

Tanfac Industries Limited

ANNUAL REPORT 2008 - 2009

TANFAC



**ADITYA BIRLA GROUP
JOINTLY WITH TIDCO**

CONTENTS

Notice	2
Explanatory Statement	4
Management Discussion and Analysis	7
Corporate Governance Disclosure	11
Directors' Report	27
Annexure to Directors' Report....	31
Auditors' Report	33
Balance Sheet	38
Profit and Loss Account	39
Schedules to Balance Sheet	40
Schedules to Profit and Loss Account	46
Schedule of Notes	49
Business Profile	60
Cash Flow Statement	61

DIRECTORS	Shri P. Sivasankaran, IAS – Chairman Shri A.K. Agarwala Shri V.T. Moorthy Shri K.K. Maheshwari – Manager and Director Shri S.J. Chiru, IAS Shri A.M. Swaminathan, IAS (Retd.) Shri M.R. Sivaraman, IAS (Retd.) Dr. Pragnya Ram Dr. Shankar Narasimhan Shri Kannan K Unni Shri T.S. Raghavan Shri R. Karthikeyan
SENIOR EXECUTIVE	Shri Vishnu Bhat - President
COMPANY SECRETARY	Shri S. Senthilnathan
AUDITORS	M/s. Bhaskaran & Krishnan Chartered Accountants K-92 Anna Nagar East Chennai – 600 102 Phone No. 044-26285283 M/s. Singhi & Co Chartered Accountants No.1 Philips Street Chennai – 600 001 Phone No. 044-42621416
BANKERS	State Bank of India State Bank of Mysore Indian Overseas Bank IDBI Bank Limited CITI Bank N.A. HDFC Bank Limited
REGISTERED OFFICE AND WORKS	Plot No.14 SIPCOT Industrial Complex Cuddalore – 607 005 Cuddalore Dist. TAMIL NADU Phone : 04142-239001 to 239005 Fax : 04142-239008 E-Mail : share@tanfac.com
CORPORATE OFFICE	Oxford Centre, First Floor No.66 Sir C.P. Ramaswamy Road Alwarpet Chennai - 600 018 Phone : 044-24990451/24990464 Fax : 044-24993583 Email : tanfacchennai@gmail.com

NOTICE OF THE THIRTY FIFTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 35th Annual General Meeting of TANFAC INDUSTRIES LIMITED will be held on Monday the 24th August 2009 at 2.00 p.m. at the Registered Office of the Company at 14, SIPCOT Industrial Complex, Kudikadu, Cuddalore - 607 005.

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2009 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Shri V.T. Moorthy, who retires by rotation and being eligible, offers himself for re-appointment
4. To appoint a Director in place of Shri Kannan K Unni, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. Pragnya Ram, who retires by rotation and being eligible, offers herself for re-appointment.
6. To consider and if thought fit, to pass with or without modification, the following resolution as a SPECIAL RESOLUTION:-
"RESOLVED THAT M/s. Bhaskaran & Krishnan and M/s. Singhi & Co., Chartered Accountants, Chennai, the retiring Auditors, be and are hereby re-appointed as Auditors of the Company to hold office till the conclusion of the next Annual General

Meeting on a remuneration of Rs.1,20,000/- (Rupees One Lakh Twenty Thousand only) plus applicable taxes to be shared by them equally besides travelling and other out of pocket expenses."

SPECIAL BUSINESS :

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT Shri P. Sivasankaran, IAS, be and is hereby appointed as a Director of the Company liable to retire by rotation."
8. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT Shri S.J. Chiru, IAS, be and is hereby appointed as a Director of the Company liable to retire by rotation."
9. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT Shri R. Karthikeyan, be and is hereby appointed as a Director of the Company liable to retire by rotation."
10. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT Shri T.S. Raghavan, be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

S. SENTHILNATHAN
MANAGER (FINANCE AND ACCOUNTS)
AND COMPANY SECRETARY

Place : Chennai
Date : 18.07.2009

NOTICE OF THE THIRTY THIRD ANNUAL GENERAL MEETING (Contd.)

NOTES :

1. The Register of Members and Share Transfer Books of the Company will remain closed from 17th August 2009 (Monday) to 24th August 2009 (Monday) both days inclusive.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member.
3. **The Form of Proxy shall be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.**
4. An Explanatory Statement as required by Section 173 of the Companies Act, 1956, in respect of item Nos. 3. to 10 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 RTA.
6. The Securities and Exchange Board of India (SEBI) vide its circular MRD/DoP/Cir05/2009 dated 20.5.2009 has made mandatory to furnish copy of PAN card for securities market transactions and off-market/private transactions involving transfer of shares in physical form of listed Companies. Accordingly Members are requested to attach copy of PAN card along with relevant share certificate(s) and transfer deeds to our above RTA who desires to purchase the Company's Shares in Physical form.
7. Members desirous of obtaining any information as regards Accounts and Operations of the Company are requested to write at least one week before the meeting so that the same could be complied in advance.
8. Pursuant to Section 205A of The Companies Act, 1956, all dividends upto the financial year 2000-2001, which remained unclaimed have been transferred to Central Government Investors Education and Protection Fund Account.
9. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividends for the financial year ended 31st March, 2002, 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 2001 - 2002 will be transferred to Central Government on 31.10.2009
10. Members, who have not encashed their dividend warrants for the financial year ended 31st March, 2003 and thereafter may claim the unclaimed dividend directly from the Company. The Shareholders can send their request letter directly to the Company's Registered Office at 14, SIPCOT Industrial Complex, Cuddalore - 607005.
11. As on 31.3.2009, 86.51% of the Company's shares have been dematerialized. Members who have not yet dematerialized their shares, may please get their shares dematerialized immediately.
12. 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.
13. To avoid the incidence of fraudulent encashment of the warrants, Members are requested to intimate to -
The Registrar & Transfer Agent (RTA), their bank account details under the signature of the sole/first joint holder for shares held in physical form and their DP for shares held in respect of electronic share accounts form, as the case may be, for printing of the same on their dividend warrants, the following information :
 - I) Name of sole/first joint holder and folio No./Client Id & DP Id No.
 - II) Particulars of Bank a/c viz.
 - a) Name of the Bank and Branch
 - b) Complete address of the bank with Pincode Number
 - c) Account type, whether savings (SB) or Current Account (CA)
 - d) Bank account allotted by the Bank

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

ITEM NO.3

Shri V.T. Moorthy, Director, retire by rotation and being eligible, offer 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

Shri Kannan K Unni, Director, retire by rotation and being eligible, offer 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

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

ITEM NO.6

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.6 is recommended for adoption by the Members.

ITEM NO.7

Shri P. Sivasankaran, IAS, has been nominated as a Director on the Board with effect from

18.7.2008, in terms of Section 260 of The Companies Act, 1956. He vacates his office at the forthcoming Annual General Meeting. Notice under Section 257 of The Companies Act, 1956, along with requisite deposit has been received from a Member of the Company signifying his intention to propose the candidature of Shri P. Sivasankaran, IAS, for the office of Director of the Company.

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

The Company will immensely benefit from the rich experience of Shri P. Sivasankaran, IAS. Necessary letter of consent has been received from Shri P. Sivasankaran, IAS, pursuant to section 264(1) of the Companies Act, 1956.

None of the Directors, other than Shri P. Sivasankaran, IAS, is interested in the resolution.

ITEM NO.8

Shri S.J. Chiru, IAS, has been nominated as a Director on the Board with effect from 19.1.2009, in terms of Section 260 of The Companies Act, 1956. He vacates his office at the forthcoming Annual General Meeting. Notice under Section 257 of The Companies Act, 1956, along with requisite deposit has been received from a Member of the Company signifying his intention to propose the candidature of Shri S.J. Chiru, IAS, for the office of Director of the Company.

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

The Company will immensely benefit from the rich experience of Shri S.J. Chiru, IAS. Necessary letter of consent has been received from Shri S.J. Chiru, IAS, pursuant to section 264(1) of the Companies Act, 1956.

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

None of the Directors, other than Shri S.J. Chiru, IAS, is interested in the resolution.

ITEM NO.9

Shri R. Karthikeyan, Development Manager, TIDCO, has been nominated as a Director on the Board with effect from 08.5.2009, in terms of Section 260 of The Companies Act, 1956. He vacates his office at the forthcoming Annual General Meeting. Notice under Section 257 of The Companies Act, 1956, along with requisite deposit has been received from a Member of the Company signifying his intention to propose the candidature of Shri R. Karthikeyan for the office of Director of the Company.

Details of Shri R. Karthikeyan pursuant to requirement of the listing agreement with the Stock Exchanges, relating to Corporate Governance, are given in the statement attached.

The Company will immensely benefit from the rich experience of Shri R. Karthikeyan. Necessary letter of consent has been received from Shri R. Karthikeyan pursuant to section 264(1) of the Companies Act, 1956.

None of the Directors, other than Shri R. Karthikeyan, is interested in the resolution.

ITEM NO.10

Shri T.S. Raghavan, former Chairman and Managing Director of Indian Bank, has been appointed as a Director on the Board with effect from 08.5.2009, in terms of Section 260 of The Companies Act, 1956. He vacates his office at the forthcoming Annual General Meeting. Notice under Section 257 of The Companies Act, 1956, along with requisite deposit has been received from a Member of the Company signifying his intention to propose the candidature of Shri T.S. Raghavan for the office of Director of the Company.

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

The Company will immensely benefit from vast and varied experience of Shri T.S. Raghavan. Necessary letter of consent has been received from Shri T.S. Raghavan pursuant to section 264(1) of the Companies Act, 1956.

None of the Directors, other than Shri T. S. Raghavan, is interested in the resolution.

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

S. SENTHILNATHAN
MANAGER (FINANCE AND ACCOUNTS)
AND COMPANY SECRETARY

Place : Chennai
Date : 18.07.2009

ANNEXURE TO NOTICE

TANFAC INDUSTRIES LIMITED

Details of Directors seeking appointment/reappointment in Annual General Meeting scheduled to be held on 24 - 08-2009

Name of Director	SHRI V.T. MOORTHY	SHRI KANNAN K UNNI	DR. PRAGNYA RAM	SHRI P. SIVASANKARAN, IAS	SHRI S.J. CHIRU, IAS	SHRI R. KARTHIKEYAN	SHRI T.S. RAGHAVAN
Date of Birth	01.07.1941	15.07.1941	16.10.1945	29.12.1962	30.01.1973	23.09.1977	30.04.1940
Date of Appointment	27.01.1984	24.04.2007	12.04.2001	18.07.2008	19.01.2009	08.05.2009	08.05.2009
Expertise in specific functional areas	Business Executive	Business Executive	Journalism	Government Service	Government Service	Government Service	Business Executive
Qualification	B.E., M.I.E.	B.Sc (Agri) Dip. In Mktg Mgmt. IMEDE, Loussanne	M.A., Ph.D., PGD (Jour.)		B.A. (Hon.) (Eco.)	B.E., M.B.A.	M.A.(Eco.), CAIB
List of outside Directorship held	DIRECTOR: 1. Ultra Tech Cement Limited	CHAIRMAN : 1. Bilag Industries Pvt Limited DIRECTOR: 1. Micro Inks Ltd. - Alternate Director 2. HIKAL Ltd. 3. Stanes Agencies Ltd.	NIL	DIRECTOR: 1. Tamilnadu Minerals Ltd. 2. Tamilnadu Industrial Explosives Ltd. 3. Tamilnadu Industrial Investment Corp. Ltd. 4. TICEL Bio Park Ltd.	CHAIRMAN: 1. Malladi Specialities Ltd. 2. Mecco Industrial Ltd. DIRECTOR: 1. Tamilnadu Indl. Dev. Corpn. Ltd. 2. Tamilnadu Magnesite Ltd. 3. TIDEL Park Ltd. 4. TICEL Bio Park Ltd. 5. TIDEL Park (Coimbatore) Ltd. 6. Ennore SEZ Co. Ltd. 7. Tamilnadu Petroproducts Ltd. 8. Southern Petrochemical Inds. Corpn. Ltd. 9. AMRL Intl. Tech Ltd.	DIRECTOR: 1. Sree Maruthi Marine Inds Ltd. 2. Malladi Specialities Ltd. (formerly Lacochem Ltd.) 3. Ramanasekhar Steels Ltd. 4. Great Sea Trawler Building Yard Mandapam Ltd. 5. Blooming Meadows Ltd. 6. Suvama Florex Ltd. 7. Jayamkondan Lignite Power Corpn. Ltd.	DIRECTOR: 1. Empee Distilleries Ltd. 2. Empee Sugars Ltd. 3. Leather Crafts India Ltd. 4. Vishnu Fabrics Ltd. 5. Matrix Trustee Co. Ltd.
Chairman/Member of the Committee of the Board of Directors of the Company	Member : 1. Investors Relation Committee	Member : 1. Audit Committee	NIL			Member 1. Audit Committee 2. Investors Relation Committee	
Chairman/Member of the Committees in which he is a Director - a. Audit Committee		Member: 1. Micro Inks Ltd.				Member : 1. Ramana Sekhar Steels Ltd.	
b. Securities Committee /Investors Grievance Committee		Member : 1. Micro Inks Ltd.	NIL				
c. Remunerational Committee			NIL				

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

- From the Chairman to the Shareholders

PERFORMANCE REVIEW :

(Rs. in Crores)

	Financial Year 2008-09	Financial Year 2007-08
Sales	216.69	164.49
Other Income (including operating income)	4.14	2.00
Operating Expenditure	209.95	144.87
Profit before Depreciation, Interest and Taxation (PBDIT)	10.88	21.62
Interest :		
- Working Capital	4.34	2.35
- Term Loan	1.02	0.05
	<u>5.36</u>	<u>2.40</u>
Depreciation	3.97	2.74
Profit before Tax (PBT)	1.54	16.48
Tax - Current Tax [MAT - 2008-09]	0.15	2.74
- Fringe Benefit Tax	0.17	0.07
Profit after current tax	1.23	13.67
- Deferred Tax	0.43	1.43
PAT	0.80	12.24

OVERVIEW :

During the year under review, Sales turnover is up by 32%, on account of improved sales volume of Aluminium Fluoride and AHF Acid.

Despite increase in sales volume, your company was unable to achieve higher profitability as compared to the previous year mainly due to –

- ❖ Stock loss on account of sulphur.
- ❖ Steep drop in demand for Aluminium Fluoride in second half 2008-09 leading to lower sales volume.
- ❖ Lack of export demand for speciality fluorides.
- ❖ Poor realisation for Sulphuric Acid in second half 2008-09.

Profit before depreciation, interest and tax for the current year decreased to Rs.10.88 Crores as compared to Rs.21.62 Crores in the previous year. Profit after current tax stood at Rs.1.23 Crores (Previous year Rs.13.67 Crores).

SALES VOLUME & REVENUE :

Overall sales turnover grew by 32% from Rs.164.49 crores in the previous year to Rs.216.69 crores in the current year.

Exports for the current year were higher at Rs.71.05 Crores vis-à-vis Rs.54.72 crores in the previous year registering an increase of 30%.

PROFIT BEFORE TAX (PBT) :

Profit before tax - Rs.1.54 Crores (previous year Rs.16.48 Crores) .

OTHER INCOME :

Other income including, operating income, export benefit was higher at Rs.4.14 crores as against Rs.2.00 crores in the previous year, registering an increase of 107%.

INTEREST :

Interest charges are higher at Rs.5.36 crores as compared to Rs.2.40 Crores in the previous year mainly due to higher working capital requirement

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

and interest on term loan availed for meeting diversification projects.

DEPRECIATION :

Depreciation was higher at Rs. 3.97 Crores as compared to Rs.2.74 Crores in the previous year due to additions to fixed assets.

INCOME TAX :

Tax provision for the current year including fringe benefit tax stands at Rs. 0.32 Crore (previous year Rs.2.81 Crores) and deferred tax Rs.0.43 Crore (Previous year Rs.1.43 Crores)

RISK MANAGEMENT:

OPERATIONAL RISK :

Your Company's most significant exposure relates to US Dollar since key raw materials viz. Fluorspar and Sulphur are being imported. Additionally your Company carries a direct risk on the C&F price of Fluorspar and Sulphur. Fluorspar import is being controlled by Chinese Govt. through licensing fees. Any variation in licensing fees affects the C&F price of Fluorspar. Similarly the demand-supply position of sulphur determines the sulphur price. The prices of these key raw materials are significantly influenced by global economic conditions, which can fluctuate and could have an impact on our margins and cash flows. Our 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 continue to actively manage fluctuations in input costs and are accelerating our cost reduction programmes.

PRICE REALISATION FOR FINISHED PRODUCTS :

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

(AlF₃) and HF Acid, which is determined by market forces.

FOREIGN EXCHANGE RISK :

Your Company hedges its net foreign exchange risk adequately.

CREDIT RISK :

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

ATTRITION OF TALENTED PEOPLE :

Attracting and retaining talented employees is essential to the successful delivery of our strategy and success in the market place. To counter the risk, the Company believes in providing an environment where individuals can achieve their goals, both professionally and personally. Your Company has invested in training and development programmes aimed at equipping our employees for meeting challenges in their roles.

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 have reviewed the assessment of risks, internal controls and disclosure controls and procedures that operate in the Company. The Board has considered effective and remedial actions where applicable for the year covered by this report and upto until the date of its approval by its Directors. These procedures are periodically reviewed to ensure that the management controls the risk through means of a properly defined frame work.

Our Group Corporate Audit Cell plays a key role in providing to both the operating management and the Board an objective view and reassurance of the effectiveness of risk management and related control systems and processes, outcomes and disclosures, including –

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- ❖ Status of risk management and 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
- ❖ Review annual financing plan

ADEQUATE INTERNAL CONTROLS :

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

OUTLOOK :

The unprecedented economic slowdown in the global economy has adversely affected almost all the sectors of the economy. As a manufacturer, your Company's working is closely linked to development and growth of its customers. The Company's profitability would depend on inflow of orders for its products. The increased activities of international competitors in China are witnessed in the Indian market. Our strategy continues to focus on investing resources in new speciality products that are attractive, where we have competitive advantage and where we can grow sales and margin competitively.

By concentrating our resources on areas where we enjoy leading positions we seek to strengthen our overall competitive position. We trust that the outlook for the financial year 2009-2010 will be better than the previous year 2008-2009.

New market initiatives, New products launch, capacity expansion of existing production and cost savings from Power Plant and other process improvement schemes implemented during the

year will help the Company to sustain and improve the profitability. The continuous efforts to broaden our product offering in the domestic and international market should enable us to be well positioned for continued growth.

EXPORTS :

Your Company endeavors continuously to increase its export revenue. We are cautiously optimistic on the outlook for exports in the immediate future.

DOMESTIC MARKET :

The order book position for AIF3, HF Acid and Speciality Fluorides for the current year is satisfactory. We are optimistic that our thrust on improved price realization, market enlargement, and new product development, focus on operational efficiency and cost competitiveness will ensure sustainable growth in the long term.

SAFETY, HEALTH AND ENVIRONMENT PROTECTION (SHE) :

Your Company is committed to comply with Safety, Health and Environment Protection (SHE) measures on a continuous basis. Your Company is Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 certified and re-certified for ISO 9001 - 2000 and ISO 14001 - 2004 environment Management System Standards by Det Norske Veritas (DNV) India.

We ensure that economic considerations do not compromise Safety and Environment Protection measures. We continuously initiate Environmental conservation programmes by identifying activities which have scope for conserving energy, water, reduce chemical consumption norms, recycling water and waste in process.

Your Company discharges the treated effluent through CUSECS, which is running successfully since June, 2000. Your Company is working towards zero discharge and is successfully recycling 60% of the treated effluent since September, 2008. We intend to improve this to zero discharge levels.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Your Company motivates employees, workers and contract workmen through training and retraining on safety aspects and also rewards best performers as the "Best Safety Person" every month.

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

MANAGEMENT POLICY :

We at Tanfac Industries Ltd., are committed to continual improvement of the processes of Management System effecting Quality, Cost, Delivery & Environmental Impacts to prevent pollution and to comply with requirements of customers and interested parties and public.

MANAGEMENT OBJECTIVE :

The Management Policy is met through the following objectives.

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

- ❖ Involvement of people to achieve better Work Environment and Culture.
- ❖ To provide value for money to our customers by continuous up-gradation of technology & enhanced productivity by Bench Marking with the World Best.
- ❖ Maintaining Safe & 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 by various means of communication.

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

CAUTIONARY STATEMENT :

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

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

CORPORATE GOVERNANCE :

TANFAC Industries Limited, a Joint Venture of the Aditya Birla Group with Tamilnadu Industrial Development Corporation Limited (TIDCO), has taken appropriate steps to comply with the corporate governance code compliance keeping in view of the interest of all stakeholders. The Corporate Governance system helps firms control and direct operations, as key parts of the governance framework such as audit and finance functions to generate value on a sustained basis.

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

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

MANDATORY REQUIREMENTS :

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

- Appropriate composition and size of the Board, with each Director bringing in key expertise in different areas.
- Proactive flow of information to the members of the Board and Board committees to enable effective discharge of their fiduciary duties.
- Ethical business conduct by the management and employees.
- Full fledged systems and processes for internal controls on all operations, risk management and financial reporting.
- Timely and accurate disclosure of all material operational and financial information to the stakeholders.
- The securities and Exchange Board of India (SEBI) through clause 49 of the listing agreement with the stock exchanges regulates corporate governance for listed companies.

I. BOARD OF DIRECTORS :

Composition of the Board

TANFAC's Board consists of Eleven Non-Executive Directors as on 31.3.2009. Out of this, five Directors are 'Independent' i.e. they have no business relation with the Company. In order to comply with SEBI circular/stock exchange listing agreement requirements, the company has appointed one more Independent Director, viz. Shri T.S. Raghavan at its meeting held on 08.5.2009. consequent to this effect, the Company has twelve directors out of which ONE HALF of the Board of Directors are independent (i.e. Six Independent Directors)

REPORT ON CORPORATE GOVERNANCE (Contd.)

Board/Committee position as on 31.03.2009 :

Name of Director	Executive/ Non-Executive/ Independent	NO. OF OUTSIDE DIRECTORSHIP HELD			
		PUBLIC		PRIVATE	
		DIRECTOR	CHAIRMAN/ VICE CHAIRMAN	DIRECTOR	CHAIRMAN/ VICE CHAIRMAN
Shri A.K. Agarwala	Non-Executive	7	-	-	-
SHRI P. Sivasankaran, IAS ¹	Non Executive	4	-	-	-
Shri S. Gopalakrishnan, IAS ²	Non-Executive	3	-	-	-
Shri V.T. Moorthy	Independent	1	-	-	-
Shri K.K. Maheshwari*	Non-Executive	7	-	1	-
Shri K.R. Viswanathan	Non-Executive	3	1	-	-
Shri Kumar Jayant, IAS ³	Non-Executive	11	2	-	-
Shri S.J. Chiru, IAS ⁴	Non-Executive	9	2	1	-
Dr. Pragnya Ram	Non-Executive	-	-	-	-
Shri A.M.Swaminathan IAS (Retd.)	Independent	1	-	-	-
Shri M.R. Sivaraman, IAS (Retd.)	Independent	2	-	2	1
Shri Kannan K Unni	Independent	3	1	-	-
Dr. Shankar Narasimhan	Independent	-	-	-	-

*Employee of other group companies

¹ has been nominated by TIDCO w.e.f. 18.7.2008

² has been withdrawn by TIDCO w.e.f. 18.7.2008

³ has been withdrawn by TIDCO w.e.f. 19.1.2009

⁴ has been nominated by TIDCO w.e.f. 19.1.2009

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

REPORT ON CORPORATE GOVERNANCE (Contd.)

Details of Board Meetings and Attendance

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

Date of Board Meeting	Place	No. of Directors present
25 th April, 2008	CHENNAI	8 OUT OF 11
18 th July, 2008	CUDDALORE	4 OUT OF 11
23 rd October, 2008	CHENNAI	9 OUT OF 11
19 th January, 2009	CHENNAI	4 OUT OF 11

Details of Remuneration to Board of Directors

Name of Director	Relationship with other Directors	Business relationship with the Company if any	Remuneration paid during 2008-2009 (All figures in Rupees)			
			Sitting fees @	Salary & Perks	Commission	Total@
Shri A.K. Agarwala	Non-Executive	NIL	25000	-	-	25000
SHRI P. Sivasankaran, IAS ¹	Non-Executive	NIL	20000	-	-	20000
Shri S. Gopalakrishnan, IAS ²	Non-Executive	NIL	-	-	-	-
Shri V.T. Moorthy	Independent	NIL	40000	-	-	40000
Shri K.K. Maheshwari*	Non-Executive	NIL	120000	-	-	120000
Shri K.R. Viswanathan	Non-Executive	NIL	10000	-	-	10000
Shri Kumar Jayant, IAS ³	Non-Executive	NIL	20000	-	-	20000
Shri S.J. Chiru, IAS ⁴	Non-Executive	NIL	-	-	-	-
Dr. Pragnya Ram	Independent	NIL	-	-	-	-
Shri A.M.Swaminathan IAS (Retd.)	Independent	NIL	120000	-	-	120000
Shri M.R. Sivaraman, IAS (Retd.)	Independent	NIL	130000	-	-	130000
Shri Kannan K Unni	Independent	NIL	60000	-	-	60000
Dr. Shankar Narasimhan	Independent	NIL	100000	-	-	100000

¹ has been nominated by TIDCO w.e.f, 18.07.2008

² has been withdrawn by TIDCO w.e.f. 18.07.2008

³ has been withdrawn by TIDCO w.e.f. 19.01.2009

⁴ has been nominated by TIDCO w.e.f. 19.01.2009

*Employee of other group companies.

@ includes sitting fee paid for committee-meetings.

REPORT ON CORPORATE GOVERNANCE (Contd.)

CODE OF BUSINESS CONDUCT :

The Company has adopted a Code of Business Conduct and Ethics (the "code"), which applies to all employees and Directors of the Company. 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

The Board and the senior management affirm compliance with the code of business conduct and ethics annually. A certificate of the Chief Executive Officer of the Company to this effect is given in the 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.

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

II. COMMITTEES OF THE BOARD :

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

1. Audit Committee
2. Investors' Grievance Committee

AUDIT COMMITTEE :

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

- Supervise the financial reporting process;
- Review the financial results before placing them to the Board along with related disclosures and filing requirements;
- Review the adequacy of internal controls in the Company, including the plan, scope and performance of the internal audit function;
- Discuss with management the Company's major policies with respect to risk assessment and risk management;
- Hold discussions with statutory auditors on the nature and scope of audits and any view that they have about the financial control and reporting processes;
- Ensure compliance with accounting standards and with listing requirements with respect to the financial statements.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Internal Audit function

The Committee reviewed the Group Corporate Audit department's audit plan for the year and approved its budget and resource requirements. The Committee carried out a formal evaluation of the performance of the internal audit function. Limited review of report by the Statutory Auditors for all quarters excluding last quarter as required in terms of Clause 41 of listing agreement has been carried out by them in accordance with the Standard on Review Engagement (SRE) 2400, engagements to Review Financial Statements issued by the Institute of Chartered Accountants of India and confirmed that they were satisfied with the effectiveness of the function.

The Audit Committee consists of 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 A.M. Swaminathan, IAS (Retd.)*	4	3
Shri K.K. Maheshwari	4	4
Shri K.R. Viswanathan	4	1
Shri M.R. Sivaraman, IAS (Retd.)	4	4
Shri Kannan K Unni	4	3
Dr. Shankar Narasimhan	4	4

* Chairman of the Committee

SHAREHOLDERS COMMITTEE :

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

Its 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 grivance relating to the above subjects, including non-receipt of annual reports, dividend etc.
- ❖ To ensure compliance of Code of Conduct for Prevention of Insider Trading formulated by the Company as per Securities and Exchange Board India (SEBI) Regulations.
- ❖ To monitor work done by RTA and corporate actions related work

The Composition of the committee is as follows :

1. Shri A.M. Swaminathan, IAS (Retd.)
2. Shri V.T. Moorthy
3. Shri K.K. Maheshwari
4. Shri K.R. Viswanathan
5. Shri M.R. Sivaraman, IAS (Retd.)

REPORT ON CORPORATE GOVERNANCE (Contd.)

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

Name of Member	No. of Meetings	
	Held	Attended
Shri A.M. Swaminathan, IAS (Retd.)*	4	4
Shri K.K. Maheshwari	4	2
Shri K.R. Viswanathan	4	-
Shri V.T. Moorthy	4	2
Shri M.R. Sivaraman, IAS (Retd.)	4	4

* Chairman of the Committee

Shri S. Senthilnathan, Company Secretary acts as Secretary to the Committee and is also the compliance officer for the Company.

During the year, two shareholders' complaints were received and redressed to their satisfaction.

ISIN :

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

Persons holding over 1% of the shares as on 31.3.2009 :

SL.NO.	NAME	NO. OF SHARES HELD	% TO SHARES
1.	AJIT SINGH CHAWLA (HUF)	286296	2.87
2.	FOUR DIMENSIONS CAPITAL MARKETS LTD	385023	3.86
	TOTAL	671319	6.73

SECRETARIAL AUDIT :

For each quarter of the financial year 2008-2009, a qualified practicing company secretary carried out secretarial audit to reconcile the total admitted capital with NSDL and CDSL and total issued and listed capital. The audit reports confirm that the total issued/paid up equity capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL/CDSL.

III. OTHER DISCLOSURES :

➤ Details of related party transactions

There are no material transactions with related parties that require separate disclosure. A comprehensive list of related party transactions as required by the Accounting Standards (AS) 18 issued by the Institute of Chartered Accountants of India, forms part of Note No.14 of Schedule 20 of the Accounts in the Annual Report.

➤ Pecuniary relationship or transactions of the Non-Executive Directors

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

➤ 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.

REPORT ON CORPORATE GOVERNANCE (Contd.)

- 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, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

- None -

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

The Company has not issued any convertible debentures. However, the shares held by Non Executive Director as on 31.3.2009 is as under :

Shri A.K. Agarwala – 1150 shares

Means of communication

Half year report sent to each household of Shareholders	...	NO
Quarterly results – Which newspapers normally published in	...	BUSINESS LINE/ MAKKAL KURAL (REGIONAL LANGUAGE)
Any Web site, where displayed	...	Quarterly results are available on SEBI's website www.sebiedifar.nic.in
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 report or not	...	YES
Whether Corporate Governance Report forms part of the Annual Report	...	YES

ANNUAL GENERAL MEETING (AGM) :

Current AGM : Date, time and venue

YEAR	LOCATION	DATE	TIME
2008-09	Regd. Office: CUDDALORE	24-08-2009	2.00 P.M.

Location and time, where last three General Meetings held :

YEAR	TYPE	LOCATION	DATE	TIME
2007-08	AGM	Regd. Office: CUDDALORE	18.07.2008	3.00 P.M.
2006-07	AGM	Regd. Office: CUDDALORE	13.07.2007	3.00 P.M.
2005-06	AGM	Regd. Office: CUDDALORE	21.07.2006	3.00 P.M.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Directors attendance details for last Annual General Meeting dated 18.7.2008 :

1. Shri K.K. Maheshwari
2. Shri M.R. Sivaraman, IAS (Retd.)
3. Shri Kannan K Unni
4. Dr. Shankar Narasimhan

Postal Ballot

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

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

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

V. SHAREHOLDER INFORMATION :

AGM – DATE, TIME AND VENUE

24-08-2009 at the Registered Office at -
14 SIPCOT Industrial Complex
CUDDALORE - 607 005, TAMIL NADU

FINANCIAL CALENDAR – 2009-2010 : (TENTATIVE)

First Quarter Results
Second Quarter Results
Third Quarter Results
Results for the year ending March 2010
Annual General Meeting for the year ending
31st March 2010.

End - July 2009
End - October 2009
End - January 2010
April/May 2010
Before September, 2010

DATE OF BOOK CLOSURE

17-08-2009 (Monday) to 24-08-2009
(Monday)

DIVIDEND PAYMENT DATE REGISTERED OFFICE

On or before 07-09-2009
14, SIPCOT INDUSTRIAL COMPLEX
CUDDALORE – 607 005
E-mail: share@tanfac.com
Website: www.tanfac.com

LISTING DETAILS : EQUITY SHARES :

MADRAS STOCK EXCHANGE LTD
Exchange Building,
11 Second Line Beach
CHENNAI – 600 001.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, Dalal Street
MUMBAI – 400 023.

THE CALCUTTA STOCK EXCHANGE
ASSOCIATION LIMITED
7 Lyons Range, KOLKATTA – 700 001

STOCK CODE :

MADRAS STOCK EXCHANGE LTD	506854
BOMBAY STOCK EXCHANGE LTD	
THE CALCUTTA STOCK EXCHANGE ASSN LTD	

Listing fees for the year 2009-2010 have been paid to Chennai and Mumbai Stock Exchanges. Details as per SEBI guidelines for voluntary delisting of Equity Shares with The Calcutta Stock Exchanges Association Limited were furnished during November, 2004 and their reply is awaited.

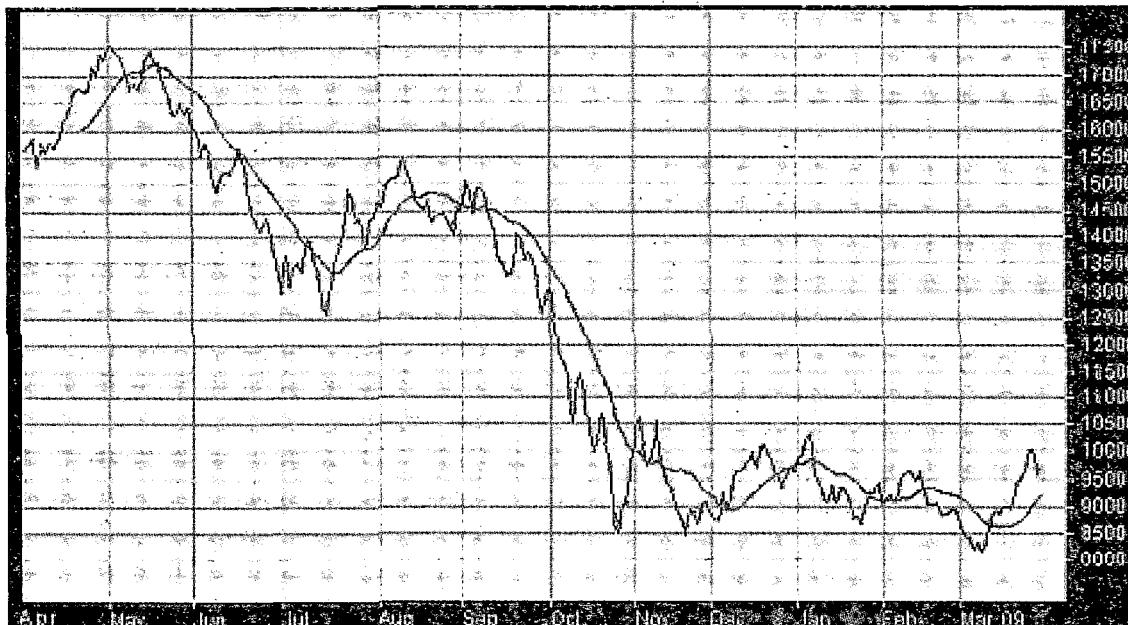
The Company has also made the payment of Annual Custody Fees to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the financial year 2009-2010, calculated as per folio/ISIN position as on 31.3.2009.

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

MONTH	BOMBAY STOCK EXCHANGE LIMITED	
	HIGH (Rs. Ps.)	LOW (Rs. Ps.)
APRIL ' 08	65.10	40.75
MAY ' 08	64.85	55.60
JUNE ' 08	58.00	45.05
JULY ' 08	53.00	42.45
AUGUST '08	61.00	50.80
SEPTEMBER '08	56.45	44.50
OCTOBER '08	46.05	30.05
NOVEMBER '08	37.60	29.50
DECEMBER '08	33.30	28.00
JANUARY '09	33.65	25.05
FEBRUARY '09	30.50	26.00
MARCH '09	33.00	28.00

REPORT ON CORPORATE GOVERNANCE (Contd.)

BSE - SHARE PRICE MOVEMENTS - APRIL 2008 TO MARCH 2009



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

PHYSICAL Investors Services Department
and
DEMAT INTEGRATED ENTERPRISES LTD
KENCES TOWERS
NO.1 RAMAKRISHNA STREET,
NORTH USMAN ROAD, T.NAGAR
CHENNAI - 600 017.
TEL: (044)28140801 TO 8
FAX: (044) 28142479/28143378

Share Transfer System :

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

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

Over 62% 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 practicing Company Secretary and the same was also submitted with the Stock Exchanges where the Company shares were listed within the stipulated time.

REPORT ON CORPORATE GOVERNANCE (Contd.)

Transfer period in days	2008-09			2007-08		
	No. of Certificates	No. of shares	% to shares	No. of Certificates	No. of shares	% to shares
1-10	69	3326	45.55	149	7450	47.53
11-15	27	1200	16.44	62	3075	19.62
16-20	25	1250	17.12	30	1500	9.57
21-30	32	1525	20.89	73	3650	23.28
31 AND ABOVE	-	-	-	-	-	-
TOTAL	153	7301	100.00	314	15675	100.00

VII. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH :

No. OF EQUITY SHARES HELD	2009			2008				
	No. OF FOLIOS	%	No. OF SHARES	%	No. OF FOLIOS	%	No. OF SHARES	%
Up to 500	17906	94.91	1808520	18.13	18089	94.62	1839420	18.44
501 - 1000	525	2.78	438450	4.40	534	2.79	445059	4.46
1001 - 2000	212	1.12	327561	3.28	253	1.33	394952	3.96
2001 - 3000	79	0.42	200267	2.01	81	0.42	203712	2.04
3001 - 4000	33	0.18	117360	1.18	40	0.21	143761	1.44
4001 - 5000	34	0.18	161500	1.62	33	0.17	155912	1.56
5001 - 10000	72	0.38	1166371	11.69	49	0.26	380173	3.81
Above 100001	5	0.03	5754971	57.69	38	0.20	6412011	64.28
TOTAL	18866	100.00	9975000	100.00	19117	100.00	9975000	100.00
No. of Shareholders in Physical mode	10253	54.35	1346039	13.49	10600	55.45	1383039	13.87
No. of Shareholders in electronic mode	8613	45.65	8628961	86.51	8517	44.55	8591961	86.13
TOTAL	18866	100.00	9975000	100.00	19117	100.00	9975000	100.00

REPORT ON CORPORATE GOVERNANCE (Contd.)

VIII. CATEGORIES OF SHAREHOLDING AS ON 31ST MARCH :

CATEGORY	2009		2008	
	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	8800	0.09
BANKS, FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES	1000	0.01	55750	0.56
FOREIGN INSTITUTIONAL INVESTORS	650	0.01	650	0.01
GDRs	NIL	NIL	NIL	NIL
NRIs/OCBs	37696	0.37	38447	0.38
CORPORATES	805790	8.08	692983	6.95
CLEARING MEMBER	16790	0.17	70024	0.70
RESIDENT INDIVIDUALS	4020072	40.30	4023544	40.33
TOTAL	9975000	100.00	9975000	100.00

Dematerialisation of shares and liquidity :

Trading in Equity shares of the Company is permitted only in dematerialised form w.e.f. 25.6.2001 as per notification issued by the Securities and Exchange Board of India (SEBI).

As on 31st March, 2009, 8628961 shares were converted from the physical to electronic form.

Over 86.51% of outstanding equity have been dematerialised up to 31st March, 2009.

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 in last three years.
Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion dates and likely impact on equity	Not issued
Plant locations	14 SIPCOT INDUSTRIAL COMPLEX, CUDDALORE – 607 005, TAMILNADU.

REPORT ON CORPORATE GOVERNANCE (Contd.)

<p>Address for correspondence</p>	<p>Shareholders correspondence should be addressed to :</p> <p>INTEGRATED ENTERPRISES (INDIA) LTD "KENCES TOWERS", IIND FLOOR NO.1 RAMAKRISHNA STREET NORTH USMAN ROAD, T.NAGAR CHENNAI – 600 017. TEL: (044)28140801 TO 3 FAX: (044) 28142479/28143378 Email Id: corpseiv@iepindia.com</p> <p>Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.</p> <p>Investors' Grievance with respect to non receipt of dividend may please be addressed to our Secretarial Department at our Registered Office at 14, SIPCOT Industrial Complex, Cuddalore – 607 005, Tamilnadu, quoting their Email Id, if any.</p>
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NON-MANDATORY REQUIREMENTS :

The Board :

Your Company is a Joint Sector undertaking with Tamilnadu Industrial Development Corporation Limited (TIDCO), a Government of Tamilnadu undertaking. The Chairman of the Company is nominated by TIDCO and 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 of the following independent Directors on the Board.

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

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 newspapers and the results are also uploaded SEBI EDIFAR website. 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 2008-2009.

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

The Company has not adopted non mandatory requirements of clause 49 of the listing agreement relating to 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.

COMPANY SECRETARY'S RESPONSIBILITY STATEMENT :

I, S. SENTHILNATHAN, Company Secretary of TANFAC INDUSTRIES LIMITED hereby confirm that the Company has –

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

Place : Cuddalore
Date : 08.5.2009

S. SENTHILNATHAN
MANAGER (FINANCE AND ACCOUNTS)
AND COMPANY SECRETARY

CERTIFICATE ON CORPORATE GOVERNANCE :

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

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of TANFAC INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by TANFAC INDUSTRIES LIMITED, for the year ended March 31, 2009, as stipulated in Clause 49 of the listing agreements of the said Company with Stock Exchange in India.

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

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

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

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

Chennai
08.05.2009

(B. GOPALAKRISHNAN)
Partner
Membership No.18702

I. DISCLOSURE UNDER CLAUSE 32 :

Sr. No.	Disclosure of loans/advances/ investments outstanding during the year	As at 31 st March, 2009 (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.	NIL	NIL
	b. No interest or interest below Section 372A of The Companies Act, 1956	NIL	NIL
4.	Loans and advances in the nature of loans to firms / companies in which Directors are interested	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 2008-2009.

Place: Cuddalore
Date : 08.05.2009

K.K. MAHESHWARI
MANAGER AND DIRECTOR

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

DIRECTORS' REPORT

Your Directors are pleased to present the 35th Annual Report along with the Audited Accounts of your Company for the financial year ended 31st March 2009 for your review.

FINANCIAL RESULTS

Details	[Rs. in Crores]	
	Year ended 31st March 2009	Year ended 31st March 2008
Turnover	<u>216.69</u>	<u>164.49</u>
Gross Profit after Interest but before Depreciation and Taxation	5.52	19.22
Less: Depreciation	<u>3.97</u>	<u>2.74</u>
Profit After Depreciation	1.55	16.48
Less: Provision for Taxation		
– Current Tax [MAT-31.3.2009]	0.15	2.74
– Fringe Benefit Tax	<u>0.17</u>	<u>0.07</u>
Profit after Current Tax & Fringe Benefit Tax	1.23	13.67
Less: Deferred Tax	<u>0.43</u>	<u>1.43</u>
Net profit after tax	0.80	12.24
Add: Balance brought forward	2.03	0.84
Profit available for appropriation	<u>2.83</u>	<u>13.08</u>
Less: General reserve Proposed dividend - (Re.1/- per Equity Share (10%))	1.00	1.75
Proposed Dividend Tax on Equity Shares	<u>0.17</u>	<u>0.30</u>
Balance Carried forward	<u>1.66</u>	<u>2.03</u>

OPERATIONS AND OVERALL PERFORMANCE :

Your Company has achieved a sales turnover of Rs.216.69 Crores up by 32% over the previous year at Rs.164.49 Crores. Gross profit after

interest but before depreciation and taxation for the current year is lower at Rs.5.52 Crores as compared to Rs.19.22 Crores in the previous year.

After providing for depreciation, the net profit after current tax is lower at Rs.0.80 Crores as compared to Rs.12.24 Crores in the previous year. Your company's profitability has been impaired due to -

- ❖ Loss on account of High Cost Sulphur
- ❖ Steep drop in demand for Aluminium Fluoride in the second half 2008-09 leading to lower sales volume.
- ❖ Lack of export demand for speciality fluorides
- ❖ Poor realization for Sulphuric Acid in the second half 2008-09

DIVIDEND :

Yours Directors recommend a dividend of Re.1/- per Equity Share (10% on shares) The outgo on account of the dividend will be Rs.1.00 Crore and dividend distribution tax will be Rs.0.17 Crore. The total outgo works out to Rs.1.17 Crores. The dividend is tax free, as the tax on dividend would be borne by the Company.

This dividend, if approved by you at the ensuing Annual General Meeting, will be paid to those Shareholders whose names appear in the Register of Members of the Company as on date of the Annual General Meeting.

FUTURE OUTLOOK :

The unprecedented economic slowdown in the global economy has adversely affected almost all the sectors of the economy. As a manufacturer, your Company's working is closely linked to development and growth of its customers. The Company's profitability would depend on inflow of orders for its products. The increased activities of international competitors in China are witnessed in the Indian market. Our strategy continues to focus on investing resources in new speciality

DIRECTORS' REPORT (Contd.)

products that are attractive, where we have competitive advantage and where we can grow sales and margin competitively.

By concentrating our resources on areas where we are leading, we seek to strengthen our overall competitive position. We trust that the outlook for the financial year 2009-2010 will be better than the previous year 2008-2009.

New market initiatives, new products launches and cost savings from Power Plant and other process improvement schemes implemented during the year will help the Company to sustain and improve the profitability. Ongoing efforts to broaden our product offering in the domestic and international market should enable us to be well positioned for continued growth.

ALUMINIUM FLUORIDE :

Your Company continues to maintain its leadership position in the Aluminium Fluoride sector. The order book for the financial year 2009 – 2010 is satisfactory.

HF ACID :

Your Company is the dominant player in the Hydrofluoric Acid (HF) segment as well. Sustained efforts are on to enter into new markets.

EXPORTS :

During the year under review, export turnover was higher at Rs.71.05 Crores as compared to Rs.54.72 Crores in the previous year registering an increase of 30%. Your company endeavors continuously to increase its export revenue.

RESEARCH AND DEVELOPMENT :

Your Company is working on developing various speciality fluorides through in-house R&D team and the Group Corporate R&D team. Your company is planning to launch four new value added products.

Your Company has significantly enhanced R&D / scale up capabilities for development of new

products thereby reducing dependence on imported technology.

SAFETY, HEALTH AND ENVIRONMENT PROTECTION (SHE) :

Your Company is committed to comply with Safety, Health and Environment Protection (SHE) measures. Your Company is certified Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 and re-certified for ISO 9001 – 2000 and ISO 14001 – 2004 environment Management System Standards by Det Norske Veritas (DNV) India. Your Company engaged M/s. Chilworth Safety & Risk Management Pvt Ltd., U.K., risk monitoring behavior based safety to eliminate unsafe activities completely.

We ensure that economic considerations do not compromise Safety and Environment Protection measures. We continuously initiate Environmental Management programmes by identifying activities which have scope for conserving energy, water, reduce chemical consumption norms and recycling water and waste in process.

Your Company discharges the treated effluent through CUSECS, which is running successfully since June, 2000. Your Company is working towards zero discharge and is successfully recycling 60% of the treated effluent since September 2008. We intend to scale it up to 90% during the year 2009-10.

Your Company motivates employees, workers and contract workmen through training and retraining on safety aspects and also rewards best performers as the "Best Safety Person" every month.

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

DIRECTORS :

TIDCO has nominated Shri P. Sivasankaran, I.A.S, as Chairman and Director of the Company in place

DIRECTORS' REPORT (Contd.)

of Shri S. Gopalakrishnan, I.A.S, with effect from 18th July, 2008. TIDCO has withdrawn the nomination of Shri Kumar Jayant, I.A.S, as Director with effect from 19th January, 2009 and in his place Shri S.J. Chiru, I.A.S., has been appointed. TIDCO has nominated Shri R. Karthikeyan as Director in place of Shri K.R. Viswanathan with effect from 8th May, 2009.

Shri T.S. Raghavan, former Chairman and Managing Director, Indian Bank, has been appointed as Director (Independent Director) with effect from 8th May, 2009 to comply with SEBI guidelines which stipulate -

"If the non-executive Chairman is a promoter or is related to promoters or persons occupying management positions at the board level or at one level below the board, at least one-half of the board of the company should consist of independent directors."

Your Company has received Notices under Section 257 of The Companies Act, 1956, from Members of the Company proposing the appointment of Shri P. Sivasankaran, IAS, Shri S.J. Chiru, IAS, Shri R. Karthikeyan and Shri T.S. Raghavan as Directors, in the forthcoming Annual General Meeting.

RETIREMENT BY ROTATION :

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

CORPORATE GOVERNANCE :

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

AUDITORS & AUDITORS' REPORT :

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

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

COST AUDITOR :

Pursuant to the directions of the Central Government under the provisions of Section 233B of The Companies Act, 1956, in respect of the audit of cost records of the Company for our Sulphuric Acid product, Shri V. Gopalakrishnan, Cost Accountant, has been appointed as Cost Auditor for the financial year ended 31.3.2009. The Company has submitted the cost audit report for the financial year 2007-2008 to the Central Government in time.

PARTICULARS OF EMPLOYEES :

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

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

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

INDUSTRIAL RELATIONS :

Employee relations continued to be cordial throughout the year. The whole-hearted support

DIRECTORS' REPORT (Contd.)

of employees in the implementation of TPM, WCM, ISO-9002 systems and ISO 14001 amply demonstrates team work and a sense of belongingness with the organisation and solidarity with your Management.

PUBLIC DEPOSIT :

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

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

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

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.

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.

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 the challenging times that lie ahead.

For and on behalf of the Board

Chennai
08.05.2009

CHAIRMAN

ANNEXURE TO DIRECTORS' REPORT

ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2009.

1. CONSERVATION OF ENERGY

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

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

A. Power and Fuel Consumption

1	ELECTRICITY	FINANCIAL YEAR ENDED	
		March 31, 2009	March 31, 2008
(a)	Purchased Unit (KWH)	2853360	4040780
	Total Amount (Rs.)	10573563	14628563
	Rate/Unit (Rs.)	3.71	3.62
(b)	Own Generation		
(i)	Captive Power Plant 2.23 mw – Unit (kwn)	15736500	16333500
(ii)	Through Diesel Generator-2650 KVA - Unit (KWH)	1761123	351393
	Unit per litre of Diesel Oil	3.12	3.08
	Cost of Diesel per KWH (Rs.)	11.44	10.91
2	Coal (for process steam)		
	Quantity (Tonnes)	10136.305	10917.65
	Total Cost (Rs.)	42995682	35238430
	Average Rate (Rs.)	4242	3227
3	Furnace Oil/L.D.O.		
	Quantity (MT)	2383.658	1177.80
	Total Amount (Rs.)	57620043	24446278
	Average Rate (Rs.)	24173	20756
4	Others/Internal Generation		
	Quantity	-	-
	Total Cost	-	-
	Rate per Unit	-	-

B. Consumption per unit of Production

(a)	Aluminium Fluoride		
	Electricity (KWH)	128	107
	Furnace Oil/LDO/LSHS (K. Ltrs.)	0.030	0.022
	Others	-	-
(b)	Hydrofluoric Acid		
	Electricity (KWH)	669	585
	Furnace Oil/LDO/LSHS (K.Ltrs)	0.156	0.092
	Others	-	-

ANNEXURE TO DIRECTORS' REPORT (Contd.)

(c) Sulphuric Acid and Oleum		
Electricity (KWH)	76	71
Furnace Oil/LDO (K. Ltrs.)	-	-
Others	-	-

RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION

- ❖ Your Company has successfully commissioned new speciality fluorides products during the year through its R&D efforts.
- ❖ Your Company's R&D team has developed four additional new products which are ready for commercialization in the forthcoming year.
- ❖ Your Company is continuously making efforts towards energy conservation and improving process efficiencies. This has contributed to cost reduction.
- ❖ Your Company has successfully recycled 60% of the treated effluent and continuing efforts to recycle further are on.
- ❖ Your Company has made significant investments in environmental protection measures. Efforts towards environmental conservation are ongoing.

Technology Absorption, Adaptation and Innovation

Your Company has enhanced its R&D and scaled up capabilities for development of new products, to reduced dependence on imported technology.

C. FOREIGN EXCHANGE EARNING AND OUTGO :

(Rs. in Lakhs)

Details	2008-09	2007-2008
Exports	7502.48	5512.45
Forex Earned	7502.48	5512.45
Forex used	9328.19	4352.95

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 2008 - 2009 are in full conformity with the requirement of the Act. They believe that the financial statements reflect fairly the form and substance of transactions carried out during the year and reasonably present the company's financial conditions and results of operations.

Your Directors further confirm that :

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

Details of technology imported during the past five years:

Year	Technology imported	Status
- NIL -		

AUDITORS' REPORT

We have audited the attached Balance Sheet of TANFAC INDUSTRIES LIMITED as at 31st March 2009, and the Profit & Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion, the company has kept proper books of Accounts as required by law so

For BHASKARAN & KRISHNAN
Chartered Accountants

(B.GOPALAKRISHNAN)
Partner
Membership No.18702

Chennai,
Dated : 8th May, 2009.

far as appears from our examination of those books.

3. The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by the report are in agreement with the books of account.
4. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
5. On the basis of the written representations received from the directors as on 31st March 2009 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
6. In our opinion, and to the best of our information and according to the explanations given to us, the said Accounts, read together with the 'NOTES' thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the Accounting principles generally accepted in India :
 - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2009.
 - ii) In the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date, and
 - iii) In the case of the Cash Flow Statement, of the Cash flows of the Company for the year ended on that date.

For SINGHI & CO.,
Chartered Accountants
(SUDESH CHORARIA)
Partner
Membership No. 204936

ANNEXURE TO AUDITORS' REPORT

(Referred to in our Report of even date on the Accounts of TANFAC Industries Limited as at and for the year ended 31st March 2009)

- i) a) The Company has maintained proper records to show full particulars including quantitative details and situation of its Fixed Assets.
- b) The Fixed Assets of the Company have been physically verified by the management, wherever possible, at the close of the year as confirmed by the management. No material discrepancy has come to notice on such physical verification.
- c) The Company has not disposed off any substantial part of fixed assets during the year.
- ii) a) The management has conducted Physical verification of Inventories at all its locations at reasonable intervals during the year ;
- b) The procedures of physical verification of stock followed by the Management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business ;
- c) The company is maintaining proper records of inventory. As far as we can ascertain and according to the information and the explanations given to us, the discrepancies noticed between the physical stocks and book stocks were not material and the same have been properly dealt with in the books of account.
- iii) a) As per the information and explanations provided to us, the company has not granted any secured or unsecured loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- b) As per the information and explanations provided to us, the company has not taken any secured or unsecured loans from companies, firms or other parties listed in the register maintained under Section 301 of the companies Act, 1956.
- iv) On the basis of checks carried out during the course of audit and as per explanations given to us, in our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of Inventory and Fixed Assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls in these respects.
- v) a) As per the information and explanations given to us, no transactions have been undertaken during the year in pursuance of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956;
- b) As per the information and explanations given to us, there are no transactions of purchase and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956.
- vi) The company has not accepted any deposits from the public during the year, to which the provisions of Section 58-A, 58-AA or any other relevant provisions of the Companies Act 1956 and the rules framed there under apply;

ANNEXURE TO AUDITORS' REPORT (Contd.)

- vii) In our opinion, the company has an Internal Audit System, which is commensurate with the size and nature of its business;
- viii) The company has maintained proper Cost records as prescribed by the Central Government under Section 209 (1)(d) of the Companies Act 1956 for the manufacture of Sulphuric Acid, but no detailed examination of such records have been carried out by us.
- ix) a) The company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other material statutory dues with the appropriate authorities;
- b) According to the information and explanations given to us and the books and records examined by us, there was no undisputed amount outstanding as on 31st March 2009 in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other statutory dues for a period of more than six months from the date they became payable;
- c) According to the records of the company and as per the information and explanations provided to us, the dues outstanding (net of advances) in respect of Sales Tax, Income tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty, Cess etc., on account of any dispute are given below :

Name of the Statute	Nature of the Dues	Disputed Amount (Rs in Lacs)	Period to which the amount relates	Forum where dispute is pending
TNGST Act 1959	Classification of scrap sales	2.03	2002-03	Appellate Asst. Commissioner,
Customs Act, 1961	a) Duty on Fluorspar shipment shortage.	10.79	1998-99	Customs Officer
	b) Interest on delay in clearance of fluorspar	6.82	2004-05 2005-06	High Court of Madras
	c) Interest charges for clearance of goods under DEPB License	2.02	2004-05	High Court of Madras
		----- 19.63		

ANNEXURE TO AUDITORS' REPORT (Contd.)

Name of the Statute	Nature of the Dues	Disputed Amount (Rs in Lacs)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act 1944	a) Interest accrued to be added in value	0.27	2001 - 02	SB.CEGAT, Chennai
	b) VABAL Converted into QBAL	1.39	1995 - 96	Appellate Tribunal
	c) Sale of Scrap	0.74	2003 - 04	SB. CEGAT, Chennai
	e) Cenvat credit disallowed on Steels / Pipes	43.02	Apr 03 - Mar 08	Commissioner Pondicherry
	f) Excise duty levied on sale to government institution	2.18	2007 - 08	Asst. Commissioner Cuddalore
	g) Disallowance of cenvat credit	45.15	2008 - 09	Addl. Commissioner Surat
	h) Ex.Duty disallowed on courier, bill of entry and scrapped dryer	1.67	2008 -09	Asst. Commissioner Cuddalore
		<u>94.42</u>		
Service Tax	a) Service Tax on Lease	13.90	2002 - 04	Commissioner, Pondicherry
	b) Service tax on consulting engineer and management consultancy fees	2.74	2007 - 08	Dy. Commissioner Cuddalore
	c) Service Tax on GTA	20.39	2008 - 09	Commissioner Pondicherry
	<u>37.03</u>			
Income Tax Act 1961	a) Replacement of Equipment claimed as revenue expenditure, reclassified by Deptt. as capital expenditure.	85.39	2003 - 04	Income Tax Appellate Tribunal
	b) Disallowance of benefit u/s 80 IA relating to Sulphuric acid plant	16.10	1999 - 00	Appeal Pending at various forums
		28.93	2001 - 02	
		0.54	2004 - 05	
	<u>130.96</u>			

ANNEXURE TO AUDITORS' REPORT (Contd.)

- x) The Company has no accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- xi) Based on our audit procedures, and as per the information and explanations given to us by the management, the company has not defaulted in repayment of dues to financial institutions and banks;
- xii) According to the information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities;
- xiii) The provisions of any special statute applicable to chit fund, nidhi or mutual benefit fund / societies are not applicable to the company;
- xiv) In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments, and hence, the requirements of Para 4 (xiv) of the above Order are not applicable to the company;
- xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions;
- xvi) The term loans raised during the year has been applied for the purpose for which it was obtained.
- xvii) On the basis of our examination of the Cash flow statement, it appears that the funds raised on short-term basis have not been used for long-term purposes.
- xviii) During the year, the company has not made any preferential allotment of shares.
- xix) The company does not have any outstanding debentures during the year.
- xx) The company has not raised any money by way of public issue during the year;
- xxi) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given to us by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For BHASKARAN & KRISHNAN
Chartered Accountants
(B.GOPALAKRISHNAN)
Partner
Membership No.18702

Chennai,
Dated : 8th May, 2009.

For SINGHI & CO.,
Chartered Accountants
(SUDESH CHORARIA)
Partner
Membership No. 204936

BALANCE SHEET AS AT 31st MARCH 2009

	SCHEDULES	As at 31.03.2009 (Rs. in Lacs)	As at 31.03.2008 (Rs. in Lacs)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	997.50	997.50
Reserves and Surplus	2	4,130.44	4,167.24
		5,127.94	5,164.74
LOAN FUNDS			
Secured Loan	3	3,694.60	660.02
Unsecured Loan	3	5,705.11	945.37
DEFERRED TAX LIABILITY			
(Ref note 9 of Schedule 20)		789.75	747.00
Total funds employed		15,317.40	7,517.13
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	12,552.70	9,432.15
Less: Depreciation and Impairment		5,705.96	5,515.68
Net Block		6,846.74	3,916.47
Add: Capital Work-in-Progress		767.73	228.96
		7,614.47	4,145.43
Investments	5	16.96	16.96
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	6,667.23	3,402.08
Sundry Debtors	7	2,296.28	2,292.88
Cash and Bank Balances	8	32.83	329.01
Loans and Advances	9	1,783.43	1,005.11
		10,779.77	7,029.08
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	10	2,861.92	3,146.90
Provisions	11	231.89	527.44
		3,093.81	3,674.34
Net Current Assets		7,685.96	3,354.74
Total funds applied		15,317.40	7,517.13
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS			
	20		

As per our Report Annexed

For BHASKARAN & KRISHNAN
Chartered Accountants
B.GOPALAKRISHNAN
Partner
M.No.18702

For SINGHI & CO.
Chartered Accountants
SUDESH CHORARIA
Partner
M.No.204936

K.K. MAHESHWARI
Manager and Director
VISHNU BHAT
President

S. SENTHILNATHAN
Manager (Finance and Accounts)
and Company Secretary

A.K. AGARWALA
V.T. MOORTHY
M.R. SIVARAMAN
A.M. SWAMINATHAN
KANNAN K UNNI
DR. SHANKAR NARASIMHAN
DR. PRAGNYA RAM
R. KARTHIKEYHAN
Directors

Chennai
8th MAY 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2009

	SCHEDULES	For the Year ended 31.03.2009 (Rs. in Lacs)	For the year ended 31.03.2008 (Rs. in Lacs)
INCOME			
Gross Sales	12	23,515.30	18,245.03
Less:Excise Duty		1846.10	1,795.75
Net Sales		21,669.20	16,449.28
Other Income	13	414.48	200.56
TOTAL - A		22,083.68	16,649.84
EXPENDITURE			
(Increase)/Decrease in stock	14	(2,366.78)	59.93
Consumption of Raw Materials	15	18,172.33	10726.41
Manufacturing Expenses	16	2,699.93	2234.83
Payments to and Provision for Employees	17	767.91	695.09
Payment under Voluntary Retirement Scheme		-	47.63
Other Expenses	18	1,722.52	723.86
Interest	19	535.92	239.40
TOTAL - B		21,531.83	14,727.15
PROFIT BEFORE DEPRECIATION AND TAX (A-B)		551.85	1922.69
Depreciation		397.45	274.49
PROFIT BEFORE TAX		154.40	1648.20
LESS : Provision for Current Tax (MAT - 31.3.2009)		15.25	274.36
LESS : Provision for Fringe Benefit Tax		16.50	7.57
PROFIT AFTER CURRENT TAX		122.65	1366.27
LESS : Provision for /(Release of) Deferred Tax		42.75	142.64
NET PROFIT AFTER TAX		79.90	1223.63
Balance brought forward from previous year		203.54	84.14
PROFIT AVAILABLE FOR APPROPRIATION		283.44	1307.77
APPROPRIATIONS :			
General Reserve		-	900.00
Proposed Dividend on Equity Shares		99.75	174.56
Dividend Tax		16.96	29.67
Balance Carried to Balance Sheet		166.73	203.54
		283.44	1307.77
SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS			
	20		
Earning per share : (Refer Note 10 of schedule 20)			
Basic		0.80	Rs.12.27
Diluted		0.80	Rs.12.27

As per our Report Annexed

For BHASKARAN & KRISHNAN
Chartered Accountants
B.GOPALAKRISHNAN
Partner
M.No.18702

For SINGHI & CO.
Chartered Accountants
SUDESH CHORARIA
Partner
M.No.204936

K.K. MAHESHWARI
Manager and Director
VISHNU BHAT
President

S. SENTHILNATHAN
Manager (Finance and Accounts)
and Company Secretary

A.K. AGARWALA
V.T. MOORTHY
M.R. SIVARAMAN
A.M. SWAMINATHAN
KANNAN K UNNI
DR. SHANKAR NARASIMHAN
DR. PRAGNYA RAM
R. KARTHIKEYHAN
Directors

Chennai
8th MAY 2009

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2009

	As at 31.03.2009 (Rs. in Lacs)	As at 31.03.2008 (Rs. in Lacs)
SCHEDULE 1		
SHARE CAPITAL		
<i>Authorised</i>		
25000000 Equity Shares of Rs.10/- each	2,500.00	2,500.00
1000000 11% Redeemable Cumulative Preference Shares of Rs.100/- each	1,000.00	1,000.00
	<u>3,500.00</u>	<u>3,500.00</u>
<i>Issued, Subscribed and Paid up</i>		
9975000 Equity Shares of Rs.10/- each fully paid-up in cash	997.50	997.50
	<u>997.50</u>	<u>997.50</u>
SCHEDULE 2		
RESERVES AND SURPLUS		
i) Capital Reserve		
State Capital Subsidy from SIPCOT	30.00	30.00
As per last Balance Sheet		
Profit on sale of forfeited shares	0.46	0.46
As per last Balance Sheet		
Share Premium Account	2.18	2.18
As per last Balance Sheet		
	<u>32.64</u>	<u>32.64</u>
ii) General Reserve :		
As per last Balance Sheet	3,931.07	3,031.07
ADD: Transfer during the year	-	900.00
	<u>3,931.07</u>	<u>3,931.07</u>
iii) Profit & Loss Account		
Total (i to iii)	<u>4130.44</u>	<u>4,167.24</u>

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2009

	As at 31.03.2009 (Rs. in Lacs)	As at 31.03.2008 (Rs. in Lacs)
SCHEDULE 3		
A) SECURED LOANS		
a) Term Loans	1,621.20	-
From Bank		
(By way of Pari Passu first charge in favour of HDFC Bank Ltd. on all the movable Plant & Machinery of the Company both present and future. (Previous year Nil.)		
b) Other Loans		
From Banks - In Cash Credit Accounts	1,073.40	609.46
- Working Capital Demand Loan	1,000.00	-
- Bills discounting	-	50.56
(Pari Passu first charge in favour of Consortium Banks on all the immovable & movable goods and the assets present and future and further secured by existing immovable properties of the company excluding residential staff quarters and 2.23 MW captive power plant.)		
	<u>3,694.60</u>	<u>660.02</u>
B) UNSECURED LOANS		
Sales Tax Deferral Scheme	1.49	2.60
Buyers Credit from Banks	4703.62	942.77
Commercial Paper	1,000.00	-
	<u>5,705.11</u>	<u>945.37</u>
Total (A + B)	<u>9,399.71</u>	<u>1605.39</u>

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2009 (Contd.)

Schedule 4 : FIXED ASSETS

(Rs. in Lacs)

Particulars	GROSS BLOCK				DEPRECIATION/WRITE OFFS				Impairment Loss up to 31.03.2009	NET BLOCK	
	As At 01/04/2008	Additions/ Transfer during the year	Less Transfer/ Sale during the year	As At 31/03/2009	Upto 31/03/2008	For the year	On Sale/ Adjust-ments	Upto 31/03/2009		As at 31.03.2009	As at 31.03.2008
Land											
Freehold	31.27			31.27						31.27	31.27
Leasehold	39.68			39.68	8.21	0.44		8.65		31.03	31.46
Building											
Freehold	177.44	27.64		205.08	33.54	3.00		36.54		168.54	143.90
Leasehold	511.02	15.89	4.39	522.52	142.73	16.27	2.03	156.97	21.99	343.56	343.94
Road, Well, Culvert, Fencing Etc	75.42			75.42	27.48	1.90		29.38		46.05	47.95
Plant & Machinery											
Installation etc	8068.94	3165.16	202.43	11031.67	4056.99	326.39	112.68	4270.70	758.99	6001.98	3173.33
Data-Processing Equipments	131.69	95.64		227.33	107.64	21.32		128.97		98.36	24.04
Office Equipments, Furniture & Fixtures, and Air Conditioners,											
Refrigerators etc	200.82	18.94	0.61	219.15	136.51	12.26	0.53	148.24		70.91	64.30
Vehicles & Tanks etc	195.87	19.93	15.22	200.58	139.60	15.87	9.94	145.53		55.05	56.27
Total (A)	9432.15	3343.20	222.65	12552.70	4652.71	397.45	125.19	4924.98	780.98	6846.74	3916.47
Capital Work In Progress (B)		767.73		767.73						767.73	228.96
Total (A + B)	9432.15	4110.93	222.65	13320.43	4652.71	397.45	125.19	4924.98	780.98	7614.47	4145.43
Previous Year	9211.13	495.59	45.62	9661.11	4401.09	274.49	22.87	4652.71	862.96	4145.43	



SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2009 (Contd.)

	As at 31.03.2009 (Rs. in Lacs)	As at 31.03.2008 (Rs. in Lacs)
SCHEDULE 5		
INVESTMENTS		
LONG TERM OTHER THAN TRADE		
QUOTED INVESTMENTS		
UNQUOTED INVESTMENTS		
i) 16963 Equity Shares of Rs.100/-each of M/s.Cuddalore Sipcot Industries Common Utilities Ltd.	16.96	16.96
	<u>16.96</u>	<u>16.96</u>
SCHEDULE 6		
INVENTORIES		
(As certified by the Management)		
Finished Goods	2,233.27	200.72
Materials-in-Process	499.02	100.35
Raw Materials and Packing Material (including in transit)	3,608.03	2880.99
Stores and Spare parts	326.91	220.02
	<u>6,667.23</u>	<u>3402.08</u>

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2009 (Contd.)

	As at 31.03.2009 (Rs. in Lacs)	As at 31.03.2008 (Rs.in Lacs)
SCHEDULE 7		
SUNDRY DEBTORS		
(Unsecured, considered good except otherwise stated)		
Debts outstanding for a period exceeding six months		
i) considered good	14.80	13.33
ii) considered doubtful	3.84	13.85
Less Provision	3.84	13.85
	14.80	13.33
Others	2,281.48	2279.55
	<u>2,296.28</u>	<u>2292.88</u>
SCHEDULE 8		
CASH AND BANK BALANCES		
Cash in hand	0.62	0.39
Balances with Scheduled Banks:		
In Current Accounts	2.04	7.24
In E.E.F.C. Accounts	0.94	8.66
In Cash Credit Accounts		95.55
In Deposit Accounts(Margin Money)		192.33
In Dividend Account	29.23	24.84
	<u>32.83</u>	<u>329.01</u>
SCHEDULE 9		
LOANS AND ADVANCES		
(Unsecured, Considered Good)		
Interest receivable	21.64	25.19
Advances recoverable in cash or in kind or for value to be received and/or to be adjusted	152.66	502.69
Claims receivable	873.05	282.55
Deposit with Government Departments and others	82.27	105.38
Prepaid expenses	75.97	25.70
Balance with Excise, Customs etc.	577.84	63.60
	<u>1,783.43</u>	<u>1005.11</u>

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2009 (Contd.)

	As at 31.03.2009 (Rs. in Lacs)	As at 31.03.2008 (Rs. in Lacs)
SCHEDULE 10		
CURRENT LIABILITIES		
Sundry Creditors		
Outstanding Dues to Micro, Small and Medium Enterprises (refer note No.8 of Sch. 20)	28.99	1.84
Outstanding Dues to others	2,697.18	2,985.25
	2,726.17	2,987.09
Advance from Customers	49.05	54.34
Unclaimed dividends	29.23	24.84
Other Liabilities	57.47	80.63
	2,861.92	3146.90
SCHEDULE 11		
PROVISIONS		
For Income Tax (Net of Advance Tax)	-	214.94
For Proposed Dividend (incl.Dividend Tax)	116.70	204.23
For Disputed Liabilities	72.26	72.26
For Leave Salary	42.93	36.01
	231.89	527.44

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2009

	For the year ended 31.03.2009 (Rs. in Lacs)	For the year ended 31.03.2008 (Rs. in Lacs)
SCHEDULE 12		
SALES		
Sales		
Finished Goods	22,895.58	17,733.74
Waste Anhydrite	619.72	511.29
	<hr/>	<hr/>
	23,515.30	18,245.03
Less : Excise Duty	1,846.10	1,795.75
	<hr/>	<hr/>
	21,669.20	16,449.28
	<hr/> <hr/>	<hr/> <hr/>
SCHEDULE 13		
OTHER INCOME		
Interest (Gross)		
On Deposits (Tax deducted at source Rs.0.50 lac, previous year Rs.0.45 lac)	7.23	4.15
Insurance & Other Claims	0.23	-
Profit on Sale of Fixed Assets(Net)	23.33	-
Profit on sale of Raw Materials (Net)	130.05	0.28
Dividend from Current Investments	0.04	2.02
Export Incentivies	51.54	80.36
Miscellaneous Receipts	183.95	71.12
Excess Provision & Liabilities no Longer required written back	18.11	37.28
Provision for Doubtful Debts recovered	-	5.35
	<hr/>	<hr/>
	414.48	200.56
	<hr/> <hr/>	<hr/> <hr/>
SCHEDULE 14		
(INCREASE)/DECREASE IN STOCK		
Opening Stock	301.07	367.56
Less:Closing Stock	2,732.29	301.07
	<hr/>	<hr/>
	(2431.22)	66.49
Less:Difference of Excise duty on opening and closing Inventories	64.44	(6.56)
	<hr/>	<hr/>
(Increase)/Decrease in Stock	(2366.78)	59.93
	<hr/> <hr/>	<hr/> <hr/>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31st MARCH 2009 (Contd.)**

	For the year ended 31.03.2009 (Rs. in Lacs)	For the year ended 31.03.2008 (Rs. in Lacs)
SCHEDULE 15		
CONSUMPTION OF RAW MATERIALS (INCLUDING PACKING MATERIALS)		
Opening Stock	2,880.99	2,287.44
Add:Purchases	18,909.77	11,335.66
	21,790.76	13,623.10
Less: Closing Stock	3,608.03	2,880.99
Sales	10.40	15.70
	3,618.43	2,896.69
	18,172.33	10,726.41
SCHEDULE 16		
MANUFACTURING EXPENSES		
Consumption of stores and spare parts	627.27	587.65
Power and Fuel	1,532.71	1,167.97
Water Charges	65.70	37.87
Effluent Treatment Expenses	58.39	58.06
Job work charges	74.11	73.12
Repairs and Maintenance		
Buildings	42.02	47.04
Plant and Machinery	270.47	247.30
Others	29.26	15.82
	341.75	310.16
	2,699.93	2,234.83
SCHEDULE 17		
PAYMENTS TO AND PROVISION FOR EMPLOYEES		
Salaries, wages,Bonus and Gratuity	604.85	533.93
Contribution to Provident and other Funds	69.74	73.02
Employees Welfare Expenses	93.32	88.14
	767.91	695.09

**SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31st MARCH 2009 (Contd.)**

	For the year ended 31.03.2009 (Rs. in Lacs)	For the year ended 31.03.2008 (Rs. in Lacs)
SCHEDULE 18		
OTHER EXPENSES		
ADMINISTRATIVE EXPENSES		
Rent	40.03	39.57
Rates and Taxes	7.90	6.03
Insurance(Net)	43.17	51.55
Travelling and Conveyance	133.36	111.74
Vehicle Running Expenses	23.52	25.34
Communication Expenses	35.07	25.36
Miscellaneous Expenses	207.66	113.06
Research and Development Expenses (Refer Note No.6 of Schedule20)	29.01	28.22
Auditors' Remuneration		
Audit Fee	1.20	1.00
Tax Audit Fee	0.35	0.30
Taxation Matter	0.12	0.30
For Certification work	0.18	0.15
Travel and Stay Expenses	0.30	0.11
	2.15	1.86
Bank charges	311.70	117.71
Directors' Sitting Fees	6.45	2.45
Fluctuation in Exchange Rates	515.98	(88.22)
Loss on sale of Fixed Assets	-	1.81
Loss on sale of Investments	0.42	-
Provision for Disputed Liabilities	-	19.49
	<u>1,356.42</u>	<u>455.97</u>
SELLING EXPENSES		
Rental Charges (ISO Containers)	12.46	10.09
Freight,Packing and Forwarding Expenses(net)	261.29	129.11
Commission on Sales	92.35	128.69
	<u>366.10</u>	<u>267.89</u>
	<u>1,722.52</u>	<u>723.86</u>
SCHEDULE 19		
INTEREST		
On Term Loans	102.47	4.77
Others	433.45	234.63
	<u>535.92</u>	<u>239.40</u>

SCHEDULE OF NOTES TO BALANCE SHEET AS AT 31ST MARCH, 2009 AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009.

SCHEDULE 20

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

d. Depreciation:

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

e. Investments :

- i) Quoted / Unquoted Long-term investments are stated at cost, unless, there is a decline other than temporary in the carrying value thereof, which is duly provided for in the Accounts.
- ii) Current quoted investments are stated at lower of cost or market value on individual investment basis.

f. Inventories :

Inventories are valued on the following basis:

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

SCHEDULE 20 (Contd.) SCHEDULE OF NOTES

g. Foreign Currency Transactions:

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

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

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

h. Employee Benefits :

i) Defined Contribution Plans

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

ii) Defined Benefit Plans

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

ii) Short term Employee Benefits

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

i. Borrowing Costs:

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

j: Excise and Customs :

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

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

SCHEDULE 20 (Contd.) SCHEDULE OF NOTES**k. Sales & Export incentives:**

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

l. Research and Development Expenses:

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

m. Taxes on Income:

- i) **Current Income Tax and Fringe Benefit Tax** is provided as per the provisions of the Income Tax Act, 1961.
- ii) **Deferred Tax** asset and liability arising on account of timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods, are recognized at the rate of income tax prevailing at the Balance Sheet date or at the substantively enacted tax rate, subject to the consideration of prudence, as per the Accounting Standard-22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

n. Provisions :

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

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

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. Prior year expenses:** Prior Year expenses / (income) (net) Debit Rs. **0.06** lacs (Previous year (Net)Debit Rs. 36.21 lacs) stands adjusted to the respective expenses heads.

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

3. Contingent Liabilities not provided for in respect of:

- (a) Outstanding Letters of Credit/Bank Guarantees Rs.4853.94 lacs (Previous Year Rs. 4717.77 lacs).

SCHEDULE 20 (Contd.) SCHEDULE OF NOTES

- (b) SIPCOT has raised a demand of Rs.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 Rs.6.00 lacs in 1995 and Rs.6.00 lacs in 2001, as per the directions of the Honorable High Court of Madras. However, SIPCOT has preferred an appeal against the order of the High Court challenging the waiver of interest. Matter is pending at the High Court of Madras.
- (c) Tamilnadu Industrial Development Corporation Limited (TIDCO) has claimed Rs.27.11 lacs as interest on bridge loan which has been fully settled by the Company. Confirmation is awaited from TIDCO.
- (d) i) Disputed Sales Tax Liability Rs. 2.03 lacs (net of advance) (Previous year Rs.2.03 lacs).
 ii) Disputed Central Excise/Service Tax Liability Rs.131.45 lacs (net of advance) (Previous year Rs.57.08 lacs).
 iii) Disputed Custom Duty Liability Rs.19.63 lacs (Previous year Rs.19.63 lacs)
 iv) Disputed Income Tax liability Rs. 130.96 lacs (Previous year Rs.149.73 lacs)
- (e) The Company has outstanding export obligation of Rs. 958.17 lacs (Previous year Rs.753.28 lacs)
4. During the Financial Year 1991-92, the Company had received a notice from the Tamilnadu Sales Tax authorities towards levy of tax etc. on sales effected from Pondicherry Depot during 1989-90 and 1990-91. Based on the directions of the Honourable High Court of Madras, the Appellate Asst. Commissioner, Commercial Taxes, Chennai passed the order in favour of the company, thereby reducing the demand to Rs.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 Rs.52.77 lacs (net).
5. Contracts remaining to be executed on Capital Account not provided for Rs. 88.51 lacs (Net) [Previous year Rs.871.72 lacs (Net)]
6. Research and Development Expenses includes:

	31.3.2009 (Rs. lacs)	31.3.2008 (Rs lacs.)
Salaries, Wages and Bonus	24.47	19.73
Contribution to Provident and other Funds	2.46	2.03
Employees' Welfare Expenses	1.08	1.67
Consumption of Stores & Spares	1.00	4.79
Total	29.01	28.22

SCHEDULE 20 (Contd.) SCHEDULE OF NOTES

7. Employee Benefit : The company has provided for gratuity and long term compensated leave encashment based on actual valuation done using the projected unit credit method. This change is not having any material impact on the profit for the current year.

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

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

Sl. No.		31.03.2009 (Rs. in Lacs)	31.03.2008 (Rs. in Lacs)
I	Net Employee Expenses / (Benefit)		
	Current Service Cost	30.62	29.29
	Interest cost on benefit obligation	6.51	6.65
	Expected return on plan assets	(5.51)	(4.80)
	Net Actual (gain) / loss recognized in the year	(4.14)	(3.02)
	Net charge to P & L Account	27.48	28.12
II	Actual return on plan assets	8.00%	8.00%
III	Benefit Asset / (Liability)		
	Defined benefit obligation	118.84	102.85
	Fair value of Plan Assets	95.59	69.76
	Benefit Asset / (Liability)	(23.25)	(33.09)
IV	Movement in benefit liability		
	Opening defined benefit obligation	102.85	96.33
	Interest cost	6.51	6.65
	Current Service cost	30.62	29.29
	Benefit paid	(19.55)	(26.44)
	Actual (gain) / (Losses) on obligation	(1.59)	(2.98)
	Closing benefit obligation	118.84	102.85
V	Movement in fair value of plan assets		
	Opening fair value of plan assets	69.76	66.36
	Expected Return of Plan assets	5.51	4.80
	Actuarial gains/(losses) on assets	2.56	0.04
	Contribution by employer	37.32	25.00
	Benefits paid	(19.55)	(26.44)
	Closing fair value of plan assets	95.59	69.76
VI	The principal actuarial assumptions are as follows		
	Discount rate	7.00%	8.00%
	Salary increase	6.00%	6.00%
	Withdrawal Rates	5.00%	5.00%

SCHEDULE 20 (Contd.) SCHEDULE OF NOTES

Sl. No.		31.03.2009 (Rs. in Lacs)	31.03.2008 (Rs. in Lacs)
VII	Amount incurred as expense for defined contribution plans		
	Contribution to Provident / Pension fund	26.31	23.30
	Contribution to Super annuation fund	10.66	10.43
VIII	The major categories of plan assets as a percentage of the fair value of total plan asset are as follows :		
	Investment in Bonds	13 %	21 %
	Investment in Mutual Funds	84 %	62 %
	Bank balances in Current Account	3 %	17 %

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

(x) The Company expects to contribute Rs.23.25 lacs to Gratuity fund in 2009 - 2010

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

Gratuity :

Defined Benefit Obligation	118.84	102.85
Plan Assets	95.59	69.76
Surplus / (Deficit)	(23.25)	(33.09)

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

8. (a) Amounts due to creditors covered under the Micro, Small and Medium Enterprises Development Act 2006, as on 31st March 2009 (based on information available with the company) (All Rs. in Lacs).

Aditya Better Containers - 1.05, Blow Can Industries - 23.42, Chidambaram Poly Bags - 0.66, Modern Fab & Engrs. - 0.18, Om Sakthi Engg. Works 3.53, Srinivas Engineering Works - 0.15.

(b) There are no Micro, Small and medium enterprises, to whom the company owes dues, which are outstanding for more than 45 days as at the balance sheet date. The micro, small and medium enterprises have been identified on the basis of information available with the company. This has been relied upon by the auditors.

(c) As confirmed by the management, all the payments during the year to such creditors has been made in accordance with the terms of payment not exceeding 45 days, and hence as per the provisions of this Act, no interest on delayed payment is due to them.

SCHEDULE 20 (Contd.) SCHEDULE OF NOTES
9. Deferred Taxation:

The deferred tax assets & liabilities comprise of tax effect of the following timing differences:

(Rs. Lacs)

	2008-09	2007-08
Deferred tax Assets:		
i. Amounts disallowable u/s 43 B	14.56	12.34
ii. Voluntary Retirement Scheme allowable in 5 equal installments under the Income Tax Act.	9.71	12.95
iii. Provision for Doubtful Debts	4.77	4.71
iv. Unabsorbed Depreciation Loss	213.45	-
v. MAT Credit – FY 06-07	-	-
FY 07-08	15.26	-
Total Deferred Tax Assets	257.75	30.00
Less: Deferred Tax Liability		
i. Excess of Net block as per Accounts over the written down value as per the provisions of the Income Tax Act 1961	1047.50	777.00
Net Deferred Tax Liability	789.75	747.00

10. Earnings per share :

(Rs.)

Particulars	31-03-2009	31-03-2008
Basic Earnings per share	0.80	12.27
Diluted Earnings per share	0.80	12.27
Nominal Value per share	10.00	10.00

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

(Rs. in Lacs)

Particulars	31-03-2009	31-03-2008
Profit after taxation (Rs.)	79.90	1223.63
Weighted average number of shares Outstanding during the year (Nos)	9975000	9975000

SCHEDULE 20 (Contd.) SCHEDULE OF NOTES

11. Foreign currency exposure in respect of unsecured loans amounting to Rs. 6.57 lacs (Previous year Rs. 558.55 lacs and sundry debtors amounting to Rs.155.80 lacs (Previous year Rs.317.96 lacs) are not hedged as on the Balance sheet date.

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

	Sales Tax (Rs. in lacs)
Balance as at 1 st April 2008	72.26
Additional Provision created during the year	0.00
Provision used during the year	Nil
Provision reversed during the year	Nil
Balance as at 31 st March 2009	72.26

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

14.A. Related party Disclosures :

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

i) Relationships :-

Promoters of the Company :

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

b) 19.96% Equity shares of the Company are held by T.G.S Investment & trade Pvt. Ltd. since 03.02.2006

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

ii) Joint Ventures :-

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

iii) Key Management Personnel :-

a) Shri K K Maheshwari - Manager & Director

b) Shri Vishnu Bhat - President

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

14. B. Related party Disclosures

(Amount in Rs. lacs)

Sl. No.	Name of the related Party	Nature of Relationship	Nature of Transaction, if any	2008-09	2007-08	Outstanding as on 31-03-2009	
						Amount	Account Head
1	Cuddalore Sipcot Industries Ltd.,	Joint Venture for common Effluent Utilities	1. Deposit for commissioning of Effluent Treatment System 2. Effluent Discharging System	-	-	1.98	Deposits
				14.10	14.95	-	Manufacturing Expenses
3.	Shri. Vishnu Bhat	President	Salary and Allowance	52.20	24.56*	-	Salary and Allowance
4.	Directors			6.45	2.45	-	Sitting Fees

* part of the year

SCHEDULE 20 (Contd.) SCHEDULE OF NOTES

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

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

	31.3.2009		31.3.2008	
	Licensed TPY	Installed TPY	Licensed TPY	Installed TPY
Aluminium Fluoride	N.A.	15600	N.A.	15600
Anhydrous Hydrofluoric Acid	N.A.	15600	N.A.	15600
Sulphuric Acid (Including Oleum 14400 TPY)	N.A.	81600	N.A.	81600
Specialty Fluorides	N.A.	3400	N.A.	3400

(b) Particulars of Production and Sales:

Finished Goods	31.3.2009			31.3.2008		
	Production	Sales(Net)		Production	Sales	
	Qty (MT)	Qty (MT)	Value (Rs. in Lacs)	Qty (MT)	Qty (MT)	Value (Rs. in Lacs)
Aluminium Fluoride	##16377	14026	11699.44	##16820	16895	9630.99
AHF Acid	11564	@11177	3798.67	14991	@15040	2613.02
Sulphuric Acid	61557	*60883	3311.09	62597	*63748	2152.49
Oleum	13990	**14048	88.68	14166	**14372	94.11
Specialty Fluoride	1726	#1689	2151.58	2073	#2132	1435.43
Others			619.74			523.24
Total			21669.20			16449.28

@ Includes 7493 MT for captive consumption (Previous year 11523 MT)

* Includes 17715 MT for captive consumption (Previous year 28063 MT)

** Includes 13355 MT for captive consumption (Previous year 13233 MT)

Includes 30MT captive consumption (Previous year NIL)

Includes NIL MT Production done by out side party (Previous year 594 MT)

SCHEDULE 20 (Contd.) SCHEDULE OF NOTES

(c) Particulars of Opening Stock and Closing Stock:

Finished Goods	31.03.2009				31.03.2008			
	Opening Stock		Closing Stock		Opening Stock		Closing Stock	
	Qty. (MT)	Value (Rs.lacs)	Qty. (MT)	Value (Rs.lacs)	Qty. (MT)	Value (Rs.lacs)	Qty. (MT)	Value (Rs.lacs)
Aluminium Fluoride	50	28.63	2401	1674.30	125	61.02	50	28.63
AHF Acid	62	30.32	449	304.49	111	43.33	62	30.32
Sulphuric Acid	508	28.04	1182	30.70	1659	44.91	508	28.04
Oleum	214	10.96	156	4.73	420	10.37	214	10.96
Specialty. Fluoride	165	102.77	202	218.46	224	96.92	165	102.77
Others				0.59		0.91		
TOTAL		200.72		2233.27		257.46		200.72

(d) Particulars of Raw Materials Consumed :

Raw Materials	31.3.2009		31.3.2008	
	Qty. (MT)	Value (Rs.lacs)	Qty. (MT)	Value (Rs.lacs)
Acid Grade Fluorspar	26311	3339.90	35823	3656.25
Sulphur	25529	6513.61	26204	2984.19
Aluminium Hydroxide	9654	1418.82	16285	2544.61
Others (incl,packing Materials)		6900.00		1541.36
		18172.33		10726.41

(e) Value of imports calculated on CIF basis:

(Rs. in lacs)

Particulars	31.3.2009	31.3.2008
Raw Materials	12146.07	6007.91
Spares and Components	69.36	16.56
Capital Goods	290.70	5.50

SCHEDULE 20 (Contd.) SCHEDULE OF NOTES

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

(Rs. in lacs)

Particulars	31.3.2009	31.3.2008
Travelling Expenses	17.35	20.05
Consultancy fees	81.74	23.64
Lease Rent	9.13	7.57
Commission on sales	28.46	40.99
Freight & Forwarding expenses	25.50	6.17
Interest	112.41	71.93
Others	4.16	6.34
TOTAL	278.76	176.69

(g) Earnings in Foreign Exchange:

(Rs. in lacs)

Particulars	31.3.2009	31.3.2008
FOB Value of Exports	7502.48	5512.45

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

Particulars	31.3.2009		31.3.2008	
	%	Value (Rs.lacs)	%	Value (Rs.lacs)
i) Raw Materials				
Imported	66	12032.31	51	5480.81
Indigenous	34	6140.02	49	5245.60
Total	100	18172.33	100	10726.41
ii) Stores and Spares				
Imported	7	41.84	1	5.24
Indigenous	93	585.43	99	582.41
Total	100	627.27	100	587.65

SCHEDULE 20 (Contd.) SCHEDULE OF NOTES

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

I. Registration Details

Registration No. :

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

 State Code

1	8
---	---

Balance Sheet Date

3	1	-	0	3	-	2	0	0	9
---	---	---	---	---	---	---	---	---	---

II. Capital raised during the Year ('000)

Public Issue

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

 Rights Issue

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

Bonus Issue

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

 Private Placement

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

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

Total Liabilities

1	5	3	1	7	4	0
---	---	---	---	---	---	---

 Total Assets

1	5	3	1	7	4	0
---	---	---	---	---	---	---

Sources of Funds
Paidup Capital

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

 Reserves & Surplus

4	1	3	0	4	4
---	---	---	---	---	---

Secured Loans

3	6	9	4	6	0
---	---	---	---	---	---

 Unsecured Loans

5	7	0	5	1	1
---	---	---	---	---	---

Net Deferred Tax Liability

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

Application of Funds
Net Fixed Assets

7	6	1	4	4	7
---	---	---	---	---	---

 Investments

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

Net Current Assets

7	6	8	5	9	6
---	---	---	---	---	---

 Misc. Expenditure

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

Accumulated Losses

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

IV. Performance of the Company ('000)

Turnover / Other Income

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

 Total Expenditure

2	1	9	2	9	2	8
---	---	---	---	---	---	---

Profit/Loss before Tax

	1	5	4	4	0
--	---	---	---	---	---

 Profit/Loss after Tax

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

Earnings Per Share (Rs)

	0	.	8	0
--	---	---	---	---

 Dividend rate

1	0	.	0	%
---	---	---	---	---

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

Product Description	Item Code No. (ITC Code)
A L U M I N I U M - F L U O R I D E	2 8 2 6 1 2 0 0
H Y D R O - F L U O R I C - A C I D	2 8 1 1 1 1 0 0
P O T - T I T A N I U M - F L U O R I D E	2 8 2 6 1 9 0 0

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

Schedules 1 to 20 form an integral part of the Balance Sheet and Profit & Loss Account.

As per our Report Annexed
For BHASKARAN & KRISHNAN
Chartered Accountants
B.GOPALAKRISHNAN
Partner
M.No.18702

For SINGHI & CO.
Chartered Accountants
SUDESH CHORARIA
Partner
M.No.204936

K.K. MAHESHWARI
Manager and Director
VISHNU BHAT
President

S. SENTHILNATHAN
Manager (Finance and Accounts)
and Company Secretary

A.K. AGARWALA
V.T. MOORTHY
M.R. SIVARAMAN
A.M. SWAMINATHAN
KANNAN K UNNI
DR. SHANKAR NARASIMHAN
DR. PRAGNYA RAM
R. KARTHIKEYHAN
Directors

Chennai
8th May 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

	2008-09 (Rs.in Lakhs)	2007-08 (Rs.in Lakhs)									
A. CASH FLOW FROM OPERATING ACTIVITIES											
Net Profit before tax and extraordinary items	154.40	1648.20									
Adjustments for :											
Depreciation	397.45	274.49									
Interest	535.92	239.40									
Loss/(Profit) on sale of fixed assets	(23.33)	1.81									
Interest & Dividend Income	(7.23)	(6.17)									
Loss on Sale of Investment	0.42										
	1057.63	2157.73									
Operating Profit before working capital changes											
Adjustments for :											
Trade and Other Receivables	(581.00)	(1154.84)									
Inventories	(3265.15)	(583.75)									
Trade Payable and Provisions	(278.05)	2321.76									
Cash Generated from operations	(4124.20)	583.17									
	(3066.57)	2740.90									
Interest paid	(535.92)	(239.40)									
Direct Taxes payment / refund (net)	(447.40)	(512.62)									
	(983.32)	(752.02)									
Net cash from Operative activities	(4049.89)	1988.88									
B. CASH FLOW FROM INVESTING ACTIVITIES											
Purchase of Fixed Assets	(3881.97)	(482.25)									
Sale of Fixed Assets	38.81	7.60									
Purchase of Investments	(0.42)	0.00									
Sale of Investments		0.00									
Interest and Dividend Income	7.23	6.17									
Net Cash from Investing Activities	(3836.35)	(468.48)									
C. CASH FLOW FROM FINANCING ACTIVITIES											
Commercial paper/buyer's credit	4760.84										
Long term loan availed (Net)	1620.09	(196.19)									
Short term loan availed	1413.36	(845.77)									
Dividend paid	(204.23)	(175.05)									
Net cash used in Financing Activities	7590.06	(1217.01)									
Net Increase/Decrease) in Cash Equivalents	(296.18)	303.39									
Cash & Cash Equivalents (Opening Balance)	329.01	25.62									
Cash & Cash Equivalents (Closing Balance)	32.83	329.01									
	(296.18)	303.39									
<table style="width: 100%; border: none;"> <tr> <td style="width: 33%; vertical-align: top;"> <p>As per our Report Annexed For BHASKARAN & KRISHNAN Chartered Accountants B.GOPALAKRISHNAN Partner M.No.18702</p> </td> <td style="width: 33%; vertical-align: top;"> <p>For SINGHI & CO. Chartered Accountants SUDESH CHORARIA Partner M.No.204936</p> </td> <td style="width: 33%; vertical-align: top;"> <p>K.K.MAHESWARI Manager and Director VISHNU BHAT President</p> </td> </tr> <tr> <td></td> <td></td> <td style="vertical-align: top;"> <p>S. SENTHILNATHAN Manager (Finance and Accounts) and Company Secretary</p> </td> </tr> <tr> <td></td> <td></td> <td style="vertical-align: top;"> <p>A.K. AGARWALA V.T. MOORTHY M.R. SIVARAMAN A.M. SWAMINATHAN KANNAN K UNNI DR. SHANKAR NARASIMHAN DR. PRAGNYA RAM R. KARTHIKEYHAN Directors</p> </td> </tr> </table>			<p>As per our Report Annexed For BHASKARAN & KRISHNAN Chartered Accountants B.GOPALAKRISHNAN Partner M.No.18702</p>	<p>For SINGHI & CO. Chartered Accountants SUDESH CHORARIA Partner M.No.204936</p>	<p>K.K.MAHESWARI Manager and Director VISHNU BHAT President</p>			<p>S. SENTHILNATHAN Manager (Finance and Accounts) and Company Secretary</p>			<p>A.K. AGARWALA V.T. MOORTHY M.R. SIVARAMAN A.M. SWAMINATHAN KANNAN K UNNI DR. SHANKAR NARASIMHAN DR. PRAGNYA RAM R. KARTHIKEYHAN Directors</p>
<p>As per our Report Annexed For BHASKARAN & KRISHNAN Chartered Accountants B.GOPALAKRISHNAN Partner M.No.18702</p>	<p>For SINGHI & CO. Chartered Accountants SUDESH CHORARIA Partner M.No.204936</p>	<p>K.K.MAHESWARI Manager and Director VISHNU BHAT President</p>									
		<p>S. SENTHILNATHAN Manager (Finance and Accounts) and Company Secretary</p>									
		<p>A.K. AGARWALA V.T. MOORTHY M.R. SIVARAMAN A.M. SWAMINATHAN KANNAN K UNNI DR. SHANKAR NARASIMHAN DR. PRAGNYA RAM R. KARTHIKEYHAN Directors</p>									
<p>Chennai 8th May 2009</p>											



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 **35th Annual General Meeting** of the Company being held at the Registered Office of the Company at 14, SIPCOT Industrial Complex, Cuddalore – 607 005 at 2.00 p.m. on Monday the 24th August 2009.

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.

X

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 35th Annual
General Meeting of the Company to be held on Monday the 24th August, 2009 at 2.00 P.M. and at any
adjournment thereof.

AS WITNESS in my/our absence to attend and vote for me/us on my/our behalf at the 35th Annual
General Meeting of the Company to be held on Monday the 24th August 2009 at 2.00 P.M. and at any
adjournment thereof.

AS WITNESS my/our hand/hands this day of2009.

Signature(s).....

Re. 1/-
Revenue
Stamp

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

TO

BOOK POST

If undelivered please return to:

INTEGRATED ENTERPRISES (INDIA) LTD.

Unit: **TANFAC INDUSTRIES LIMITED**

2nd Floor, "Kences Towers",

No. 1, Ramakrishna Street,

Off. North Usman Road, T. Nagar

Chennai - 600 017.