - f. Disclosure of any related party transactions.
  - g. Qualifications in the draft Audit Report.
- ❖ Disclosure under 'Management Discussion and Analysis of Financial Condition and Results of Operations'.



**REPORT ON CORPORATE GOVERNANCE (Contd.)**

- ❖ Recommend to the Board, the appointment/reappointment of Statutory Auditors and to fix their audit fees/approve payment for such other services rendered by them.
- ❖ Review, with the Management, performance of Statutory and Internal Auditors and adequacy of Internal Control systems.
- ❖ To carry out such other function as is mentioned in the terms of reference of the Audit Committee.

**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 report by the Statutory Auditors for all quarters excluding last quarter as required in terms of Clause 41 of listing agreement has been carried out by the Statutory Auditors, in accordance with the Standard on Review Engagement (SRE) 2400, engagements to Review Financial Statements issued by the Institute of Chartered Accountants of India and confirmed that they were satisfied with the effectiveness of the function.

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

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

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

\* Chairman of the Committee

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

**SHAREHOLDERS' COMMITTEE**

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

Primarily focus on –

- ❖ To approve and monitor share transfers, transmission, splitting and consolidation of shares, issue of duplicate share certificates and rematerialisation of securities by the Company.
- ❖ To look into Investors complaints and address their redressal relating to the above subjects, non-receipt of annual reports, dividend etc.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

- ❖ To ensure compliance of Code of Conduct for Prevention of Insider Trading formulated by the Company as per Securities and Exchange Board of India (SEBI) Regulations.
- ❖ To monitor work done by RTA and corporate actions related work

The Composition of the committee is as follows:

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

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

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

\*Chairman of the Committee

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

During the year NIL complaint was received from Shareholder(s).

### SCORES :

Securities and Exchange Board of India (SEBI) has formed a website [www.scores.gov.in](http://www.scores.gov.in) to take up investors complaints related issue, viz, transfer of securities, non payment dividend etc with the listed companies. Your Company has registered with SCORES website for redressing investors' grievance. During the year NO complaint was registered under this website.

### ISIN :

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

### CORPORATE IDENTIFICATION NUMBER (CIN) :

Your Company's Corporate Identification Number registered with Registrar of Companies is **L24117TN1972PLC006271**.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

Persons holding over 1% of the shares as on 31.3.2013 (other than promoters) :

SL. NO.	NAME OF SHAREHOLDER	NO. OF SHARES HELD	%AGE TO SHARES
1	AJIT SINGH CHAWLA	270546	2.712
2	FOUR DIMENSIONS CAPITAL MARKETS PVT LTD	244000	2.446
3	KAMAL MAVJI VISARIA	213869	2.144
4	MOTILAL OSWAL FINANCIAL SERVICES LIMITED	162148	1.626
5	FOUR DIMENSIONS SECURITIES (INDIA) LTD	100000	1.003
<b>TOTAL</b>		<b>990563</b>	<b>9.931</b>

### RECONCILIATION OF SHARE CAPITAL AUDIT :

For each quarter of the financial year 2012-2013, 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 Share Capital is in an agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL/CDSL.

### III. OTHER DISCLOSURES

❖ Details of related party transactions

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. 27B(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 :

No. of shares held by Non Executive Director as on 31.3.2013 is as under :

Shri A.K. Agarwala – 1150 shares

The Company has not issued any Convertible Debentures during the year.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

### ❖ Means of communication

Half Year Report sent to each household of Shareholders	...	NO
Quarterly results – Which newspapers normally published in	...	BUSINESS LINE / MAKKAL KURAL (REGIONAL LANGUAGE)
Any Web site, where displayed	...	Information with regard to Quarterly Unaudited/Annual Audited Results, Shareholding pattern, Annual Reports can be accessed from - Bombay Stock Exchange website, www.bseindia.com, where your Company shares are listed and National Stock Exchange website, www.nseindia.com where your Company's shares are permitted to trade through internal arrangement by the Regional Stock Exchange, viz., Madras Stock Exchange Limited besides your Company's website www.tanfac.com
Presentation made to Institutional Investors or To analyst/Are they available on the company website	...	NO
Whether Management Discussion and Analysis Report is a part of annual report or not	...	YES
Whether Corporate Governance Report forms part of the Annual Report	...	YES

### CEO/CFO Certification :

The Manager and Director and the Chief Financial Officer of the Company duly authorised by the Board have given their Annual Certification on Financial Reporting and Internal Controls to the Board as required under Clause 49 of the Listing Agreement which is available in this report.

### ANNUAL GENERAL MEETING (AGM) :

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

YEAR	LOCATION	DATE	TIME
2012-13	Regd. Office: CUDDALORE	12.9.2013	11.30 A.M.

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

YEAR	TYPE	LOCATION	DATE	TIME
2011-12	AGM	Regd. Office: CUDDALORE	13.8.2012	2.30 P.M.
2010-11	AGM	Regd. Office: CUDDALORE	06.8.2011	11.30 A.M.
2009-10	AGM	Regd. Office: CUDDALORE	02.8.2010	3.00 P.M.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

### Directors attendance details for last Annual General Meeting dated 13.8.2012 :

1. SHRI V.T. MOORTHY
2. SHRI M.R. SIVARAMAN, IAS (Retd.)
3. SHRI KANNAN K UNNI
4. SHRI T.S. RAGHAVAN
5. Dr. SHANKAR NARASIMHAN
6. 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.

### 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	12.9.2013 (Thursday) 11.30 A.M. at the Registered Office of the Company at - 14 SIPCOT Industrial Complex CUDDALORE – 607 005, TAMIL NADU
FINANCIAL CALENDAR 2013-2014 : (TENTATIVE) First Quarter Results Second Quarter Results Third Quarter Results Results for the year ending March 2014 Annual General Meeting for the year ending 31 <sup>st</sup> March 2014.	Held on 31 <sup>st</sup> July, 2013 On or before 14 <sup>th</sup> November 2013 On or before 14 <sup>th</sup> February, 2014 On or before 30 <sup>th</sup> May 2014 Before September, 2014
DATE OF BOOK CLOSURE	05.9.2013 (Thursday) to 12.9.2013 (Thursday)
REGISTERED OFFICE	14, SIPCOT INDUSTRIAL COMPLEX CUDDALORE – 607 005 E-mail: mohan.srinivasan@adityabirla.com Website: w ww.tanfacs.com

## REPORT ON CORPORATE GOVERNANCE (Contd.)

LISTING DETAILS : EQUITY SHARES :	MADRAS STOCK EXCHANGE LTD Exchange Building 11 Second Line Beach CHENNAI – 600 001.  Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street, MUMBAI – 400 023.
STOCK CODE :  MADRAS STOCK EXCHANGE LTD BOMBAY STOCK EXCHANGE LTD	506854

The Company has paid listing fees for the year 2013-2014 to Chennai and Mumbai Stock Exchanges within the stipulated time.

The Company has also made the payment of Annual Custody Fee/Issuer Fee to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the Financial Year 2013-2014.

### VOLUNTARY DELISTING OF EQUITY SHARES :

As per SEBI guidelines 2003 on Voluntary Delisting of Equity Shares, your Company's Equity Shares have been delisted from The Calcutta Stock Exchanges Association Limited with effect from 14th January, 2013, vide their approval letter CSE/LD/6775/2013 dated 9th January, 2013.

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

MONTH	THE BOMBAY STOCK EXCHANGE LIMITED (BSE)		NATIONAL STOCK EXCHANGE OF INDIA LIMITED	
	BSE SCRIP CODE: 506854		NSE SYMBOL: TANFACIND	
	HIGH (Rs.Ps.)	LOW (Rs.Ps.)	HIGH (Rs.Ps.)	LOW (Rs. Ps.)
APRIL '12	21.90	17.75	21.55	18.00
MAY '12	19.50	15.75	20.80	16.00
JUNE '12	17.40	15.50	16.80	15.80
JULY '12	17.85	15.90	18.45	16.00
AUGUST '12	17.25	15.30	18.20	15.45
SEPTEMBER '12	16.85	14.55	16.85	15.00
OCTOBER '12	17.20	15.30	17.50	15.00
NOVEMBER '12	17.00	15.40	17.10	15.05
DECEMBER '12	17.05	15.00	16.90	15.05
JANUARY '13	18.70	15.50	18.45	15.10
FEBRUARY '13	16.75	14.35	17.20	13.20
MARCH '13	15.90	12.50	15.85	12.50

## REPORT ON CORPORATE GOVERNANCE (Contd.)

## SHARE PRICE MOVEMENT – BSE [APRIL 2012 TO MARCH 2013]

Registrar and Transfer Agents (For share transfers and other communications relating to share certificates, and change of address etc.)	...	PHYSICAL and DEMAT	Investors Services Department INTEGRATED ENTERPRISES (INDIA) LIMITED "KENCES TOWERS", IIND FLOOR, NO.1 RAMAKRISHNA STREET OFF NORTH USMAN ROAD, T.NAGAR CHENNAI – 600 017. TEL: (044) 28140801 TO 8 FAX: (044) 28142479/28143378 Email Id: corpserv@integratedindia.in
Share Transfer System	...	<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 82% 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 submitted with the Stock Exchanges where the Company shares were listed within the stipulated time.</p>	

TRANSFER PERIOD IN DAYS	2012-2013			2011-12		
	NO.OF CERTIFI- CATES	NO. OF SHARES	% TO SHARES	NO.OF CERTIFI- CATES	NO. OF SHARES	% TO SHARES
1-10	51	2550	70.83	62	3000	51.02
11-15	8	400	11.11	2	75	1.28
16-20	4	200	5.56	27	1305	22.19
21-30	9	450	12.50	30	1500	25.51
31 AND ABOVE	-	-	-	-	-	-
<b>TOTAL</b>	<b>72</b>	<b>3600</b>	<b>100.00</b>	<b>121</b>	<b>5880</b>	<b>100.00</b>

## REPORT ON CORPORATE GOVERNANCE (Contd.)

### VII. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH

NO. OF EQUITY SHARES HELD	2013				2012			
	NO. OF HOLDERS	% TO HOLDERS	NO.OF SHARES	% TO SHARES	NO. OF HOLDERS	% TO HOLDERS	NO.OF SHARES	% TO SHARES
Up to 500	16261	94.74	1607422	16.12	16638	94.86	1661508	16.66
501 - 1000	493	2.87	404363	4.05	502	2.86	412886	4.14
1001 - 2000	208	1.21	316639	3.17	197	1.12	300509	3.01
2001 - 3000	75	0.44	189184	1.90	72	0.41	180664	1.81
3001 - 4000	29	0.17	102497	1.03	33	0.19	117609	1.18
4001 - 5000	20	0.12	94858	0.95	16	0.09	76312	0.76
5001 - 10000	32	0.19	237456	2.38	33	0.19	236152	2.37
Above 100001	45	0.26	7022581	70.40	48	0.28	6989360	70.07
<b>TOTAL</b>	<b>17163</b>	<b>100.00</b>	<b>9975000</b>	<b>100.00</b>	<b>17539</b>	<b>100.00</b>	<b>9975000</b>	<b>100.00</b>
No. of Shareholders in Physical mode	9236	53.81	750489	7.52	9382	53.49	766044	7.68
No. of Shareholders in electronic mode	7927	46.19	9224511	92.48	8157	46.51	9208956	92.32
<b>TOTAL</b>	<b>17163</b>	<b>100</b>	<b>9975000</b>	<b>100.00</b>	<b>17539</b>	<b>100.00</b>	<b>9975000</b>	<b>100.00</b>

### VIII. CATEGORIES OF SHAREHOLDING AS ON 31ST MARCH

CATEGORY	2013		2012	
	NO. OF SHARES HELD	%AGE OF SHARE-HOLDING	NO. OF SHARES HELD	%AGE OF SHARE-HOLDING
PROMOTERS/PROMOTERS GROUP	5084802	50.98	5084802	50.98
UTI AND MUTUAL FUNDS	8200	0.08	8200	0.08
BANKS, FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES	1000	0.01	1000	0.01
FOREIGN INSTITUTIONAL INVESTORS	650	0.01	650	0.01
GDRs	NIL	NIL	NIL	NIL
NON RESIDENT INDIANS(NRIs)/OCBs	25584	0.25	26817	0.27
CORPORATES	838738	8.41	707150	7.09
CLEARING MEMBER	35104	0.35	51820	0.52
RESIDENT INDIVIDUALS	3980922	39.91	4094561	41.04
<b>TOTAL</b>	<b>9975000</b>	<b>100.00</b>	<b>9975000</b>	<b>100.00</b>



## REPORT ON CORPORATE GOVERNANCE (Contd.)

### Dematerialisation of Shares and Liquidity :

As on 31st March, 2013, 92,24,511 shares were converted from the physical to electronic form. Over 92.48% of outstanding equity shares have been dematerialised upto 31st March, 2013.

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 – 607 005, TAMILNADU
Address for Correspondence	<p>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 Participant.</p> <p>Investors' Grievance with respect to non receipt of dividend may please be addressed to our Secretarial Department at our Registered Office at 14, SIPCOT Industrial Complex, Cuddalore – 607 005, Tamilnadu, OR mail to mohan.srinivasan@adityabirla.com</p>

### INTIMATION TO BIFR

The networth of the Company for the financial year 2011-12 had eroded by more than 50% of its peak networth during the immediately preceding four financial years. As required under the provisions of Section 23(1)(a)(i) of The Sick Industrial Companies (Special Provisions) Act, 1985, the Company has made necessary intimation to The Board for Industrial and Financial Reconstruction (BIFR) and filed Form C prescribed for this purpose after the adoption of accounts by the Members at their Annual General Meeting.

The Members of the Company have passed the required resolution at their Extraordinary General Meeting held on 14th June, 2013.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

### NON MANDATORY REQUIREMENTS:

#### THE BOARD :

Your Company is a Joint Sector undertaking with Tamilnadu Industrial Development Corporation Limited (TIDCO), a Government of Tamilnadu undertaking. The Chairman of the Company is nominated by TIDCO and performs his duty at their office. Hence NO separate Chairman's office is maintained at your Company. 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

#### 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 the Company's website [www.tanfac.com](http://www.tanfac.com). As per the Listing Agreement requirements, the Company has furnished the Unaudited/Audited Financial Results, Shareholding Pattern, Compliance Report on Corporate Governance on a quarterly basis, 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](http://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](http://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 2012-2013.

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

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

#### Whistle Blower Policy

The Company has not adopted any formal whistle blower mechanism.

## REPORT ON CORPORATE GOVERNANCE (Contd.)

## CEO/CFO CERTIFICATION

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

- a. They have reviewed financial statements and the cash flow statement for the financial year ended 31st March, 2013 and that to the best of their knowledge and belief :
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of their knowledge, no transactions entered into by the company during the year, are fraudulent, illegal or violation of the company's code of conduct.
- c. They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and they have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- d. They have indicated to the auditors and the Audit Committee;
  - (i) that there are no significant changes in internal control during the year;
  - (ii) that there are no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;

and

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

LALIT NAIK  
MANAGER AND DIRECTOR

N.R. RAVICHANDRAN  
CHIEF FINANCIAL OFFICER

Place: Chennai

Date : 30.5.2013

## 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, 2013, 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  
(F-033494)

Camp : Chennai  
30.05.2013

## REPORT ON CORPORATE GOVERNANCE (Contd.)

## I. DISCLOSURE UNDER CLAUSE 32 :

Sl. No.	Disclosure of Loans/Advances/Investments outstanding during the year	As at 31 <sup>st</sup> March, 2013 (Rs.)	Maximum amount during the year (Rs.)
1.	Loans and Advances in the nature of loans to subsidiary	Not Applicable	Not Applicable
2.	Loans and Advances in the nature of loans to associate	Not Applicable	Not Applicable
3.	Loans and Advances in the nature of loans where there is – a. No repayment schedule or repayment beyond seven years of The Companies Act, 1956. b. No interest or interest below Section 372A of The Companies Act, 1956	NIL  NIL	NIL  NIL
4.	Loans and Advances in the nature of loans to firms / Companies in which Directors are interest	NIL	NIL

## INSIDER TRADING REGULATIONS :

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

## DECLARATION

The Board of Directors of the Company has renewed the "TANFAC INDUSTRIES LIMITED CODE OF CONDUCT" for the Senior Management of the Company including all functional heads and the "Code of Conduct for Non-Executive Directors" for the year 2012-2013.

Place : Chennai  
Date : 30.05.2013

LALIT NAIK  
MANAGER AND DIRECTOR

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

## DIRECTORS' REPORT

Your Directors are pleased to present the 39th Annual Report along with the Audited Accounts of your Company for the financial year ended 31st March 2013 for your review.

### FINANCIAL RESULTS

[₹ in Crores]

Details	Year ended 31 <sup>st</sup> March 2013	Year ended 31 <sup>st</sup> March 2012
Turnover	143.42	146.36
Gross Profit/ [Loss] after Interest but before Depreciation and Taxation	(12.51)	(11.14)
Less: Depreciation and Impairment	9.38	5.99
Profit/[Loss] before Taxation	(21.88 )	(17.13)
Exceptional items/ Excess Income Tax provision	(3.82)	-
Profit/(Loss) after Exceptional items	(18.06)	(17.13)
Less: Deferred Tax / (Reversal)	(4.04)	2.54
Profit/(Loss) after Tax	14.02	(19.68)
Extraordinary items / Insurance claim	(2.67)	4.42
Net profit/[Loss] for the period	(11.35)	(24.10)
Add: Balance brought forward	(29.22)	(5.12)
Profit/(Loss) available for appropriation	(40.57)	(29.22)
Transferred from General Reserves	-	-
Balance Carried forward to Balance Sheet	(40.57)	(29.22)

### OPERATIONS AND OVERALL PERFORMANCE:

During the year under review Sales Turnover has decreased to ₹143.42 Crores against ₹146.36 crores in the previous year which is marginally lower at 2% on account of sluggish demand.

Your Company has suffered loss after interest but before depreciation and taxation at ₹12.51 Crores as against ₹ 11.14 Crores in the previous year due to continued sluggish demand in key end user segments of Hydrofluoric Acid and stiff competition from China in Aluminium Fluoride segment leading to lower sales volumes and higher interest outgo.

### DIVIDEND:

As the Company has incurred loss in the current year, your Directors have not recommended any dividend for the year 2012-2013.

### FUTURE OUTLOOK:

Due to sluggish demand in current business segments, the Company is considering moving to new generation products using the existing infrastructure to ensure its growth in the future. The Company does not have the required technology, know-how and experience in these new generation products. Further technology for these new products is not easily available.

The Company, is therefore, approaching existing players in these new lines of business for a possible tie up or any other suitable arrangement(s) which is mutually acceptable, in the overall interest of the company.

Your Company will continue to focus on moving up value chain in speciality products where we can have competitive advantage and grow our sales volumes and margins.

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

## DIRECTORS' REPORT (Contd.)

### ALUMINIUM FLUORIDE:

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

### HF ACID:

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

### EXPORTS:

Export turnover was lower by 39% at ₹ 15.64 crores as compared to ₹ 25.58 cores in the previous year due to lower off take by overseas customer on account of market demand and stiff competition from China.

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

### RESEARCH AND DEVELOPMENT:

Your Company successfully commercialised new products which are Pharma and Agrochemical intermediate. Also the Company is in process of developing another few products which finds application in agrochemical industry.

### 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.

As recommended by the Members of the Audit Committee, the Company has involved external consultants to assess the structural safety of the plants after cyclone 'Thane'. The Company had carried out structural and foundation rehabilitation work in Anhydrous Hydrofluoric Acid and Aluminium Fluoride plant and taken corrective action wherever necessary for further strengthening 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.

### RETIREMENT BY ROTATION:

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

### CORPORATE GOVERNANCE:

Your Company is strongly committed towards its philosophy of Corporate Governance. The Company has already constituted Committees of

## DIRECTORS' REPORT (Contd.)

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.

### **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 2011-2012 under Form I -XBRL with the Ministry of Corporate Affairs within the stipulated time of 180 days from the end of the financial year.

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

### **INTIMATION TO BIFR**

The networth of the Company for the financial year 2012-13 has eroded by more than 50%

of its peak networth during the immediately preceding four financial years.

As required under the provisions of Section 23(1)(a)(i) of The Sick Industrial Companies (Special Provisions) Act, 1985, your Company will comply with the above provisions within the stipulated time for the financial year ending 31st March 2013 after the accounts are adopted by the Members at their ensuing Annual General Meeting to be held on 12th September, 2013.

### **PARTICULARS OF EMPLOYEES:**

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

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

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

### **INDUSTRIAL RELATIONS:**

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



## DIRECTORS' REPORT (Contd.)

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

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

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.

### **HUMAN RESOURCES DEVELOPMENT:**

Your Company believes that our people give us our competitive edge. So business priorities are aligned with the aspirations of employees, culminating in the development of an empowered and responsive human capital. Our work environment encourages innovation and creativity and promotes a culture that facilitates entrepreneurial activity within the organization and adhering to group values. Regular programs are held to enhance the knowledge, 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  
31.07.2013

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, 2013.

### 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:

<b>A. Power and Fuel Consumption</b>		
1 ELECTRICITY	FINANCIAL YEAR ENDED	
	March 31, 2013	March 31, 2012
(a) Purchased Unit (KWH)	391880	1195660
Total Amount (₹)	2335514	5304041
Rate/Unit (₹)	5.96	4.44
(b) Own Generation		
(i) Captive Power Plant 2.23 mw – Unit (kwh)	14850100	12193596
(ii) Through Diesel Generator-2650 KVA - Unit (KWH)	3291155	3448342
Unit per litre of Diesel/Furnace Oil	2.92	3.40
Cost of Diesel/HFO per KWH (Rs.)	13.98	9.39
2 Coal (for process steam)		
Quantity (Tonnes)	9546.32	9308.088
Total Cost (₹)	47313637	44425274.93
Average Rate (₹)	4659.22	4772.76
3 Furnace Oil/L.D.O.		
Quantity (MT)	3448.245	3722.478
Total Amount (₹)	139787592.39	136824881.23
Average Rate (₹)	40538.76	36756.40
4 Others/Internal Generation		
Quantity	-	-
Total Cost	-	-
Rate per Unit	-	-
<b>B. Consumption per unit of Production</b>		
(a) Fluorine Chemicals		
Electricity (KWH)	614	552
Furnace Oil/LDO/LSHS (K. Ltrs.)	0.229	0.207
Others		
(b) Sulphuric Acid and Oleum		
Electricity (KWH)	70	73
Furnace Oil/LDO (K. Ltrs.)	-	-
Others	-	-

## ANNEXURE TO DIRECTORS' REPORT (Contd.)

**RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION**

Your Company –

- through its continued R&D efforts had improved the process of new product, viz., Isobutyl Acetophenone (IBAP) and achieved the targeted milestone of IBB consumption norms in line with long term agreement with the interested party.
- continues to successfully operate the scheme implemented for reducing the effluent discharge by effective recycling in the plant.
- continued efforts had enabled to recycle the solid waste in cement industry
- through focus on energy conservation, successfully implemented schemes so as to consistently achieve increased captive power generation.

**Technology Absorption, Adaptation and Innovation**

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

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

**C. FOREIGN EXCHANGE EARNING AND OUTGO :**

(₹ in Lakhs)

Details	2012-13	2011-12
Exports	1564.24	2558.43
Forex Earned	1616.74	2623.30
Forex used	6359.69	5195.20

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

Your Directors would like to inform members that the audited accounts containing the financial statements for the financial year 2012 - 2013 are in full conformity with the requirement of the Act. They believe that the financial statements reflect fairly the form and substance of transactions carried out during the year and reasonably present the company's financial conditions and results of operations.

**Your Directors further confirm that:**

- in the preparation of annual accounts, applicable accounting standards have been followed;
- 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;
- 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;
- 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  
**Tanfac Industries Limited**

### **Report on the Financial Statements**

1. We have audited the accompanying financial statements of Tanfac Industries Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinion**

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
  - b) In the case of the Profit and Loss Account, of the loss for the year ended on that date; and
  - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### **Emphasis of Matter Paragraph**

7. In forming our opinion, which is not qualified, we have considered note 27.B.13 of financial statements stating that, despite losses and reducing net worth, the financial statements of the Company have been prepared under 'Going Concern' assumption basis having regard to business plans of the company and continued financial support from a promoter.

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

8. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters Specified in paragraphs 4 and 5 of the Order.
9. As required by section 227(3) of the Act, we report that:
- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e. On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Camp : Chennai  
Date : 30th May, 2013

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

## Annexure referred to in paragraph 8 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 have we been reported of any continuing failure to correct any major weakness in the internal control system of the company.
- v) 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.

## ANNEXURE TO AUDITORS' REPORT (Contd.)

- ix) a. The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- b. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other undisputed statutory dues outstanding at the year end, for a period of more than six months from the date they became payable.
- 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 cession account of any dispute, areas follows:

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

## ANNEXURE TO AUDITORS' REPORT (Contd.)

Name of Statute	Nature of the Dues	Disputed amount (Rs in Lacs)	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 Credit disallowed on Maintenance/Repairs	13.16	2011-12	The Dy. Commissioner, Pondicherry
	Total	45.56		
Income Tax Act	Replacement of equipment claimed as revenue expenditure, reclassified by Dept. as capital expenditure [tax demanded] (Including Interest)	85.39	2002-03	Income Tax Appellate Tribunal
	Disallowance of various expenses (Including Interest)	96.08	2007-08	The Commissioner of Income Tax [Appeals], Chennai
		181.47		

- x) The Company has accumulated losses (Debit balance of Profit & Loss Account) of Rs. 4057.21lacs and has incurred a cash loss of Rs 492.04 lacs in the current financial year, and also had incurred cash loss of Rs.1446.63 lacs 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 any guarantee for loans taken by others from banks or financial institutions.



## ANNEXURE TO AUDITORS' REPORT (Contd.)

Accordingly, clause 4(xv) of the order is not applicable to the company.

- xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- xvii) According to information and explanation given to us and overall examination of the balance sheet of the company, we report that the funds raised on short term basis have been used for long term investment to the extent of Rs683.24 lacs.
- xviii) During the year, the Company has not made any preferential allotment of share, hence clause 4(xviii) of the order is not applicable to it.

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

Camp: Chennai  
Date: 30th May, 2013

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

## BALANCE SHEET AS AT 31ST MARCH 2013

Particulars	Note No.	As at 31st March 2013 (₹ in Lakhs)	As at 31st March 2012 (₹ in Lakhs)
<b>I EQUITY AND LIABILITIES</b>			
<b>(A) Shareholders fund</b>			
a) Share Capital	1	997.50	997.50
b) Reserves & Surplus	2	(151.47)	983.32
<b>Total (A)</b>		<u>846.03</u>	<u>1,980.82</u>
<b>(B) Non Current Liabilities</b>			
a) Long Term Borrowings	3	529.41	882.35
b) Deferred Tax Liabilities (Net)	4	404.59	808.93
c) Long Term Provisions	5	47.03	33.25
<b>Total (B)</b>		<u>981.03</u>	<u>1,724.53</u>
<b>(C) Current Liabilities</b>			
a) Short-Term Borrowings	6	7,002.69	7,773.07
b) Trade Payables	7	1,004.69	1,607.05
c) Other Current Liabilities	8	584.66	910.35
d) Short-Term Provisions	9	289.13	87.18
<b>Total (C)</b>		<u>8,881.17</u>	<u>10,377.65</u>
<b>Total (A + B + C)</b>		<u>10,708.24</u>	<u>14,083.00</u>
<b>II ASSETS</b>			
<b>(D) Non Current Assets</b>			
<b>a) Fixed Assets</b>			
i) Tangible Assets	10	6,483.27	7,398.20
ii) Intangible Assets		6.18	10.14
iii) Capital Work-in-progress		-	7.53
iv) Intangible Assets under development		-	-
		<u>6,489.45</u>	<u>7,415.86</u>
<b>b) Non Current Investments</b>	11	16.96	16.96
<b>c) Long Term Loans and Advances</b>	12	114.00	110.39
<b>d) Other Non Current Assets</b>	13	-	109.46
<b>Total (D)</b>		<u>6,620.42</u>	<u>7,652.67</u>
<b>(E) Current Assets</b>			
a) Inventories	14	1,874.53	3,596.27
b) Trade Receivables	15	1,532.63	2,169.49
c) Cash and Bank Balances	16	95.20	97.66
d) Short Term Loans and Advances	17	429.10	446.91
e) Other Current Assets	18	156.36	120.00
<b>Total (E)</b>		<u>4,087.82</u>	<u>6,430.32</u>
<b>Total (D + E)</b>		<u>10,708.24</u>	<u>14,083.00</u>
Significant Accounting Policies and 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		For TANFAC INDUSTRIES LIMITED	
For KHIMIJI KUNVERJI & CO.			
Chartered Accountants			
Firm Registration No: 105146W	M.R.Sivaraman Director	Lalit Naik Manager and Director	R.Karthikeyan Director
Hasmukh B. Dedhia Partner Membership No. F-33494	V.T.Moorthy Director	Suresh Sodani President	N.R.Ravichandran Vice President (F&C)
	M.Kurthalanathan Company Secretary		
Camp : Chennai			Dated May 30, 2013

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2013

Particulars	Note No.	Year Ended 31st March 2013 (₹ in Lakhs)	Year Ended 31st March 2012 (₹ in Lakhs)
<b>I Revenue From Operations (Gross)</b>	19	<b>16,184.68</b>	16,279.36
Less: Excise Duty		<u>1,613.55</u>	<u>1,504.59</u>
Net Revenue from Operations		<u>14,571.13</u>	<u>14,774.78</u>
<b>II Other Income</b>	20	<b>133.06</b>	50.16
<b>III Total Revenue ( I + II )</b>		<u><b>14,704.19</b></u>	<u>14,824.94</u>
<b>IV Expenses</b>			
Cost of materials consumed including Packing Material consumed	21	<b>9,691.05</b>	10,292.52
(Increase) / Decrease in inventories of Finished Goods and WIP	22	<b>415.55</b>	(399.85)
Employee Benefits Expenses	23	<b>890.70</b>	796.92
Other Expenses	24	<b>3,693.58</b>	4,199.51
<b>V Total Expenses</b>		<u><b>14,690.89</b></u>	<u>14,889.09</u>
<b>VI Profit Before Interest, Tax and Depreciation</b>		<b>13.30</b>	(64.16)
Depreciation and Amortisation Expenses (Refer Note 13)		<b>1,047.09</b>	708.83
Finance Cost	25	<u><b>1,154.85</b></u>	<u>940.49</u>
<b>VII Profit Before Exceptional Item, Extraordinary Item and Tax</b>		<u><b>(2,188.64)</b></u>	<u>(1,713.47)</u>
Exceptional Item	26B	<u><b>(382.07)</b></u>	-
<b>VIII Profit Before Extraordinary Items and Tax</b>		<u><b>(1,806.57)</b></u>	<u>(1,713.47)</u>
<b>Extraordinary Item</b>			
Expenses incurred on account of damages due to Natural calamity (Cyclone)	26A	<u><b>(267.44)</b></u>	<u>441.98</u>
<b>IX Profit Before Tax</b>		<u><b>(1,539.13)</b></u>	<u>(2,155.46)</u>
Tax Expense			
1) Current Tax		-	-
2) Deferred Tax		<u><b>(404.34)</b></u>	<u>254.39</u>
<b>X Profit (Loss) for the period continuing operations</b>		<u><b>(1,134.79)</b></u>	<u>(2,409.85)</u>
<b>Earnings per share of face value of Rs 10 each</b>			
<b>After Extra-ordinary Item</b>			
Basic (Rs)		<b>(11.38)</b>	(24.16)
Diluted(Rs)		<b>(11.38)</b>	(24.16)
<b>Before Extra-ordinary Item</b>			
Basic (Rs)		<b>(14.06)</b>	(19.73)
Diluted (Rs)		<b>(14.06)</b>	(19.73)

Notes referred to above form an Integral part of Financial Statements

As per our report of even date

For KHIMIJI KUNVERJI & CO.

Chartered Accountants

Firm Registration No: 105146W

Hasmukh B. Dedhia  
Partner  
Membership No. F-33494

M.R.Sivaraman  
Director

V.T.Moorthy  
Director

M.Kurthalanathan  
Company Secretary

For TANFAC INDUSTRIES LIMITED

Lalit Naik  
Manager and Director

Suresh Sodani  
President

R.Karthikeyan  
Director

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

Camp : Chennai

Dated May 30, 2013

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

Particulars	2012-13 (₹ in Lakhs)	2011-12 (₹ in Lakhs)	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit before Tax	(1539.13)	(2155.46)	
Adjustments for :			
Depreciation & Amortisation of Expenses	1047.09	708.83	
Finance Cost	1154.85	940.49	
Provision for Liabilities no longer required written back	(31.14)	(34.22)	
Damages due to Natural Calamity (Cyclone) - Refer Note No. 26A	(267.44)	441.98	
Loss/(Profit) on Sale of Fixed Assets	(14.38)	(1.24)	
Interest & Dividend Income	(3.62)	(1.80)	
Operating Profit Before Working Capital changes	346.24		(101.41)
Adjustments for :			
Trade and Other Receivables	633.51	596.73	
Inventories	1721.73	(1137.54)	
Trade Payable and Provisions	(834.31)	(622.94)	
	1520.93		(1163.77)
Cash Generated From/ (Used in) Operations	1867.17		(1265.18)
Damages Due to Natural Calamity (Cyclone) - Refer Note No. 26A	267.44	(441.98)	
Direct Taxes (Payment) / Refund (Net)	475.65	4.68	
	743.09		(437.30)
<b>Net Cash Generated From/ (Used in) operations</b>	2610.26		(1702.48)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Fixed Assets	(44.19)	(304.35)	
Sale of Fixed Assets	31.89	4.59	
Creditors for Capital Asset	(4.51)	6.27	
Interest and Dividend Income	0.27	0.00	
<b>Net Cash Flow From/(Used in) Investing Activities</b>	(16.54)		(293.48)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Buyer's credit / ICD	(728.60)	2866.36	
Long term loan availed (Net)	(670.94)	(670.94)	
Short term loan availed	(41.78)	788.78	
Finance Cost	(1154.85)	(940.49)	
<b>Net Cash flow from/(used in) financing Activities</b>	(2596.17)		2043.71
Net Increase/(Decrease) in Cash and Cash Equivalents	(2.45)		47.74
Cash & Cash Equivalents (Opening Balance)	97.66	49.92	
Cash & Cash Equivalents (Closing Balance)	95.20	97.66	
	(2.45)		47.74

As per our report of even date  
For KHIMIJI KUNVERJI & CO.  
Chartered Accountants  
Firm Registration No: 105146W

For TANFAC INDUSTRIES LIMITED

Hasmukh B. Dedhia  
Partner  
Membership No. F-33494

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)

M.Kurthalanathan  
Company Secretary

Camp : Chennai

Dated May 30, 2013

## NOTES FORMING PART OF ACCOUNTS (Contd.)

## NOTE - 1 SHARE CAPITAL

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
<b>Authorised</b>		
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>
<b>Issued, Subscribed and Paid up</b>		
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 2013	As at 31st March 2012
Equity Shares at the beginning of the year	9,975,000	9,975,000
Add: Shares issued, if any, during the year	-	-
Equity Shares at the end of the year	<u>9,975,000</u>	<u>9,975,000</u>

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

Name of the Shareholder	As at 31st March 2013		As at 31st March 2012	
	No. of Shares	%age of holding	No. of Shares	%age of holding
Tamilnadu Industrial Development Corporation Limited	2,595,000	26.02%	2,595,000	26.02%
TGS Investment & Trade Private Limited	1,990,652	19.96%	1,990,652	19.96%
Pilani Investment & Industries Corporation Limited	498,000	4.99%	498,000	4.99%

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

## NOTES FORMING PART OF ACCOUNTS (Contd.)

### NOTE - 2 RESERVES AND SURPLUS

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
<b>a) Capital Reserve</b>		
i) State Capital Subsidy from SIPCOT	30.00	30.00
ii) Profit on sale of Forfeited Shares	0.46	0.46
<b>TOTAL</b>	<b>30.46</b>	<b>30.46</b>
<b>b) Securities Premium Account</b>	2.18	2.18
<b>c) General Reserve</b>		
Opening balance	3,873.10	3,873.10
Less: Transferred to P&L A/c	-	-
<b>TOTAL</b>	<b>3,873.10</b>	<b>3,873.10</b>
<b>d) Profit and Loss Account</b>		
Opening balance	(2,922.42)	(512.57)
Add: Net profit after tax transferred to P&L A/c	(1,134.79)	(2,409.84)
<b>TOTAL</b>	<b>(4,057.21)</b>	<b>(2,922.42)</b>
<b>Total (a + b + c + d)</b>	<b>(151.47)</b>	<b>983.32</b>

### NOTE - 3 LONG TERM BORROWINGS

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
<b>SECURED LOANS</b>		
Term Loan from		
(i) Banks	529.41	882.35
<b>TOTAL</b>	<b>529.41</b>	<b>882.35</b>

#### 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 - Repaid during the year	30.12.2012	13.55%
Term Loan II (Quarterly Installments of ₹ 88.24 lacs)	23.09.2015	13.75%

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).

## NOTES FORMING PART OF ACCOUNTS (Contd.)

**NOTE - 4 DEFERRED LIABILITIES (NET)**

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

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
<b>(A) Deferred Tax Assets</b>		
i. Unabsorbed Depreciation Loss / Business Loss	640.62	386.17
<b>TOTAL (A)</b>	<u>640.62</u>	<u>386.17</u>
<b>Less: (B) Deferred Tax Liability</b>		
i. Depreciation	1,011.39	1,124.08
ii. Deferred Revenue Expenditure	33.82	71.02
<b>TOTAL (B)</b>	<u>1,045.21</u>	<u>1,195.10</u>
<b>Net Deferred Tax Liability (B) - (A)</b>	<b>404.59</b>	<b>808.93</b>

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

**NOTE - 5 LONG TERM PROVISIONS**

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
Employee Benefits		
Leave Encashment (Refer Note No.9)	47.03	33.25
<b>TOTAL</b>	<u>47.03</u>	<u>33.25</u>

**NOTE - 6 SHORT TERM BORROWINGS**

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
<b>SECURED LOANS</b>		
Loan Repayable on Demand from Bank (Note 6.1 below)	3,156.20	3,197.98
<b>TOTAL - I</b>	<u>3,156.20</u>	<u>3,197.98</u>
<b>UNSECURED LOANS</b>		
Loan Repayable on Demand from Bank (Refer Note 6.2 below)	2,646.49	4,575.09
Other - Intercompany deposit (Refer Note 27B.9)	1,200.00	-
<b>TOTAL - II</b>	<u>3,846.49</u>	<u>4,575.09</u>
<b>TOTAL (I + II)</b>	<b>7,002.69</b>	<b>7,773.07</b>

## NOTES FORMING PART OF ACCOUNTS (Contd.)

### 6.1 Secured Loan - Working Capital Loans from Bank

#### Nature of Security

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

### 6.2 Short Term Borrowings - Unsecured Loan

Unsecured working capital loan including Import Finance Loan taken in Foreign Currency (US \$) for payment of imported Raw Materials. The currency risk is partly hedged. Interest is charged at LIBOR Plus spread. Applicable interest amount is payable along with principal amount. Due date for repayment of these loans are between 90 and 270 days from the date of availment. Details of loan are given below:

Nature of Unsecured Loan	Due Date of Repayment	Interest % P.A.	Amount (₹ Lakhs)
Buyers Credit for Raw Material Imports	12-Apr-13	1.90	271.70
	09-Jul-13	1.80	235.01
	03-Jul-13	1.78	56.52
	10-May-13	1.19	259.16
	13-May-13	1.54	129.58
	14-May-13	1.49	777.47
	24-May-13	1.34	248.69
	19-Apr-13	1.86	53.58
	29-Apr-13	1.70	223.24
	19-Apr-13	1.85	23.67
	19-Jun-13	1.48	223.36
	15-May-13	1.49	118.62
	17-Jun-13	1.48	14.07
	18-Jun-13	1.48	11.83
<b>TOTAL #</b>			<b>2,646.49</b>

# Company has fully hedged by forward contract of USD 48.75 lacs

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

Nature of Contract	Foreign Currency	Amount in Foreign Currency As at	
		31st March 2013	31st March 2012
Forward Contracts	USD Lakhs	49.27	98.74



## NOTES FORMING PART OF ACCOUNTS (Contd.)

## NOTE - 7 TRADE PAYABLES

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
Trade Payables	1,004.69	1,607.05
<b>TOTAL</b>	<b>1,004.69</b>	<b>1,607.05</b>

**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	As at (₹ in Lakhs)	
	31st March 2013	31st March 2012
The Principal amount (Interest - Nil) remaining unpaid to any supplier as at the end of the each accounting year	47.38	50.09
The amount of interest paid by the buyer in terms of section 16. of the Micro Small and Medium Enterprises Development Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	NIL	NIL
The amount of interest due and payable for the period of delay in making payments (which have been paid but beyond the appointed day during the year) but without adding the interest specified Under Micro Small and Medium Enterprises Development Act, 2006	NIL	NIL
The amount of interest accrued and remaining unpaid at the end of each accounting year : and	NIL	NIL
The amount of further interest remaining due and payable even in the succeeding years until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act 2006	NIL	NIL

## NOTES FORMING PART OF ACCOUNTS (Contd.)

### NOTE - 8 OTHER CURRENT LIABILITIES

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
Current Maturities of Long term Borrowings (Refer Note No.- 3.2)	352.94	670.94
Interest accrued but not due on borrowings	32.10	35.18
Interest accrued & due on borrowings (Paid on 1st & 3rd April 2013)	15.06	17.44
Advance from Customers	40.64	37.76
Unclaimed Dividend	25.39	27.65
Other Payables		
Statutory Dues	97.09	92.18
Security Deposits	6.95	8.50
Payables pertaining to employees	12.73	14.42
Creditors for Fixed Assets	1.76	6.27
<b>TOTAL</b>	<b>584.66</b>	<b>910.35</b>

### NOTE - 9 SHORT TERM PROVISIONS

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
Employee Benefits - Leave Encashment (Refer Note No.5)	6.82	4.86
Income Tax (Net of Advance Tax - ₹ 1,741 lacs; Previous Year - ₹ 2,138 lacs)	20.00	4.91
Disputed Liabilities (Refer Note No. 27 B.3)	52.77	52.77
Provision for Expenses	156.34	24.64
Provision for Gratuity	53.20	-
<b>TOTAL</b>	<b>289.13</b>	<b>87.18</b>

## NOTE - 10 FIXED ASSETS

(₹ In Lakhs)

Particulars	Tangible										Intangible		
	Free- hold Land	Lease- hold Land	Building- Freehold Leasehold	Road, Well, Culvert, Fencing etc	Plant & Machinery	Plant & Machinery- Data Processing Equipments	Vehicles & Tanks	Furnitures & Fixtures	Office Equip- ments	TOTAL	Software Items	Specialised Softwares	TOTAL
<b>Gross Block</b>													
As at 1 April 2011	31.27	39.68	207.46	522.52	12,896.41	171.36	210.81	68.57	163.44	14,386.95	6.21	52.08	58.29
Additions	-	-	-	24.75	249.19	9.60	28.87	0.81	8.01	321.22	-	-	-
Deletions/Adjustment	-	-	-	-	-	-	17.34	-	1.63	18.97	-	-	-
As at 31 March 2012 / 1 April, 2012	(A)	31.27	39.68	522.52	13,145.60	180.96	222.34	69.38	169.82	14,689.21	6.21	52.08	58.29
Additions	-	-	-	-	49.58	0.92	-	0.61	0.61	51.71	-	-	-
Deletions/Adjustment	-	-	-	-	1,148.69	-	8.45	-	1.30	1,158.44	-	-	-
As at 31st March 2013	(B)	31.27	39.68	522.52	100.17	12,046.50	181.87	69.98	169.13	13,582.48	6.21	52.08	58.29
Accumulated Depreciation													
As at 1 April 2011	-	9.51	43.23	189.93	33.18	5,175.60	147.96	52.89	117.62	5,932.86	5.71	35.86	41.57
For the year	-	0.43	3.38	16.48	2.03	535.37	9.25	3.43	7.56	592.79	0.10	6.48	6.59
Impairment (Refer Note below)	-	-	-	21.99	-	758.99	-	-	-	780.98	-	-	-
Deletions/Adjustment	-	-	-	-	-	-	14.82	-	0.80	15.62	-	-	-
As at 31 March 2012/ 1 April, 2012	(C)	-	9.94	228.41	35.21	6,469.96	157.21	56.32	124.39	7,291.01	5.81	42.35	48.16
Depreciation													
As at 1 April 2012	-	9.94	46.61	228.41	35.21	6,469.96	157.21	56.32	124.39	7,291.01	5.81	42.35	48.16
For the year	-	0.43	3.38	16.48	2.30	542.52	7.68	2.38	6.36	595.34	0.06	3.89	3.95
Impairment	-	-	-	-	338.34	-	-	-	-	338.34	-	-	-
Deletions/Adjustment	-	-	-	-	1,119.67	-	4.65	-	1.16	1,125.48	-	-	-
As at 31st March 2013	(D)	-	10.37	49.99	244.89	37.52	164.89	58.70	129.59	7,099.21	5.87	46.24	52.11
Net book amount as at 31st March 2012 (A-C)	31.27	29.74	160.85	294.11	64.96	6,675.64	23.75	13.05	45.44	7,398.20	0.40	9.74	10.14
Net book amount as at 31st March 2013 (B-D)	31.27	29.31	157.47	277.63	62.66	5,815.34	16.99	11.28	39.55	6,483.27	0.34	5.85	6.18
Capital Work-in-Progress as at 31st March 2012													
Capital Work-in-Progress as at 31st March 2013													

**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:

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
<b>Total</b>	<b>1,139.99</b>	<b>302.01</b>	<b>780.98</b>	<b>57.00</b>

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

Asset	Cost	Acc.Deprn.	Impairment	Carrying Cost
Plant & Machinery - IBAP (Refer Note 27B.4)	1,543.84	190.78	277.96	1,075.10
Plant & Machinery - Bio Mass Plant	131.24	64.31	60.37	6.56
<b>Total</b>	<b>1,675.08</b>	<b>255.09</b>	<b>338.33</b>	<b>1,081.66</b>

## NOTES FORMING PART OF ACCOUNTS (Contd.)

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

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
16,963 Shares of ₹ 100/- each fully paid up in Equity shares of M/s. Cuddalore Sipcot Industries Common Utilities Limited (Jointly controlled Company for disposing of Common Effluents)	16.96	16.96
<b>TOTAL</b>	<b>16.96</b>	<b>16.96</b>

### NOTE - 12 LONG TERM LOANS AND ADVANCES

(Unsecured, Considered Good except otherwise stated)

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
Security Deposits & Other Deposits	3.94	4.04
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	103.79	100.08
<b>TOTAL</b>	<b>114.00</b>	<b>110.39</b>

### NOTE - 13 OTHER NON CURRENT ASSET

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
Deferred Revenue Expenditure (Refer Note below and Note 18)	-	109.46
<b>TOTAL</b>	<b>-</b>	<b>109.46</b>

The Company had implemented the Multi-purpose Plant Project to manufacture 3 Phenoxy & other products with a total capital outlay of Rs.1024.19 lacs. The plant was ready to commence commercial production in January 2009 and was accordingly capitalized. However, the company faced serious technical issues in the processing of the Raw Materials which leads to significant losses of Raw Materials giving very low yields and also final product was not meeting the quality parameters of the customers. Hence based on advise of technical experts, further modification works were carried out over the period. The trial run was once again taken up in April 2010 and the results are satisfactory. Based on expert opinion, the management has decided to treat the expenses incurred by the company to the tune of Rs. 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 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
<b>INVENTORIES</b>		
Raw materials including Packing Materials	1,181.99	1,659.36
Raw materials including Packing Materials - In transit	-	772.76
Work-in-progress	1.75	64.54
Finished goods	325.89	724.93
Stores, Spares & Consumables	271.61	277.64
Coal, Fuel Oil & Other utilities	93.30	164.41
	<u>1,874.53</u>	<u>3,663.65</u>
Less: Provision for Inventories (Refer Note No 26A)	-	67.38
<b>TOTAL</b>	<u>1,874.53</u>	<u>3,596.27</u>

## NOTE - 15 TRADE RECEIVABLES

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
Due for period exceeding six months		
Secured, considered good	-	-
Unsecured, considered good	1.60	45.03
Unsecured, considered doubtful	-	-
Less : Provision for doubtful debt	-	-
<b>Total (I)</b>	<u>1.60</u>	<u>45.03</u>
Others		
Secured, considered good		
Unsecured, considered good	1,531.03	2,124.46
Unsecured, considered doubtful	-	-
Less : Provision for doubtful debt	-	-
<b>Total (II)</b>	<u>1,531.03</u>	<u>2,124.46</u>
<b>TOTAL (I + II)</b>	<u>1,532.63</u>	<u>2,169.49</u>

## NOTES FORMING PART OF ACCOUNTS (Contd.)

### NOTE - 16 CASH AND BANK BALANCES

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
<b>A. Cash and Cash Equivalent</b>		
Balances with Bank		
Current Accounts	1.33	3.50
Cash Credit Accounts	-	19.57
EEFC Account	0.60	0.51
PCFC Account	-	0.26
Deposit Accounts # (with maturity at 3 months)	67.89	46.00
Cash on Hand	-	0.17
<b>TOTAL (A)</b>	69.81	70.01
<b>B. Other Bank Balance</b>		
Unclaimed Dividend	25.39	27.65
<b>TOTAL (B)</b>	25.39	27.65
<b>TOTAL (A + B)</b>	95.20	97.66

# Pledged with Banks as margin towards Buyer's credit.

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

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
Security Deposits and Other Deposits	2.52	2.65
Advance for Expenses and Purchases of Material	69.95	56.14
Advances to Employees	9.66	8.61
Others Loans and Advances		
Claims Recoverable, VAT Input Credit etc	316.18	233.81
Prepaid Expenses	30.79	145.71
<b>TOTAL</b>	429.10	446.91

## NOTES FORMING PART OF ACCOUNTS (Contd.)

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

Particulars	As at 31st March 2013 (₹ in Lakhs)	As at 31st March 2012 (₹ in Lakhs)
Interest accrued on Loans & Advances	3.21	1.68
Interest accrued on Fixed Deposit	0.14	0.12
Export Incentives	33.60	8.74
Deferred Revenue Expenditure (Refer Note No. 13)	109.46	109.46
Mark to Market	9.95	-
<b>TOTAL</b>	<b>156.36</b>	<b>120.00</b>

**NOTE -19 Revenue from Operations**

Particulars	Year Ended 31st March 2013 (₹ in Lakhs)	Year Ended 31st March 2012 (₹ in Lakhs)
<b>A. Sale of Products</b>		
Manufactured	15,955.38	16,140.22
Traded	-	-
<b>TOTAL (A)</b>	<b>15,955.38</b>	<b>16,140.22</b>
<b>B. Other Operating Income</b>		
Insurance claims	1.48	10.61
Export Incentives	36.17	85.54
Conversion charges	152.02	-
Scrap sales	39.62	43.00
<b>TOTAL (B)</b>	<b>229.30</b>	<b>139.15</b>
<b>TOTAL (A + B)</b>	<b>16,184.68</b>	<b>16,279.36</b>
<b>Less: (C) Excise Duty on Sales</b>	<b>1,613.55</b>	<b>1,504.59</b>
<b>Total Revenue from Operation (A + B - C)</b>	<b>14,571.13</b>	<b>14,774.78</b>
<b>Details of Sale Value of Goods manufactured under broad heads</b>		
Fluorine Chemicals	11,291.28	12,071.11
Sulphuric Acid and Oleum	3,686.36	3,114.81
Others (Gypsum and Specialty Chemicals)	977.74	954.30
	<b>15,955.38</b>	<b>16,140.22</b>

## NOTES FORMING PART OF ACCOUNTS (Contd.)

### NOTE -20 Other Income

Particulars	Year Ended 31st March 2013 (₹ in Lakhs)	Year Ended 31st March 2012 (₹ in Lakhs)
Rent Recovery from Employees	0.27	1.62
Interest on Income tax refunds	78.43	-
Interest on deposits	3.62	1.80
Profit on sale of Fixed assets	14.38	1.24
Other Miscellaneous receipt	5.23	11.28
Excess Provisions & Liabilities no longer required written back	31.14	34.22
<b>TOTAL</b>	<b>133.06</b>	<b>50.16</b>

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

Particulars	Year Ended 31st March 2013 (₹ in Lakhs)	Year Ended 31st March 2012 (₹ in Lakhs)
Cost of Raw materials consumed	9,232.72	9,803.45
Cost of Packing materials consumed	458.33	489.07
<b>TOTAL</b>	<b>9,691.05</b>	<b>10,292.52</b>
<b>Details of Materials Consumed under broad heads as follows</b>		
Flurospar	4,392.74	5,648.80
Sulphur	3,295.34	2,691.08
Alumimum Hydroxide	417.84	536.38
Pottassium Carbonate	433.90	322.82
Others (includes Boric acid/Ether and other materials used in speciality products)	1,151.23	1,093.44
<b>TOTAL</b>	<b>9,691.05</b>	<b>10,292.52</b>



## NOTES FORMING PART OF ACCOUNTS (Contd.)

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

Particulars	Year Ended 31st March 2013 (₹ in Lakhs)	Year Ended 31st March 2012 (₹ in Lakhs)
<b>Closing stock</b>		
Finished Goods	325.89	724.93
Work-in-Progress	1.75	64.54
<b>TOTAL</b>	<u>327.64</u>	<u>789.47</u>
<b>Less:</b>		
<b>Opening Stock</b>		
Finished Goods	724.93	330.68
Work-in-Progress	64.54	16.53
<b>TOTAL</b>	<u>789.47</u>	<u>347.21</u>
Excise duty on Closing Stock	21.84	68.11
Excise duty on Opening Stock	68.11	25.70
<b>Increase/(Decrease) in Excise duty on Finished Goods</b>	<u>(46.28)</u>	<u>42.41</u>
<b>Increase/(Decrease) in Inventories of Finished Goods and WIP</b>	<u>(415.55)</u>	<u>399.85</u>
<b>Manufactured Goods</b>		
Fluorine Chemicals	234.32	700.64
Sulphuric Acid and Oleum	56.94	22.10
Others	34.63	2.18
<b>TOTAL</b>	<u>325.89</u>	<u>724.93</u>
<b>Work-in-progress</b>		
Fluorine Chemicals	1.68	63.41
Sulphuric Acid and Oleum	-	1.07
Others	0.06	0.06
<b>TOTAL</b>	<u>1.75</u>	<u>64.54</u>

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

Particulars	Year Ended 31st March 2013 (₹ in Lakhs)	Year Ended 31st March 2012 (₹ in Lakhs)
Salaries, Wages and Bonus	693.28	653.98
Contribution to Provident & Other Funds	111.83	53.95
Staff Welfare Expenses	85.60	88.98
<b>TOTAL</b>	<u>890.70</u>	<u>796.92</u>

## NOTES FORMING PART OF ACCOUNTS (Contd.)

### NOTE - 24 Other Expenses

Particulars	Year Ended 31st March 2013 (₹ in Lakhs)	Year Ended 31st March 2012 (₹ in Lakhs)
Consumption of stores and Spares(Refer Note 27 B.11 (3))	493.78	539.40
Power & Fuel	2,092.86	1,962.89
Effluent Treatment Expenses	63.59	72.83
Water charges	85.90	60.36
Other Manufacturing Expenses -Consumables and Operation Expenses (Job Work Charges)	9.80	14.43
Rent	23.13	31.06
Repairs & Maintenance		
Building	31.27	36.54
Plant & Machinery	211.70	212.29
Others	203.35	167.28
Insurance (Net)	39.43	39.58
Rates & Taxes	20.09	26.52
Travelling & Conveyance	64.08	65.82
Vehicle Running Expenses	19.51	21.56
Communication Expenses	23.11	23.57
Auditors Remuneration		
Audit Fee	3.00	1.75
Tax Audit Fee	0.80	0.50
For Certification work (including Quarterly Limited Review)	1.80	1.60
Travel and Stay Expenses	0.59	0.98
Cost Audit Fee	0.30	0.40
Printing & Stationery	12.50	12.22
Legal & Professional Charges	14.28	25.83
Consultancy Charges	25.37	35.52
Miscellaneous Expenses	58.13	72.75
R&D Expenses (Refer Note 27 B.7 )	55.29	46.64
Bank Charges (other than borrowings)	39.04	64.60
Fluctuation in Exchange Rates (excluding forward cover charges)	(40.26)	445.32
Directors sitting fees	11.20	13.20
Area maintenance charges	25.22	18.83
Security Service charges	35.27	35.37
Lease Charges	14.01	12.56
Freight Packing & Forwarding	51.56	126.37
Commission on Sales	3.88	10.95
<b>TOTAL</b>	<b>3,693.58</b>	<b>4,199.51</b>

## NOTES FORMING PART OF ACCOUNTS (Contd.)

## NOTE - 25 Finance Cost

Particulars	Year Ended 31st March 2013 (₹ in Lakhs)	Year Ended 31st March 2012 (₹ in Lakhs)
<b>Interest Expenses</b>		
<b>Banks</b>		
Borrowings - Term Loan	158.33	223.80
Borrowings - Working Capital	421.31	254.93
Borrowings - Working Capital Demand Loan	121.57	119.85
<b>Others</b>		
Interest on Inter Corporate Deposit	111.12	56.14
Others	3.45	1.18
<b>Other Borrowing cost</b>		
Processing Fees	113.54	122.22
Forward Cover Charges	225.53	162.36
<b>Total</b>	<u>1,154.85</u>	<u>940.49</u>

## NOTE - 26A Extraordinary items

Particulars	Year Ended 31st March 2013 (₹ in Lakhs)	Year Ended 31st March 2012 (₹ in Lakhs)
Restoration of Damages - Due to Cyclone Insurance claim against damages due to cyclone (On the early hours of 30th December 2011, Cyclone "Thane" crossed Cuddalore. Due to this, there were damages to the properties and materials of the company. These resulted in operation of the plant being stalled for more than 30 days in January 2012. Necessary repair works were carried out. Financial loss pertaining to repair costs, loss of material etc., was shown as extra-ordinary item in the Statement of Profit & Loss of last financial year. Insurance claim received as full and final settlement of the claim has been accounted for as income in the current year)	(267.44)	441.98
<b>Total</b>	<u>(267.44)</u>	<u>441.98</u>

## NOTE - 26B Exceptional items

Particulars	Year Ended 31st March 2013 (₹ in Lakhs)	Year Ended 31st March 2012 (₹ in Lakhs)
Excess Provision for Income Tax written back	(333.73)	
Interest on Income Tax Refunds on earlier years	(58.88)	
Interest paid on Income Tax assessment on earlier years	10.54	
<b>Total</b>	<u>(382.07)</u>	<u>-</u>

## 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 & Machinery into Continuous and Non-continuous process is done as per Technical Certification and Depreciation thereon is provided accordingly.
  - iii) Depreciation in respect of Buildings and Plant and Machinery has been provided on Straight Line Method as per the rates prescribed by the Department of Company Affairs/as per Schedule XIV to the Companies Act, 1956 as applicable on the date of acquisition / installation.
  - iv) Depreciation on all other assets has been provided on written down value method as per the rates prescribed in Schedule-XIV to the Companies ACT, 1956.
  - v) Depreciation on additions/deletions to fixed assets has been provided on prorata basis with reference to the date of installation/sale. Depreciation on Assets individually costing less than Rs.5000/- each has been fully charged off in the year of acquisition/installation.
  - vi) In case of impairment, if any, Depreciation is provided on the revised carrying amount of the assets over its remaining useful life.
- e. Investments:**
- Quoted / Unquoted Long-term investments are stated at cost, unless, there is a decline other than temporary in the carrying value thereof, which is duly provided for in the Accounts.
- f. Inventories:**
- Inventories are valued on the following basis:
- i) Finished Goods - At cost (calculated on Annual Weighted Average Method) or Net Realisable Value whichever is lower.
  - ii) Material in Process - At cost.
  - iii) Waste - At actual Realisable Value.
  - iv) Raw Materials / Stores & Spares - At cost.

## 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 stocks lying at the factory is accounted for at the point of manufacture of goods and is accordingly considered for valuation of Finished Goods stock lying in the factory as on the Balance Sheet date.

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

### j. Sales & Export Incentives:

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

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

### l. Deferred Revenue Expenditure:

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

### m. Taxes on Income:

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

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

## NOTES FORMING PART OF ACCOUNTS (Contd.)

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.)

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

Particulars	As at 31st March 2013 (₹ In Lakhs)	As at 31st March 2012 (₹ In Lakhs)
Claims against the Company not acknowledged as debts		
i) Custom Duty	<b>10.79</b>	10.79
ii) Excise Duty	<b>75.31</b>	76.05
iii) Service Tax	<b>45.56</b>	32.40

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.

27.B.2 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) - ₹ Nil lacs (Previous Year ₹ 5.38 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 Rs.1477.27 lacs and has made some modifications during 2011-12 & 2012-13 with additional capex amounting to ₹ 35.20 lacs to resolve technical issues faced. The company has signed a Memorandum Of Understanding (MOU) with an interested party for transfer of machinery and technology at an agreed value subject to certain conditions. The Company has recognized impairment provision of ₹ 277.96 lacs during the current year based on the aforesaid MOU (Refer Note 10). Company has completed trial production as per MOU and achieved the desired yields. Discussions for a definitive agreement for transfer of Machinery and Technology as well as long term supply as per MOU are currently in progress. The management hopes to conclude the definitive agreement during 2013-14. The management does not expect any further impairment provision for the said project based on success achieved during 2012-13.

## 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	Year Ended 31st March 2013 (₹ In Lakhs)	Year Ended 31st March 2012 (₹ In Lakhs)
Profit / (loss) after taxation	(1,134.79)	(2,409.85)
Extra-Ordinary Items (Refer Note No. 26A)	267.44	(441.98)
Profit / (loss) after taxation before Extra-Ordinary Items	<u>(1,402.23)</u>	<u>(1,967.87)</u>
Weighted average number of shares outstanding during the year (Nos)	9,975,000	9,975,000
<b><u>Earnings per share of face value of ₹ 10 each</u></b>		
<b>After Extra-ordinary Items</b>		
Basic (₹)	(11.38)	(24.16)
Diluted(₹)	(11.38)	(24.16)
<b>Before Extra-Ordinary Items</b>		
Basic (₹)	(14.06)	(19.73)
Diluted (₹)	(14.06)	(19.73)

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

Particulars	(₹. In Lakhs)
Balance as at 1st April 2012	52.77
Additional Provision created during the year	-
Provision used during the year	-
Provision reversed during the year	-
Balance as at 31st March 2013 (Refer Note 9)	52.77

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

Particulars	Year Ended 31st March 2013 (₹ In Lakhs)	Year Ended 31st March 2012 (₹ In Lakhs)
Revenue Expenditure		
Salaries & Wages including contribution to funds	40.21	43.59
Material Consumables/spares	0.95	1.11
Other expenditure	14.13	1.93
<b>Total R&amp;D Expenditure</b>	<u>55.29</u>	<u>46.63</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	Year Ended 31st March 2013 (₹ In Lakhs)	Year Ended 31st March 2012 (₹ In Lakhs)
i) Contribution to Employees Provident/Pension Fund	39.82	38.21
ii) Contribution to Superannuation Fund	16.80	15.66
iii) Contribution to ESIC	2.87	3.03
iv) Contribution to EDLI	3.04	0.78
<b>TOTAL</b>	<b>62.53</b>	<b>57.68</b>

## ii. Defined Benefit Plan

**A. Gratuity**

Particulars	Year ended 31st March 2013 (₹ In Lakhs)	Year ended 31st March 2012 (₹ In Lakhs)
<b>Net Employee Expenses / (Benefit)</b>		
Current Service Cost	58.60	18.04
Interest cost on benefit obligation	11.48	11.41
Expected return on Plan Assets	(11.21)	(12.62)
Net Actual (Gain) / Loss recognized in the year	(5.23)	2.59
Net charge to P & L Account	53.64	14.23
Actual return on Plan Assets	8.00%	8.00%
<b>Benefit Asset / (Liability)</b>		
Defined benefit obligation	195.24	150.64
Fair Value of Plan Assets	142.04	151.72
Benefit Assets / (Liability)	(53.60)	1.08
<b>Movement in benefit liability</b>		
Opening Defined Benefit Obligation	150.64	139.19
Interest cost	11.48	11.41
Current Service cost	58.60	18.04
Benefit paid	(23.15)	(9.96)
Actual (Gain) / (Losses) on Obligation	(2.33)	(8.03)
Closing Benefit Obligation	195.24	150.64
Current Liability (within 12 months)	19.63	12.50
Non Current Liability	175.61	138.14

## NOTES FORMING PART OF ACCOUNTS (Contd.)

Particulars	Year ended 31st March 2013 (₹ In Lakhs)	Year ended 31st March 2012 (₹ In Lakhs)
<b>Movement in Fair Value of Plan Assets</b>		
Opening Fair Value of Plan Assets	151.72	152.50
Expected Return on Plan Assets	11.21	12.62
Actuarial Gains/(Losses) on Assets	2.90	(5.44)
Contribution by Employer plus Premium Received	0.00	2.00
Benefits paid plus Premium plus Expenses	(23.80)	(9.96)
Closing Fair Value of Plan Assets	142.04	151.72
<b>The Principal Actuarial Assumptions are as follows:</b>		
Discount Rate	8.25%	8.50%
Estimated rate of Return on Plan Assets	8.00%	8.00%
Salary increase	6.00%	6.00%
Withdrawal Rates	5.00%	5.00%
<b>Amount incurred as expenses for defined contribution plans</b>		
Contribution to Provident / Pension Fund	39.82	36.26
Contribution to Superannuation Fund	16.80	13.89
The major categories of plan assets as a percentage of the Fair Value of Total Plan Asset are as follows:		
Investment in Bonds	8.22%	21.00%
Investment in Mutual Fund	88.27%	62.00%
Bank Balances in Current Account	3.51%	17.00%

### 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:

26.02% Equity shares of the Company are held by Tamil Nadu Industrial Development Corporation Limited

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

4.99% Equity shares of the Company are held by Pilani Investment & Industries Corporation Limited

##### Joint Venture:

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

##### Key Management Personnel:

Shri Lalit Naik - Manager and Director

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

## NOTES FORMING PART OF ACCOUNTS (Contd.)

## B. RELATED PARTY DISCLOSURES

Name of the related party	Nature of relationship	Nature of Transaction	Year Ended 31st March 2013 ₹ Lakhs	Year Ended 31st March 2012 ₹ 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	19.66	19.35

Aditya Birla Chemicals (India) Limited	Key Man- agement Personnel	Inter Corporate Deposit	300.00	-
		Interest Payment	4.93	-

## 27.B.10 Foreign Currency Exposure which are not hedged as at March 31, 2013

Particulars	Currency	Foreign Currency Amount	Closing Rate	₹ in Lakhs
Trade Receivables	USD (in lakhs)	3.82	54.28	207.36
Trade payable	USD (in lakhs)	5.08	54.29	275.53

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

Particulars	Year ended 31st March 2013 (₹ In Lakhs)	Year ended 31st March 2012 (₹ In Lakhs)
Raw Materials	4,804.80	6,787.81
Component and Spare Parts	4.88	10.27
<b>TOTAL</b>	<b>4,809.68</b>	<b>6,798.08</b>

## 2. Expenditure in Foreign Currency (on Remittance Basis)

Particulars	Year ended 31st March 2013 (₹ In Lakhs)	Year ended 31st March 2012 (₹ In Lakhs)
Travelling Expenses	3.12	3.02
Consultancy Fees	3.43	16.97
Lease Rent	-	12.13
Commission on Sales	4.58	4.96
Interest	103.01	83.84
Freight & Forwarding Expenses	3.29	51.40
Others	3.03	1.67
<b>TOTAL</b>	<b>120.46</b>	<b>173.99</b>

## NOTES FORMING PART OF ACCOUNTS (Contd.)

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

Particulars	Year Ended 31st March 2013		Year Ended 31st March 2012	
	% age	₹ in Lacs	% age	₹ in Lacs
i) Raw Materials				
Imported	53.03	5,138.92	66.90	6,886.23
Indigenous	46.97	4,552.13	33.10	3,406.29
<b>Total</b>	<b>100.00</b>	<b>9,691.05</b>	<b>100.00</b>	<b>10,292.52</b>
ii) Spare Parts				
Imported	3.42	16.89	3.11	21.30
Indigenous	96.58	476.88	96.89	663.08
<b>Total</b>	<b>100.00</b>	<b>493.77</b>	<b>100.00</b>	<b>684.38</b>

### 4. Earning in Foreign Currency

Particulars	Year ended 31st March 2013 (₹ In Lakhs)	Year ended 31st March 2012 (₹ In Lakhs)
i) On Export of Goods (F.O.B. Basis)	1,616.74	2,612.69
ii) Others (Insurance)	-	10.61
<b>Total</b>	<b>1,616.74</b>	<b>2,623.30</b>

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

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

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)

M. Kurthalanathan  
Company Secretary

Camp : Chennai

Dated May 30, 2013

**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 39<sup>th</sup> Annual General Meeting of the Company being held at the Registered Office of the Company at 14, SIPCOT Industrial Complex, Cuddalore – 607 005 at 11.30 A.M. on Thursday the 12th September, 2013.

Signature of the Member/Proxy

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

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



**TANFAC INDUSTRIES LIMITED**



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

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

**PROXY FORM**

I/We .....of..... being Member/ Shareholder of TANFAC INDUSTRIES LIMITED hereby appoint ..... of ..... OR failing him .....of ..... as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the 39<sup>th</sup> Annual General Meeting of the Company to be held on Thursday the 12th September, 2013 at 11.30 A.M. and at any adjournment thereof.

AS WITNESS in my/our absence to attend and vote for me/us on my/our behalf at the 39<sup>th</sup> Annual General Meeting of the Company to be held on Thursday the 12th September, 2013 at 11.30 A.M. and at any adjournment thereof.

AS WITNESS my/our hand/hands this ..... day of .....2013.

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.**

To

*If undelivered please return to:*

**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](mailto:corpserv@integratedindia.in)