

REIMAGINING A NEW FUTURE



ANNUAL REPORT

2020-21

TANFAC INDUSTRIES LIMITED

BIG IN YOUR LIFE



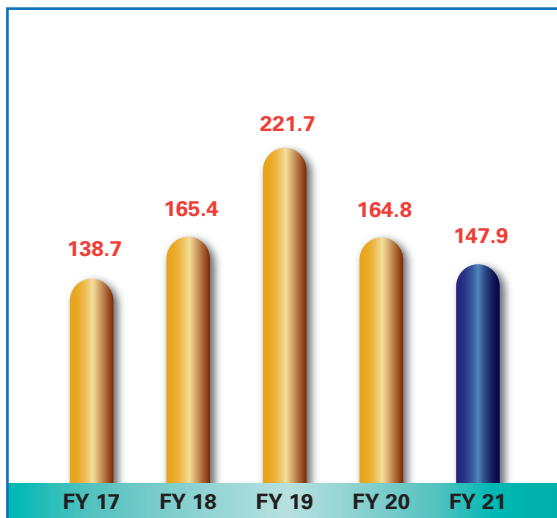
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FINANCIAL HIGHLIGHTS

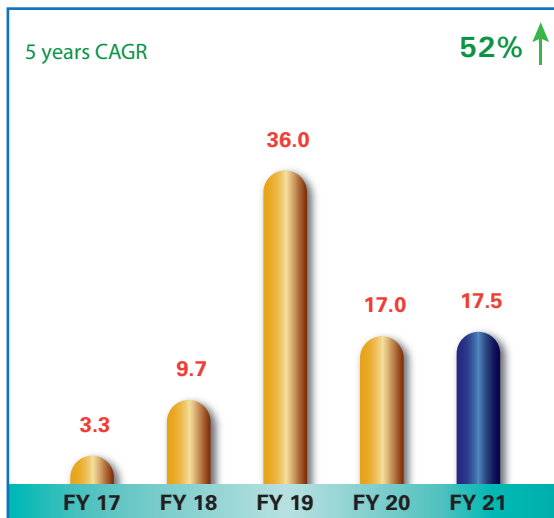
REVENUE

(₹ in Crores)



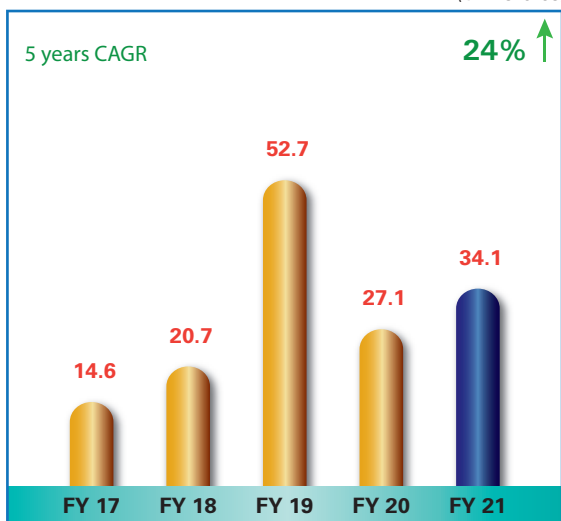
NET PROFIT

(₹ in Crores)

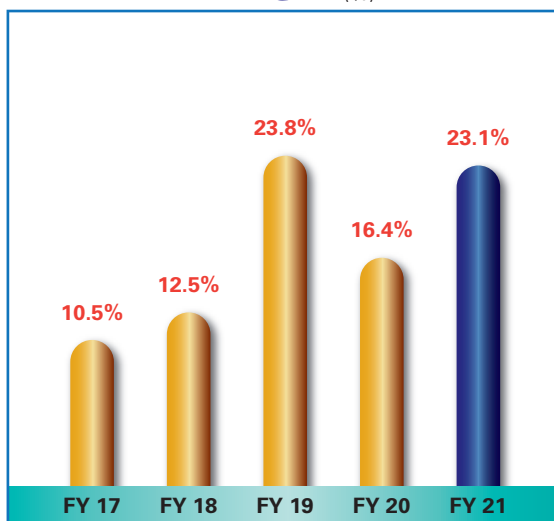


EBIDTA

(₹ in Crores)



EBIDTA MARGIN (%)





FINANCIAL HIGHLIGHTS

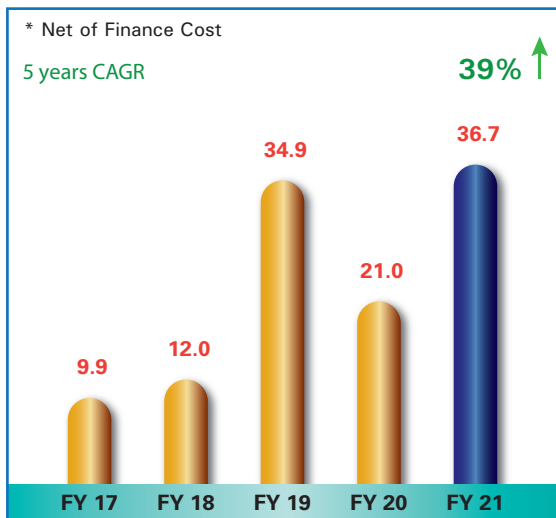
CASH FROM OPERATIONS *

(₹ in Crores)

* Net of Finance Cost

5 years CAGR

39% ↑

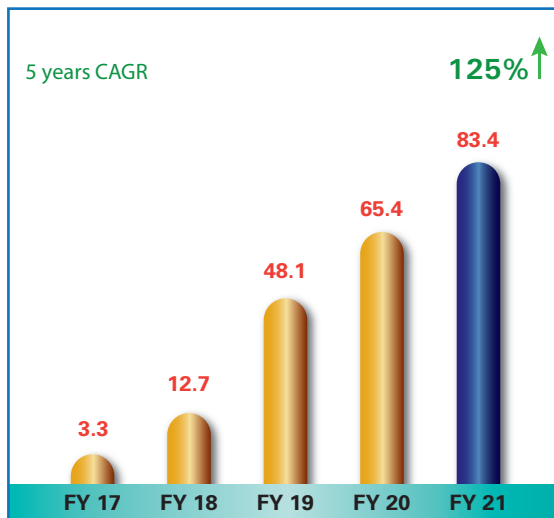


Book Value

(₹ Per Share)

5 years CAGR

125% ↑

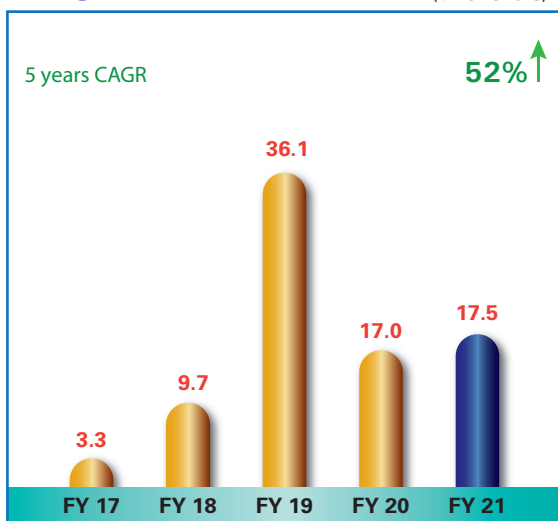


EPS

(₹ Per Share)

5 years CAGR

52% ↑



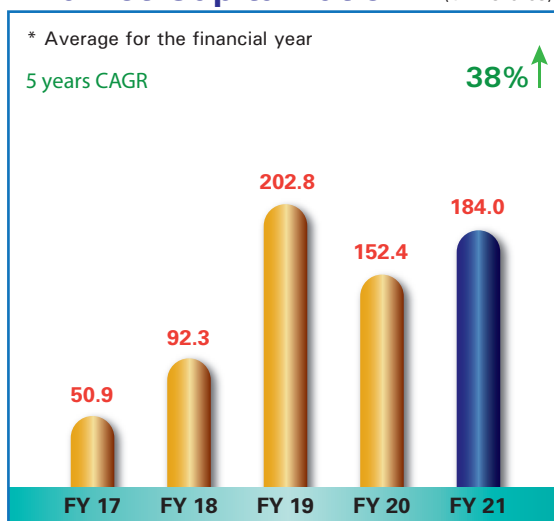
Market Capitalization*

(₹ in Crores)

* Average for the financial year

5 years CAGR

38% ↑





CORPORATE INFORMATION

DIRECTORS

Mrs. R. Lilly, IAS., Chairperson
(from 13th August 2021)
Mr R. Karthikeyan
Mr Kalyan Ram Madabhushi
Mr V.T. Moorthy
Mr M.R. Sivaraman, IAS [Retd.]
Dr. Shankar Narasimhan
Mrs R. Rajalakshmi
Mr.K.Sendhil Naathan, Managing Director

MANAGING DIRECTOR

Mr K. Sendhil Naathan

CHIEF FINANCIAL OFFICER (CFO)

Mr N.R. Ravichandran

COMPANY SECRETARY

Mrs Archana .T

AUDITORS

Khimji Kunverji & Co LLP
Chartered Accountants
Sunshine Tower, Level 19
Senapathi Bapat Marg,
Elphinstone Road Mumbai - 400 013
Phone No. +91-22-2439 1111

REGISTERED OFFICE AND WORKS

Plot No.14 SIPCOT Industrial Complex,
Kudikadu, Cuddalore – 607 005
Cuddalore Dist. TAMIL NADU
Phone No. + 91-4142-239001 TO 239005
Fax No. + 91-4142-239008
Email: invreln.tanfac@adityabirla.com

CORPORATE OFFICE

Oxford Centre, First Floor
No.66 Sir C.P. Ramaswamy Road
Alwarpet Chennai – 600 018
Phone No. + 91-44-24990451 / 24990464
Fax No. + 91-44-24993583
Email: cfo.tanfac@adityabirla.com

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

TANFAC INDUSTRIES LIMITED

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

CIN: L24117TN1972PLC006271

Website : www.tanfacs.com

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 47th Annual General Meeting (AGM) of TANFAC INDUSTRIES LIMITED will be held on Tuesday, the 28th September 2021, at 11.30 AM through Video Conference (VC) / Other Audio-Visual means (OAVM) to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the financial statement of the Company for the year ended 31st March, 2021, including the audited Balance Sheet as at March 31, 2021, the Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a director in place of Mr. Kalyan Ram Madabhushi, (DIN: 08116290) who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. Singhi & Co., Chartered Accountants, Calcutta (Firm Registration No.302049E) be and is hereby appointed as the Statutory Auditor of the Company in place of M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai (Registration No.: 105146W), the

retiring Statutory Auditor, to hold office from the conclusion of this Annual General Meeting (47th AGM) until the conclusion of the 52nd Annual General Meeting of the Company at such remuneration plus service tax as applicable and reimbursement of out-of-pocket expenses in connection with the audit as the Board of Directors may fix in this behalf.”

SPECIAL BUSINESS:

4. To appoint Cost Auditor and ratify his remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Section 148(3) and all other applicable provisions, if any, of The Companies Act, 2013 read with Rule 14 of The Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the remuneration payable to the Cost Auditor, viz., Mr N. Krishna Kumar (Membership No.27885 and Firm Registration No.100814), appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending March 31, 2021, amounting to 60,000/- (Rupees Sixty Thousand only) in connection with the above said audit, be and is hereby ratified and approved.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

5. To approve appointment of Mrs. R.Lilly, IAS (DIN:03287345) as Director of the Company and in this regard, to consider and if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION :

“RESOLVED THAT pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 and applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, Mrs. R.Lilly, IAS (DIN: 03287345) who was appointed as Additional Director of the Company by the Board of Directors with effect from 13th August 2021, in terms of Section 161(1) of the Companies Act, 2013

and who holds office upto the date of the 47th Annual General Meeting and in respect of whom the Company has received notice in writing from a member under Section 160 of the Companies Act 2013 proposing his candidature for the office of Director, be and hereby appointed as a Non-Executive Non-Independent Director of the Company, liable to retire by rotation.”

RESOLVED FURTHER THAT the Board of Directors of the Company or any committee thereof be and is hereby authorized to do all such acts, deeds and things as in its absolute discretion it may think necessary, expedient or desirable; to settle any question or doubt that may arise in relation thereto in order to give effect to the foregoing resolution and to seek such approval/ consent from the government departments, as may be required in this regard.”

By Order of the Board
For TANFAC INDUSTRIES LIMITED

ARCHANA.T
COMPANY SECRETARY

Place : Cuddalore
Date : 13.08.2021

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

NOTES:

1. In view of the continuing restrictions on the movement of people at several places in the country, due to the outbreak of COVID-19 and pursuant to General Circular Nos. 14/2020, 17/2020, 20/2020 and 02/2021 dated 8th April, 2020, 13th April, 2020, 5th May, 2020 and 13th January, 2021, respectively issued by the Ministry of Corporate Affairs ("MCA") (collectively referred to as "MCA Circulars") read with Circular Nos. SEBI/HO/CFD/CMD1/CIR/P/2020/79 and SEBI/HO/CFD/CMD2/CIR/P/2021/11, dated 12th May, 2020 and 15th January, 2021, respectively issued by the Securities and Exchange Board of India (collectively referred to as "SEBI Circulars") permitted the holding of the Annual General Meeting ("AGM") through VC / OAVM, without the physical presence of the Members. In compliance with the provisions of the Act, Listing Regulations, MCA Circulars and SEBI Circulars, the AGM of the Company is being held through VC / OAVM.

In accordance with the Secretarial Standard - 2 on General Meetings issued by the ICSI read with Clarification / Guidance on applicability of Secretarial Standards - 1 and 2 dated 15th April, 2020 issued by the ICSI, the proceedings of the AGM shall be deemed to be conducted at the Registered Office of the Company i.e. 14, SIPCOT Industrial Complex, Kudikadu, Cuddalore 607 005 which shall be the venue of the AGM. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.

2. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday (22.09.2021) to Tuesday (28.09.2021) both days inclusive.
3. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to

the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

4. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
5. The business set out in the Notice will be transacted through electronic voting system and the Company is providing facility for voting by electronic means. The details of e-voting procedure are given under Note No.19.
6. A Statement pursuant to Section 102(1) of the Companies Act, 2013, in respect of Special Business under item Nos. 4 and 5 to be transacted at the Meeting is set out in the annexure.
7. Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified true copy of Board Resolution duly authorizing their representative to our Registered Office to attend and to vote on their behalf at the meeting.

The shareholders can also access the Annual Report 2020-21 of the Company circulated to the Members and other information about the Company on the Company's website, i.e., on www.tanfac.com and on websites of BSE Limited on which the Company's shares are listed viz., www.bseindia.com

8. Members holding their shares with multiple folios in physical mode in identical names or joint holding in the same order of names are requested to send their Share Certificates with a request 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

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

for consolidation. All documents relating to share transfer, transmission, change of address, change of bank account details may be sent to our above RTA.

9. 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.
10. The Company has transferred all unpaid/unclaimed payment of dividend for the financial years upto 2010-11, to the Investors Education and Protection Fund Account, established by the Central Government. Pursuant to the provisions of The Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts for the years up to 2010-11 on the website of Ministry of Corporate Affairs and also the Company's website www.tanfac.com.
11. Pursuant to the provisions of the Investor Education and Protection Fund (Uploading of information regarding Unpaid and Unclaimed Amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts in respect of dividends for the financial years upto 2010-11 lying with the Company as on September 25, 2018 (date of Annual General Meeting of Financial Year 2017-18) on the website of the Company (www.tanfac.com), as also on the website of the Ministry of Corporate Affairs. The Company had not declared / paid any dividend since Financial Year 2011-12.
12. Pursuant to the provisions of Section 124(6) of the Companies Act, 2013 ("the Act") and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 notified by the Ministry of Corporate Affairs on September 7, 2016 and subsequently amended vide notification dated February 28, 2017 ("the Rules"), all

the Equity Shares of the Company in respect of which dividend amounts have not been paid or claimed by the shareholders for seven consecutive years or more are required to be transferred to demat account of Investor Education and Protection Fund Authority (IEPF Account).

The Company had already sent individual communication to the concerned shareholders by Registered Post, in this regard. The details are also available on the company's website www.tanfac.com. No claim shall lie against the Company in respect of these shares post their transfer to IEPF. The shareholders will be able to claim these shares only from the IEPF Authority by making an online application, the details of which are available at www.iepf.gov.in. The Company had transferred 3,48,130 shares (4,512 shareholders) as per above Rules.

14. Members holding shares in physical form are requested to consider converting their holding to dematerialized form as pursuant to SEBI norms, with effect from 1st April 2019, share transfers cannot be effected in physical form.
15. Members holding shares in physical form can avail of the nomination facility by filing Form SH-13 (in duplicate) with the Company's Registrar and Share Transfer Agents which will be made available on request and in the case of shares held in dematerialized form, the nomination has to be lodged with their Depository Participant.
16. **As on 31.03.2021, 96.94% of the Company's shares have been dematerialized. Members, who have not yet dematerialized their shares, at their own interest, may please get their shares dematerialized to avail the benefits of electronic holding/trading.**
17. The Securities and Exchange Board of India (SEBI) has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding the shares in electronic form are,

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

therefore, requested to submit their PAN to the Depository Participant(s), Members holding shares in physical form shall submit their PAN details to the RTA of the Company.

To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with our RTA/Depositories.

18. In compliance with the MCA circulars mentioned above and SEBI Circular dated May 12, 2020, Notice of the AGM along with the Annual Report 2020-21 is being sent only through electronic mode to those Members whose email addresses are registered with the Company / Depositories. Members may note that the Notice along with the Annual Report will also be made available on the Company's website at www.tanfacs.com and website of the stock exchange www.bseindia.com where the Company's shares are listed. In case of joint holders attending the AGM, only such joint holder who is higher in the order of names will be entitled to vote.

19. As you are aware, in view of the situation arising due to COVID-19 global pandemic, the general meetings of the companies shall be conducted as per the guidelines issued by the Ministry of Corporate Affairs (MCA) vide Circular No. 14/2020 dated April 8, 2020, Circular No.17/2020 dated April 13, 2020 and Circular No. 20/2020 dated May 05, 2020. The forthcoming AGM will thus be held through video conferencing (VC) or other audio visual means (OAVM). Hence, Members can attend and participate in the ensuing AGM through VC/OAVM. Mrs. Kalyani Srinivasan, Practicing Company Secretary (FCS No 5854 & C.P.No. 3109) has been appointed as the Scrutinizer to scrutinise the e-voting (Insta Poll) during the AGM and remote e-voting process in a fair and transparent manner.

1. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies

(Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and MCA Circulars dated April 08, 2020, April 13, 2020 and May 05, 2020 the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating voting through electronic means, as the authorized e-Voting's agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by CDSL.

2. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to atleast 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
3. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Companies Act, 2013.
4. Pursuant to MCA Circular No. 14/2020 dated April 08, 2020, the facility to

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

appoint proxy to attend and cast vote for the members is not available for this AGM. However, in pursuance of Section 112 and Section 113 of the Companies Act, 2013, representatives of the members such as the President of India or the Governor of a State or body corporate can attend the AGM through VC/OAVM and cast their votes through e-voting.

5. In line with the Ministry of Corporate Affairs (MCA) Circular No. 17/2020 dated April 13, 2020, the Notice calling the AGM has been uploaded on the website of the Company at www.tanfac.com. The Notice can also be accessed from the websites of the Stock Exchange i.e. BSE Limited at www.bseindia.com. The AGM Notice is also disseminated on the website of CDSL (agency for providing the Remote e-Voting facility and e-voting system

during the AGM) i.e. www.evotingindia.com.

6. The AGM has been convened through VC/OAVM in compliance with applicable provisions of the Companies Act, 2013 read with MCA Circular No. 14/2020 dated April 8, 2020 and MCA Circular No. 17/2020 dated April 13, 2020 and MCA Circular No. 20/2020 dated May 05, 2020.
7. In continuation of this Ministry's General Circular No. 20/2020, dated 05th May, 2020 and after due examination, it has been decided to allow companies whose AGMs were due to be held in the year 2020, or become due in the year 2021, to conduct their AGMs on or before 31.12.2021, in accordance with the requirements provided in paragraphs 3 and 4 of the General Circular No. 20/2020 as per MCA circular no. 02/2021 dated January, 13, 2021.

THE INSTRUCTIONS OF SHAREHOLDERS FOR E-VOTING AND JOINING VIRTUAL MEETINGS ARE AS UNDER:

| Type of shareholders | Login Method |
|--|--|
| Individual Shareholders holding securities in Demat mode with CDSL | <ol style="list-style-type: none"> 1) Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or visit www.cdslindia.com and click on Login icon and select New System Myeasi. 2) After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers i.e. CDSL/NSDL/KARVY/LINKINTIME, so that the user can visit the e-Voting service providers' website directly. 3) If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration |

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

| Type of shareholders | Login Method |
|---|--|
| | 4) Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page or click on https://evoting.cdslindia.com/Evoting/EvotingLogin The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the evoting is in progress and also able to directly access the system of all e-Voting Service Providers. |
| Individual Shareholders holding securities in demat mode with NSDL | <p>1) If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.</p> <p>2) If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select "Register Online for IDeAS" Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp</p> <p>3) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting</p> |
| Individual Shareholders (holding securities in demat mode) login through their Depository Participants | You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. |

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

- (i) The voting period begins on September 25, 2021 (Saturday) 9.00 a.m. and ends on September 27, 2021 (Monday) 5.00 p.m.. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 21st September 2021 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- (iii) Pursuant to SEBI Circular No. **SEBI/HO/CFD/CMD/CIR/P/2020/242 dated 09.12.2020**, under Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, listed entities are required to provide remote e-voting facility to its shareholders, in respect of all shareholders' resolutions. However, it has been observed that the participation by the public non-institutional shareholders/retail shareholders is at a negligible level.
- (iv) In terms of **SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020** on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Pursuant to abovesaid SEBI Circular, Login method for e-Voting and joining virtual meetings for **Individual shareholders holding securities in Demat mode CDSL/NSDL** is given below:

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. CDSL and NSDL

| Login type | Helpdesk details |
|---|--|
| Individual Shareholders holding securities in Demat mode with CDSL | Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at + 91-22-2305-8738 and + 91-22-2305-8542-43. |
| Individual Shareholders holding securities in Demat mode with NSDL | Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30 |

Currently, there are multiple e-voting service providers (ESPs) providing e-voting facility to listed entities in India. This necessitates registration on various ESPs and maintenance of multiple user IDs and passwords by the shareholders.

In order to increase the efficiency of the voting process, pursuant to a public consultation, it has been decided to enable e-voting to **all the demat account holders, by way of a single login credential, through their demat accounts/ websites of Depositories/ Depository Participants**. Demat account holders would be able to cast their vote without having to register again with the ESPs, thereby, not only facilitating seamless authentication but also enhancing ease and convenience of participating in e-voting process.

- (v) Login method for e-Voting and joining virtual meetings for Physical shareholders and shareholders other than individual holding in Demat form.

1) The shareholders should log on to the

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

e-voting website www.evotingindia.com.

Folio Number registered with the Company.

- 2) Click on "Shareholders" module.
- 3) Now enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Shareholders holding shares in Physical Form should enter
- 4) Next enter the Image Verification as displayed and Click on Login.
- 5) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier e-voting of any company, then your existing password is to be used.
- 6) If you are a first-time user follow the steps given below:

| | For Physical shareholders and other than individual shareholders holding shares in Demat. |
|--|---|
| PAN | Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/RTA. |
| Dividend Bank Details OR Date of Birth (DOB) | Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. <ul style="list-style-type: none"> If both the details are not recorded with the depository or company, please enter the member id / folio number in the Dividend Bank details field. |

- (vi) After entering these details appropriately, click on "SUBMIT" tab.
- (vii) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (viii) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (ix) Click on the EVSN for TANFAC INDUSTRIES LIMITED to vote.
- (x) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xi) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xii) After selecting the resolution, you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

- (xiv) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xv) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xvi) Additional Facility for Non – Individual Shareholders and Custodians –For Remote Voting only.
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves in the "Corporates" module.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
 - The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same with a copy to email address cskalyanisrinivasan@gmail.com.
 - Alternatively Non Individual shareholders are required to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer at the email address cskalyanisrinivasan@gmail.com and to the Company at the email address invreln.tanfac@adityabirla.com, if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC/OAVM & E-VOTING DURING MEETING ARE AS UNDER:

1. The procedure for attending meeting & e-Voting on the day of the AGM is same as the instructions mentioned above for e-voting.
2. The link for VC/OAVM to attend meeting will be available where the EVSN of Company will be displayed after successful login as per the instructions mentioned above for e-voting.
3. Shareholders who have voted through Remote e-Voting will be eligible to attend the meeting. However, they will not be eligible to vote at the AGM.
4. Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience.
5. Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
6. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
7. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance atleast 10 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at (company email id). The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance 7 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at (company email id). These queries will be replied to by the company suitably by email.
8. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.
9. Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.
10. If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL/MOBILE NO. ARE NOT REGISTERED WITH THE COMPANY/DEPOSITORIES.

1. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to Company/RTA email id.
2. For Demat shareholders -, Please update your email id & mobile no. with your respective Depository Participant (DP)
3. For Individual Demat shareholders – Please update your email id & mobile no. with your respective Depository Participant (DP) which is mandatory while e-Voting & joining virtual meetings through Depository.

If you have any queries or issues regarding attending AGM & e-Voting from the CDSL e-Voting System, you can write an email to helpdesk.evoting@cdslindia.com or contact at +91-22- 23058738 and +91-22-23058542/43.

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Sr. Manager, (CDSL,) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call on +91-22-23058542 / 43.

20. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "remote e-voting" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
21. The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
22. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.tanfacs.com and on the website of CDSL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai.

By Order of the Board
For TANFAC INDUSTRIES LIMITED

ARCHANA.T
COMPANY SECRETARY

Place : Cuddalore
Date : 13.08.2021

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013

In conformity with the provisions of Section 102 of the Companies Act, 2013, the following Explanatory Statements set out all material facts relating to Items 3 to 5 mentioned in the accompanying Notice.

ITEM NO. 3

In terms of the provisions of Section 139 of Companies Act, 2013 (the "Act"), no listed company can appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. The Act further prescribes that the Company has to comply with these provisions within three years from the commencement of the Act.

M/s. Khimji Kunverji & Co., Chartered Accountants, Mumbai (Firm Registration No.105146W) were initially appointed as Statutory Auditor of the Company by the members at the 37th AGM of the Company held on 6th August 2011 and were re-appointed for further term of five years in the 42nd AGM of the Company held on 28th September 2016 to hold office till the conclusion of 47th AGM of the Company. M/s. Khimji Kunverji & Co., have been in office for more than 10 years and in compliance with the provisions of the Act, the Company will have to appoint a new auditor in their place at the conclusion of this AGM (47th AGM).

The Board of Directors have, at their meeting held on 7th May 2021, recommended the appointment of M/s. Singhi & Co., Chartered Accountants, Calcutta (Firm Registration No.302049E) as the Statutory Auditor of the Company in place of M/s. Khimji Kunverji & Co., Mumbai to hold office from the conclusion of this AGM (47th AGM) until the conclusion of the 52nd AGM of the Company. M/S Singhi & Co., has confirmed their eligibility to be appointed in accordance with the provisions of the Act and Rules made thereunder. M/S Singhi & Co., registered with the Institute of Chartered

Accountants of India ("ICAI"), was established in 1940 and is led by 24 partners. The firm provides a range of services, including audit and assurance, taxation, advisory and accounting. The firm has significant experience in providing auditing, taxation and advisory services to leading banks and corporates in the manufacturing, services and financial services sectors.

None of the Directors, Key Managerial Personnel and their relatives are, in any way, concerned or interested in the said resolutions. The resolutions as set out in Item No. 3 of this Notice is accordingly recommended for your approval.

ITEM NO. 4

On the recommendation of the Audit Committee, the Board of Directors of the Company at their meeting held on 7th May, 2021, had appointed Mr. N. Krishna Kumar, Cost Accountant (Membership No.27885), as the Cost Auditor of the Company for the Financial Year 2021-22 at a remuneration of ₹60,000/- (Rupees Sixty Thousand only) besides out of pocket expenses, if any, at actual.

As per Section 148 of The Companies Act, 2013 and applicable rules thereunder, the remuneration payable to the Cost Auditor is to be ratified by the Members of the Company at their Annual General Meeting. The Board recommends the Ordinary Resolution as set out in Item No.4 of the Notice for approval by the Members.

None of the Directors, Key Managerial Personnel OR their relatives are in any way interested in the said resolution of the Notice.

ITEM NO. 5:

Based on the recommendations of the Nomination, Remuneration and Committee, the Board of Directors of the Company, in their meeting held on 13th August 2021, have appointed Mrs. R. Lilly (DIN: 03287345) as an Additional Director under section 161 of the Companies Act,

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

2013 with effect from 13th August 2021 subject to consent by the Members of the Company at the ensuing Annual General Meeting and holds the office up to the date of ensuing Annual General Meeting of the Company. The Board has also appointed her as the Chairperson of the Board in the same meeting. As required under Section 160 of the Companies Act 2013, the Company have received notice from a member signifying his intention to propose Mrs. R.Lilly, IAS as a candidate for the office of the Director of the Company. The brief profile of Mrs. R.Lilly is given in the annexure and forms part of this Notice.

Having regard to her qualifications, knowledge and experience, the appointment of Mrs. R.Lilly will be in the interest of the Company. The Board recommends the Resolution as set out in Item No. 5 of the Notice for approval of the members.

A copy of the draft Letter of Appointment, setting

out the terms and conditions of appointment of Mrs. R.Lilly as Non-Executive Non-Independent Director shall be open for inspection by the Members at the Registered Office (except Saturdays, Sundays and Public Holidays) between 11.00 a.m. and 1.00 p.m. up to the date of this Annual General Meeting and is also available on the website of the Company www.tanfac.com.

None of the Directors, Key Managerial Personnel and/or their relatives, except Mrs. R.Lilly is concerned or interested in the Resolution.

The Board recommends the ORDINARY Resolution as set out in item No. 5 of the Notice for approval by the Members.

None of the Directors, Key Managerial Personnel OR their relatives other than Mrs.R.Lilly are in any way interested in the said resolution of the Notice.

By Order of the Board
For TANFAC INDUSTRIES LIMITED

ARCHANA.T
COMPANY SECRETARY

Place : Cuddalore
Date : 13.08.2021

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

Particulars of the Director seeking re-appointment pursuant to Regulation 36(3) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and Secretarial Standards - 2 (SS-2).

| | |
|---|---|
| Name | Mr. Kalyan Ram Madabhushi (DIN: 08116290) |
| Age | 53 years |
| Date of Appointment / Re-appointment | 22 nd May 2019 |
| Brief Resume - Qualification | BE (MECH), MBA., |
| Expertise in Specific Functional Areas | <p>Mr.Kalyan Ram Madabhushi is a Techno – Commercial person with a Bachelor’s degree in Mechanical Engineering from NIT, Warangal and an MBA specialized in International Business from Indian Institute of Foreign Trade. He had completed executive leadership learning at IMD Switzerland and University of Oxford.</p> <p>He is currently COO – Pulp and Fibre Business, Aditya Birla Group with additional responsibility for Fertilizers and Insulators Business as Group Business Head.</p> <p>He is a senior Business Leader with more than 25 years' experience in Energy and Chemicals Industry with expertise in Transformation/Change, P & L responsibility at Global & Regional Level, Portfolio M&A deal making & Board I JV governance</p> |
| Other Directorships in Listed Companies | Nil |
| Memberships / Chairmanships of Committees in Listed Companies | Nil |
| Disclosure of relationship | He is not related to any of the Director or Key Managerial Personnel of the Company |
| Shareholding in the Company | Nil |
| Number of Board Meetings Attended | 5 |

Note: Pursuant to SEBI (LODR) Regulations, 2016, only two Committees viz., Audit Committee and Stakeholders’ Relationship Committee are considered.

Place: Mumbai

Dated: 13th August 2021

By Order of the Board

Archana.T

Company Secretary

Regd. Office:

14, SIPCOT Industrial Complex,
Kudikadu, Cuddalore 607 005.

Tel: +91-4142-239001 Fax: +91-4142-239005

NOTICE OF THE FORTY SEVENTH ANNUAL GENERAL MEETING

Particulars of the Director seeking re-appointment pursuant to Regulation 36(3) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and Secretarial Standards - 2 (SS-2).

| | |
|---|---|
| Name | Mrs. R. Lilly (DIN: 03287345) |
| Age | 48 years |
| Date of Appointment/ Re-appointment | 13 th August 2021 (subject to members' approval in the AGM) |
| Brief Resume - Qualification | M.Sc., (Botany), IAS., |
| Expertise in Specific Functional Areas | Mrs.R.Lilly, presently Special Secretary, Industrial Department, Government of Tamil Nadu, is a 2005 Batch IAS Officer. She has held many key positions in various departments of Government of Tamil Nadu. Has one and a half decades of wide experience in public administration. |
| Other Directorships in Listed Companies | NIL |
| Memberships / Chairmanships of Committees in Listed Companies | Committee Membership: Nil Committee Chairmanship: Nil |
| Disclosure of relationship | She is not related to any of the Director or Key Managerial Personnel of the Company |
| Shareholding in the Company | Nil |
| Number of Board Meetings Attended | N.A |

Note: Pursuant to SEBI (LODR) Regulations, 2016, only two Committees viz., Audit Committee and Stakeholders' Relationship Committee are considered.

Place: Mumbai
Dated: 13th August 2021

By Order of the Board
Archana.T
Company Secretary

Regd. Office:
14, SIPCOT Industrial Complex,
Kudikadu, Cuddalore 607 005.
Tel: +91-4142-239001 Fax: +91-4142-239005

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE REVIEW:

(₹ in Crores)

| Particulars | Financial Year 2020 - 21 | Financial Year 2019 - 20 |
|--|-----------------------------|-----------------------------|
| Sales | 147.90 | 164.80 |
| Other Income (including operating income) | 1.37 | 1.16 |
| Operating Expenditure | 115.22 | 138.86 |
| Earnings before Depreciation, Finance Cost and Taxation (EBIDTA) | 34.05 | 27.10 |
| Finance Cost | 0.52 | 0.84 |
| Depreciation/Impairment/Amortisation | 8.47 | 4.64 |
| Profit before Tax (PBT) | 25.06 | 21.62 |
| Current Tax / Deferred Tax | 7.59 | 4.65 |
| Profit after Tax (PAT) | 17.47 | 16.97 |
| Other Comprehensive Income / (Loss) | 0.57 | 0.31 |
| Total Comprehensive Income | 18.04 | 17.28 |

INDUSTRY STRUCTURE AND DEVELOPMENTS:

MACRA ECONOMY AND INDUSTRY UPDATES:

The onset of the COVID-19 pandemic brought economic activities to a near standstill at the beginning of FY 2020-21 as a nationwide lockdown was imposed to contain the virus spread. As a result, India's GDP contracted by 23.4% in Q1 FY 2020-21. However, with the gradual unlocking in June 2020, the economy recorded a sharp rebound, fuelled by the synchronised relief and revival measures undertaken by the Central Government and the RBI. The counter measures resulted in a cumulative stimulus of ~₹20 lakh Crore (~10% of the GDP) with a clarion call to make India self-reliant under the Aatmanirbhar Bharat Abhiyan.

With the release of significant pent-up demand alongside festive demand gaining traction, the second half witnessed a return to growth, with GDP contraction for the full year coming in at 7.3%, much better than the double-digit de-growth estimated earlier. The mega infrastructure push through the C110 trillion National Infrastructure Pipeline (NIP) and the C5 trillion infra outlay in the

Union Budget 2021-22 lifted market sentiments and enabled fixed capital formation.

The Production-Linked Incentive (PLI) scheme aimed to uplift MSMEs and enhance manufacturing GVA from the current 16.5% is likely to unlock ~\$520 billion in the country's output in the medium term. Further, India is being increasingly seen as a viable alternative sourcing destination by MNCs adopting a 'China + 1' to de-risk their supply chain.

However, the more intense second wave of COVID-19 hit India hard at the end of FY 2020-21, necessitating the imposition of new localised lockdowns. That said, with mass vaccination underway in full steam and the element of surprise being minimal, we believe the economy is now much better placed to absorb external shocks than it was a year earlier.

CHEMICAL INDUSTRY & FLUOROchemicals

Chemical companies across the world continue to face challenges in a hypercompetitive world. According to Excellence in Chemical Logistics report, there is significant opportunity to deliver value through supply chain particularly

MANAGEMENT DISCUSSION AND ANALYSIS

in the aftermath of worldwide lockdown due to pandemic. Recent serious incidents in Petrochemical and chemical processing industries call for significant investments and spends towards strengthening safety and sustainability. *(source: manufacturingchemist.com & PWC Research publication)*

Global Fluorochemical market is estimated around 5 million tonnes in 2020 (US\$ 20 billion) and expected to grow at a CAGR of 3.5% and reach USD 26 billion by 2026. Asia Pacific accounted for significant share of the global market and expected to reach USD 4 billion by 2026. The growing industrialisation in emerging economies like China, India and South East Asian countries will continue to increase demand for refrigerants. The rapidly growing demand of air-conditioning and refrigeration systems in the domestic and industrial sectors is expected to drive the growth for fluorochemicals. *(sources: globalnewswire, GM insights and Business Wire, Ken Research)*

Due to pandemic, the demand for fluorochemical in health care sectors have increased during the year and with significant spend in R&D, it is expected use of fluorine compound in the manufacture of pharma products will increase in future. Added to this the growing preference for electric vehicles will also drive the demand for fluorochemicals. However, the industry will face challenges like increased regulatory restrictions from the Governments, environment scrutiny due to growing environment concerns, etc., China is one of the largest Fluorine producing and consuming countries in the world and the market size is expected to grow to USD 5 billion by 2026. Auto industry is expected to make a strong comeback worldwide with the impending launch of electric vehicles which will strengthen demand of fluorochemicals in the production of aluminium and electric components *(sources: 100ppi.com; Business Wire)*

Indian Chemical industry, 6th largest in the world, is expected to contribute around 7% of India's GDP. Specialty chemicals alone constitutes 45% of the Indian Chemical Market and expected to grow at CAGR 10% till 2025 from the current level of USD 30 billion.

In India the market growth of fluorochemicals is driven by downstream sectors like Automobile, Air Conditioning, Refrigeration, Construction, Cold Storage and Pharma / Life Science segments. Life Science segment has emerged one of the key drivers over the years. India is expected to become 4th largest chemical producer in the world by 2030, benefitting from rising export opportunities, stability of prices, faster end user industry growth and low penetration of specialty chemicals. *(source: economic times, economist)*

BUSINESS PERFORMANCE

During the year under review, your Company undertook various initiatives to support the country in its fight against the pandemic. Your Company was able to seize the opportunity that emerge and cater to the demand of the various customers and stakeholders. All this has resulted in your Company emerging stronger and well prepared in the wake of the ongoing pandemic.

Your Company had registered good performance despite disruptions due to countrywide lockdown imposed during first quarter and registered higher EBIDTA and Net Profit compared to previous financial year. Though the manufacturing activities and supply chain were disrupted due to lockdown, the Company recovered quickly and restarted its operations during second week of April. Though the Company's sales performance had decreased by 10% due to reduction in sale of HF and drop in sales price of Sulphuric Acid, due to spurt in the volume and realization of one of its Value-Added Products (VAP), Earnings before Depreciation, Interest and Tax (EBDITA) had gone up by 25% compared to previous year. Apart from VAP, in-house optimization of process

MANAGEMENT DISCUSSION AND ANALYSIS

through innovation and product / customer mix along with the ongoing initiatives taken by the company as detailed below during the last few years have resulted in significant improvement in the overall operations of the company:

- Recalibrated business strategy by diversifying to niche product & segments.
- Continuous focus on downstream Value-Added Products (VAP). Strongly positioned in a niche segment of DHF as a prime mover.
- Continuous focus on in-house process optimization through innovation and cost reduction.
- Man power optimization.
- Alternate global sourcing of Fluorspar to avoid dependency on China.
- Long term tie-up with a key refinery for supply of Molten Sulphur with a win-win deal.
- Negotiation with key raw material suppliers for reduction in prices compared to international price.
- Thrust on Working Capital and Cash Management.

Your Company is closely monitoring the impact of the second wave of the pandemic on its operations while giving primacy to the safety and well-being of its employees and business partners. It has also undertaken a vaccination programme for all its employees and their dependents (including contract manpower). With its focus on operational efficiencies, cash management & cost control and its continued concerns for its employees and other stakeholders, your Company is better prepared for any impending slowdown in the economy.

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE:

The Company operates in a single segment i.e., Fluro-chemicals in India and all other activities

revolve around the same. Hence, segment-wise or product-wise performance is not applicable.

SALES VOLUME AND REVENUE:

Sales Turnover was lower by 10%, at ₹147.90 crores, against ₹164.80 crores in the previous year. However, due to continuous focus on improving the VAP performance, share of VAP to total turnover had increased to 38% during the year compared to 15% in the previous year.

Export turnover was lower by 20% at ₹11.17 crores against ₹13.94 crores in the previous year.

EARNINGS BEFORE DEPRECIATION, FINANCE COST AND TAXATION (EBIDTA):

Earnings before Depreciation, Finance Cost and Taxation had increased by 26% at ₹34.05 Crores during the year, compared to ₹27.10 Crores in the corresponding period of the previous year. Reasons for significant improvement in profitability despite disruption due to pandemic have been explained in the preceding paragraphs.

DEPRECIATION / AMORTISATION:

Depreciation during the year was ₹8.47 Crores as against ₹4.64 Crores in the previous year. During the year the Company had reassessed the useful life of some of its main assets and made additional depreciation provision of ₹3.36 Crores.

FINANCE COST:

Finance cost, including forex cover charges on foreign exchange borrowings was reduced to ₹0.52 Crores from ₹0.84 Crores in the previous year due to optimization of finance cost. With continued thrust on effective working capital and cash management, the Company's cash surplus for future growth had significantly increased to ₹27.72 Crores after achieving debt free status during the previous year.

PUBLIC DEPOSITS:

The Company does not accept any fixed deposits from the public falling under Section 73 of the

MANAGEMENT DISCUSSION AND ANALYSIS

Companies Act, 2013 ("the Act") and the Companies (Acceptance of Deposits) Rules, 2014.

CREDIT RATING:

Despite pandemic, ICRA and Acuite Ratings have reaffirmed the credit rating of ICRA BBB+ (Stable) and ACUITE BBB+ (Stable) for Long Term and ICRA A2 and ACUITE A2 for Short Term respectively based on improved operating performances and strong Balance Sheet.

INCOME TAX

In line with increased profitability, the Company has accounted for tax provision of ₹8.66 crores (previous year ₹5.60). During the year the Company has reversed Deferred Tax provision of ₹1.07 crores (previous year provision of ₹0.95 crores).

OTHER COMPREHENSIVE INCOME / (EXPENSES)

Other Comprehensive Income / (Expenses) was ₹0.57 crores during the year against ₹0.31 crores during previous year. Please refer Note No. 27 of Notes to the Financial Statement for further details.

TOTAL COMPREHENSIVE INCOME

Total comprehensive Income for the year was higher at ₹18.04 crores during the year against ₹17.28 crores during previous year.

OTHER EQUITY

With the help of good performances during the year, the Company's Other Equity had further increased to ₹73.26 crores from ₹55.22 crores at the end of previous financial year. Please refer to the Statement of Change in Equity and Note No. 13 of Notes to the Financial Statement for further details.

CASH FROM OPERATIONS

Cash from operations was higher at ₹37.21 crores compared to ₹21.81 crores during previous year

due to improved profitability and better working capital management.

BORROWINGS AND NET DEBT:

The Company had achieved debt free status during the previous financial year and increased its cash surplus for future growth to ₹27.72 crores compared to net debt of ₹0.40 crores in previous year by judiciously using its operational cash flow.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM:

Risk is an integral & unavoidable component of business. Given the challenging and dynamic environment in which the Company operates, your Company is committed to proactively manage risk in accomplishing its vision and goals. Though risk cannot be eliminated, an effective risk management program ensures that risks are reduced, avoided, mitigated or shared. In line with this, your Company has constituted a Risk Management Committee consisting of its senior employees. The company defined the roles and responsibilities of the committee and laid down the procedure to assess the risk and minimization procedures. The risk management includes identifying types of risks and its assessment, risk handling and monitoring and reporting. Needless to mention, with the challenges presented by the COVID-19 outbreak, pandemic and epidemic related business risks have also been identified by your Company.

The details of risk management process, assessment and identification and mitigation action plan prepared in line with The Companies Act, 2013, were reviewed by the Audit Committee of the Board of Directors of the Company on a quarterly basis.

The Internal control systems of the Company comprising of policies and procedures adopted to ensure the orderly and efficient conduct of its business, including adherence to the Company's

MANAGEMENT DISCUSSION AND ANALYSIS

Policies, the safeguarding of its assets, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

OPERATIONAL RISK:

- (a) Your Company's most significant exposure relates to the US Dollar, since the prices of key raw materials – Fluorspar, Sulphur and Potassium Carbonate are impacted by the movement of US Dollar. Fluorspar and Potassium Carbonate are imported. High dependence on China for Fluorspar which is promoting export of more value-added products puts pressure on the availability and margins

Mitigation: The Company has expanded vendor base of Chinese origin and developed sources from other geographies, cemented relationship with these sources and successfully avoided dependency on Chinese origin. The company is continuously exploring other options to sustain this.

- (b) Volatility in HF Demand for conventional application and downward trend in end users' segment.

Mitigation: Focus on specialty grade HF and Value Added Products (VAPs). Retain existing customers through competitive pricing. Expand market of HF in Asia Pacific markets and increase export volumes. Continue thrust on expanding VAP share.

- (c) Drop in Sulphuric Acid price and volatility in Sulphur price

Mitigation: Work on alternate downstream products. Reduce cost of production through process improvement and innovation.

STATUTORY COMPLIANCE RISK: This comprises the risk if your Company is found to have inadvertently violated laws covering business conduct. The country's regulatory framework is

ever-evolving and the risk of non-compliance and penalties may increase for the Company leading to financial and reputational risks.

Mitigation: A comprehensive risk-based compliance programme including training and adherence to the Code of Conduct is institutionalized. Your Company encourages its employees to rely & seek professional guidance & opinion to discuss the impact of any changes in laws to ensure total compliance. Periodic reporting to the internal committees on any legal aspects and quarterly reporting to the Board on Statutory compliance ensures effectiveness of the programme.

ENVIRONMENT: This comprises risks associated with environmental pollution through the discharge of waste and emissions which may cause damage to the local environment.

Mitigation: As enumerated in Board's Report your Company has undertaken various initiatives towards de-risk and environment protection. Your Company ensures stringent implementation of Safety and Environment Protection measures and the Board has mandated accordingly. Your Company has also adopted measures such as rainwater harvesting and water recharge that help it overcome challenges related to water availability. Your company continues to maintain green belt within and outside the factory premises.

CLIMATE & SUSTAINABILITY: This comprises sustainability related climate change risks.

Mitigation: Opportunities are assessed in line with Company's risk management policy and have been integrated in its multi-disciplinary Risk Management Framework classified as energy, emissions and water besides other issues. Prioritized climate risks are managed through internal committees and with the help of Sustainability Cell of Aditya Birla Group.

ECONOMIC RISK: Economic slowdown particularly due to COVID – 19 lockdown and

MANAGEMENT DISCUSSION AND ANALYSIS

disruption may affect the performance of the Company resulting in downward trend in sales volume and growth.

Mitigation: The Company is continuously focussing on expanding and increasing share of its VAPs in line with market demand. Company also has made a comprehensive Business Continuity Plan (BCP) for the next financial year which focuses on cost and cash optimization. The BCP is being monitored continuously as the situation evolves.

ATTRITION RISK: Employee attrition may affect the day to day operations / performance of the Company.

Mitigation: To retain talent, the Company has instituted suitable reward mechanism and provide additional specialised training to its employees. New ideas / Kaizen given by the employees are well appreciated and suitably rewarded.

FOREIGN EXCHANGE RISK:

The prices of key of raw materials are influenced significantly by fluctuating global economic conditions, and this significantly impacts the Company's margins and cash flows.

Mitigation: The Company has a well-defined Hedging Policy and hedges its net foreign exchange risk adequately as per the policy.

CREDIT RISK:

Excess credit facility to customers particularly aftermath of COVID-19 pandemic and higher inventory may affect the Company's overall performance.

Mitigation: By reviewing the credit policy and credit limits of customers, the credit limit facility is being continuously managed prudently. Inventory and advances are continuously monitored and maintained at the desired level balancing the dynamics of price movements and supply chain situation. Collections from customers are being monitored everyday by the senior management.

INFORMATION TECHNOLOGY RISKS:

This comprises risks related to Information Technology (IT) systems, - data integrity and physical assets. Your Company deploys IT systems including ERP to support its business processes, communications and operations. Risks could primarily arise from downtime, manipulation of information, data integrity and security.

Mitigation: Your Company uses backup procedures and stores information at different locations. Periodical upgradation of systems with the latest security standards are ensured. For critical applications, security policies and procedures are updated periodically and users are educated on adherence to the policies to eliminate data leakages.

PANDEMIC LINKED DISRUPTION IN GLOBAL MARKETS:

COVID-19 pandemic has caused huge impact on people's lives, families and communities. The pandemic presents a serious threat, impacting organisations in numerous ways, potentially limiting options around recovery particularly when other companies are also affected or challenged by logistical constraints. There are several associated risks like operations risks, supply chain risks, health & safety, etc.,

Mitigation: Your Company has assessed this risk as part of risk identification and mitigation process and is considering the impact thereof in all its business decisions. Your Company is also continuously updating and expanding its Crisis Management and Business Continuity Plan (BCP) with strong emphasis focussed on employees, customers, supply chain contacts, other stakeholders and business assets.

Your Board of Directors is optimistic about the continued improvement in the operational performance of the company in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPORTS:

Your Company endeavours to improve export revenue by expanding its customer base in new countries. Your Company is optimistic of further improving the exports in the coming years.

DOMESTIC MARKET:

Though there are challenges like volatility in raw material prices, tepid demand due to continued effect of pandemic & pressure on margins due to increased competition, your Company is optimistic of improving its domestic market in 2021- 22.

HUMAN CAPITAL

Amidst the raging pandemic, your Company's human resources have been the backbone for carrying on business through the period of disruption and also in ensuring the safety of the workforce & the community around its locations. Given the unprecedented situation, the entire Organization was in a state of readiness to operate remotely from home and all operations were carried out from stop to restart rapidly and safely.

The use of virtual medium was maximized through close online networking of teams and connect with trade partners, customers and suppliers. The Company continued to lay emphasis on development of talent within and strengthening the core areas of expertise by enabling continuous learning, leveraging the digital platform. Formal digital platforms were launched to enable sharing of ideas and best practices across work levels which had helped to drive continuous improvement and innovation. Employees are proud to be part of your Company and are engaged to deliver high performance. Employees have also played voluntary role in community & social works. Your Company's Employee Engagement Score reflects high engagement and pride in being part of the organization. Your Company's employees take pride in actively participating in all the group level competitions organized by the Aditya Birla Group.

The Company continues to maintain a cordial and harmonious industrial relationship with its employees. The Company has 135 permanent employees as on 31st March, 2021.

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

TANFAC Industries Limited, a Joint Venture of the Aditya Birla Group (ABG) with Tamil Nadu Industrial Development Corporation Limited (TIDCO), believes in adopting the “best practices” that are followed in the area of corporate governance across various geographies and is committed to protecting and facilitating the exercise of shareholders’ rights, encouraging cooperation between the Company and the stakeholders, competing more effectively and building long-term value for its Shareholders on a continuous basis. Over the years we have strengthened/continued to strengthen its principles of transparency, fairness and accountability. Your Company is in compliance with provisions under The Companies Act, 2013 & Rules made thereunder and SEBI (LODR) Regulations, 2015.

The Company has adopted a Code of Conduct applicable to Board of Directors and Senior Management as stipulated under The Companies Act, 2013.

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

I. BOARD OF DIRECTORS

The Board of Directors is entrusted with the ultimate responsibility of the management, general affairs, direction and performance of the Company and has been vested with the requisite powers, authorities and duties.

Composition of the Board

TANFAC’s Board consists of seven members (Six Non-Executive Directors and the Managing Director) as on 31st March, 2021, who have varied experience in their respective areas. The Board has four Independent Directors, including a woman Director, who do not have business relationship with the Company. This is in conformity with Regulation 17 of SEBI (LODR) Regulations 2015 read with Section 149 of The Companies Act, 2013.

The Company has defined guidelines and an established framework for the meetings of the Board and Board Committees.

None of the Directors, including Independent Directors are holding Directorship and Chairman/Member in other Public Limited Companies in excess of limit prescribed under The Companies Act, 2013 and SEBI (LODR) Regulations, 2015. Other Directorships shall not consider holding Directorship in foreign companies.

The details of composition of the Board of Directors, category of Directors who have no relationship between inter se and their attendance in the Board meetings are as under.

REPORT ON CORPORATE GOVERNANCE

Composition and Directorship(s) / Committee Membership(s) / Chairmanship(s) as on 31st March, 2021:

| Name of Director | Directors Identification No. | Category / Representing | Directorship held in other Companies | | Membership in other Companies' Board Committees | Chairmanship in other Companies' Board Committees |
|---------------------------------|------------------------------|-----------------------------|--------------------------------------|---------|---|---|
| | | | Public | Private | | |
| Mr. Kalyan Ram Madabhushi | 08116290 | Non-Executive – Promoter | 4 | 2 | - | - |
| Mr. R. Karthikeyan | 00824621 | Non-Executive – Promoter | 8 | 1 | 3 | - |
| Mr. V.T. Moorthy | 00007648 | Independent – Non Executive | - | - | - | - |
| Mr. M.R. Sivaraman, IAS (Retd.) | 00020075 | Independent – Non Executive | 1 | 1 | 1 | - |
| Dr. Shankar Narasimhan | 01484214 | Independent – Non Executive | - | 3 | - | - |
| Mrs. R. Rajalakshmi | 01985132 | Independent – Non Executive | 1 | 1 | - | - |
| Mr. K.Sendhil Naathan* | 08850046 | Managing Director | - | - | - | - |

* Effective from 27th August, 2020

Board / General Meeting attendance details of Directors for the year 2020 – 21 :

| Name of Director | Category / Representing | No. Of Board Meeting Held (2020-21) | Nos. Attended | Whether attended last AGM held on 28.09.2020 |
|---------------------------------|-----------------------------|-------------------------------------|---------------|--|
| Mr. Kalyan Ram Madabhushi | Non-Executive – Promoter | 5 | 5 | Y |
| Mr. R. Karthikeyan | Non-Executive – Promoter | 5 | 4 | Y |
| Mr. V.T. Moorthy | Independent – Non Executive | 5 | 5 | Y |
| Mr. M.R. Sivaraman, IAS (Retd.) | Independent – Non Executive | 5 | 5 | Y |
| Dr. Shankar Narasimhan | Independent – Non Executive | 5 | 5 | Y |
| Mrs. R. Rajalakshmi | Independent – Non Executive | 5 | 4 | Y |
| Mr. K.Sendhil Naathan* | Managing Director | 2 | 2 | Y |

Y = YES; N = NO

*with effective from 27th August, 2020

Notes:

During the year 2020-21, five Board meetings were held and the gap between two meetings did not exceed the maximum days prescribed under 173(1) of The Companies Act, 2013. The dates of Board meetings were 23.06.2020, 07.08.2020, 27.08.2020, 10.11.2020 and 10.02.2021 and necessary quorum was present at all the Board Meetings.

REPORT ON CORPORATE GOVERNANCE

The terms and conditions of appointment of the Independent Directors and the details of their familiarisation programme are available on the Company's website, viz., www.tanfac.com.

None of the directors are holding any Equity Shares in the Company.

Changes in composition of the Board after 31st March 2021:

The Board has appointed Mrs. R.Lilly, IAS., as Additional and Non-Executive / Non Independent Director of the Company from 13th August 2021 and also the Chairperson of the Board subject to members' approval in the ensuing General Meeting of the Company. Her appointment is proposed as an item in the Notice to the ensuing Annual General Meeting.

The Board had passed requisite resolutions and has made necessary disclosures to Stock Exchange as per SEBI (LODR) regulations 2015.

Even after these changes in the composition, the Company conforms with Regulation 17 of SEBI (LODR) Regulations 2015 read with Section 149 of The Companies Act, 2013.

II. COMMITTEES OF THE BOARD

AUDIT COMMITTEE:

The Company has an Audit Committee with Six Non-Executive Directors, including four Independent Directors as per the terms of reference contained in the provisions of Regulation 18 of SEBI (LODR) Regulations, 2015 read with the Section 177 of the Companies Act, 2013 of the listing.

The role of the Audit Committee will be in accordance with Section 177 and other applicable provisions of The Companies Act, 2013 and Rules framed thereunder the provision contained in Part C Schedule II of SEBI (LODR) Regulations, 2015 read with the Listing Agreement.

The Members of Audit Committee chart, monitor and provide effective supervision of the Management's handling of finances, stocks, loans and advances and the financial reporting process, with a view to ensuring effective and efficient financial control. The Committee reports to the Board. The Audit Committee invites the Chief Financial Officer (CFO) key Functional Heads, representatives of Statutory Auditors and Internal Auditors to be present at its meeting. The Company Secretary acts as the Secretary to the Audit Committee. All the members of the Committee have financial literacy, with relevant experience. The Chairman of the Audit Committee, has rich experience and expertise in accounting and financial management.

The details of meetings attended by the Members of the Audit Committee are as under:

REPORT ON CORPORATE GOVERNANCE

| Name of Director | Category / Representing | No. of Meeting held during the financial year 2020-21 | |
|---------------------------------|-----------------------------|---|----------|
| | | Held | Attended |
| Mr. R. Karthikeyan | Non-Executive – Promoter | 5 | 4 |
| Mr. Kalyanram Madabhushi | Non-Executive – Promoter | 5 | 5 |
| Mr. V.T. Moorthy | Independent – Non Executive | 5 | 5 |
| Mr. M.R. Sivaraman, IAS (Retd.) | Independent – Non Executive | 5 | 5 |
| Dr. Shankar Narasimhan | Independent – Non Executive | 5 | 5 |
| Mrs. R. Rajalakshmi* | Independent – Non Executive | 2 | 2 |

*Effective from 03rd December, 2020

During the year 2020-21, five Audit Committee meetings were held and the gap between two meetings did not exceed one hundred and twenty days. The Audit Committee meetings were held on 23.06.2020, 07.08.2020, 10.11.2020, 03.12.2020 and 10.02.2021 and necessary quorum was present at all the Meetings.

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

NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee has been constituted pursuant to Section 178(1) of The Companies Act, 2013, read with the provision contained under Regulation 19 of SEBI (LODR) Regulations, 2015, read with Listing Agreement.

The role of the Nomination and Remuneration Committee is in accordance with the provision contained in Part D Schedule II of SEBI (LODR) Regulations, 2015 read with the Listing Agreement, which includes -

- Recommend to the Board the composition of the Board and its Committees, including the “formulation of criteria for evaluation of Independent Directors.
- Recommend to the Board the appointment or reappointment of Directors / Key Managerial Personnel.

The composition of the Committee consists of the following three Non-Executive Directors (including two Independent Directors):

1. Mr. V.T.Moorthy, Chairman
2. Mr. Kalyanram Madabhushi
3. Mr. M.R. Sivaraman, IAS (Retd.)

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE:

The Corporate Social Responsibility Committee (“CSR Committee”) is constituted in line with the provisions of Section 135 of the Act, read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 & provision contained under Regulation 19 of SEBI (LODR) Regulations, 2015, read with Listing Agreement. On the recommendation of the CSR Committee, the Board of Directors have approved the CSR policy which is available on the Company’s website link [TANFAC-CSR-Policy.pdf](#).

REPORT ON CORPORATE GOVERNANCE

The CSR Committee recommends to the Board the activities to be undertaken during the year and the amount to be spent on these activities.

The composition of the Committee consists of the following four Non-Executive Directors (including three Independent Directors):

1. Mr. V.T.Moorthy, Chairman
2. Mr.M.R.Sivaraman, IAS (Retd)
3. Mr.R.Karthikeyan
4. Mrs. R.Rajalakshmi

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

During the year one meeting of the Committee was held on 27.08.2020 and necessary quorum was present at the Meetings. Please refer Annexure D to Board's Report for detailed report on CSR activities during the year 2020-21.

REMUNERATION POLICY:

The Board of Directors has been paid sitting fee for attending the Board Meeting and Board Committee Meetings, viz. Audit Committee and Stakeholders Relationship Committee. No other remuneration is paid to the Directors.

The Company has adopted a remuneration policy as applicable across Aditya Birla Group Companies for its Senior Management and its other employees in line with the Company's HR policy.

Details of Remuneration to Board of Directors:

(₹ in Lakhs)

| Name of Director | Relationship with other Directors | Business relationship with the Company if any | Remuneration paid during 2020 - 2021 | | | |
|---------------------------------|-----------------------------------|---|--------------------------------------|------------------|------------|--------|
| | | | Sitting fees* | Salary and Perks | Commission | Total |
| Mr. Kalyan Ram Madabhushi | Non-Executive | NIL | - | - | - | - |
| Mr. V.T. Moorthy | Non-Executive-Independent | NIL | 2.40 | - | - | 2.40 |
| Mr. R. Karthikeyan # | Non-Executive | NIL | 1.90 | - | - | 1.90 |
| Mr. M.R. Sivaraman, IAS (Retd.) | Non-Executive-Independent | NIL | 2.40 | - | - | 2.40 |
| Dr. Shankar Narasimhan | Non-Executive-Independent | NIL | 1.80 | - | - | 1.80 |
| Mrs. R. Rajalakshmi | Non-Executive-Independent | NIL | 1.20 | - | - | 1.20 |
| Mr. K. Sendhil Naathan | Managing Director | NIL | - | 99.62 | - | 99.62 |
| Total | | | 9.70 | 99.62 | | 109.32 |

*includes sitting fee paid for Board Committee Meetings.

paid to Tamil Nadu Industrial Development Corporation Limited,

REPORT ON CORPORATE GOVERNANCE

STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Stakeholders' Relationship Committee has been constituted pursuant to Section 178(5) of The Companies Act, 2013, read with the provision contained under Regulation 20 of SEBI (LODR) Regulations, 2015, read with listing agreement.

The Stakeholders Relationship Committee is empowered to perform all the functions of the Board in relation to the handling of investors' grievances.

The primary focus of Stakeholders Relationship Committee includes –

- to address the grievances of security holders of the Company with regard to transfer of shares, transmission of shares, non-receipt of annual report, non-receipt of declared dividend, etc;
- to consider and approve issue of share certificates (including issue of renewed/duplicate share certificates).
- to ensure expeditious share transfer process through the Registrar and share Transfer Agent.
- to evaluate performance and service standards of the Registrar and Share Transfer Agent of the Company.

The Committee comprises of the following directors:

1. Mr. M.R. Sivaraman, IAS (Retd.), Chairman
2. Mr. V.T. Moorthy
3. Mr. R. Karthikeyan

During the year, the Stakeholders Relationship Committee met four times on 23.06.2020, 07.08.2020, 10.11.2020 and 10.02.2021 and necessary quorum was present at all the Meetings.

The details of attendance by the Committee Members are as follows:

| Name of Member | No. of Meetings | |
|---------------------------------|-----------------|----------|
| | Held | Attended |
| Mr. M.R. Sivaraman, IAS (Retd.) | 4 | 4 |
| Mr. R. Karthikeyan | 4 | 3 |
| Mr. V.T. Moorthy | 4 | 4 |

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

As required under regulation 13(3) of SEBI (LODR) Regulations, 2015, read with the listing agreement, the Company has filed status of investor complaints on a quarterly basis with BSE Limited.

REPORT ON CORPORATE GOVERNANCE

GENERAL BODY MEETINGS

Location and time, where last three Annual General Meetings (AGMs) were held:

| YEAR | TYPE | Location | Date and Time | Details of Special Resolution |
|-----------|--------|----------------------------------|------------------------|-------------------------------|
| 2019 - 20 | A.G.M. | Registered Office at- Plot No.14 | 28.09.2020/ 11.30 A.M. | 1 |
| 2018 - 19 | A.G.M. | SIPCOT Industrial Complex, | 21.09.2019/ 11.30 A.M. | 4 |
| 2017 - 18 | A.G.M. | Kudikadu, Cuddalore – 607 005 | 25.09.2018/ 11.30 A.M. | 1 |

The Company had not passed any special resolution applicable through postal ballot during the last financial year 2020-21. No special resolution is proposed to be passed through postal ballot at the ensuing Annual General Meeting.

Annual General Meeting for the Financial Year 2020 - 2021:

| | | |
|------------------------|---|---|
| Date and Time | : | 28.09.2021; 11.30 AM. |
| Venue | : | Registered Office at – Plot No.14, Industrial Complex, Kudikadu, Cuddalore – 607 005 TAMIL NADU |
| Period of Book Closure | : | 22.09.2021 to 28.09.2021 (both days inclusive) |

MEANS OF COMMUNICATION:

| | | |
|---|-----|--|
| Quarterly results – Which newspapers normally published in | ... | BUSINESS STANDARD / MAKKAL KURAL (REGIONAL LANGUAGE) |
| Any Web site, where displayed | ... | Information with regard to Quarterly Unaudited / Annual Audited Results, Shareholding pattern, Annual Reports can be accessed from - BSE Limited website www.bseindia.com , where your Company shares are listed and your Company's website www.tanfac.com |
| Whether it also displays official news releases | .. | -NO - |
| Presentation made to Institutional Investors or to the analysts | ... | -NO - |

GENERAL SHAREHOLDER INFORMATION:

| | | |
|--|-----|--|
| A.G.M., Date, Time and Venue | ... | 28.09.2021 (11.30 AM) Tuesday at the Registered Office of the Company at - 14 SIPCOT Industrial Complex, Kudikadu, Cuddalore – 607 005, TAMIL NADU |
| Financial Year | ... | 1 st April to 31 st March |
| Dividend Payment Date | ... | Not Applicable. Payment of dividend has not been recommended by the Board for the financial year 2020-21. |
| Date of Book Closure | ... | 22.09.2021 (Wednesday) to 28.09.2021 (Tuesday), both days inclusive. |
| Name and address Stock Exchange at which the Company's securities are listed | ... | BSE Limited Phiroze Jeejeebhoy Towers 25 th Floor, Dalal Street MUMBAI – 400 001. |
| Stock Code | ... | 506854 |
| Corporate Identity Number of the Company | ... | L24117TN1972PLC006271 |

REPORT ON CORPORATE GOVERNANCE

MARKET PRICE DATA (HIGH/LOW DURING EACH MONTH IN LAST FINANCIAL YEAR):

| MONTH | BSE LIMITED (BSE) SCRIP CODE : 506854 | |
|----------------|---------------------------------------|---------|
| | HIGH (₹) | LOW (₹) |
| APRIL 2020 | 142.60 | 76.00 |
| MAY 2020 | 161.00 | 120.10 |
| JUNE 2020 | 174.90 | 142.10 |
| JULY 2020 | 219.00 | 144.10 |
| AUGUST 2020 | 223.00 | 183.00 |
| SEPTEMBER 2020 | 203.60 | 162.20 |
| OCTOBER 2020 | 184.75 | 163.00 |
| NOVEMBER 2020 | 192.95 | 163.00 |
| DECEMBER 2020 | 194.85 | 165.00 |
| JANUARY 2021 | 238.80 | 181.00 |
| FEBRUARY 2021 | 310.00 | 178.00 |
| MARCH 2021 | 275.00 | 230.00 |

| | | | |
|--|-----|--------------------|---|
| Registrar and Transfer Agents (For share transfers and other communications relating to share certificates, and change of address etc.) | ... | PHYSICAL and DEMAT | Investors Services Department Integrated Registry Management Services P Ltd "Kences Towers" Second Floor No.1 Ramakrishna Street, North Usman Road, T.Nagar, Chennai – 600 017. TEL: +91-44-28140801 TO 8 FAX: +91-44-28142479/28143378 Email Id: corpserv@integratedindia.in |
| Share Transfer System | ... | | Share Transfers in physical form are registered and returned within 15 days. An officer of the Company is authorised by the Board to approve transfer of shares and the Share Transfer Committee of the Board meets at regular intervals to ratify such transfers. During the year, the company obtained half-yearly certificates for compliance with the share transfer formalities from a Company Secretary in Practice as required under 40(9) of SEBI (LODR) Regulation, 2015, read with the Listing Agreement and the same was filed with BSE Limited, where the Company's securities are listed. |

REPORT ON CORPORATE GOVERNANCE

DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2021

| Category of Shares | No.of Holders | % to Holders | No.of Shares | % to Shares |
|---------------------------------------|---------------|---------------|------------------|---------------|
| Up to 500 | 12,978 | 94.63 | 11,95,001 | 11.98 |
| 501 - 1000 | 380 | 2.77 | 3,02,505 | 3.03 |
| 1001 - 2000 | 183 | 1.33 | 2,68,231 | 2.69 |
| 2001 - 3000 | 65 | 0.47 | 1,64,172 | 1.65 |
| 3001 - 4000 | 35 | 0.26 | 1,22,627 | 1.23 |
| 4001 - 5000 | 15 | 0.11 | 71,848 | 0.72 |
| 5001 - 10000 | 35 | 0.26 | 2,62,816 | 2.63 |
| Above 100001 | 24 | 0.17 | 75,87,800 | 76.07 |
| Total | 13,715 | 100.00 | 99,75,000 | 100.00 |
| No.of Shareholders in physical mode | 3,723 | 27.15 | 3,05,980 | 3.06 |
| No.of Shareholders in electronic mode | 9,992 | 72.85 | 96,69,020 | 96.94 |
| TOTAL | 13,715 | 100.00 | 99,75,000 | 100.00 |

CATEGORIES OF SHAREHOLDING AS ON 31ST MARCH

| CATEGORY | 2021 | | 2020 | |
|---|-------------------|-----------------------|-------------------|-----------------------|
| | NO.OF SHARES HELD | % AGE OF SHAREHOLDING | NO.OF SHARES HELD | % AGE OF SHAREHOLDING |
| PROMOTERS/PROMOTERS GROUP | 50,84,802 | 50.98 | 50,84,802 | 50.98 |
| UTI AND MUTUAL FUNDS | 5,550 | 0.06 | 5,550 | 0.06 |
| BANKS, FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES | 700 | 0.01 | 700 | 0.01 |
| NON RESIDENT INDIANS (NRIs/OCBs) | 66,230 | 0.66 | 35,371 | 0.35 |
| CORPORATES | 17,59,852 | 17.64 | 16,54,847 | 16.59 |
| CLEARING MEMBER | 19,116 | 0.19 | 4,028 | 0.04 |
| RESIDENT INDIVIDUALS | 26,42,667 | 26.49 | 28,01,447 | 28.08 |
| TRUST | 100 | 0.00 | 450 | 0.00 |
| LIMITED LIABILITY PARTNERSHIP | 48,628 | 0.49 | 40,000 | 0.40 |
| IEPF | 347,355 | 3.48 | 3,47,805 | 3.49 |
| ALTERNATIVE INVESTMENT FUND | - | - | - | - |
| TOTAL | 99,75,000 | 100.00 | 99,75,000 | 100.00 |

DEMATERIALISATION OF SHARES AND LIQUIDITY:

As on 31st March, 2021, 96,69,020 Equity Shares, against subscribed fully paid equity shares of 99,75,000, were converted from the physical to electronic form. Over 96.94% of the outstanding equity shares have been dematerialised up to 31st March, 2021.

In view of the advantages offered by the Depository System, members who have not yet dematerialised their shares are requested to avail of the facility of dematerialisation of the equity shares. They have

REPORT ON CORPORATE GOVERNANCE

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

| | |
|----------------------------|---|
| Plant location | 14 SIPCOT Industrial Complex, Kudikadu, Cuddalore – 607 005, Tamil Nadu. |
| Address for correspondence | Integrated Registry Management Services Private Limited "Kences Towers", Second Floor, No.1 Ramakrishna Street, North Usman Road, T.Nagar, Chennai – 600 017. TEL: +91-44-28140801 TO 3; FAX: +91-44-28142479/28143378 Email Id: corpserv@integratedindia.in Regarding non receipt of payment of declared dividend may be addressed to our Secretarial Department at our Registered Office at –14, SIPCOT Industrial Complex, Kudikadu, Cuddalore – 607 005, Tamilnadu, Tel: +91-4142-239001 to 239005 or Mail to – invreln.tanfac@adityabirla.com . |

OTHER DISCLOSURE:

| | | |
|--|---|--|
| Disclosure on materially significant related party transaction that may have potential conflict with the interest of the Company at large. | : | None of the transactions with any of the related parties were in conflict with the interest of the Company |
| Details of non-compliance by the Company, penalties, strictures imposed by stock exchanges / SEBI or any statutory authority, on any matter related to capital markets, during the last three years. | : | None |
| Details of establishment of vigil mechanism, whistle blower policy and affirmation that no personnel have been denied access to the Audit Committee. | : | <p>The Company has a Group's Whistle Blower Policy to articulate the Group's point of view on whistle blowing, And the objective is to strengthen the whistle blowing mechanism.</p> <p>The objectives of the policy are –</p> <ul style="list-style-type: none"> • To provide a platform and mechanism for the employees and Directors to voice genuine concerns or grievances about unprofessional conduct without fear of reprisal • To provide an environment that promotes responsible and protected whistle blowing. It reminds employees and directors about their duty to report any suspected violation of any law that applies to the Group and any suspected violation of the Group Values or Aditya Birla Group's Code of Conduct. |

REPORT ON CORPORATE GOVERNANCE

| | | |
|---|---|---|
| | | Whistle Blower Policy is made available on the Company's website, www.tanfac.com . As per whistle blower mechanism of the Company, it is hereby confirmed that no personnel have been denied accessing to the audit committee. |
| Details of compliance with mandatory requirements and adoption of the non-mandatory requirements. | : | The Company has complied with all the mandatory requirements as per SEBI (LODR) Regulations, 2015 read with listing agreement. The Company has also adopted the following non-mandatory requirements : (a) Auditor's Report does not contain any qualifications. (b) The Internal Auditors report directly to the Audit Committee. |
| Weblink where policy on determining "material" subsidiaries is disclosed. | : | Not Applicable |
| Weblink where policy on dealing with related party transactions | : | Policy on dealing with related party transactions is available in Company's website at – http://www.tanfac.com/documents/policy_Materiality_Of_Related_Party_Transactions.pdf |

DISCRETIONARY REQUIREMENTS

(Refer Schedule II Part E of SEBI (LODR) Regulations, 2015)

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 as per Joint Venture Agreement and performs his duty at their office. Hence no separate Chairman's office is maintained at your Company.

SHAREHOLDERS' RIGHTS

The Company's quarterly and half yearly results are published in the English and vernacular newspapers and the results are also uploaded in Company's website www.tanfac.com. As per the Listing Agreement requirements with BSE Limited, the Company has uploaded the Unaudited/Audited Financial Results and also Shareholding Pattern etc. on its designated 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.

MODIFIED OPINION(S) IN AUDIT REPORT:

There are no qualifications / modified opinion in the Auditors' Report on the accounts for the financial year 2020-21.

REPORT ON CORPORATE GOVERNANCE

SEPARATE POSTS OF CHAIRPERSON AND MD/CEO

As on the date of this report, the company does not have Chairperson. Mr.K.Sendhil Naathan has been appointed as Managing Director for a term of 3 years from 27th August 2021.

REPORTING OF INTERNAL AUDITOR

The Internal Auditor of the Company directly reports to the Audit Committee on functional matters.

CODE OF CONDUCT

The Company has laid down the Code of Conduct (the “code”) as required under The Companies Act 2013 and as per regulation 17(5) of SEBI (LODR) Regulations, 2015 read with Listing Agreement applicable to all members of the Board of Directors and Senior Management of the Company. The details of code of conduct have been posted on the Company’s website www.tanfac.com.

The Board and the senior management have affirmed compliance to the code as on 31st March, 2021.

A declaration to this effect has been given by the Managing Director and forms part of the Annual Report.

SEBI (Prohibition of Insider Trading) Regulations, 2015 :

The Board of Directors of the Company has adopted formulation of “Code of Conduct” and Code of Practices and Procedure as required under The SEBI (Prohibition of Insider Trading) Regulations, 2015. The details are made available in the Company’s website, viz., www.tanfac.com.

DISCLOSURE ON COMPLIANCES:

Your Company has complied with regulations on corporate governance requirements specified in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, wherever Applicable.

CEO/CFO Certification:

The Managing Director and the Chief Financial Officer of the Company duly authorised by the Board have given their annual certification on financial reporting and internal controls to the Board as required under regulation 17(8) of SEBI (LODR) Regulations, 2015 read with listing agreement is available in this annual report.

LOANS AND ADVANCES TO SUBSIDIARIES/HOLDING COMPANY AND INVESTMENTS IN ITS OWN SHARES:

Disclosure as per regulation 34(2) under Schedule V of SEBI (LODR) Regulations, 2015 read with listing agreement.

| Sl. No. | Disclosure of loans/advances/ investments outstanding during the year | As at 31 st March, 2021 (₹) | Maximum amount during the year (₹) |
|---------|--|--|------------------------------------|
| 1. | Loans and advances in the nature of loans to subsidiaries | Not Applicable | Not Applicable |
| 2. | Loans and advances in the nature of loans to associates | Not Applicable | Not Applicable |
| 3. | Loans and advances in the nature of loans to firms/ companies in which Directors of the Company are interested | Not Applicable | Not Applicable |
| 4. | Investments by the loanee in the shares of parent Company and Subsidiary Company, when the Company has made a loan or advance in the nature of loan. | NIL | NIL |

REPORT ON CORPORATE GOVERNANCE

DECLARATION

This is to confirm that the Company has adopted a Code of Conduct for Board of Directors and Senior Management, available on the Company's website.

I confirm that the Company has received from the Board of Directors of the Company and the Senior Management, a declaration of compliance with the Code of Conduct for the year ended 31st March, 2021, as applicable to them.

For the purpose of this declaration, Senior Management means, Managing Director, Chief Financial Officer, Company Secretary and other respective Functional Heads as on 31st March, 2021.

Date : 13.08.2021

K. SENDHIL NAATHAN
Managing Director

CEO/CFO CERTIFICATION

Mr.K.Sendhil Naathan, Managing Director and Mr. N.R. Ravichandran, Chief Financial Officer of the Company have certified to the Board that :

- A. They have reviewed financial statements and the cash flow statement for the financial year ended 31st March, 2021 and that to the best of their knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of their knowledge, no transactions entered into by the company during the year which are fraudulent, illegal or a violation of the Company's code of conduct.
- C. They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and they have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- D. They have indicated to the auditors and the Audit committee;
- (i) that there no significant changes in internal control during the year;
 - (ii) that there are no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;
- and
- (iii) that there is no fraud of which they have become aware and the involvement therein, of the management or an employee having a role in the Company's internal control system.

Date: 13.08.2021

K. SENDHIL NAATHAN
MANAGING DIRECTOR

N.R. RAVICHANDAN
CHIEF FINANCIAL OFFICER

REPORT ON CORPORATE GOVERNANCE

CERTIFICATE ON CORPORATE GOVERNANCE

As required under SEBI (LODR) Regulation, 2015 of Schedule V paragraph E read with listing agreement, the Chartered Accountant's Certificate on compliance of the Corporate Governance norms is attached.

AUDITORS' 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 (the 'Company'), for the year ended March 31, 2021, as per the relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ('Listing Regulations').

The compliance of conditions of Corporate Governance is the responsibility of the management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.

We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the ICAI), the Standards on Auditing specified under Section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

REPORT ON CORPORATE GOVERNANCE

Based on our examination of the relevant records and according to the information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.

We further 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 Khimji Kunverji & Co LLP

Chartered Accountants

FRN: 105146W/W100621

Praveen Kumar Daga

Partner

Membership No.: 143762

ICAI UDIN: 21143762AAAADB2901

Place: Bengaluru

Date: May 7, 2021

BOARD'S REPORT

To

The Members,

Your directors are pleased to present the report on the Company's business operations together with the audited Statement of Accounts for the financial year ended 31st March, 2021, for your review.

FINANCIAL RESULTS

[₹ in Crores]

| Particulars | Financial Year 2020 - 21 | Financial Year 2019 - 20 |
|---|-----------------------------|-----------------------------|
| Sales | 147.90 | 164.80 |
| Other Income (including operating income) | 1.37 | 1.16 |
| Operating Expenditure | 115.22 | 138.86 |
| Profit before Depreciation, Finance Cost and Taxation (PBDIT) | 34.05 | 27.10 |
| Finance Cost | 0.52 | 0.84 |
| Depreciation/Impairment/Amortization | 8.47 | 4.64 |
| Profit before Tax (PBT) | 25.06 | 21.62 |
| Current Tax / Deferred Tax (Net of MAT Credit Entitled) | 7.59 | 4.65 |
| Profit After Tax (PAT) | 17.47 | 16.97 |
| Other Comprehensive Income / (Loss) | 0.57 | 0.31 |
| Total Comprehensive Income | 18.04 | 17.28 |
| Add: Balance brought forward | 16.65 | (0.53) |
| Profit/(Loss) available for appropriation | 34.69 | 16.65 |
| Transferred from General Reserves | - | - |
| Balance Carried forward to Balance Sheet | 34.69 | 16.65 |

OPERATIONS AND OVERALL PERFORMANCE:

During the year under review, the Company had registered higher EBIDTA and Net Profit compared to previous financial year despite disruptions due to countrywide lockdown imposed during first quarter.

Earnings before Depreciation, Finance Cost and Taxation had increased by 26% at ₹34.05 Crores during the year, compared to ₹27.10 Crores in the corresponding period of the previous year.

Total comprehensive Income for the year was higher at ₹18.04 crores during the year against ₹17.28 crores during previous year.

Detailed analysis of performance of the Company is provided under Management Discussion and Analysis (MD & A) which forms part of the Annual Report.

DIVIDEND:

Your Company has recently become debt-free and is evaluating various growth options. Your directors, therefore have not recommended any dividend on equity shares for the year 2020-21.

TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

In terms of Section 125 of the Companies Act, 2013, no unclaimed or unpaid Dividend

BOARD'S REPORT

is due for remittance to the Investor Education and Protection Fund established by the Central Government during the financial year 2020-21.

REVIEW OF BUSINESS OPERATIONS AND FUTURE PROSPECTS:

As briefed under Management Discussion and Analysis section, the ongoing initiatives and steps taken by the company during the past few years have helped in continuous improvements in the operations of the company across all spheres. These steps have helped the company to post record performance during the current financial year.

The Company plans to continue its focus on increasing the volume of value-added products during the coming years through market penetration and process optimization.

Your Board of Directors is optimistic of continuous improvements in the operational performance of the company in the coming years.

ALUMINIUM FLUORIDE:

Your company continues with its strategy of reduced focus on Aluminum Fluoride due to its lower contribution. However, your company will continue to serve its long-term customers while keeping an eye on the overall bottom-line.

HYDROFLUORIC ACID & VALUE-ADDED PRODUCTS (VAPs):

Your company continues to widen the Customer base and has also made significant progress in stringent specialty applications. The markets remain oversupplied and your company will embark upon identification of downstream VAPs. This will also reduce our over dependence on traditional markets which are getting increasingly competitive.

SULPHURIC ACID:

Your company had robust performance in

Sulphuric Acid. The efforts made to improve the productivity and overall operational efficiencies will lead to better performance in the coming years too.

EXPORTS:

Export turnover had come down by 20% to ₹11.17 Crores against ₹13.94 crores in the previous year. Your Company endeavors continuously to improve export performance by expanding the customer base in the current market and penetrating to new markets.

MATERIAL CHANGES AND COMMITMENT IF ANY:

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year and the date of this report.

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

The information pertaining to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under Section 134 (3)(m) of The Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is furnished as Annexure – A to the Annual Report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013:

Your Company has not provided any loan(s), guarantee(s) to any person or body corporate and has not made any investment(s) during the year under Section 186 of the Companies Act, 2013.

PUBLIC DEPOSITS

The Company has not accepted any deposits from Public within the meaning of Section 73(1) of The Companies Act, 2013, during the year under review.

BOARD'S REPORT

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES:

In line with the requirements of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Company has formulated a Policy on Related Party Transactions which is available on Company's website www.tanfacs.com. The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and the Related Parties.

The Company has obtained necessary prior omnibus approval from the Board pertaining to Related Party Transactions which were in the ordinary course of business and on an arm's length basis. All such transactions which are of repetitive nature and / or entered in the Ordinary Course of Business and are at Arm's Length are placed before the Audit Committee on a quarterly basis for its review and approval.

AUDITORS & AUDITORS' REPORT:

In terms of the provisions of Section 139 of the Act and the Companies (Audit and Auditors) Rules, 2014, M/s. Khimji Kunverji & Co., ("KKC") Chartered Accountants, Mumbai (Firm Registration No.105146W) were re-appointed as Statutory Auditors of the Company for a second term of five years from the conclusion of the 42nd AGM held on 28th September, 2016 up to the conclusion of the 47th AGM to be held in 2021. M/s. KKC has been in office for more than ten years & completed their two five-year terms with the Company. In compliance with the provisions of the Act, your Company will have to appoint a new auditor in their place. Accordingly, your Company's Board of Directors, upon the recommendation of the Audit Committee, proposes appointment of M/S Singhi & Co., Chartered Accountants, Calcutta (Firm Registration No.302049E) for a term of 5 years, subject to the approval of Members in this AGM.

M/S Singhi & Co., has confirmed their eligibility to be appointed in accordance with the provisions of the Act and Rules made thereunder. M/S Singhi & Co., registered with the Institute of Chartered Accountants of India ("ICAI"), was established in 1940 and is led by 24 partners. The firm provides a range of services, including audit and assurance, taxation, advisory and accounting. The firm has significant experience in providing auditing, taxation and advisory services to leading banks and corporates in the manufacturing, services and financial services sectors. Your Company's Board of Directors, upon the recommendation of the Audit Committee, proposes their appointment for a term of 5 years subject to the approval of Members. Resolution seeking their appointment forms part of the Notice convening the AGM.

The Report given by the Auditors on the financial statements of the Company forms part of the Annual Report. There were no qualifications, reservations or adverse remarks made by the Auditors in their report.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

As required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Compliance Certificate on Corporate Governance given by the Statutory Auditors, viz., M/s.Khimji Kunverji & Co., is forming part of the Annual Report.

COST AUDITOR

The Board of Directors of the Company has, on recommendation of the Audit Committee, approved the appointment of Shri N. Krishna Kumar, Cost Accountant, Cuddalore (Membership No.27885) for conducting the audit of cost records of the Company pertaining to Inorganic and Organic products manufactured by the Company covered under Central Excise Tariff Heading Chapter Nos. 28 and 29 respectively in compliance with The Companies (Cost Records and Audit) Rules, 2014.

BOARD'S REPORT

The Board of Directors at their meeting held on 7th May, 2021, have appointed Shri N. Krishnakumar, Cost Accountant as cost auditor for the Financial Year 2021-22 and necessary filing has been made with the Central Government.

SECRETARIAL AUDIT REPORT

The Board, in their meeting held on 10th February 2021, has appointed Ms. Kalyani Srinivasan (Practicing Company Secretary, Chennai (C.P. No.3109 & FCS No.5854) to conduct Secretarial Audit for the Financial Year 2020-21, which, inter alia, includes audit of compliance with the Companies Act, 2013, and the Rules made under the Act, Listing Agreement and Regulations and Guidelines prescribed by the Securities and Exchange Board of India.

The Secretarial Audit Report as required under Section 204 of The Companies Act, 2013 read with Rule 9 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is furnished under Annexure – C, does not contain any qualification, reservation or adverse remark.

RISK MANAGEMENT POLICY

The Company has internally constituted a Risk Management Committee to define its roles and

responsibilities and laid down the procedure to assess the risk and minimization procedures. The Risk Management includes identifying types of risks and its assessment, risk handling & monitoring and reporting. The Board through the Audit Committee shall also be responsible for framing, implementing and monitoring the risk management plan for the company. The details of identified risk and mitigation plan would be reviewed by the internal Committee and forwarded to the Audit Committee of the Board with their recommendation for its review every quarter.

The details of Risk Management as practiced by the Company are provided as part of Management Discussion and Analysis Report.

POLICIES

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, mandated the formulation of certain policies for all listed entities. The policies are reviewed periodically by the Board and updated based on need and new compliance requirements and are available in the Company's official website viz., www.tanfac.com.

BOARD'S REPORT

| Name of Policy | Brief description | Web URL |
|---|--|---|
| Related Party Transaction | The policy to regulate all transactions between the Company and its Related Parties in compliance with various applicable laws, including under The Companies Act, 2013/SEBI (LODR) Regulations, 2015 | http://www.tanfac.com/documents/policy_Materiality_Of_Related_Party_Transactions.pdf |
| SEBI (prohibition of Insider Trading) Regulations, 2015 | The Policy provides for fair disclosure of unpublished price sensitive information in dealing with securities of the Company. | http://www.tanfac.com/documents/policy_sebi.pdf |
| Whistle Blower Policy (vigil mechanism) | The Company has established a vigil mechanism for its Directors and Employees to report their genuine concerns or grievances or violation of the Company's code of conducts and ethics, which will be monitored by the Audit Committee | http://www.tanfac.com/documents/policy_Whistle_Blower.PDF |
| Criteria for making payment to Non Executive Directors | Except sitting fee for attending Board, Audit Committee and Stakeholders Relationship Committee meetings NO other remuneration paid to Directors. | http://www.tanfac.com/documents/who_non_executive_directors.pdf |
| Policy for determination of materiality of information or event | This Policy facilitating prompt disclosure of material price sensitive information to the listed Stock Exchange(s) prepared in terms of SEBI (LODR) Regulations, 2015. | http://www.tanfac.com/documents/policy_matr_event.pdf |
| Policy on Archival of documents | The policy framed for archival of the Company's records as required under SEBI (LODR) Regulations, 2015 | http://www.tanfac.com/documents/policy_archival_policy.pdf |
| Policy on preservation of documents | The policy deals with retention of documents in permanent nature and not less than eight years after completion of the relevant transactions., | http://www.tanfac.com/documents/policy_preservation_Doc.pdf |

DIRECTOR RETIRING BY ROTATION:

In terms of Articles of Association of the Company, Mr. Kalyan Ram Madabhushi, Director, retires by rotation and being eligible, offers himself for re-appointment.

DECLARATION BY INDEPENDENT DIRECTORS:

The Independent Directors of your Company have given their certificate of independence to your Company stating that they meet the criteria of independence as mentioned under Section 149 (6) of the Companies Act, 2013. The details of the training and familiarization programmes and the Annual Board Evaluation process for Directors have been provided in the Corporate Governance Report.

The terms and conditions of appointment of Independent Directors, in line with the provisions of Schedule IV of the Companies Act, 2013 are available in the Company's official website link viz., http://www.tanfac.com/documents/who_appointment_independent_directors.pdf

All Independent Directors of your Company have registered their name in the data bank maintained with the Indian Institute of Corporate Affairs, Manesar in terms of the provisions of the Companies (Appointment and Qualification of Directors) Rules, 2014.

BOARD EVALUATION:

The evaluation of Board of Directors and the Board, as required under Section 149(8) of The Companies Act, 2013, read with Schedule IV

BOARD'S REPORT

under Chapter VIII were done through selected parameters related to their roles, responsibilities and obligations of the Board and functioning of the Committee.

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the key function of the Board of Directors includes –

- To review and guide Corporate Strategy, major Plan of Action, Risk Policy, Annual Budgets & Business Plans, setting Performance Objectives.
- Monitoring the effectiveness of the Company's governance practices.
- Ensuring the integrity of the Company's Accounting and Financial Reporting Systems, including the Independent Audit.
- To provide strategic guidance.
- To maintain high ethical standards in the interest of the stakeholders.
- To exercise objective independent judgement on corporate affairs.

Accordingly, the performance of the Board was evaluated after seeking inputs from all the directors on the basis of the criteria such as the board composition and structure, effectiveness of board processes, information and functioning, etc. Similar evaluation was carried out by the Committee of the Board of Directors after seeking their inputs.

SEPARATE INDEPENDENT DIRECTORS' MEETINGS:

The Independent Directors met once during the year in the absence of Non-Independent Director and discussed inter alia the performances of Non-Independent Directors, Senior Management including Key Managerial persons and the Board as a whole. They have also reviewed the quality, quantity and timeliness of the flow of information between the Company management and the Board.

FAMILIRISATION PROGRAMME :

The Familiarization Programme as required under SEBI (LODR) Regulations, 2015, aims at providing insights into the Company to enable Independent Directors to understand their roles, rights, responsibilities as Directors of the Company, the nature of the industry in which the Company operates, business model of the Company. The details of training programme are provided in the Company's website under URL – http://www.tanfac.com/documents/who_directors_familiarization_programme.pdf

NUMBER OF MEETINGS OF THE BOARD

During the Financial Year 2020 - 21, the Board met five times and further details are provided in the Report on Corporate Governance that forms part of this Annual Report. The time gap between two meetings as required under the Listing Agreement was well within the period.

BOARD COMMITTEES

Presently, the Board has four Committees, viz., Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee and CSR Committee comprising of the required combination of Non-Independent and Independent Directors. For further details please refer to the Report on Corporate Governance section of the Annual Report.

EXTRACT OF ANNUAL RETURN

The details forming part of the extracts of Annual Return under Form MGT-9, pursuant to the provisions of Section 92 Read with Rule 12 of the Companies (Management and administration) Rules, 2014 is furnished in the Annexure – C.

INTERNAL FINANCIAL CONTROL (IFC):

The Internal Financial control (IFC) stipulates a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for

BOARD'S REPORT

external purposes in accordance with generally accepted accounting principles.

The observations by the Internal Auditors and corrective actions thereon are presented at the Audit Committee which also oversees and evaluates the IFC periodically.

The Directors Responsibility Statement required under Section 13(3)(c) of The Companies Act, 2013, are available elsewhere in the Directors' Report.

CORPORATE GOVERNANCE:

Your Company is strongly committed towards its philosophy of Corporate Governance. The Corporate Governance Report, along with the Auditors certificate regarding compliance of the conditions of the Corporate Governance as stipulated in Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Listing Agreement is forming part of the Annual Report.

A Certificate of the MD and CFO of the Company, in terms of Regulation 17(8) as specified in Part B of Schedule II read with SEBI (LODR) Regulations, 2015, confirming the correctness of the Financial Statements, adequacy of the Internal Control measures and reporting of matters to the Audit Committee, is annexed.

Your directors are pleased to report that the Company has fully complied with the SEBI guidelines and Corporate Governance as on Financial Year ended 31st March, 2021 and will continue to comply with the same.

INSURANCE

The Company's properties, Fixed Assets (including Building, Plant and Machinery & other insurable assets) and Currents Assets (including stock of Raw Materials, Finished Goods, Stores and Spares etc.,) are adequately insured.

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

As required under Regulation 34(2)(e) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with the Listing Agreement, the Management's Discussion and Analysis Report (MD&A) for the year under review has been made & forming part of the Annual Report.

PERSONNEL:

Apart from remuneration to the Managing Director as per terms of appointment approved by the members, except for sitting fees for attending meeting of the Board & Board Committees, no other remuneration is being paid to other directors.

Pursuant to Section 197(12) of The Companies Act, 2013, read with Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the details of disclosure of remuneration paid to the employee(s) are covered under the specified ceiling of drawing remuneration of ₹8.50 Lakhs per month are furnished in Annexure – D.

Disclosure pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) and Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are furnished in Annexure - D.

KEY MANAGERIAL PERSONNEL:

In terms of the provisions of Section 203 of the Act, Mr. K. Sendhil Naathan, Managing Director, Mr. N.R. Ravichandran, Chief Financial Officer and Mrs. Archana. T, Company Secretary are the Key Managerial Personnel of your Company.

INDUSTRIAL RELATIONS:

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

BOARD'S REPORT

of employees in the implementation of WCM, ISO-9002 systems and ISO 14001 amply demonstrate the high level of team work, sense of belonging to the organization, and solidarity with the Management.

RESEARCH AND DEVELOPMENT:

Your company has made the following efforts in Research & Development.

- R&D Engineers have successfully worked in changing the design of new HF Kiln which is expected to significantly reduce the specific consumption norms of input materials and utilities.
- Your R&D Engineers have developed innovative design in fabrication of Heat exchanger in HF Plant which has resulted in reduction in R&M Expenses & improved reliability of equipment performance.
- Your Company's effort in changing design of Hot Air Generator has resulted in improving work environment and reduction in fuel consumption
- R&D Team's Continuous efforts, helped to improve Quality of HF Acid for high end application. More work is in progress to further improve the Quality meeting the stringent customized requirements / specifications of some of the customers.
- Your R&D Team implemented innovative ideas to increase the productivity of one of the specialty Fluorides without any major investment and achieved breakthrough in getting approval for the product from a few reputed customers meeting their stringent product Quality requirements.
- Continuous efforts and out of box thinking by Engineers towards Energy conservation measures have resulted in reduction in Average Power and Fuel Costs.

SAFETY, HEALTH AND ENVIRONMENT PROTECTION (SHE):

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

Your Company has successfully installed the New HF Kiln and revamped some of the existing equipments to improve Safety & Reliability of the Plant Operations.

Your Company has made considerable spending on improving Safety aspects of the plant in FY-21 and has focused plan to continue the same in FY-22 also.

In line with Aditya Birla Group Sustainability Frame works, your Company implements various Technical and Management standards related to Safety, Health and Environment through Enablon Software.

Your Company has an Integrated Management System (IMS) Certified by Intertek Certification Limited, UK for ISO 9001-2015-Quality Management System (QMS), ISO14001-2015 -Environmental Management System (EMS) and ISO 45001:2018 for Occupational Health and Safety Management Systems.

Additional measures taken to fight COVID19:

Your Company has conducted wide awareness Campaign on COVID-19 to its employees including Contract employees and Residential Colony members on the need to Vaccinate and general awareness from time to time. This includes frequent talk by Factory Medical Officer on various preventive and protective measures to be adopted by the individual employee and hourly announcement through Public Addressing System (PAS)

Your Company has Constituted Corona Action Response Entity (CARE) with Cross functional members headed by Factory Medical Officer who is a senior medical practitioner and a retired District

BOARD'S REPORT

Medical Officer. This Committee along with other Functional Heads is continuously updating the prepared TANFAC Restart on Ultimate Safe Tracks (TRUST) -Corona Management Manual in line with Government Policies introduced from time to time covering Vaccination Policy, various Standard Operating Procedures starting from awareness to Employees about Corona Virus, Importance of body Temperature recording, Social distancing, Sanitization, Self declaration and Scenario Planning, Preparation for Monitoring, Responding, and assist Employees.

You Company ensures stringent implementation of Safety and Environment Protection measures and the Board has mandated accordingly. Safety visuals, pictorials and sign boards are implemented across the plant areas.

Your Company Periodically Conducts Safety Audit and Risk Assessment to monitor risks and to have action plan for countering the risks. Your Directors also periodically reviews the safety Performance.

Your Company periodically conducts onsite mock drills and actively coordinates with the local Government and other nearby companies & customers.

Your company has entered in to an agreement with neighboring companies for mutual sharing of safety resources during mock drill and during emergencies.

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

Your company maintains green belt inside and outside the factory premises.

MANAGEMENT POLICY

We at TANFAC Industries Limited are committed to continual improvement of the processes of Management System affecting Quality, Cost,

and Delivery along with Environmental Impact to prevent pollution and to comply with requirements of customers and interested parties and public.

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

CSR is a continuing commitment by business to behave ethically and contribute to economic development of the local community and society at large. Creating value for the society is one of the major initiatives of CSR.

In terms of the provisions of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board of Directors of your Company has constituted a Corporate Social Responsibility ("CSR") Committee chaired by Mr. V.T.Moorthy, Independent Director. Other Members of the CSR Committee are Mr. M.R.Sivaraman, IAS Retd., Independent Director; Mr.R.Karthikeyan, Non-Executive and Non-independent Director and Mrs. R.Rajalakshmi, Independent Director.

Your Company also has in place a CSR Policy which is available at – TANFAC-CSR-Policy.pdf .

Your Company's CSR activities are focused on Social Empowerment and Welfare, Infrastructure Development, Sustainable Livelihood, Healthcare and Education. Various activities across these segments have been initiated during the year around the plant location, neighbouring villages around Cuddalore and Cuddalore District.

Focused areas are Education, Health, Sustainable Livelihood, Infrastructure development and social empowerment. All our CSR activities are carried out under the support and guidelines of Aditya Birla Centre for Community Initiatives and Rural Development. Your company is carrying out its community welfare activities in and around Cuddalore for more than a decade to underserved communities.

BOARD'S REPORT

Your company motivates and encourages its employees to actively participate in the various community development and CSR activities.

During the year ₹37.98 lakhs was spent on CSR activities which constitutes 2.03% of the average net profits of the last 3 financial years. A detailed report on CSR initiatives is annexed as Annexure 'E' to this report.

PREVENTION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE:

Your Company has zero tolerance for sexual harassment at workplace. The Company has adopted a Policy on Prevention, Prohibition and Redressal of Sexual Harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH Act) and the Rules framed thereunder. Your Company has complied with provisions relating to the constitution of Internal Complaints Committee under the POSH Act. During the year under review your Company did not receive any complaint of sexual harassment.

HUMAN RESOURCES DEVELOPMENT:

Human resources play a significant role in your Company's growth strategy. Your Company believes that its knowledge capital will drive growth and profitability. The ongoing focus is on attracting, retaining and engaging talent with the objective of creating a robust talent pipeline at all levels. Your Company's Employee Engagement Score reflects high engagement and pride in being part of the organization.

The Group's Corporate Human Resources plays a critical role in your Company's talent

management process. Initiatives like robust talent reviews, career development conversations and best-in-class development opportunities will help enhance the employee experience at your Company

Your Company is engaged in a constructive relationship with employees with an emphasis on productivity and efficiency and underlining safe working practices. As on 31st March, 2021, your Company's employee strength was 135 employees (previous year 144 employees).

ACKNOWLEDGEMENT:

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

On behalf of the Directors and all shareholders, I would like to place on record my sincere appreciation of the committed services by the entire TANFAC family, comprising officers, staff and workers.

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

For and on behalf of the Board

Chennai
13th August, 2021.

(R. KARTHIKEYAN)
Director

ANNEXURE – A TO BOARD’S REPORT

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo required under The Companies (Accounts) Rules, 2014

1. CONSERVATION OF ENERGY

(a) Steps taken for Conservation of Energy

Your Company has adopted various Energy Conservation measures during the Financial Year 2020-21 at its manufacturing facility at Cuddalore, viz., Hydrofluoric Acid, Sulphuric Acid and Specialty Fluorides plants.

(b) Major Energy Conservation initiatives taken during the Financial Year 2020 -21 :

- Vapour Absorption Machine was installed to produce Chilled water from waste heat.
- Variable Frequency Drives were installed in few more equipments to optimise energy consumption.
- Revamping of Insulation and other changes made in Heat Exchanger to improve performance of Sulphuric acid plant, has resulted in increased Steam generation, thereby increasing the Renewable Energy Generation and reducing Average Power Cost.
- Process improvements done in optimizing the refrigeration requirement in HF plant to reduce power cost.
- Installation of LED lightings in phased manner helped in energy conservation.
- Your Company continues to work on various energy conservation measures in Power Plant and all process plants.

The Company has achieved significant cost savings through these initiatives

(c) Steps taken by the Company for utilizing alternate sources of energy

No alternate sources of energy were utilized in the process carried out in the product mentioned in Sl. No1 (b) above.

(d) The capital investment on energy conservation equipment

₹ 65 Lakhs

RESEARCH AND DEVELOPMENT AND TECHNOLOGY ABSORPTION :

Your Company –

- Is working on diversification into Specialty Chemicals through its R&D Team.
- Continuous efforts made by the R&D & Process Improvement team to increase the productivity of one of the specialty Fluorides have yielded good results both in terms of productivity increase without significant investment and improved quality to meet stringent requirements of certain key customers.
- Continue to work on Improving Quality of Hydrofluoric acid to meet Specific Customer requirements.
- Works on various water reduction schemes and continues to operate the scheme implemented for reducing water consumption and the effluent discharge by effective recycling in the plant.
- Continues to recycle the solid waste generated by the Company in a Cement Industry to focus on environment conservation.
- Has successfully implemented schemes to consistently achieve increased captive power generation and reduced Average Power Cost

TECHNOLOGY ABSORPTION

- Your Company forms cross functional teams to optimize the existing processes through in-house efforts.

ANNEXURE – A TO BOARD’S REPORT

- Continuous implementation of Sustainable Business practices, rewarding of ideas, recognizing the work performance through issue of Applaud & Spot Awards in various categories and Shabbash cards have motivated young Engineers / Scientists to come up with creative ideas to improve efficiency in areas of Production, Energy Savings, Water Conservation, Waste Minimization, Safety and System Improvements.

A. FOREIGN EXCHANGE EARNING AND OUTGO :

(₹ in Lakhs)

| Details | 2020-21 | 2019-20 |
|--------------|----------|----------|
| Forex Earned | 1,118.44 | 1,433.70 |
| Forex used | 5,325.27 | 5,607.28 |

Details of technology imported during the past five years:

| Year | Technology imported | Status |
|------|---------------------|--------|
| | - NIL - | |

DIRECTORS’ RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 134(3)(C) OF THE COMPANIES ACT, 2013.

Your Directors would like to inform members that the Financial Statements of the Audited Accounts for the Financial Year 2020 - 21 are prepared in accordance with mandatory Accounting Standards as prescribed under Section 133 of The Companies Act, 2013 ('the Act'), read with Rule 7 of The Companies (Accounts) Rules, 2014 and are in full conformity with the requirement of the Act. They believe that the Financial Statements reflect fairly the form and substance

of transactions carried out during the year and reasonably present the Company’s financial conditions and results of operations.

Your Directors further confirm that –

- in the preparation of the annual accounts for the year ended March 31, 2021, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- the Directors have selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2021 and of the profit of the Company for the year ended on that date;
- the Directors have taken proper and sufficient care for the maintenance of adequate Accounting Records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a 'going concern' basis;
- the Directors have laid down Internal Financial Controls to be followed by the Company and that such Internal Financial Controls are adequate and are operating effectively; and
- the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

ANNEXURE - B TO BOARD'S REPORT

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2021

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To
The Members,
TANFAC INDUSTRIES LIMITED
14 SIPCOT Industrial Complex
CUDDALORE – 607 005

I have conducted the Secretarial Audit of the compliance of applicable Statutory provisions and the adherence to good corporate practices by TANFAC INDUSTRIES LIMITED (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the TANFAC INDUSTRIES LIMITED books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the company has, during the audit period covering the Financial Year ended on 31st March, 2021, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, Minute Books, forms and returns filed and other records maintained by TANFAC INDUSTRIES LIMITED ("the Company") for the financial year ended on 31st March, 2021, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there Under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings:- Not Applicable
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015;
 - (b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

ANNEXURE – B TO BOARD’S REPORT

- (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 – Not Applicable.
- (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 – Not Applicable;
- (g) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 - Not Applicable

and

- (i) The Securities and Exchange Board of India (Buy back of Securities) Regulations, 1998 - Not Applicable;

(vi) Other laws applicable to the company as per the representation made by the Management

- (a) The Explosives Act, 1884.
- (b) The Narcotic Drugs and psychotropic Substances Act, 1985

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreement entered in to by the Company with BSE Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that the Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors and Independent Directors. There was change in the composition of the Board of Directors during the period under review. Adequate Notices were given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through by the Directors and there were No dissenting views by any Directors/Members of the board during the period under the review.

I further report that on the examination of the relevant documents and records and based on the information provided by the company, its officers and authorized representatives during the conduct of the audit and also on the review of monthly compliance reports by respective department heads, taken on record by the Board of Directors of the company. In my opinion that there are adequate systems and processes and control mechanism exist in the company commensurate with the size and operations of the company to monitor and ensure compliance

ANNEXURE – B TO BOARD’S REPORT

with applicable other general laws, rules, regulations and guidelines including Industrial Laws, Labour laws.

I further report that I have conducted online verification and examination of records, as facilitated by the Company, due to Covid 19, for the purpose of issuing this report.

I further report that the compliance by the company of the applicable financial laws like direct and indirect tax laws has not been reviewed in this Audit since the same have been subject to review by statutory financial auditor.

Signature:

KALYANI SRINIVASAN

Place: Chennai

FCSNo.5854

Date : 03.05.2021

CP No.6047

UDIN: F005854C000228857

Note; This report is to be read with our letter of even date which is annexed as Annexure A and form part of this report.

ANNEXURE TO SECRETARIAL AUDIT REPORT

To

The Members

TANFAC Industries Limited

Cuddalore

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and book of accounts of the company
4. Where required I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of the management.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company

Signature:

KALYANI SRINIVASAN

Place: Chennai

FCSNo.5854

Date : 03.05.2021

CP No.6047

UDIN: F005854C000228857

ANNEXURE - C TO BOARD'S REPORT

FORM NO.MGT-9

EXTRACT OF ANNUAL RETURN

(AS ON THE FINANCIAL YEAR ENDED 31ST MARCH, 2020)

[Pursuant to Section 92(3) of The Companies Act, 2013 and Rule 12(1) of The Companies (Management and Administration Rules, 2014)]

I. REGISTRATION AND OTHER DETAILS :

| | |
|--|---|
| CORPORATED IDENTIFICATION NUMBER (CIN) | L24117TN1972PLC006271 |
| Registration Date | 20.12.1972 |
| Name of the Company | TANFAC INDUSTRIES LIMITED |
| Category/Sub-category of the Company | Public Company / Limited by shares |
| Address of the Registered Office and contact details | 14, SIPCOT Industrial Complex, Kudikadu CUDDALORE – 607 005, TAMIL NADU TEL: +91-41-4142-239001 TO 239005 FAX: +91-41-4142-239008 Email: invreln.tanfac@adityabirla.com |
| Whether listed company | YES |
| Name, Address and contract details of Registrar and Transfer Agent, if any | Integrated Registry Management Services Private Limited "Kences Towers", Second Floor No.1 Ramakrishna Street Off. North Usman Road, T. Nagar CHENNAI – 600 017 TEL: +91-44-28140801 to 803 FAX: +91-44-2814279 / 28143378 Email: corpserv@integratedindia.in |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

| Sl. No. | Name and Description of main products/services | NIC code of the product / service* | % to total turnover of the Company |
|---------|--|--|------------------------------------|
| 1. | Aluminium Fluoride | 20119 Manufacture of organic and inorganic chemical compounds n.e.c. | 2% |
| 2. | AHF Acid and Sulphuric Acid | 20112 Manufacture of inorganic acids except nitric acid | 60% |
| 3. | Specialty Chemicals | 20116 Manufacture of basic chemical elements | 38% |

* As per National Industrial Classification – Ministry of Statistics and Programme Implementation.

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| Sl. No. | Name of Company | Address of Company | CIN / GLN | Holding/ Subsidiary/ Associate | %of Shares held | Applicable Section |
|---------|-----------------|--------------------|-----------|--------------------------------|-----------------|--------------------|
| | - NIL - | | | | | |

ANNEXURE - C TO BOARD'S REPORT

IV. SHAREHOLDING PATTERN (Equity Share Capital break up as percentage of total Equity)

(i) Category-wise Shareholding

| Category of Shareholder | No. of shares held at the beginning of the year (as on 01.04.2020) | | | | No. of shares held at the end of the year (as on 31.3.2021) | | | | % change during the year |
|--|--|----------|------------------|-------------------|---|----------|------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| A. PROMOTER | | | | | | | | | |
| (1) INDIAN | | | | | | | | | |
| a) Individual/HUF | - | - | - | - | - | - | - | - | - |
| b) Central Govt. | - | - | - | - | - | - | - | - | - |
| c) State Govt(s) | 25,95,000 | - | 25,95,000 | 26.020 | 25,95,000 | - | 25,95,000 | 26.020 | - |
| d) Bodies Corporate | 24,88,652 | - | 24,88,652 | 24.950 | 24,88,652 | - | 24,88,652 | 24.950 | - |
| e) Banks/FI | - | - | - | - | - | - | - | - | - |
| f) Any other – Mr A.K. Agarwala – Director (person acting in concert) | 1,150 | - | 1,150 | 0.010 | 1150 | - | 1,150 | 0.010 | - |
| SUB-TOTAL A(1) | 50,84,802 | - | 50,84,802 | 50.980 | 50,84,802 | - | 50,84,802 | 50.980 | - |
| (1) FOREIGN | | | | | | | | | |
| a) Individuals (NRIs/others) | - | - | - | - | - | - | - | - | - |
| b) Bodies Corporate | - | - | - | - | - | - | - | - | - |
| c) Banks/FI | - | - | - | - | - | - | - | - | - |
| d) Any other | - | - | - | - | - | - | - | - | - |
| SUB-TOTAL A(2) | - | - | - | - | - | - | - | - | - |
| TOTAL SHAREHOLDING OF PROMOTER(A) = (A) (1) + A(2) | 50,84,802 | - | 50,84,802 | 50.980 | 50,84,802 | - | 50,84,802 | 50.980 | - |
| B. PUBLIC SHAREHOLDING : | | | | | | | | | |
| 1. INSTITUTIONS | | | | | | | | | |
| a) Mutual Funds/UTI | - | 5,550 | 5,550 | 0.060 | - | 5,550 | 5,550 | 0.060 | - |
| b) Banks/FIs | 700 | - | 700 | 0.010 | 700 | - | 700 | 0.010 | - |
| c) Central Govt. | - | - | - | - | - | - | - | - | - |
| d) State Govt(s) | - | - | - | - | - | - | - | - | - |
| e) Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| f) Insurance Companies | - | - | - | - | - | - | - | - | - |
| g) FIs | - | - | - | - | - | - | - | - | - |
| h) Foreign Venture Capital Funds | - | - | - | - | - | - | - | - | - |

ANNEXURE - C TO BOARD'S REPORT

| Category of Shareholder | No. of shares held at the beginning of the year (as on 01.04.2020) | | | | No. of shares held at the end of the year (as on 31.3.2021) | | | | % change during the year |
|--|--|-----------------|------------------|-------------------|---|-----------------|------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| i) Alternative Investment Fund | - | - | - | - | - | - | - | - | - |
| SUB-TOTAL B(1) | 700 | 5,550 | 6,250 | 0.070 | 700 | 5,550 | 6,250 | 0.070 | - |
| 2. NON INSTITUTIONS | | | | | | | | | |
| a) Bodies Corporate | | | | | | | | | |
| i) Indian | 16,49,022 | 5,825 | 16,54,847 | 16.590 | 17,54,027 | 5,825 | 17,59,852 | 17.640 | 1.050 |
| ii) Overseas | - | - | - | - | - | - | - | - | - |
| b) Individuals | | | | | | | | | |
| i) Individual Shareholders holding nominal share capital up to ₹1 Lakh | 19,83,540 | 2,95,160 | 22,78,700 | 22.840 | 19,39,890 | 2,90,755 | 22,30,645 | 22.360 | (0.480) |
| ii) Individual Shareholders holding nominal share capital in excess of ₹1 Lakh | 5,22,397 | | 5,22,397 | 5.240 | 4,11,672 | | 4,11,672 | 4.130 | (1.110) |
| c) Others | | | | | | | | | |
| i) Directors' relatives | 100 | 250 | 350 | 0.000 | 100 | 250 | 350 | 0.000 | - |
| ii) NRIs | 31,771 | 3,600 | 35,371 | 0.350 | 62,630 | 3,600 | 66,230 | 0.660 | 0.310 |
| iii) Clearing Member | 4,028 | - | 4,028 | 0.040 | 19,116 | - | 19,116 | 0.190 | 0.150 |
| iv) Trust | 450 | - | 450 | 0.000 | 100 | - | 100 | 0.000 | 0.000 |
| v) LLP | 40,000 | - | 40,000 | 0.400 | 48,628 | - | 48,628 | 0.490 | 0.090 |
| vi) Investor Education and Protection Fund | 3,47,805 | - | 3,47,805 | 3.490 | 3,47,355 | - | 3,47,335 | 3.480 | (0.010) |
| SUB-TOTAL B(2) | 45,79,113 | 3,04,835 | 48,83,948 | 48.960 | 45,83,518 | 3,00,430 | 48,83,948 | 48.960 | - |
| Total Public Share-holding(B) = (1) + b(2) | 45,79,813 | 3,10,385 | 48,90,198 | 49.020 | 45,84,218 | 3,05,980 | 48,90,198 | 49.020 | - |
| C. Shares held by custodian for GDRs/ ADRs | - | - | - | - | - | - | - | - | - |
| GRAND TOTAL (A) + (B) + (C) | 96,64,615 | 3,10,385 | 99,75,000 | 100.000 | 96,69,020 | 3,05,980 | 99,75,000 | 100.000 | - |

ANNEXURE - C TO BOARD'S REPORT

(ii) Shareholding of Promoters

| Sl No. | Shareholder's Name | Shareholding at the beginning of the year (as on 01.4.2020) | | | Share holding at the end of the year (as on 31.3.2021) | | | % change in share holding during the year |
|--------|--|---|----------------------------------|--|--|----------------------------------|--|---|
| | | No. of Shares | % of total Shares of the Company | % of Shares Pledged / encumbered to total shares | No. of Shares | % of total Shares of the company | % of Shares Pledged / encumbered to total shares | |
| 1 | TAMILNADU INDUSTRIAL DEVELOPMENT CORPORATION LIMITED | 25,95,000 | 26.015 | - | 25,95,000 | 26.015 | - | - |
| 2 | BIRLA GROUP HOLDINGS PRIVATE LIMITED | 19,90,652 | 19.956 | - | 19,90,652 | 19.956 | - | - |
| 3 | PILANI INVESTMENT AND INDUSTRIES CORPORATION LIMITED | 4,98,000 | 4.992 | - | 4,98,000 | 4.992 | - | - |
| Total | | 50,83,652 | 50.963 | - | 50,83,652 | 50.963 | - | - |

(iii) Change in Promoters' Shareholding

| Sl. No. | Particulars | Shareholding at the beginning of the year (as on 01.4.2020) | | Cumulative Shareholding during the year (as on 31.3.2021) | |
|---|--|---|----------------------------------|---|----------------------------------|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1 | At the beginning of the year | 50,83,652 | 50.963 | 50,83,652 | 50.963 |
| 2 | Date wise Increase / Decrease in Promoters Share holding during the year | - | - | - | - |
| 3 | At the End of the year | 50,83,652 | 50.963 | 50,83,652 | 50.963 |
| HENCE THERE IS NO CHANGE IN PROMOTERS' SHAREHOLDING | | | | | |

ANNEXURE - C TO BOARD'S REPORT

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

| Sl No. | Name of the Shareholder | Shareholding at the beginning of the year (as on 01.04.2020) | | Cumulative Shareholding during the year (as on 31.03.2021) | |
|--------|--|--|-------------------|--|-------------------|
| | | No. of Shares | % of total shares | No. of Shares | % of total shares |
| 1 | KAMALJYOT INVESTMENTS LIMITED | | | | |
| | PAN :AAACK3258K | | | | |
| | Opening Balance as on 31/03/2020 | 8,30,925 | 8.330 | | |
| | 10/04/2020 | 5,894 | 0.059 | 8,36,819 | 8.389 |
| | 17/04/2020 | 10,137 | 0.102 | 8,46,956 | 8.491 |
| | 08/05/2020 | 1,500 | 0.015 | 8,48,456 | 8.506 |
| | 15/05/2020 | 8,881 | 0.089 | 8,57,337 | 8.595 |
| | 22/05/2020 | 3,105 | 0.031 | 8,60,442 | 8.626 |
| | 29/05/2020 | 8,653 | 0.087 | 8,69,095 | 8.713 |
| | 05/06/2020 | 21,603 | 0.217 | 8,90,698 | 8.929 |
| | 12/06/2020 | 15,925 | 0.160 | 9,06,623 | 9.089 |
| | 19/06/2020 | 17,394 | 0.174 | 9,24,017 | 9.263 |
| | 26/06/2020 | 18,475 | 0.185 | 9,42,492 | 9.449 |
| | 30/06/2020 | 13,076 | 0.131 | 9,55,568 | 9.580 |
| | 03/07/2020 | 13,399 | 0.134 | 9,68,967 | 9.714 |
| | 10/07/2020 | 7,936 | 0.080 | 9,76,903 | 9.794 |
| | Closing Balance as on 31/03/2021 | | | 9,76,903 | 9.794 |
| 2 | ANSHUL SPECIALTY MOLECULES | | | | |
| | PAN :AABCA4003H | | | | |
| | Opening Balance as on 30/03/2020 | 7,15,970 | 7.178 | | |
| | 17/04/2020 | 4,000 | 0.040 | 7,19,970 | 7.218 |
| | 08/05/2020 | 2,686 | 0.027 | 7,22,656 | 7.245 |
| | 15/05/2020 | 62 | 0.001 | 7,22,718 | 7.245 |
| | Closing Balance as on 31/03/2021 | | | 7,22,718 | 7.245 |
| 3 | INVESTOR EDUCATION AND PROTECTION FUND AUTHORITY | | | | |
| | PAN :EXEMPTCATG | | | | |
| | Opening Balance as on 31/03/2020 | 3,47,805 | 3.487 | | |
| | 30/09/2020 | (50) | (0.001) | 3,47,755 | 3.486 |
| | 11/12/2020 | (100) | (0.001) | 3,47,655 | 3.485 |
| | 26/02/2021 | (300) | (0.003) | 3,47,355 | 3.482 |
| | Closing Balance as on 31/03/2021 | | | 3,47,355 | 3.482 |

ANNEXURE - C TO BOARD'S REPORT

| Sl No. | Name of the Shareholder | Shareholding at the beginning of the year (as on 01.04.2020) | | Cumulative Shareholding during the year (as on 31.03.2021) | |
|--------|----------------------------------|--|-------------------|--|-------------------|
| | | No. of Shares | % of total shares | No. of Shares | % of total shares |
| 4 | SRINIVAS B S | | | | |
| | PAN :ABPPS0088L | | | | |
| | Opening Balance as on 31/03/2020 | 1,27,533 | 1.279 | | |
| | Closing Balance as on 31/03/2021 | | | 1,27,533 | 1.279 |
| 5 | LINCOLN P COELHO | | | | |
| | PAN :AEGPC1227D | | | | |
| | Opening Balance as on 31/03/2020 | 50,000 | 0.501 | | |
| | Closing Balance as on 31/03/2021 | | | 50,000 | 0.501 |
| 6 | SAYURI TRADING | | | | |
| | PAN :ADBFS6428A | | | | |
| | Opening Balance as on 31/03/2020 | 40,000 | 0.401 | | |
| | Closing Balance as on 31/03/2021 | | | 40,000 | 0.401 |
| 7 | MANGAYYAMMA KAKARALA | | | | |
| | PAN :AFYPK2721F | | | | |
| | Opening Balance as on 31/03/2020 | 34,989 | 0.351 | | |
| | Closing Balance as on 31/03/2021 | | | 34,989 | 0.351 |
| 8 | ANIL BHAVANJI SHAH | | | | |
| | PAN :AAKPS1665F | | | | |
| | Opening Balance as on 31/03/2020 | 25,198 | 0.253 | | |
| | 15/01/2021 | (25,000) | (0.251) | 198 | 0.002 |
| | Closing Balance as on 31/03/2021 | | | 198 | 0.002 |
| 9 | PURVESH VASANTLAL MEHTA | | | | |
| | PAN :ACSPM6300K | | | | |
| | Opening Balance as on 31/03/2020 | 25,000 | 0.251 | | |
| | Closing Balance as on 31/03/2021 | | | 25,000 | 0.251 |
| 10 | Ajai Hari Dalmia | | | | |
| | PAN :AADPD6743J | | | | |
| | Opening Balance as on 31/03/2020 | 24,096 | 0.242 | | |
| | 07/08/2020 | (24,096) | (0.242) | - | - |
| | Closing Balance as on 07/08/2020 | | | - | - |

ANNEXURE - C TO BOARD'S REPORT

| Sl No. | Name of the Shareholder | Shareholding at the beginning of the year (as on 01.04.2020) | | Cumulative Shareholding during the year (as on 31.03.2021) | |
|--------|--|--|-------------------|--|-------------------|
| | | No. of Shares | % of total shares | No. of Shares | % of total shares |
| 11 | KAKARALA RAJENDRA VARA PRASADA RAO HUF | | | | |
| | PAN :AACHK4580M | | | | |
| | Opening Balance as on 31/03/2020 | 22,000 | 0.221 | | |
| | Closing Balance as on 31/03/2021 | | | 22,000 | 0.221 |
| 12 | M. M. BAFNA (HUF) | | | | |
| | PAN :AADHM9768C | | | | |
| | Opening Balance as on 31/03/2020 | 20,500 | 0.206 | | |
| | 27/11/2020 | (2,000) | (0.020) | 18,500 | 0.185 |
| | 22/01/2021 | (15,703) | (0.157) | 2,797 | 0.028 |
| | 29/01/2021 | (2,797) | (0.028) | - | - |
| | Closing Balance as on 29/01/2021 | | | - | - |
| 13 | Chaitanya Dalmia | | | | |
| | PAN :AADPD7921N | | | | |
| | Opening Balance as on 31/03/2020 | 20,500 | 0.206 | | |
| | 14/08/2020 | (20,500) | (0.206) | - | - |
| | Closing Balance as on 14/08/2020 | | | - | - |
| 14 | DEEPAK JAIN | | | | |
| | PAN :AFTPJ8183R | | | | |
| | Opening Balance as on 31/03/2020 | 20,000 | 0.201 | | |
| | 07/08/2020 | (4,000) | (0.040) | 16,000 | 0.160 |
| | 14/08/2020 | 191 | 0.002 | 16,191 | 0.162 |
| | 28/08/2020 | 3,809 | 0.038 | 20,000 | 0.201 |
| | Closing Balance as on 31/03/2021 | | | 20,000 | 0.201 |
| 15 | SHEETAL RAJMAL MEHTA | | | | |
| | PAN :BSSPM7857E | | | | |
| | Opening Balance as on 31/03/2020 | 20,000 | 0.201 | | |
| | Closing Balance as on 31/03/2021 | | | 20,000 | 0.201 |

ANNEXURE - C TO BOARD'S REPORT

(v) Shareholding of Directors and Key Managerial Personnel:

| Sl. No. | Name of Director and KMP | Shareholding at the beginning of the year (as on 01.04.2019) | | Increase/ Decrease in Share-holding | Reason | Cumulative Shareholding during the year / at the end of the year (as on 31.3.2020) | |
|---------|--------------------------------|--|-------------------|-------------------------------------|--------|--|-------------------|
| | | No. of Shares | % of total shares | | | No. of Shares | % of total shares |
| 1. | Mr Kalyan Ram Madabhushi | - | - | - | - | - | - |
| 2. | Mr V.T. Moorthy | - | - | - | - | - | - |
| 3. | Mr M.R. Sivaraman, IAS (Retd.) | - | - | - | - | - | - |
| 4. | Mr R. Karthikeyan | - | - | - | - | - | - |
| 5. | Dr. Shankar Narasimhan | - | - | - | - | - | - |
| 6. | Mrs. R. Rajalakshmi | - | - | - | - | - | - |
| 7. | Mr.K.Sendhil Naathan | - | - | - | - | - | - |
| 8. | Mr.N.R. Ravichandran | 50 | - | - | - | 50 | - |
| 9. | Mrs.Archana .T | - | - | - | - | - | - |

a. INDEBTEDNESS

V. Indebtedness of the Company including interest outstanding/ accrued but not due for payment:

(₹ in Lakhs)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|--|----------------------------------|-----------------|----------|--------------------|
| Indebtedness at the beginning of the financial year (01.4.2020) : | | | | |
| i) Principal Amount | 39.58 | - | - | 39.58 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | - | - | - | - |
| Total (i + ii + iii) | 39.58 | - | - | 39.58 |
| Change in Indebtedness during the financial year ; | | | | |
| Addition | - | - | - | - |
| Reduction | (39.58) | - | - | (39.58) |
| Net Change | (39.58) | - | - | (39.58) |
| Indebtedness at the end of the financial year (31.03.2021) : | | | | |
| i) Principal Amount | - | - | - | - |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | - | - | - | - |
| Total (i + ii + iii) | - | - | - | - |

ANNEXURE - C TO BOARD'S REPORT

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

A. Remuneration to Mr. K. Sendhil Naathan, Managing Director :

| Sl.No. | Particulars of Remuneration | ₹ in Lakhs* |
|--------|---|--------------|
| 1. | Gross Salary | |
| | (a) Salary as per provisions contained in Section 17(1) of The Income Tax Act, 1961 | 95.20 |
| | (b) Value of perquisites under Section 17(2) of The Income Tax Act, 1961 | 4.42 |
| 2. | Stock Option | - |
| 3. | Sweat Equity | - |
| 4. | Commission- as % of profit | - |
| 5. | Others | - |
| | TOTAL | 99.62 |

*Appointed as Director and designated as MD from 27th August 2020.

B. Remuneration to other Directors :

Except sitting fee no other remuneration was paid to Directors during the financial year 2020 -21.
The details are as follows:

| Sl. No. | Name | Particulars of remuneration - Sitting fee (Amount ₹ in Lakhs) | | | |
|------------|--|--|-----------------|---|----------------|
| | | Board Meeting | Audit Committee | Investors/ Stakeholders Relationship Committee | Total fee paid |
| I. | INDEPENDENT DIRECTORS : | | | | |
| 1. | MR V.T. MOORTHY | 1.00 | 1.00 | 0.40 | 2.40 |
| 2. | MR M.R. SIVARAMAN, IAS (RETD.) | 1.00 | 1.00 | 0.40 | 2.40 |
| 3. | DR. SHANKAR NARAISMHAN | 0.80 | 1.00 | - | 1.80 |
| 4. | SMT. R. RAJALAKSHMI | 0.80 | 0.40 | - | 1.20 |
| | TOTAL (I) | 3.60 | 3.40 | 0.80 | 7.80 |
| II. | OTHER NON EXECUTIVE DIRECTORS : | | | | |
| 1. | MR KALYAN RAM MADABHUSHI | - | - | - | - |
| 2. | MR R. KARTHIKEYAN | 0.80 | 0.80 | 0.30 | 1.90 |
| | TOTAL (II) | 0.80 | 0.80 | 0.30 | 1.90 |
| | TOTAL B = (I) + (II) | 4.40 | 4.20 | 1.10 | 9.70 |

ANNEXURE - C TO BOARD'S REPORT

C. Remuneration Key Managerial Personnel other than MD/Manager/WTB: (₹ in Lakhs)

| Sl. No. | Particulars of Remuneration | Key Managerial Personnel | | Total |
|---------|---|--|-----------------------------------|-------|
| | | Chief Financial Officer (N.R. Ravichandran) | Company Secretary (Archana .T) | |
| 1. | Gross Salary | | | |
| | (a) Salary as per provisions contained in Section 17(1) of The Income Tax Act, 1961 | 52.70 | 6.40 | 59.10 |
| | (b) Value of perquisites under Section 17(2) of The Income Tax Act, 1961 | 0.36 | 0.48 | 0.84 |
| | (c) Profit in lieu of salary under Section 17(3) of The Income Tax Act, 1961 | - | - | - |
| 2. | Stock Option | Not Applicable | | |
| 3. | Sweat Equity | | | |
| 4. | Commission – as % of profit | | | |
| 5. | Others | - | - | - |
| | TOTAL | 53.06 | 6.88 | 59.94 |

Note: Mr. K.Sendhil Naathan was appointed as Director and designated as Managing Director effective from 27th August 2020 at the same remuneration as he was drawing as Chief Executive Officer. Hence his particulars for whole year has been included in S.No. A.above.

b. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

| TYPE | Section of the Companies Act | Brief Description | Details of Penalty/ Punishment/ Compounding fees imposed | Authority (RD/NCLT/ COURT) | Appeal made, if any |
|---------------------------|------------------------------|-------------------|--|----------------------------|---------------------|
| A. COMPANY | | | | | |
| Penalty | | | - NIL - | | |
| Punishment | | | | | |
| Compounding | | | | | |
| DIRECTORS | | | | | |
| Penalty | | | - NIL - | | |
| Punishment | | | | | |
| Compounding | | | | | |
| OTHER OFFICERS IN DEFAULT | | | | | |
| Penalty | | | - NIL - | | |
| Punishment | | | | | |
| Compounding | | | | | |

ANNEXURE - D TO BOARD'S REPORT

Details pertaining to remuneration as required under Section 197(12) of The Companies Act, 2013, read with Rule 5(1) of The Companies (Appointment and Remuneration of Management Personnel) Rules, 2014 :

1. The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year;

The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary for the financial year 2020-21 and Ratio of remuneration of Director to the medium remuneration of the employees of the Company for the financial year is as under:

| S.No | Particulars of Director and Other Key Managerial Personnel (KMP) and Designation | # Remuneration of Director and KMP for financial year 2020-21 (₹ in lacs) | % increase in remuneration in financial year 2020-21 | Ratio of remuneration of each Director to medium remuneration of employees |
|------|--|---|--|--|
| 1. | Mr Kalyan Ram Madabhushi, Non-Executive Director | - | Not Applicable | - |
| 2. | Mr. R.Karthikeyan, Non Executive Director | - | Not Applicable | - |
| 3 | Mr V.T. Moorthy, Independent Director | - | Not Applicable | - |
| 4 | Mr M.R. Sivaraman, IAS (Retd), Independent Director | - | Not Applicable | - |
| 5 | Dr. Shankar Narasimhan, Independent Director | - | Not Applicable | - |
| 6 | Mrs. R. Rajalakshmi, Independent Director | - | Not Applicable | - |
| 7 | Mr.K.Sendhil Naathan, Managing Director | 99.62 | Nil | 20.75:1 |
| 8 | Mr.N.R.Ravichandran, Chief Financial Officer | 53.06 | Nil | Not Applicable |
| 9 | Mrs. Archana.T, Company Secretary | 6.88 | Nil | Not Applicable |

Excluding Sitting Fees.

Except sitting fee no other remuneration paid to Independent and Non-Executive Directors.

- (iv) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;

The average increase in remuneration paid to the Managing Director, Company Secretary and Chief Financial Officer during the year was at Nil.

- (v) The percentage increase in the median remuneration of employees in the financial year;

During the Financial year 2020-21, there was an increase of Nil over the previous financial year, in the Median remuneration of the employees. The calculation of percentage increase in the Median remuneration is based on comparable employees.

- (vi) The number of permanent employees on the rolls of company;

There were 135 permanent employees on the rolls of the Company as on 31st March, 2021.

ANNEXURE - D TO BOARD'S REPORT

- (vii) Average percentile increases already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;

Average increase for MD, CFO and the Company Secretary was at Nil compared to Nil increase considered for other Non-Managerial Personnel.

- (viii) Affirmation that the remuneration is as per the remuneration policy of the company.

It is hereby affirmed that the remuneration paid to employees is as per the Group HR Policy duly adopted by the Company through its Nomination and Remuneration Committee.

ANNEXURE - E TO BOARD'S REPORT

ANNUAL REPORT ON CSR INITIATIVES

1. A brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes

To actively contribute to the social and economic development of the underserved communities, lifting the burden of poverty and helping bring in inclusive growth and in doing so, build a better, sustainable way of life for the weaker sections of society and raise the Country's Human Development Index. The projects which are identified includes Education, Health Care, Sustainable Livelihood, Infrastructure Development and Women and Social Empowerment.

The Company has framed a CSR Policy in compliance with the provisions of the Companies Act, 2013 and the same is available on the weblink <http://www.tanfac.com/policy.php>. The CSR Policy, inter alia, covers the concept (CSR philosophy, snapshot of activities undertaken by the Company and applicability, scope (area/localities to be covered and activities), resources, identification and approval process (resources/fund allocation, identification process and approval process) modalities of execution and implementation and monitoring.

2. The Composition of the CSR Committee

Mr. V.T.Moorthy, Chairman

Mr.M.R.Sivaraman, IAS (Retd)

Mr.R.Karthikeyan

Mrs. R.Rajalakshmi

3. Average net profit of the Company for last three financial years - ₹1,870.31 lakhs
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) - ₹37.41 lakhs
5. Details of CSR spend during the financial year
 - (a) Total amount to be spent for the financial year – ₹37.41 lakhs
 - (b) Amount actually spent on CSR activities – ₹37.98 lakhs
 - (c) Amount unspent, if any Nil

Manner in which amount spent is detailed below:

6. In case the Company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.

Not Applicable
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

ANNEXURE - E TO BOARD'S REPORT

Details of Amount spent:

(₹ in Lakhs)

| S.No | CSR Project / Activity Identified | Sector in which the project is covered | Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken | Amount / Outlay Project / Program-wise | Amount spent on the projects or programs Sub Heads 1. Direct Expenditure on projects / programmes 2. Overheads | Cummulative expenditure upon the reporting period | Amount spent: Direct or through implementing agency |
|------|---|--|---|--|--|---|---|
| 1 | Contribution towards Higher Education Support | Education promotion | Cuddalore District, Tamil Nadu | 15.00 | 15.00 | 15.00 | Anandham Youth Foundation, Chennai, Tamil Nadu |
| 2 | Contribution to District Collector for providing CCTV system in public places | Social Infrastructure / Empowerment | Cuddalore District, Tamil Nadu | 3.00 | 3.00 | 3.00 | Through District Administration, Cuddalore |
| 3 | Contribution towards Computers / Laptops & CCTV Cameras | Education promotion | Cuddalore District, Tamil Nadu | 4.81 | 4.81 | 4.81 | Sri Lakshmi Hayagriva Trust, Cuddalore |
| 4 | Distribution of rice (5,500 Kgs), Sanitizers, Masks, Face Shields, Vitamin C / Zinc tablets, etc., at nearby villages | Covid-19 Relief Measures | Cuddalore District, Tamil Nadu | 3.65 | 3.65 | 3.65 | Direct |
| 5 | Contribution towards new beds, utensils and furnitures to Old Age Home run by the Trust | Social Empowerment | Cuddalore District, Tamil Nadu | 1.50 | 1.50 | 1.50 | The Cuddalore Education Foundation Trust |
| 6 | Contributions towards various public infrastructure projects through District Administration | Social Infrastructure | Cuddalore District, Tamil Nadu | 3.00 | 3.00 | 3.00 | Through District Administration, Cuddalore |
| 7 | Contribution towards New RO System for Dialysis Centre | Health and Infrastructure | Cuddalore, Villupuram Districts, Tamil Nadu and Pondicherry | 1.50 | 1.50 | 1.50 | LEEF Trust Dialysis Centre |
| 8 | Towards projectors for Government School | Education promotion | Cuddalore District, Tamil Nadu | 2.10 | 2.10 | 2.10 | Direct |

ANNEXURE - E TO BOARD'S REPORT

| S.No | CSR Project / Activity Identified | Sector in which the project is covered | Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken | Amount / Outlay Project / Program-wise | Amount spent on the projects or programs Sub Heads 1. Direct Expenditure on projects / programmes 2. Overheads | Cummulative expenditure upon the reporting period | Amount spent: Direct or through implementing agency |
|------|--|--|---|--|--|---|---|
| 9 | Towards Vocational Training (Tailoring & Tanjore Paintings) | Women Empowerment | Cuddalore District, Tamil Nadu | 0.75 | 0.75 | 0.75 | Direct |
| 10 | Towards Tree Guards (60 Nos) in public places in the nearby villages of factory location, Cuddalore. | Environment & Social Infrastructure | Cuddalore District, Tamil Nadu | 1.47 | 1.47 | 1.47 | Direct |
| 11 | Support to Annai Alamelu Old Age Home, Cuddalore towards Solor Lights and blankets | Social Empowerment | Cuddalore District, Tamil Nadu | 0.98 | 0.98 | 0.98 | Direct |
| 12 | Distribution of study support materials to Rasapettai & Sothikuppam Government Schools | Education promotion | Cuddalore District, Tamil Nadu | 0.22 | 0.22 | 0.22 | Direct |
| | Total | | | 37.98 | 37.98 | 37.98 | |

The CSR Committee confirms that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and policy of the Company.

(V.T.Moorthy)
Director &
Chairman – CSR Committee
DIN – 00007648

(M.R.Sivaraman)
Director &
Member – CSR Committee
DIN - 00020075

Place: Cuddalore
Date: May 07, 2021

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Tanfac Industries Limited

Report on the Audit of the Ind AS Financial Statements

Opinion

1. We have audited the accompanying Ind AS Financial Statements of **Tanfac Industries Limited** ('the Company'), which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the Ind AS financial statements, including a summary of significant accounting policies and other explanatory information. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS Financial Statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

2. We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Ind AS Financial Statements Section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of

the financial statements under the provisions of the Act and the Rules thereunder; and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

3. Attention is invited to Note No 28.11 to the Ind AS Financial Statements regarding the uncertainties arising out of the outbreak of COVID-19 pandemic and the assessment made by the management on its operations and financial reporting for the year ended March 31, 2021; such an assessment and the outcome of the pandemic, as made by the management, is dependent on the circumstances as they evolve in the subsequent periods. Our report is not modified in respect of this matter.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Ind AS Financial Statements for the year under audit. These matters are addressed in the context of our audit of the Ind AS financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on such matters. Based on our judgement, we have determined that there is no key audit matter to be communicated in our report.

Information Other than the Financial Statements and Auditor's Report Thereon

5. The Company's Board of Directors is responsible for the preparation of the other information, comprising of the information included in the Management Discussion and Analysis, Directors' Report including Annexures to Directors' Report, Corporate

INDEPENDENT AUDITOR'S REPORT

Governance and such other disclosures related Information, excluding the Ind AS Financial Statements and auditors report thereon ('Other Information'). The other information is expected to be made available to us after the date of this auditors' report. Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Ind AS Financial Statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Ind AS Financial Statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. When we read the other Information and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to other Information'

Responsibility of Management for Ind AS Financial Statements

6. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these Ind AS Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified under prescribed Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act

for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the Ind AS Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

7. Our objectives are to obtain reasonable assurance about whether the Ind AS Financial Statements, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the

INDEPENDENT AUDITOR'S REPORT

basis of these Ind AS Financial Statements. Our audit process in accordance with the SAs is narrated in Annexure 1 to this report.

Other Matters

8. The entire audit finalization process was carried from remote locations i.e. other than the office/plant of the Company where books of account and other records are kept, based on data/details or financial information provided to us through digital medium, owing to lockdown imposed by the Government to restrict the spread of COVID19. Being constrained, we resorted to and relied upon the results of the related alternate audit procedures to obtain appropriate audit evidence for the significant matters in course of our audit. Our report is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-Section (11) of Section 143 of the Act, we give in the Annexure 2, a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. As required by Section 143(3) of the Act, we report that:
- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss including Other

Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

- d. In our opinion, the aforesaid Ind AS Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 3 of the Companies (Accounting Standards) Rules, 2015.
- e. On the basis of the written representations received from the directors as on March 31, 2021, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 3.
- g. In terms of provisions of Section 197(16) of the Act, as per the information and explanations given, we report that the managerial remuneration paid by the Company to its Directors is in accordance with provisions of Section 197 of the Act.
- h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us, we report as under:
 - (i) The Company has disclosed the impact of pending litigations on

INDEPENDENT AUDITOR'S REPORT

the financials position in its Ind AS Financial Statements. Refer Note no. 28.4 to the Ind AS Financial Statements.

- (ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts Refer Note 28.4(f) to the Ind AS financial statements.
- (iii) There has been no delay in transferring amounts, required

to be transferred to the Investor Education and Protection Fund by the Company.

For Khimji Kunverji & Co LLP

Chartered Accountants

Firm's Registration No.: 105146W / W-100621

Praveen Kumar Daga

Partner

Membership No. 143762

ICAI UDIN: 20143762AAAABT2997

Camp: Bengaluru

Date: May 07, 2021

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

Annexure 1 to the Independent Auditors' Report to the members of Tanfac Industries Limited

[referred to in para 7 titled 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements']

As part of our audit in accordance with SAs we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, to design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

Annexure 2 to the Independent Auditors' Report to the members of Tanfac Industries Limited

[referred to in para 9 under 'Report on Other Legal and Regulatory Requirements']

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management. In our opinion, and according to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- ii. The Inventories (other than goods-in-transit) have been physically verified during the year by the management. In our opinion, the frequency of such verification is reasonable. As informed, the discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii. In our opinion and according to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act, with respect to the loans given, investments made, guarantees given and security provided.
- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public during the year in terms of the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- vi. We have broadly reviewed the books of account maintained by the Company as specified under Section 148(1) of the Act, for maintenance of cost records in respect of products manufactured by the Company, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii. In respect of Statutory dues:
 - (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Sales-tax, Service tax, Goods and Service Tax, Cess and other material statutory dues generally have been regularly deposited during the year by the Company with the appropriate authorities. There are no undisputed statutory dues payable in respect to the above statutes, outstanding as at March 31, 2021 for a period of more than six months from the date they became payable.

Pending Export Obligation as on March 31, 2021 is of ₹87.92 lakhs.

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

| Nature of Statute | Nature of Dues | Period to which the Amount Relates (Assessment Year) | Forum where Dispute is Pending | Amount Unpaid/ (refund) Rs. In lakhs |
|---------------------------------|---|--|---|--------------------------------------|
| TNGST Act, 1959 | Levy of sales tax from sales affected through Pondicherry | 1989-90 & 1990-91 | Appeal before Tamil Nadu Sales Tax Appellate Tribunal | 52.77 |
| Custom Act, 1962 | Duty on fluorspar shipment shortage | 1998-99 | Customs Officer | 10.79 |
| Income Tax Act, 1961 | Replacement of equipment claimed as revenue expenditure, reclassified by Dept. as capital expenditure [tax demanded] (Including Interest) | 2002-03 | Income Tax Appellate Tribunal | 85.39 |
| Finance Act, 1994 (Service Tax) | Service Tax on Lease Rent | 2001-02 to 2004-05 | The Commissioner/The Asst. Commissioner, Pondicherry | 12.30 |
| | Reversal of ITC on sales to SEZ in other state | 2012-13 | The Asst. Commissioner. (CT) (FAC), Cuddalore Taluk. | 1.51 |
| Central Sales Tax | Appeal against Assessment orders of FY14-15 to 17-18 for shortfall of C-Forms | 2014-15 to 2017-18 | Appellate Deputy Commissioner of CT | 246.86 |

viii. According to the information and explanations given to us, and based on the records of the Company, the Company has not defaulted in the repayment of loans or borrowings to Banks. Company has not taken any loan from financial institutions, government and Debenture Holder

ix. In our opinion and according to the information and explanations given to us, Company did not raise any money by way of initial public offer (including debt instruments) and loans. Hence, paragraph 3(ix) of the Order is not applicable.

x. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported

during the course of our audit.

xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company,

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the Ind AS Financial Statements as required under applicable Indian Accounting Standards (Ind AS).

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, reporting under paragraph 3(xiv) of the Order is not applicable to the Company.

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions

with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.

xvi. According to the information and explanations given to us, the Company is not required to be registered under Section 45 - IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

For Khimji Kunverji & Co LLP

Chartered Accountants

Firm's Registration No.: 105146W / W-100621

Praveen Kumar Daga

Partner

Membership No. 143762

ICAI UDIN: 20143762AAAABT2997

Camp: Bengaluru

Date: May 07, 2021

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

Annexure 3 to the Independent Auditors' Report to the members of Tanfac Industries Limited [referred to in paragraph 10(f) under 'Report on Other Legal and Regulatory Requirements']

Report on the Internal Financial Controls under Clause (i) of Sub-Section 3 of Section 143 of the Act

We have audited the internal financial controls over financial reporting of **Tanfac Industries Limited** ('the Company') as at March 31, 2021 in conjunction with our audit of the Ind AS Financial Statements of the Company for the year ended on that date.

Opinion

In our opinion considering the nature and size of the operations, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively, barring the scope of improvement of effectiveness in some areas, as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the company's

policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS Financial Statements, whether due to fraud or error.

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that:

- (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company.
- (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and
- (c) provide reasonable assurance regarding prevention or timely detection of

unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the Ind AS Financial Statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For Khimji Kunverji & Co LLP

Chartered Accountants

Firm's Registration No.: 105146W / W-100621

Praveen Kumar Daga

Partner

Membership No. 143762

ICAI UDIN: 20143762AAAABT2997

Camp: Bengaluru

Date: May 07, 2021

BALANCE SHEET AS AT 31ST MARCH 2021

| (₹ in Lakhs) | | | |
|--|------|---|----------------------|
| Particulars | Note | As at 31-Mar-2021 | As at 31-Mar-2020 |
| ASSETS | | | |
| 1) Non-Current Assets | | | |
| a) Property, Plant and Equipment | 2 | 4,006.72 | 3,295.84 |
| b) Capital Work in Progress | 2 | 289.80 | 627.43 |
| c) Financial Assets | | | |
| i) Investments | 3 | 132.05 | 98.25 |
| ii) Other Financial Assets | 4 | 6.54 | 4.72 |
| d) Other Non-Current Assets | 5 | 84.75 | 95.25 |
| Total Non-Current Assets (A) | | 4,519.86 | 4,121.49 |
| 2) Current Assets | | | |
| a) Inventories | 6 | 2,470.46 | 1,698.68 |
| b) Financial Assets | | | |
| i) Investments | 7 | 2,136.97 | - |
| ii) Trade Receivables | 8 | 1,601.26 | 1,794.33 |
| iii) Cash & Cash Equivalents | 9 | 238.12 | 0.06 |
| iv) Bank balances other than (ii) above | 9 | 397.01 | 2.75 |
| v) Loans & Advances | 10 | 0.94 | 0.75 |
| c) Other Current Assets | 11 | 662.15 | 1,291.87 |
| Total Current Assets (B) | | 7,506.91 | 4,788.44 |
| Total Assets (A + B) | | 12,026.77 | 8,909.93 |
| EQUITY & LIABILITIES | | | |
| Equity | | | |
| a) Equity Share Capital | 12 | 997.50 | 997.50 |
| b) Other Equity | 13 | 7,326.07 | 5,522.21 |
| Total Equity (C) | | 8,323.57 | 6,519.71 |
| Liabilities | | | |
| 1) Non-Current Liabilities | | | |
| a) Provisions | 14 | 43.58 | 57.51 |
| b) Deferred Tax Liability (net) | | 393.54 | 476.83 |
| Total Non Current Liabilities (D) | | 437.12 | 534.34 |
| 2) Current Liabilities | | | |
| a) Financial Liabilities | | | |
| i) Borrowings | 15 | - | 39.58 |
| ii) Trade Payables | 16 | | |
| - Outstanding Dues of Micro and Small Enterprises | | 134.45 | 224.98 |
| - Outstanding Dues of Creditors other than Micro and Small Enterprises | | 2,496.80 | 844.87 |
| b) Other Current Liabilities | 17 | 237.96 | 179.25 |
| c) Provisions | 18 | 396.87 | 567.20 |
| Total Current Liabilities (E) | | 3,266.08 | 1,855.88 |
| TOTAL EQUITY AND LIABILITIES (C + D + E) | | 12,026.77 | 8,909.93 |
| Significant Accounting Policies, Key Accounting Estimates and Judgements. | 1 | | |
| The accompanying Notes are an integral part of the Financial Statements. | | | |
| As per our report on even date attached For Khimji Kunverji & Co LLP Chartered Accountants | | For and on behalf of the Board of Directors of TANFAC Industries Limited CIN: L24117TN1972PLC006271 | |
| K.Sendhil Naathan Managing Director DIN: 08850046 | | M.R.Sivaraman Director DIN: 00020075 | |
| Praveen Kumar Daga Partner (143762) | | R.Karthikeyan Director DIN: 00824621 | |
| Camp : Bengaluru Date: May 7, 2021 | | Archana.T Company Secretary | |

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2021

(₹ in Lakhs)

| Particulars | Note | As at 31-Mar-2021 | As at 31-Mar-2020 |
|---|------|----------------------|----------------------|
| INCOME | | | |
| Revenue from Operations | 19 | 14,789.55 | 16,480.29 |
| Other Income | 20 | 136.63 | 116.41 |
| Total Income (A) | | 14,926.18 | 16,596.70 |
| EXPENDITURE | | | |
| Cost of Material Consumed | 21 | 6,922.84 | 8,438.37 |
| Changes in inventories of Finished goods, Stock in Trade and Work in Progress | 22 | 104.23 | 167.73 |
| Employee Benefit Expenses | 23 | 1,146.96 | 1,207.05 |
| Finance cost | 24 | 51.70 | 84.51 |
| Depreciation / Amortization and Impairment Expenses | 2 | 847.48 | 463.74 |
| Power and Fuel | 25 | 964.72 | 1,559.71 |
| Other Expenses | 26 | 2,382.24 | 2,513.28 |
| Total Expenses (B) | | 12,420.17 | 14,434.39 |
| Profit Before Tax (C = A-B) | | 2,506.01 | 2,162.31 |
| Tax Expense | | | |
| 1) Current Tax | | 455.97 | 377.28 |
| 2) Deferred Tax | | (107.25) | (94.69) |
| 3) MAT Credit Entitlement / Refund | | 414.69 | 333.42 |
| 4) Tax Provision of prior year reversed | | (4.81) | (151.14) |
| Profit for the Year (D) | | 1,747.41 | 1,697.44 |
| Other Comprehensive Income (OCI) | | | |
| (i) Items that will not be reclassified to Profit or Loss | 27 | 80.41 | 33.86 |
| (ii) Income tax relating to items that will not be reclassified to Profit or loss | | (23.96) | (2.85) |
| Other Comprehensive Income for the Year (E) | | 56.45 | 31.01 |
| Total Comprehensive Income for the year (D + E) | | 1,803.86 | 1,728.45 |
| Earnings per Share (Face Value of Rs. 10 each fully paid up) | | | |
| - Basic | | 17.52 | 17.02 |
| - Diluted | | 17.52 | 17.02 |
| Significant Accounting Policies, Key Accounting Estimates and Judgements. | 1 | | |
| The accompanying Notes are an integral part of the Financial Statements. | | | |

As per our report on even date attached

For Khimji Kunverji & Co LLP
Chartered Accountants

K.Sendhil Naathan
Managing Director
DIN: 08850046

Praveen Kumar Daga
Partner (143762)

N.R.Ravichandran
Chief Financial Officer

Camp : Bengaluru
Date: May 7, 2021

Archana.T
Company Secretary

For and on behalf of the Board of
Directors of
TANFAC Industries Limited
CIN: L24117TN1972PLC006271

M.R.Sivaraman
Director
DIN: 00020075

R.Karthikeyan
Director
DIN: 00824621

STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2021

(₹ in Lakhs)

| A) EQUITY SHARE CAPITAL | As At 31-Mar-2021 | As At 31-Mar-2020 |
|---|----------------------|----------------------|
| Balance at the beginning of the reporting year | 997.50 | 997.50 |
| Changes in Equity Share capital during the year | | |
| Balance at the end of the reporting year | 997.50 | 997.50 |

| B) OTHER EQUITY | General Reserve | Retained Earnings | Securities premium | Capital Redemption Reserve | Capital Reserve | Equity Instruments through OCI | Total |
|---|-----------------|-------------------|--------------------|----------------------------|-----------------|--------------------------------|-----------------|
| Balance as at 1st April 2020 (I) | 3,324.96 | 1,664.61 | 2.18 | 500.00 | 30.46 | - | 5,522.21 |
| Profit for the year | | 1,747.40 | | | | | 1,747.40 |
| Other Comprehensive Income for the year (net of Income tax) * | | 46.61 | | | | 9.85 | 56.46 |
| Total Comprehensive income for the year (2020-21) (II) | - | 1,794.01 | - | - | - | 9.85 | 1,803.86 |
| Balance as at 31st March 2021 (III) = I + II | 3,324.96 | 3,458.62 | 2.18 | 500.00 | 30.46 | 9.85 | 7,326.07 |

| C) OTHER EQUITY | General Reserve | Retained Earnings | Securities premium | Capital Redemption Reserve | Capital Reserve | Equity Instruments through OCI | Total |
|--|-----------------|-------------------|--------------------|----------------------------|-----------------|--------------------------------|-----------------|
| Balance as at 1st April 2019 (I) | 3,824.96 | (52.52) | 2.18 | | 30.46 | - | 3,805.08 |
| Profit for the year | | 1,697.44 | | | | | 1,697.44 |
| Transferred to Capital Redemption Reserve | (500.00) | | | 500.00 | | | - |
| Dividend Distribution Tax | | | | | | | |
| Dividend on 11% Cumulative Non convertible Preference Shares including arrears | | (11.31) | | | | | (11.31) |
| Other Comprehensive Income for the year (net of Income tax) * | | 21.60 | | | | 9.40 | 31.00 |
| Total Comprehensive income for the year (2019-20) (II) | (500.00) | 1,707.73 | - | 500.00 | - | 9.40 | 1,717.13 |
| Balance as at 31st March 2020 (III) = I + II | 3,324.96 | 1,655.21 | 2.18 | 500.00 | 30.46 | 9.40 | 5,522.21 |

* Represent Measurement of Defined Benefit Obligations.

Significant Accounting Policies, Key Accounting Estimates and Judgements. Refer Note 1

The accompanying Notes are an integral part of the Financial Statements.

As per our report on even date attached
For Khimji Kunverji & Co LLP
Chartered Accountants

For and on behalf of the Board of Directors of
TANFAC Industries Limited
CIN: L24117TN1972PLC006271

K. Sendhil Naathan
Managing Director
DIN: 08850046

M.R.Sivaraman
Director
DIN: 00020075

Praveen Kumar Daga
Partner (143762)

N.R.Ravichandran
Chief Financial Officer

R.Karthikeyan
Director
DIN: 00824621

Camp : Bengaluru
Date: May 7, 2021

Archana.T
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

(₹ in Lakhs)

| S.No | Particulars | 2020-2021 | | 2019-2020 | |
|-----------|---|------------|-------------------|------------|-----------------|
| A. | CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| | Net Profit before Tax Including Other Comprehensive Income | 2,586.42 | | 2,196.16 | |
| | Adjustments for : | | | - | |
| | Depreciation & Amortisation of Expenses | 847.48 | | 463.75 | |
| | Finance Cost | 51.70 | | 84.51 | |
| | Provision for Liabilities no longer required written back | (6.95) | | (26.68) | |
| | Loss / (Profit) on Sale of Fixed Assets | (0.24) | | (0.00) | |
| | Interest & Dividend Income | (10.88) | | (12.72) | |
| | Provision for Inventories | 17.17 | | 8.10 | |
| | Operating Profit before Working Capital changes | | 3,484.70 | | 2,713.12 |
| | Adjustments for : | | | | |
| | Trade and Other Receivables | 490.13 | | 982.86 | |
| | Inventories | (788.95) | | 1,321.98 | |
| | Trade Payable and Provisions | 854.46 | | (2,366.72) | |
| | | | 555.64 | | (61.88) |
| | Cash Generated From / (Used in) Operations | | 4,040.34 | | 2,651.24 |
| | Direct Taxes (Payment) / Refund (net) | (319.48) | | (469.88) | |
| | | | (319.48) | | (469.88) |
| | Net Cash Generated From / (Used in) Operating Activities | | 3,720.86 | | 2,181.36 |
| B. | CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| | Purchase of Property Plant & Equipment (Note-II below) | (873.85) | | (1,046.23) | |
| | Sale of Fixed Assets | 8.55 | | 0.06 | |
| | Investment In Bank Fixed Deposits | (2,531.23) | | 91.71 | |
| | Interest and Dividend Income | 5.01 | | 8.36 | |
| | Net Cash flow From / (Used in) Investing Activities | | (3,391.52) | | (946.10) |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

| S.No | Particulars | 2020-2021 | | 2019-2020 | |
|---------|--|-----------|----------------|-----------|-------------------|
| C. | CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| | Short term loan availed / (Repaid) | (39.58) | | (580.74) | |
| | Redemption of Preference Shares | - | | (500.00) | |
| | Amortized Cost on Redeemable NC Preference Shares | - | | (59.47) | |
| | Finance Cost | (51.70) | | (84.51) | |
| | Dividend Distribution Tax | - | | (11.31) | |
| | Net Cash flow From / (Used in) financing Activities | | (91.28) | | (1,236.03) |
| | Net Increase / (Decrease) in Cash and Cash Equivalents | | 238.06 | | (0.77) |
| | Cash & Cash Equivalents at the Beginning of the year (Note 9) | 0.06 | | 0.83 | |
| | Cash & Cash Equivalents at the End of the year (Note 9) | 238.12 | | 0.06 | |
| | | | 238.06 | | (0.76) |
| | Significant Accounting Policies - Note 1 | | | | |
| | The accompanying notes are an intergral part of the financial statements | | | | |
| Note I | The Cash Flow Statement has been prepared under the 'Indirect Method' as set out in Indian Accounting Standard (Ind AS 7) - Statement of Cash Flows, as prescribed under the Companies Act (Indian Accounting Standard) Rules, 2015. | | | | |
| Note II | Purchase of Property, Plant and Equipment includes movements of Capital Work-in-Progress (including Capital Advances) and Capital Expenditure Creditors during the year. | | | | |

As per our report on even date attached
For Khimji Kunverji & Co LLP
Chartered Accountants

K.Sendhil Naathan
Managing Director
DIN: 08850046

Praveen Kumar Daga
Partner (143762)

N.R.Ravichandran
Chief Financial Officer

Camp : Bengaluru
Date: May 7, 2021

Archana.T
Company Secretary

For and on behalf of the Board of
Directors of
TANFAC Industries Limited
CIN: L24117TN1972PLC006271

M.R.Sivaraman
Director
DIN: 00020075

R.Karthikeyan
Director
DIN: 00824621

SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

"Tanfac Industries Limited is a joint venture company promoted by the Aditya Birla Group and the Tamil Nadu Industrial Development Corporation (TIDCO). Incorporated in 1972, it is one of India's largest suppliers of fluorine chemicals. The equity shares of the Company are listed on BSE Ltd (BSE). The address of its registered office is Plot No. 14 SIPCOT Industrial Complex Kudikadu, Cuddalore - 607005, Tamilnadu. "

Note 1(A) Significant Accounting Policy

a. Statement of Compliance:

These financial statements are prepared in accordance with the Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time, the relevant provisions of the Companies Act, 2013 ('the Act') and guidelines issued by the Securities and Exchange Board of India ('SEBI'), as applicable. The financial statements are approved by the Board of Directors of the Company at their meeting held on 7th May, 2021

b. Basis for Preparation and Presentation of Financial Statements:

Basis of Preparation:

The financial statements have been prepared on the going concern basis and a historical cost basis, except for the following assets and liabilities:

- (i) Certain financial assets and liabilities measured at fair value
- (ii) Employee's Defined Benefit Plan measured as per Actuarial Valuation
- (iii) Derivative Financial Instruments measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. In determining the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Functional and Presentation Currency :

The financial statements are presented in Indian Rupees, which is the functional currency of the Company and the currency of the primary economic environment in which the Company operates, and all values are rounded to the nearest Lakhs, except as stated otherwise.

Classification of Assets and Liabilities into Current/Non-Current:

All assets and liabilities are classified as current or non-current as per the Company's normal operating cycle, and other criteria set out in Schedule III of the Companies Act, 2013. Based on the nature of products and the time lag between the acquisition of assets for processing and their realisation in cash and cash equivalents, 12 months period has been considered by the Company as its normal operating cycle.

c. Property, Plant and Equipment (PPE)

Property, plant and equipment are stated at acquisition or construction cost less accumulated depreciation and impairment loss. Cost comprises the purchase price and any attributable cost of bringing the asset to its location and working condition for its intended use, including relevant borrowing costs and any expected costs of decommissioning.

The cost of an item of PPE is recognised as an asset if, and only if, it is probable that the economic benefits associated with the item will flow to the Company in future periods and the cost of the item can be measured reliably. Expenditure incurred after the PPE have been put into operations, such as repairs and maintenance expenses are charged to the Statement of Profit and Loss during the period in which they are incurred.

Items such as spare parts, standby equipment and servicing equipment are recognised as PPE when it is held for use in the production or supply of goods or services, or for administrative purpose, and are expected to be used for more than one year. Otherwise such items are classified as inventory.

An item of PPE is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of PPE, is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE. Capital work-in-progress includes cost of property, plant and equipment under installation/under development as at the reporting date.

d. Expenditure during construction period

Expenditure, net of income earned, during construction (including financing cost related to borrowed funds for construction or acquisition of qualifying PPE) period is included under capital work-in-progress, and the same is allocated to the respective PPE on the completion of construction. Advances given towards acquisition or construction of PPE outstanding at each reporting date are disclosed as Capital Advances under "Other Non-Current Assets"

e Depreciation

Depreciation is the systematic allocation of the depreciable amount over its useful life. Depreciation on Buildings and Plant & Machinery is provided on a straight-line basis over such useful lives as prescribed under Schedule II to the Companies Act, 2013. Depreciation on all other assets other than Buildings and Plant & Machinery has been provided on Written Down Value method.

The Company has used the following useful lives of the property, plant and equipment to provide depreciation.

Major assets class where useful life considered as provided in Schedule II:

| Nature | Estimated Useful Life |
|---|---|
| 1) Buildings | 30 Year/60 Year |
| 2) Plant & Machinery | 8-15 Year |
| 3) Office Equipment | 4-7 Year |
| 4) Furniture & Fixture | 7-12 Year |
| 5) Company Vehicles (Other Than those provided to Employees) | 3 Year |
| 6) Motor Cars given to Employees as per the Company's Scheme Policy | 4-7 Year |
| 7) Server & Networks | 4-5 Year |
| 8) Stores and Spares in the Nature of PPE | 3 Year |
| 9) Assets individually costing less than or equal to Rs. 5000 each | Fully Depreciated in the year of Purchase |

Also,

- i) Where a significant component (in terms of cost) of an asset has an estimated economic useful life shorter than that of its corresponding asset, the component is depreciated over its shorter life.
- ii) Depreciation on additions is being provided on Pro rata basis from the date of such additions.
- iii) Depreciation on sale or disposal is provided on Pro rata basis till the date of such sale or disposal.
- iv) Depreciation on assets sold, discarded or demolished during the year is being provided up to the month in which such assets are sold, discarded or demolished.
- v) Depreciation and amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively
- vi) Leasehold lands are amortized over the period of the lease.

Depreciable amount for PPE is the cost of PPE less its estimated residual value. The useful life of PPE is the period over which PPE is expected to be available for use by the Company, or the number of production or similar units expected to be obtained from the asset by the Company

f. Intangible Assets and Amortization:

Intangible assets are recognized only if it is probable that the future economic benefits attributable to asset will flow to the Company and the cost of asset can be measured reliably. The Company determines the useful life as the period over which the future economic benefits will flow to the Company after taking into account all relevant facts and circumstances.

Intangible assets are measured at cost. Following initial recognition, intangible asset is carried at acquisition/development cost less accumulated amortization and accumulated impairment loss if any. Cost of Intangible asset includes purchase price including non-refundable taxes and duties, borrowing cost directly attributable to the qualifying asset and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit and Loss unless such expenditure forms part of carrying value of another asset. Intangible assets are amortised on a straight-line basis over their estimated useful lives.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is recognised.

g. Impairment of Non-Financial Assets:

At the end of each reporting period, the Company reviews the carrying amounts of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in Statement of Profit and Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit and Loss,

unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

h. Non-Current assets (or disposal Company) classified as held for disposal:

Assets are classified as held for disposal and stated at the lower of carrying amount and fair value less costs to sell. To classify any Asset as "Asset held for disposal" the asset must be available for immediate sale and its sale must be highly probable. Such assets or Company of assets are presented separately in the Balance Sheet, in the line "Assets held for disposal". Once classified as held for disposal, intangible assets and PPE are no longer amortised or depreciated.

The management must be committed to the sale/ distribution expected within one year from the date of classification.

i. Inventories:

Raw materials, fuel, stores & spare parts and packing materials

Valued at lower of cost and net realisable value (NRV). However, these items are considered to be realisable at cost, if the finished products, in which they will be used, are expected to be sold at or above cost. The cost is computed on weighted average basis which includes expenditure incurred for acquiring inventories like purchase price, import duties, taxes (net of tax credit) and other costs incurred in bringing the inventories to their present location and condition

Work-in- progress (WIP), finished goods, stock-in-trade and trial run inventories:

Valued at lower of cost and NRV. Cost of Finished goods and WIP includes cost of raw materials, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories is computed on weighted average basis.

Waste / Scrap:

Waste / Scrap inventory is valued at NRV. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Obsolete, defective, slow moving and unserviceable inventories, if any, are duly provided for.

j. Borrowing Costs:

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset are capitalized as part of the cost of the respective asset till such time the asset is ready for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs consist of interest, amortization of discounts, hedge related cost incurred in connection with foreign currency borrowings and exchange difference arising from foreign currency borrowings to the extent they are treated as an adjustment to the borrowing cost and other costs that an entity incurs in connection with the borrowing of funds.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the Statement of Profit and Loss in the period in which they are incurred

k. Government Grant:

Government Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to Statement of Profit & loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset. When loans or similar assistance are provided by the government or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

l. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessment of time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognized in the Statement of Profit and Loss as a finance cost. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

Contingent liabilities are also disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Claims against the Company where the possibility of any outflow of resources in settlement is remote, are not disclosed as contingent liabilities.

Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and is recognized.

m. Revenue Recognition:

Revenue is recognized on the basis of approved contracts regarding the transfer of goods or services to a customer for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of returns and discounts to customers. Revenue is recognised when the control over the goods have passed to the buyer. Sales are disclosed net of Goods & Service tax, discounts and Sales return.

Interest Income is recognised on a time proportion basis taking into account the amount outstanding and the interest rate applicable.

Export Incentives are accounted for to the extent considered recoverable by the Management.

Rental income on assets given under operating lease arrangements is recognized on a straight-line basis over the period of the lease unless the receipts are structured to increase in line with expected general inflation to compensate for the Company's expected inflationary cost increases.

n. Lease

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset, or assets and the arrangement conveys a right or control to use the asset, or assets even if that right is not explicitly specified in an arrangement.

The arrangement conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset. The cost of the right-of-use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

For short-term and low value leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the lease term.

o. Employee Benefit Expense:

Defined benefit plan:

The Company pays gratuity to the employees whoever has completed five years of service with the Company at the time of resignation/superannuation. The gratuity liability amount is contributed to the approved gratuity fund formed exclusively for gratuity payment to the employees.

The liability in respect of gratuity and other post-employment benefits is calculated using the Projected Unit Credit Method and spread over the period during which the benefit is expected to be derived from employees' services.

Re-measurement of defined benefit plans in respect of post-employment are charged to the Other Comprehensive Income. Re-measurement recognised in Other Comprehensive Income ('OCI') is reflected immediately in retained earnings and will not be reclassified to Statement of Profit and Loss.

The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds.

The defined benefit obligation recognised in the Balance Sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Defined contribution plan

Employee benefits in the form of contribution to superannuation fund, provident fund managed by Government authorities, Employee state Insurance Corporation and Labour Welfare Fund are considered as defined contribution plan and the same is charged to Statement of Profit or Loss for the year when the contributions to the respective funds are due.

Other long-term employee benefits:

The Company has a scheme for leave encashment for employee, the liability for which is determined on the basis of an actuarial valuation carried out at the end of the year using Projected Unit Credit method.

Short Term Employee Benefits:

Short-term employee benefits are recognised as an expense on accrual basis.

p. Income Taxes:

The tax expense for the period comprises current and deferred tax. Tax is recognized in Statement of Profit and Loss, except to the extent that it relates to items recognized in the OCI or in equity. In which case, the tax is also recognized in OCI or equity.

Current Tax:

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and established provisions, where appropriate.

Deferred Tax:

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable

Minimum Alternate Tax (MAT)

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent it is reasonably certain that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised, it is credited to the Statement of Profit and Loss and is considered as MAT Credit Entitlement. The Company reviews the same at each Balance Sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period. Minimum Alternate Tax (MAT) Credit are in the form of unused tax credits that are carried forward by the Company for a specified period of time, hence, it is presented with Deferred Tax Asset.

q. Foreign Currency Transactions:

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. As at balance sheet date, foreign currency monetary items are translated at closing exchange rate. Foreign currency non-monetary items carried at fair value are translated at the rates prevailing at the date when the fair value was determined. Foreign currency non-monetary items measured in terms of historical cost are translated using the exchange rate as at the date of initial transactions.

Exchange difference arising on settlement or translation of foreign currency monetary items are recognized as income or expense in the year in which they arise except to the extent exchange differences are regarded as an adjustment to interest cost on those foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings

r. Earnings Per Share:

The basic Earnings Per Share ("EPS") is computed by dividing the net profit / (loss) after tax for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue and share split, if any that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted EPS, net profit/(loss) after tax for the year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

s. Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial Assets & Financial Liabilities are recognized when the Company becomes party to contractual provisions of the relevant instrument.

Initial Measurement:

At initial recognition, the Company measures a financial asset and financial liabilities at its fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss and ancillary costs related to borrowings) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in Statement of Profit and Loss.

Classification and Subsequent Measurement: Financial Assets

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") on the basis of following:

- the entity's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

Amortised Cost:

A financial asset shall be classified and measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The

EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss. This category generally applies to trade and other receivables.

Fair Value through Other Comprehensive Income ('FVOCI') :

A financial asset shall be classified and measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial Asset included within the FVOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the Other Comprehensive Income (OCI). However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the Statement of Profit and Loss. On de-recognition of the asset, cumulative gain or loss previously recognised in OCI is re-classified from the equity to Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Fair Value through Profit or Loss ('FVTPL'):

FVTPL is a residual category for Financial Asset. Any debt instrument, which does not meet the criteria for categorization as at amortised cost or as FVOCI, is classified as at FVTPL.

Financial Assets included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Equity instruments:

All equity investments in scope of Ind-AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company decides to classify the same either as at FVTOCI or FVTPL. The Company makes such election on an instrument-by-instrument basis. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the Statement of Profit and Loss. Dividends from such investments are recognized in the Statement of Profit and Loss as other income when the Company's right to receive payments is established.

Impairment of financial assets:

The Company assesses on a forward looking basis the expected credit losses associated with its assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For Financial Assets, the Company applies 'simplified approach' as specified under Ind AS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The application of simplified approach does not require the Company to track changes in credit risk. The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

Derecognition of Financial Instruments:

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of profit or loss if such gain or loss would have otherwise been recognised in statement of profit or loss on disposal of that financial asset.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in statement of profit or loss if such gain or loss would have otherwise been recognised in statement of profit or loss on disposal of that financial asset. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Classification and Subsequent Measurement: Financial Liabilities**Fair Value Measurement:**

The Company measures financial instruments, such as investments (other than equity investments in Subsidiaries, Joint Ventures and Associates) and derivatives at fair values at each Balance Sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the

liability takes place either: In the principal market for the asset or liability, or In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities (for which fair value is measured or disclosed in the financial statements) are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable other than quoted prices included in level 1.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value, and for non-recurring measurement, such as assets held for disposal in discontinued operations.

At each reporting date, Management analyses the movements in the values of assets and liabilities, which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Financial Liabilities:

Financial liabilities are classified, at initial recognition as fair value through profit or loss:

- Loans and borrowings,
- Payables, or
- as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings and payables are recognised net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent Measurement:

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at FVTPL:

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading, if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group, that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading, unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Profit and Loss. Financial liabilities, designated upon initial recognition at FVTPL, are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied.

Loans and Borrowings:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the Statement of Profit and Loss, when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit and Loss.

De-recognition of Financial Liabilities:

The Group de-recognises financial liabilities when and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable is recognised in Statement of Profit and Loss.

t. Cash and cash equivalent

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand, including fixed deposit with original maturity period of three months or less and short-term highly liquid investments with an original maturity of three months or less, that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

u. Cash Flow Statement:

Cash flows are reported using the indirect method, whereby the net profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

v. Derivative Financial Instruments and Hedge Accounting:

The Company enters into derivative financial instruments viz. foreign exchange forward contracts to manage its exposure foreign exchange rate risks. The Company formally establishes a hedge relationship between such forward currency contracts ('hedging instrument') and recognized financial liabilities ('hedged item') through a formal documentation at the inception of the hedge relationship in line with the Company's Risk Management objective and strategy. The Company does not hold derivative financial instruments for speculative purposes.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in statement of profit or loss immediately excluding derivatives designated as cash flow hedge.

Recognition and measurement of fair value hedge:

Hedging instrument is initially recognized at fair value on the date on which a derivative contract is entered into and is subsequently measured at fair value at each reporting date. Gain or loss arising from changes in the fair value of hedging instrument is recognized in the Statement of Profit and Loss. Hedging instrument is recognized as a financial asset in the Balance Sheet if its fair value as at reporting date is positive as compared to carrying value and as a financial liability if its fair value as at reporting date is negative as compared to carrying value.

Hedged item (recognized financial liability) is initially recognized at fair value on the date of entering into contractual obligation and is subsequently measured at amortized cost. The hedging gain or loss on the hedged item is adjusted to the carrying value of the hedged item as per the effective interest method and the corresponding effect is recognized in the Statement of Profit and Loss.

On Derecognition of the hedged item, the unamortized fair value of the hedging instrument is recognized in the Statement of Profit and Loss

w. Segment Reporting

Identification of Segments:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the company's management to make decisions for which discrete financial information is available. Operating Segments are identified based on monitoring of operating results by the chief operating decision maker (CODM) separately for the purpose of making decision about resource allocation and performance assessment.

Operating Segment is identified based on the nature of products and services, the different risks and returns, and the Internal Business Reporting System.

Based on the management approach as defined in Ind AS 108, the management evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

x. Cash Dividend to Equity Holders of the Company:

The Company recognises a liability to make cash distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in other equity.

Note 1(B) Significant Accounting Judgements and Estimates

The preparation of the financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

(i) Useful Lives of Property, Plant & Equipment:

Property, Plant and Equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life. The useful lives of the Company's assets are determined by the management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technical or commercial obsolescence arising from changes or improvements in production or from a change in market demand of the product or service output of the asset.

(ii) Defined Benefit Plans and Compensated Absences:

The cost of the defined benefit plans, compensated absences and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

(iii) Expected Credit Losses on Financial Assets:

The impairment provisions of financial assets are based on assumptions about risk of default and expected timing of collection. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, customer's creditworthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.

(iv) Fair Value measurement of Financial Instruments:

When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow model, which involve various judgements and assumptions.

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

NOTE - 2 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(₹ in Lakhs)

| Sr. No. | Description of the Block of Assets | GROSS BLOCK | | | DEPRECIATION/AMORTISATION | | | | NET BLOCK | |
|---------|--|------------------|-----------------|-----------------------|---------------------------|------------------|---------------|--------------|------------------|------------------|
| | | As at 01/04/2020 | Additions | Deductions/ Discarded | As at 31/03/2021 | As at 01/04/2020 | Depreciation | Deductions | As at 31/03/2021 | As at 31/03/2021 |
| | <u>Tangible Asset</u> | | | | | | | | | |
| 1 | Freehold Land | 12.01 | | - | 12.01 | - | - | - | - | 12.01 |
| 2 | Leasehold Land | 39.68 | | - | 39.68 | 13.10 | 0.38 | - | 13.48 | 26.20 |
| 3 | Building- Freehold | 207.46 | - | - | 207.46 | 72.67 | 3.22 | - | 75.89 | 131.57 |
| 4 | Building- Leasehold | 524.43 | 19.74 | - | 544.17 | 361.57 | 10.94 | - | 372.51 | 171.66 |
| 5 | Road, Well, Culvert, Fencing etc | 125.17 | 24.67 | - | 149.84 | 95.83 | 4.86 | - | 100.69 | 49.15 |
| 6 | Plant & Machinery | 12,573.17 | 1,492.81 | - | 14,065.98 | 9,776.70 | 779.13 | - | 10,555.83 | 3,510.15 |
| 7 | Plant & Machinery-Data Processing Equipments | 181.64 | 1.49 | 1.73 | 181.40 | 169.79 | 3.29 | 1.64 | 171.44 | 9.96 |
| 8 | Vehicles & Tanks | 304.26 | 7.14 | 26.06 | 285.34 | 203.66 | 37.53 | 17.84 | 223.35 | 61.99 |
| 9 | Furnitures & Fixtures | 75.38 | 0.32 | - | 75.70 | 72.24 | 0.08 | - | 72.32 | 3.38 |
| 10 | Office Equipment | 191.72 | 20.50 | - | 212.22 | 173.52 | 8.05 | - | 181.57 | 30.65 |
| | Total | 14,234.92 | 1,566.67 | 27.79 | 15,773.80 | 10,939.08 | 847.48 | 19.48 | 11,767.08 | 4,006.72 |
| | <u>Intangible Assets</u> | | | | | | | | | |
| 1 | Software Items | 6.21 | | | 6.21 | 6.21 | | | 6.21 | - |
| 2 | Specialised Software | 52.08 | | | 52.08 | 52.08 | | | 52.08 | - |
| | Total | 58.29 | - | - | 58.29 | 58.29 | - | - | 58.29 | - |
| | Capital Work In Progress | | | | | | | | | 289.80 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

(₹ in Lakhs)

| Sr. No. | Description of the Block of Assets | GROSS BLOCK | | | | DEPRECIATION/AMORTISATION | | | | NET BLOCK |
|---------|--|------------------|---------------|-----------------------|------------------|---------------------------|---------------|-------------|------------------|-----------|
| | | As at 01/04/2019 | Additions | Deductions/ Discarded | As at 31/03/2020 | As at 01/04/2019 | Depreciation | Deductions | As at 31/03/2019 | |
| | <u>Tangible Asset</u> | | | | | | | | | |
| 1 | Freehold Land | 12.01 | - | - | 12.01 | - | - | - | 12.01 | |
| 2 | Leasehold Land | 39.68 | - | - | 39.68 | 12.72 | 0.38 | - | 26.58 | |
| 3 | Building- Freehold | 207.46 | - | - | 207.46 | 69.45 | 3.22 | - | 134.79 | |
| 4 | Building- Leasehold | 524.43 | - | - | 524.43 | 350.63 | 10.94 | - | 162.86 | |
| 5 | Road, Well, Culvert, Fencing etc | 100.17 | 25.00 | - | 125.17 | 91.38 | 4.45 | - | 29.34 | |
| 6 | Plant & Machinery | 12,370.25 | 202.92 | - | 12,573.17 | 9,382.77 | 394.77 | 0.84 | 2,796.47 | |
| 7 | Plant & Machinery-Data Processing Equipments | 177.58 | 5.12 | 1.06 | 181.64 | 164.50 | 5.45 | 0.16 | 11.85 | |
| 8 | Vehicles & Tanks | 216.72 | 87.54 | - | 304.26 | 166.99 | 36.67 | - | 100.60 | |
| 9 | Furnitures & Fixtures | 75.21 | 0.17 | - | 75.38 | 71.89 | 0.35 | - | 3.14 | |
| 10 | Office Equipment | 186.99 | 4.73 | - | 191.72 | 166.01 | 7.51 | - | 18.20 | |
| | Total | 13,910.50 | 325.48 | 1.06 | 14,234.92 | 10,476.34 | 463.74 | 1.00 | 3,295.84 | |
| | <u>Intangible Assets</u> | | | | | | | | | |
| 1 | Software Items | 6.21 | | | 6.21 | 6.21 | | | - | |
| 2 | Specialised Software | 52.08 | | | 52.08 | 52.08 | | | - | |
| | Total | 58.29 | - | - | 58.29 | 58.29 | - | - | - | |
| | Capital Work In Progress | | | | | | | | 627.43 | |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

NOTE - 3 NON CURRENT INVESTMENT (NON TRADED AND UNQUOTED)

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|---|----------------------|----------------------|
| 16,963 Shares of Rs.100/- each fully paid up in Equity shares of Cuddalore Sipcot Industries Common Utilities Limited | 132.05 | 98.25 |
| TOTAL | 132.05 | 98.25 |

Note:

NON CURRENT INVESTMENT(NON TRADED AND UNQUOTED)

(Long Term Fully Paid up)

| Particulars | Face Value | As at 31st Mar 2021 | | As at 31st Mar 2020 | |
|---|------------|---------------------|---------------|---------------------|--------------|
| | Rs. | No. | Amount | No. | Amount |
| Investment in Equity Instrument Carried at Fair Value through Other Comprehensive Income (FVTOCI) | 100 | 16,963 | 132.05 | 16,963 | 98.25 |
| TOTAL | | 16,963 | 132.05 | 16,963 | 98.25 |

NOTE - 4 Non Current -Other Financial Assets

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|---|----------------------|----------------------|
| Security Deposits & Other Deposits | 4.56 | 2.74 |
| Loans & Advances to related parties (Refer Note 28.2) | 1.98 | 1.98 |
| TOTAL | 6.54 | 4.72 |

NOTE - 5 Other Non Current Assets

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|--|----------------------|----------------------|
| Input Credit, Statutory/Electricity deposits etc | 84.75 | 95.25 |
| TOTAL | 84.75 | 95.25 |

NOTE - 6 INVENTORIES

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|--|----------------------|----------------------|
| Raw materials including Packing Materials # | 2,084.71 | 968.63 |
| Raw materials including Packing Materials - In transit | - | 159.03 |
| Work-in-Progress | - | 1.88 |
| Finished Goods | 201.33 | 305.38 |
| Finished Goods in Transit | 1.70 | - |
| Stores, Spares & Consumables # | 110.63 | 159.64 |
| Coal, Fuel Oil & Other utilities | 72.09 | 104.12 |
| TOTAL | 2,470.46 | 1,698.68 |

Net of Provision of Rs.81.87 lakhs (Previous year Rs.64.70 Lakhs)

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

6.1 Valued at lower of cost and net realisable value, unless otherwise stated.

6.2 The Company follows suitable provisioning norms for writing down the value of Inventories towards slow moving / obsolete inventory.

6.3 Working Capital Borrowings are secured by hypothecation of inventories of the Company.

NOTE - 7 CURRENT INVESTMENTS

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|---|----------------------|----------------------|
| Investments in various Mutual Funds (FVTPL) | 2,136.97 | - |
| TOTAL | 2,136.97 | - |

NOTE - 8 TRADE RECEIVABLES

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|------------------------------------|----------------------|----------------------|
| Trade Receivables | | |
| Secured, considered good | - | - |
| Unsecured, considered good | 1,623.05 | 1,807.96 |
| Less : Provision for doubtful debt | (21.79) | (13.63) |
| TOTAL | 1,601.26 | 1,794.33 |

NOTE - 9 CASH & CASH EQUIVALENT AND OTHER BANK BALANCES

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|--------------------------------------|----------------------|----------------------|
| A. Cash & Cash Equivalent | | |
| Balances with Bank | | |
| Current Accounts | 0.05 | 0.06 |
| Cash Credit Accounts | 238.07 | - |
| TOTAL (A) | 238.12 | 0.06 |
| B. Other Bank Balance | | |
| Deposit Accounts | 397.01 | 2.75 |
| TOTAL (B) | 397.01 | 2.75 |
| TOTAL (A + B) | 635.13 | 2.81 |

Note : There are no restriction with regard to Cash and Cash Equivalents as at the end of reporting period and prior period.

NOTE 10 CURRENT LOANS AND ADVANCES (Unsecured, Considered Good except otherwise stated)

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|------------------------------------|----------------------|----------------------|
| Security Deposits & Other Deposits | 0.75 | 0.75 |
| Claims Recoverable | 0.19 | - |
| TOTAL | 0.94 | 0.75 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

NOTE - 11 OTHER CURRENT ASSETS (Unsecured, Considered Good except otherwise stated)

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|--|----------------------|----------------------|
| Export Incentives Receivable | 25.89 | 9.36 |
| MAT Credit Entitlement / Refund A/c | 60.70 | 413.74 |
| Income Tax Refund Receivables | 137.84 | 303.52 |
| Advance for Expenses & Purchases of Material | 191.85 | 176.25 |
| Claims Recoverable, VAT Input Credit etc | 109.63 | 14.03 |
| Prepaid Expenses | 52.14 | 26.90 |
| Mark to Market on Currency Forward contracts | 2.27 | - |
| Advances for Fixed Assets | - | 313.23 |
| Others | 81.83 | 34.84 |
| TOTAL | 662.15 | 1,291.87 |

NOTE - 12 EQUITY SHARE CAPITAL

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|--|----------------------|----------------------|
| Authorised | | |
| 2,50,00,000 Equity Shares of Rs.10/- each | 2,500.00 | 2,500.00 |
| 10,00,000 11% Redeemable Cumulative Preference Shares of Rs 100 each | 1,000.00 | 1,000.00 |
| | 3,500.00 | 3,500.00 |
| Issued, Subscribed and Paid up | | |
| 99,75,000 Equity shares of Rs.10/- each fully paid up | 997.50 | 997.50 |
| | 997.50 | 997.50 |

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

12.2 Reconciliation of the No. of Shares outstanding is set out below:

(₹ in Lakhs)

| Particulars | As at 31st March 2021 | | As at 31st March 2020 | |
|--|-----------------------|--------|-----------------------|--------|
| | No. | Amount | No. | Amount |
| (i) Equity Shares at the beginning of the year | 99,75,000 | 997.50 | 99,75,000 | 997.50 |
| Add: Shares issued if any during the year | - | - | - | - |
| Equity Shares at the end of the year | 99,75,000 | 997.50 | 99,75,000 | 997.50 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

12.3 Details of the shareholder holding more than 5% shares of the total no of shares issued by the company Equity:

| Name of the Shareholder | As at 31st March 2021 | | As at 31st March 2020 | |
|--|-----------------------|-----------------|-----------------------|-----------------|
| | No. of Shares | %age of holding | No. of Shares | %age of holding |
| Tamilnadu Industrial Development Corporation Limited | 25,95,000 | 26.02% | 25,95,000 | 26.02% |
| Birla Group Holdings Private Limited | 19,90,652 | 19.96% | 19,90,652 | 19.96% |
| Kamaljiyot Investments Limited | 8,30,925 | 8.33% | 6,70,880 | 6.73% |
| Anshul Specialty Molecules | 7,15,970 | 7.18% | 6,47,621 | 6.49% |
| Pilani Investment & Industries Corporation Limited | 4,98,000 | 4.99% | 4,98,000 | 4.99% |

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

NOTE - 13 OTHER EQUITY

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|--|-------------------|-------------------|
| Capital Reserve (A) | | |
| i) State Capital Subsidy from SIPCOT | 30.00 | 30.00 |
| ii) Profit on sale of Forfeited Shares | 0.46 | 0.46 |
| TOTAL | 30.46 | 30.46 |
| Securities Premium Reserve (B) | 2.18 | 2.18 |
| General Reserve (C) | | |
| Opening balance | 3,324.96 | 3,824.96 |
| Less: Transferred to Capital Redemption Reserve | - | (500.00) |
| TOTAL | 3,324.96 | 3,324.96 |
| Capital Redemption Reserve (D) | 500.00 | 500.00 |
| (Refer Note 13) | | |
| Retained Earnings (E) | | |
| Opening balance | 1,664.61 | (52.52) |
| Add: Net profit after tax transferred to P&L A/c | 1,803.86 | 1,728.44 |
| Dividend Distribution Tax including Arreas | - | (11.31) |
| TOTAL | 3,468.47 | 1,664.61 |
| Total (A + B + C + D + E) | 7,326.07 | 5,522.21 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

The Description of the nature and purpose of each reserve within equity is as follows:

- a) **Securities Premium:** Securities Premium is credited when shares are issued at premium. It can be used to issue bonus shares, to provide for premium on redemption of shares, write-off equity related expenses like underwriting costs, etc
- b) **General Reserve:** It is a free reserve, which is created by appropriation from undistributed profits of previous years, before declaration of dividend duly complying with any regulations in this regard.
- c) **Capital Reserve:** Capital Reserve includes transfer of subsidy received from SIPCOT initially as an incentive for investing & setting up the industry in a notified area classified as backward / remote and transfer of profit on sale of forfeited shares.
- d) **Capital Redemption Reserve:** Created out of profit during the financial year 2019-20 upon redemption of 500,000 11% Redeemable Cumulative Non-Convertible Preference Shares of Rs.100/- each. It can be used to issue bonus shares or reduced or cancelled by means of reduction of Capital.

NOTE - 14 NON-CURRENT PROVISIONS

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|-------------------|----------------------|----------------------|
| Employee Benefits | | |
| Leave Encashment | 43.58 | 57.51 |
| TOTAL | 43.58 | 57.51 |

NOTE - 15 CURRENT BORROWINGS

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|-----------------------------|----------------------|----------------------|
| <u>SECURED LOANS</u> | | |
| Working Capital Borrowing | | |
| Bank | - | 39.58 |
| TOTAL | - | 39.58 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

15.1 Nature of Security for Working Capital Borrowings from Bank

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

NOTE - 16 TRADE PAYABLES

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|--|----------------------|----------------------|
| Trade Payables | | |
| Outstanding Dues of Micro and Small Enterprises | 134.45 | 224.98 |
| Outstanding Dues of Creditors other than Micro and Small Enterprises | 2,496.80 | 844.87 |
| TOTAL | 2,631.25 | 1,069.85 |

Disclosure under Sec. 22 of MSMED Act, 2006

(Chapter V - Delayed payment to Micro, Small and Medium Enterprises)

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

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|---|----------------------|----------------------|
| The Principal amount (Interest - Nil) remaining unpaid to any supplier as at the end of the each accounting year | 134.45 | 224.98 |
| The amount of interest paid by the buyer in terms of section 16 of the Micro Small and Medium Enterprises Development Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | - | - |
| The amount of interest due and payable for the period of delay in making payments (which have been paid but beyond the appointed day during the year) but without adding the interest specified Under Micro Small and Medium Enterprise Development Act, 2006 | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year : and | - | - |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|---|----------------------|----------------------|
| The amount of further interest remaining due and payable even in the succeeding years until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act 2006 | - | - |

NOTE - 17 OTHER CURRENT LIABILITIES

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|----------------------------------|----------------------|----------------------|
| Advance from Customers | 64.81 | 50.14 |
| Other Payables | | |
| Statutory Dues | 120.95 | 119.36 |
| Security Deposits | 6.35 | 7.15 |
| Payables pertaining to employees | 3.89 | 2.60 |
| Creditors for Fixed Assets | 41.96 | - |
| TOTAL | 237.96 | 179.25 |

NOTE - 18 CURRENT PROVISIONS

(₹ in Lakhs)

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|--------------------------------------|----------------------|----------------------|
| Employee Benefits - Leave Encashment | 10.76 | 44.21 |
| Disputed Liabilities | 52.77 | 52.77 |
| Provision for expenses | 333.34 | 470.22 |
| TOTAL | 396.87 | 567.20 |

18.1 Movement of provisions during the year as required by Ind AS - 37 "Provisions, Contingent Liabilities and Contingent Asset"

a) Provision for expenses

| Particulars | As at 31-Mar-2021 | As at 31-Mar-2020 |
|---------------------------------|----------------------|----------------------|
| Opening Balance | 470.22 | 760.61 |
| Add : Provision during the year | 329.75 | 451.12 |
| Less : Utilised during the year | (466.63) | (741.51) |
| TOTAL | 333.34 | 470.22 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

NOTE -19 Revenue from Operations

(₹ in Lakhs)

| Particulars | Year Ended 31-Mar-2021 | Year Ended 31-Mar-2020 |
|---|---------------------------|---------------------------|
| Sale of Products | | |
| Manufactured | 14,559.57 | 16,022.58 |
| Total (A) | 14,559.57 | 16,022.58 |
| Other Operating Income | | |
| Export Incentives | 35.89 | 135.70 |
| Conversion charges | 4.16 | 167.46 |
| Scrap sales | 36.75 | 28.23 |
| Raw Materials & Trading Goods | 33.55 | 7.12 |
| Freight Packing & forwarding | 119.63 | 119.20 |
| Total (B) | 229.98 | 457.71 |
| Total Revenue from Operation (A + B) | 14,789.55 | 16,480.29 |

NOTE - 20

(₹ in Lakhs)

| Particulars | Year Ended 31-Mar-2021 | Year Ended 31-Mar-2020 |
|---|---------------------------|---------------------------|
| Other Income | | |
| Interest on Income tax refunds | 15.26 | 19.58 |
| Interest on deposits | 10.88 | 12.72 |
| Profit on sale of Fixed assets | 0.24 | 0.00 |
| Other Miscellaneous receipt | 103.30 | 57.43 |
| Excess provisions & Liabilities no longer required written back | 6.95 | 26.68 |
| Total | 136.63 | 116.41 |

NOTE - 21

(₹ in Lakhs)

| Particulars | Year Ended 31-Mar-2021 | Year Ended 31-Mar-2020 |
|--|---------------------------|---------------------------|
| Cost of Raw Materials including Packing Material Consumed | | |
| Cost of Raw materials consumed | 6,640.59 | 8,109.94 |
| Cost of Packing materials consumed | 282.25 | 328.43 |
| Total | 6,922.84 | 8,438.37 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

NOTE - 22

(₹ in Lakhs)

| Particulars | Year Ended 31-Mar-2021 | Year Ended 31-Mar-2020 |
|---|---------------------------|---------------------------|
| Changes in Inventories of Finished goods and Work in Progress | | |
| Opening stock | | |
| Finished Goods | 305.38 | 472.85 |
| Work in Progress | 1.88 | 2.13 |
| Total | 307.26 | 474.99 |
| Less: | | |
| Closing Stock | | |
| Finished Goods | (203.03) | (305.38) |
| Work in Progress | - | (1.88) |
| Total | (203.03) | (307.26) |
| Increase / (Decrease) in Inventories of Finished Goods and WIP | 104.23 | 167.73 |

NOTE - 23

(₹ in Lakhs)

| Particulars | Year Ended 31-Mar-2021 | Year Ended 31-Mar-2020 |
|---|---------------------------|---------------------------|
| Employee Benefit Expenses (Refer Note 28.1) | | |
| Salaries, Wages and Bonus | 892.20 | 939.23 |
| Contribution to Provident & Other Funds | 124.74 | 123.37 |
| Staff Welfare Expenses | 130.02 | 144.45 |
| Total | 1,146.96 | 1,207.05 |

NOTE - 24

(₹ in Lakhs)

| Particulars | Year Ended 31-Mar-2021 | Year Ended 31-Mar-2020 |
|------------------------------|---------------------------|---------------------------|
| Finance Cost | | |
| Interest Expenses | | |
| Banks | | |
| Borrowings - Working Capital | 2.51 | 36.71 |
| Other Borrowing cost | | |
| Processing Fees | 35.22 | 21.93 |
| Forward Cover Charges | 13.96 | 25.87 |
| Total | 51.69 | 84.51 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

NOTE - 25

(₹ in Lakhs)

| Particulars | Year Ended 31-Mar-2021 | Year Ended 31-Mar-2020 |
|-----------------------|---------------------------|---------------------------|
| Power and Fuel | | |
| Power | 192.74 | 291.67 |
| Furnace oil | 321.18 | 774.62 |
| Light Diesel oil | 228.95 | 158.54 |
| High Speed oil | 40.94 | 45.25 |
| Steam coal | 180.91 | 289.63 |
| Total | 964.72 | 1,559.71 |

NOTE - 26

(₹ in Lakhs)

| Particulars | Year Ended 31-Mar-2021 | Year Ended 31-Mar-2020 |
|--|---------------------------|---------------------------|
| Other Expenses | | |
| Consumption of stores and Spares | 669.89 | 435.98 |
| Effluent Treatment Expenses | 52.42 | 83.14 |
| Water charges | 74.35 | 79.94 |
| Other Manufacturing Expenses -Consumables and Operation Expenses | 39.40 | 106.30 |
| Repairs & Maintenance | | |
| - Building | 136.43 | 43.84 |
| - Plant & machinery | 339.63 | 224.33 |
| - Others | 263.48 | 341.45 |
| Rent | 6.58 | 6.79 |
| Insurance (Net) | 109.89 | 143.07 |
| Rates & Taxes | 34.56 | 37.27 |
| Travelling & Conveyance | 27.44 | 73.07 |
| Vehicle Running Expenses | 6.78 | 6.47 |
| Communication Expenses | 48.69 | 31.02 |
| Auditors Remuneration | | |
| -Audit Fees | 5.50 | 5.50 |
| - Other Certification | 6.50 | 6.50 |
| - Reimbursement of Expenses | 0.10 | 1.33 |
| Printing & Stationery | 4.33 | 7.60 |
| Legal & Professional Charges | 49.36 | 29.40 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

| Particulars | Year Ended 31-Mar-2021 | Year Ended 31-Mar-2020 |
|---|---------------------------|---------------------------|
| Consultancy Charges | - | 0.75 |
| Miscellaneous Expenses | 78.90 | 45.88 |
| Bank Charges (other than borrowings) | 58.75 | 86.15 |
| Fluctuation in Exchange Rates (excluding forward cover charges) | 0.93 | 82.66 |
| Area maintenance charges | 5.88 | 7.78 |
| Security Service charges | 48.37 | 51.31 |
| Lease Charges | 19.14 | 17.92 |
| Freight Packing & forwarding | 220.69 | 493.71 |
| Directors sitting fees | 9.70 | 7.60 |
| Contribution To CSR Activities | 37.98 | 33.28 |
| Commission on sales | 9.39 | 15.14 |
| Provision for Inventory | 17.18 | 8.10 |
| Total | 2,382.24 | 2,513.28 |

NOTE - 27

(₹ in Lakhs)

| Particulars | Year Ended 31-Mar-2021 | Year Ended 31-Mar-2020 |
|---|---------------------------|---------------------------|
| Other Comprehensive Income | | |
| Net actuarial Gain loss on employees defined benefit obligation | 46.61 | 21.60 |
| Gain on Fair Value of Investments | 33.80 | 12.26 |
| Total | 80.41 | 33.86 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

28. Notes to Financial Statements

28.1. Employee Benefits:

a) Disclosure in respect of gratuity liability

(₹ in Lakhs)

| Reconciliation of Defined Benefit Obligation (DBO): | As at 31 st March, 2021 | As at 31 st March, 2020 |
|--|---------------------------------------|---------------------------------------|
| Present value of DBO at start of the year | 306.93 | 289.86 |
| Interest Cost | 20.52 | 19.83 |
| Current Service Cost | 15.79 | 17.77 |
| Past Service Cost | - | - |
| Benefit Paid | (30.11) | - |
| Re-measurements: | | |
| a. Actuarial Loss/(Gain) from changes in demographic assumptions | - | - |
| b. Actuarial Loss/(Gain) from changes in financial assumptions | - | 0.71 |
| c. Actuarial Loss/(Gain) from experience over the past period | (28.35) | (21.25) |
| Present value of DBO at end of the year | 284.78 | 306.93 |

| Reconciliation of Fair Value of Plan Assets : | As at 31 st March, 2021 | As at 31 st March, 2020 |
|---|---------------------------------------|---------------------------------------|
| Fair Value of Plan Assets at the beginning of the year | 330.89 | 308.71 |
| Interest Income on Plan Assets | 22.56 | 21.12 |
| Contributions by Employer | 10.00 | - |
| Benefit Paid | (30.10) | - |
| Re-measurements: | | |
| Actuarial (Loss)/Gain | 18.25 | 1.06 |
| Fair Value of Plan Assets at the end of the year | 351.60 | 330.89 |
| Actual Return on Plan Assets | 40.81 | 22.18 |

| Amount recognized in the Balance Sheet: | As at 31 st March, 2021 | As at 31 st March, 2020 |
|---|---------------------------------------|---------------------------------------|
| Present value of DBO at the end of the year | 284.78 | 306.93 |
| Fair Value of Plan Assets at the end of the year | 351.60 | 330.89 |
| Net Asset / (Liability) in the Balance Sheet | 66.82 | 23.96 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

(₹ in Lakhs)

| Gratuity recognized in the Statement of Profit and Loss | For the year ended 31 st March, 2021 | For the year ended 31 st March, 2020 |
|---|--|--|
| Current Service Cost | 15.79 | 17.77 |
| Past Service Cost | - | - |
| Interest on defined benefit obligation (Net) | (2.04) | (1.29) |
| Expense Recognized in Statement of Profit and Loss | 13.75 | 16.48 |

| Remeasurement effects recognized in Other Comprehensive Income (OCI) | As at 31 st March, 2021 | As at 31 st March, 2020 |
|--|---------------------------------------|---------------------------------------|
| Re-measurements on DBO | | |
| a. Actuarial (Loss)/Gain from changes in demographic assumptions | - | - |
| b. Actuarial (Loss)/Gain from changes in financial assumptions | (23.47) | (0.71) |
| c. Actuarial (Loss)/Gain from experience over the past period | 51.83 | 21.25 |
| Re-measurements on Plan Assets | | |
| Actuarial (Loss)/Gain | 18.25 | 1.06 |
| Remeasurement effect recognized in OCI | 46.61 | 21.60 |

| Principal Assumption used in determining Gratuity liability | For the Year ended 31 st March, 2021 | For the year ended 31 st March, 2020 |
|---|--|--|
| Discount Rate | 7.03% | 6.84% |
| Attrition Rate | 6.00% | 6.00% |
| Salary Escalation | 9.00%F5Y 7.00%TA | 9.00%F5Y 7.00%TA |
| Mortality Table | Indian Assured Lives mortality (2012-14) (Ultimate) | Indian Assured Lives mortality (2012-14) (Ultimate) |
| Retirement Age | 60 | 60 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

(₹ in Lakhs)

| Sensitivity Analysis | As at 31 st March, 2021 | | As at 31 st March, 2020 | |
|----------------------|------------------------------------|---------------|------------------------------------|---------------|
| | Increases 1 % | Decreases 1 % | Increases 1 % | Decreases 1 % |
| | Change in DBO (Amount) | | Change in DBO (Amount) | |
| Salary Growth Rate | 301.67 | 269.55 | 325.53 | 290.13 |
| Discount Rate | 268.83 | 302.78 | 290.27 | 325.73 |
| Attrition Rate | 283.60 | 286.08 | 305.14 | 308.87 |

Maturity profile

The sensitivity analyses above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the method (Projected Unit Credit Method) used to calculate the liability recognized in the balance sheet has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous period.

100% of the plan assets held by gratuity trust comprises of employees group gratuity scheme with TANFAC Employees Gratuity Trust Fund. 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. The expected rate of return on plan assets given by Actuary.

The Company contributed Rs. 10 lakhs (P.Y. Rs. Nil) to gratuity trust for contribution to Aditya Birla Sun Life Insurance during the financial year 2020-21.

b) Disclosure in respect of leave entitlement liability:

Leave entitlement is short term benefit which is recognized as an expense at the un-discounted amount in the year in which the related service is rendered and disclosed under other current liabilities.

c) Death in service benefit:

The Company has taken group term policy from an insurance Company to cover its obligation for death in service benefit given to eligible employees. The insurance premium of Rs.15.16 lakhs (P.Y. Rs.11.99 lakhs) is recognized in Statement of Profit and Loss.

d) The Company contributes towards Employees Provident Fund, Employees State Insurance Scheme and Labour Welfare Fund. The aggregate amount contributed and charged to Statement of Profit and Loss is Rs.67.49 lakhs (P.Y. Rs 70.09 lakhs).

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

28.2. Related Party Disclosure:

Disclosures as per Ind AS 24 – ‘Related Party Disclosures’ are given below:

a) Promoters of the Company:

| Name of the Promoters | % of equity share-holding in the Company |
|--|--|
| Tamil Nadu Industrial Development Corporation Limited. | 26.02% |
| Birla Group Holdings Private Limited | 19.96% |
| Pilani Investment & Industries Corporation Limited | 4.99% |

b) Key Management Personnel (KMP):

| Name of KMP's | Designation |
|---------------------------------|--------------------------------------|
| Mr. Kalyan Ram Madabhushi | Non-Executive Director |
| Mr. R. Karthikeyan | Non-Executive Director |
| Mr. V. T. Moorthy | Independent – Non-Executive Director |
| Mr. M. R. Sivaraman, IAS(Retd.) | Independent – Non-Executive Director |
| Dr. Shankar Narasimhan | Independent – Non-Executive Director |
| Mrs. R. Rajalakshmi | Independent – Non-Executive Director |
| Mr.K. Sendhil Naathan | Managing Director # |
| Mr.N.R. Ravichandran | Chief Financial Officer |
| Mrs. Archana.T | Company Secretary |

Inducted as Managing Director effective from 27th August 2020

c) Post-Employment Benefits Plan:

TANFAC Employees Gratuity Trust Fund

d) Entities where Promoters/ Directors or their relatives exercise control/ significant influence: Nil

e) Entities for Common Effluent utility: Cuddalore SIPCOT Industries Common Utilities Ltd.

f) Disclosure in respect of material transactions with related parties during the year: (₹ in Lakhs)

| Particulars | For the year ended 31 st March, 2021 | For the year ended 31 st March, 2020 |
|---|--|--|
| Contribution towards TANFAC Employees Gratuity Trust Fund | 10.00 | - |
| Transaction with Cuddalore SIPCOT Industries Common Utilities Ltd | 21.22 | 18.80 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

g) Outstanding Balances

(₹ in Lakhs)

| Particulars | For the year ended 31 st March, 2021 | For the year ended 31 st March, 2020 |
|--|--|--|
| Cuddalore SIPCOT Industries Common Utilities Ltd | 1.98 | 1.98 |

h) Compensation to KMP

| Nature of Benefits# | For the year ended 31 st March, 2021 | For the year ended 31 st March, 2020 |
|---|--|--|
| Short-term employee benefits (including Sitting Fees) | 169.26 | 169.78 |
| Post-employment gratuity and medical | - | - |
| Other long-term benefits | - | - |
| Share-based payment transactions | - | - |
| Termination Benefits | - | - |
| Total | 169.26 | 169.78 |

The aforesaid amounts exclude gratuity provision as it is determined on actuarial basis for the Company as a whole. The transactions exclude reimbursement of expenses

28.3. Disclosure regarding Hedged and Unhedged exposure in foreign currency denominated monetary items:

Exposure in Foreign Currency- Hedged

The Company enters into forward exchange contracts to hedge against its foreign currency exposures relating to the underlying transactions and firm commitments. The Company does not enter into any derivative instruments for trading or speculative purposes.

The forward exchange contracts used for hedging foreign currency exposure and outstanding as at reporting date are as under:

| Currency | Number of Contracts | Buy amount (USD in Lakhs) | Indian Rupee equivalent (₹ in Lakhs) |
|--|------------------------|------------------------------|--|
| Forward contract to buy USD- As on 31.3.2021 | 7 | 9.34 | 682.91 |
| Forward contract to buy USD- As on 31.3.2020 | 1 | 0.75 | 56.77 |

Exposure in Foreign Currency- Unhedged

The Foreign currency exposure not hedged as at 31st March 2021:

| Currency | Payable (in Foreign currency) | | Receivables (in foreign currency) | |
|--------------|-------------------------------|--------------------------|-----------------------------------|--------------------------|
| | As at 31st March 2021 | As at 31st March 2020 | As at 31st March 2021 | As at 31st March 2020 |
| USD in Lakhs | 6.97 | 1.93 | 1.90 | 3.70 |
| INR in Lakhs | 509.62 | 146.01 | 138.66 | 280.29 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

28.4. Provisions, Contingent Liabilities and Contingent Assets:

a) Contingent liabilities not provided for (excluding interest and penalty, if any) (₹ in Lakhs)

| Claims against the Company not acknowledged as debt | As at 31st March 2021 | As at 31st March 2020 |
|---|--------------------------|--------------------------|
| Service tax & VAT | 13.81 | 13.81 |
| Central Sales Tax | 246.86 | - |

- b) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) - Rs. 132.57 lakhs (Previous Year Rs. 857.88 lakhs)
- c) SIPCOT has raised a demand of Rs.12.00 lakhs 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 lakhs in 1995 and additional amount of Rs.6.00 lakhs in 2001, as per the directions of the Honourable High Court of Madras. However, SIPCOT has preferred an appeal against the order of the High Court challenging the waiver of interest. Matter is pending at High court of Madras.
- d) During the Financial Year 1991 - 92 the Company has received a notice from the Tamil Nadu Sales Tax authorities towards levy of tax etc. on sales effected from Pondicherry Depot during 1989-90 and 1990-91. Based on the directions of the Honourable High Court of Madras, the Appellate Assistant Commissioner, Commercial Taxes, Chennai passed the order in favour of the company thereby reducing the demand to Rs. 52.77 lakhs. 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 lakhs.

The Honourable High Court had passed Order vide SR No.49922 dated 1st September, 2016, disposing the all writ petitions filed earlier on various occasions and giving liberty to the Company (Petitioner) to file an appeal before the Tamil Nadu Sales Tax Appellate Tribunal within Sixty days from the receipt of the order, who shall entertain the appeal without reference to the limitation. Accordingly, the Company has filed an appeal before The Tamil Nadu Sales Tax Appellate Tribunal on 6th January, 2017, pursuant to the judgement order dated 01.09.2016 delivered on 22/11/2016 and appeal proceeding is awaited.

- e) The company has a process of evaluating financial impact of pending litigation on Financial Statement and making necessary provision in terms of prevailing accounting practices.
- f) The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses (Including all derivative contracts). At the year end, the Company has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.

28.5. Fair Value Measurement:

The management assessed that cash and bank balances, trade receivables, trade payables, cash credits and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Company has established the following fair value hierarchy that categorises the values into 3 levels. The inputs to valuation techniques used to measure fair value of financial instruments are:

- **Level 1:** This hierarchy uses quoted (unadjusted) prices in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities-

A. Quantitative disclosures fair value measurement hierarchy for financial assets as at 31st March, 2021 and 31st March, 2020 (₹ in Lakhs)

| Particulars | Fair value measurement using | | | Total (Amount) |
|--|------------------------------|---------------------|---------------------|-------------------|
| | (Level 1) Amount | (Level 2) Amount | (Level 3) Amount | |
| As at March 31, 2021:- | | | | |
| <i>Financial Assets at amortised cost:</i> | | | | |
| Trade receivables | - | - | 1,601.26 | 1,601.26 |
| Cash and cash equivalents | - | - | 238.12 | 238.12 |
| Bank Balances other than cash and cash equivalent | - | - | 397.01 | 397.01 |
| Investment in Short Term Mutual Funds | 2,136.97 | - | - | 2,136.97 |
| Loans & Advances | - | - | 0.94 | 0.94 |
| Assets measured at fair value | | | | |
| <i>Fair value through Other Comprehensive Income</i> | | | | |
| Investment in Equity shares | - | 132.05 | - | 132.05 |
| As at March 31, 2020:- | | | | |
| <i>Financial Assets at amortised cost:</i> | | | | |
| Trade receivables | - | - | 1,794.33 | 1,794.33 |
| Cash and cash equivalents | - | - | 0.06 | 0.06 |
| Bank Balances other than cash and cash equivalent | - | - | 2.75 | 2.75 |
| Investment in Short Term Mutual Funds | - | - | - | - |
| Loans & Advances | - | - | 0.75 | 0.75 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

(₹ in Lakhs)

| Particulars | Fair value measurement using | | | Total (Amount) |
|--|------------------------------|---------------------|---------------------|-------------------|
| | (Level 1) Amount | (Level 2) Amount | (Level 3) Amount | |
| Assets measured at fair value | | | | |
| <i>Fair value through Other Comprehensive Income</i> | | | | |
| Investment in Equity shares | - | 98.25 | - | 98.25 |

B. Quantitative disclosures fair value measurement hierarchy for financial liabilities as at 31st March, 2021, 31st March, 2020

(₹ in Lakhs)

| Particulars | Fair value measurement using | | | Total (Amount) |
|---|------------------------------|---------------------|---------------------|-------------------|
| | (Level 1) Amount | (Level 2) Amount | (Level 3) Amount | |
| <u>As at March 31, 2021:-</u> | | | | |
| Financial Liabilities at amortised cost: | | | | |
| Other Borrowings | | - | - | - |
| Trade payables | - | - | 2,631.24 | 2,631.24 |
| | | | | |
| <u>As at March 31, 2020:-</u> | | | | |
| Financial Liabilities at amortised cost: | | | | |
| Other Borrowings | | - | 39.58 | 39.58 |
| Trade payables | - | - | 1,069.85 | 1,069.85 |

28.6. Financial risk management objectives and policies:

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, investments, and cash & cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of foreign currency risk. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables, payables and borrowings. The sensitivity analyses in the following sections relate to the position as at 31st March, 2021 and 31st March, 2020.

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31st March, 2021 and 31st March, 2020.

(i) Foreign currency risk

The Company may also have foreign currency exchange risk on procurement of raw materials. The Company manages this foreign risk using derivatives, wherever required to mitigate or eliminate the risk

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in rate of USD, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities.

(₹ in Lakhs)

| Basis Points | As at 31 st March, 2021 | | As at 31 st March, 2020 | |
|---|------------------------------------|-------------|------------------------------------|-------------|
| | 2% increase | 2% decrease | 2% increase | 2% decrease |
| Effect on profit before tax (Amount) | (7.42) | 7.42 | 2.69 | (2.69) |

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables).

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of default occurring on asset as at the reporting date with the risk of default as at the date of initial recognition. It considers reasonable and supportive forwarding-looking information such as:

- Actual or expected significant adverse changes in business,
- Actual or expected significant changes in the operating results of the counterparty,
- Financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations,
- Significant increase in credit risk on other financial instruments of the same counterparty,
- Significant changes in the value of the collateral supporting the obligation or in the quality of the third-party guarantees or credit enhancements.

Financial assets are written off when there are no reasonable expectations of recovery, such as a debtor failing to engage in a repayment plan with the Company.

Assets in the nature of Investment, security deposits, loans and advances are measured using 12 months expected credit losses (ECL). Balances with Banks is subject to low credit risk due to good

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

credit rating assigned to these banks. Trade receivables are measured using life time expected credit losses.

Financial Assets for which loss allowances is measured using the Expected Credit Losses (ECL):

The Ageing analysis of Account receivables has been considered from the date the invoice falls due-

(₹ in Lakhs)

| Ageing | As at 31 st March, 2021 | As at 31 st March, 2020 |
|--------------------|---------------------------------------|---------------------------------------|
| 1 to 60 days | 1,532.93 | 1,722.23 |
| 61 to 91 days | 48.01 | 50.59 |
| 92 to 181 days | 21.65 | 12.52 |
| 182 to 321 days | 11.03 | 11.89 |
| 322 days and above | 9.43 | 10.73 |
| Total | 1,623.05 | 1,807.96 |

The following table summarizes the changes in loss allowances measured using life time expected credit loss model

(₹ in Lakhs)

| Provisions | As at 31 st March, 2021 | As at 31 st March, 2020 |
|--|---------------------------------------|---------------------------------------|
| Opening Provision | 13.63 | 35.79 |
| Add:- Additional provision made | 8.16 | - |
| Less:- Provision utilised against bad debts / reversal of excess provision | - | (22.16) |
| Closing provisions | 21.79 | 13.63 |

No Significant changes in estimation techniques or assumptions were made during the year

c) Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations on time or at reasonable price. The Company determines its liquidity requirements in the short, medium and long term. This is done by drawing up cash forecast for short- and medium-term requirements and strategic financing plans for long term needs. Management monitors the Company's liquidity position through rolling forecasts on the basis of expected cash flows.

Maturity patterns of the Financial Liabilities of the Company at the reporting date based on contractual undiscounted payment-

(₹ in Lakhs)

| As at 31 st March, 2021 | Less than 1 year (Amount) | 1 to 5 years (Amount) | More than 5 Years (Amount) | Total (Amount) |
|------------------------------------|------------------------------|--------------------------|-------------------------------|-----------------|
| Borrowings | - | - | - | - |
| Trade payables | 2,631.24 | - | - | 2,631.24 |
| Total | 2,631.24 | - | - | 2,631.24 |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

| As at 31st March, 2020 | Less than 1 year (Amount) | 1 to 5 years (Amount) | More than 5 Years (Amount) | Total (Amount) |
|------------------------|---------------------------|-----------------------|----------------------------|-----------------|
| Borrowings | 39.58 | - | - | 39.58 |
| Trade payables | 1,069.85 | - | - | 1,069.85 |
| Total | 1,109.43 | - | - | 1,109.43 |

d) Capital Management

For the purposes of the Company's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders. The Company aims to manage its capital efficiently so as to safeguard its ability to continue as a going concern and to optimise returns to our shareholders.

The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

(₹ in Lakhs)

| Particulars | As at 31st March, 2021 | As at 31st March, 2020 |
|-----------------------------------|------------------------|------------------------|
| Net Debt | - | 39.58 |
| Total Equity | 8,323.57 | 6,519.71 |
| Total Capital and Net debt | 8,323.57 | 6,559.29 |
| Gearing Ratio | - | 0.60% |

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

28.7. Assets taken on operating lease

The Company has taken certain assets on operating lease. The lease rentals payable by the Company is on monthly/ quarterly basis. Future minimum lease rental payable under non-cancellable lease agreements are as under:

(₹ in Lakhs)

| Particulars | As at 31 st March 2021 | As at 31 st March 2020 |
|--|--------------------------------------|--------------------------------------|
| Not Later than 1 year | 19.14 | 17.80 |
| Later than 1 year but not later than 5 years | - | - |
| Later than 5 years | - | - |
| Total | 19.14 | 17.92 |

Lease payments recognized in the Statement of Profit & Loss for the year is Rs.19.14 lakhs (Previous year: Rs 17.92 lakhs)

28.8. Earnings per Share

(₹ in Lakhs)

| Particulars | For year ended 31 st March 2021 | For year ended 31 st March 2020 |
|---|---|---|
| Profit / (loss) after taxation | 1,747.41 | 1,697.43 |
| Weighted average number of shares outstanding during the year (Nos) | 99.75 | 99.75 |
| Earnings per share of Rs 10 each | | |
| Basic (in Rs.) | 17.52 | 17.02 |
| Diluted (in Rs.) | 17.52 | 17.02 |

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

28.10. Recent Accounting Pronouncements

Ministry of Corporate Affairs ("MCA") has notified following amendments to Ind AS on 30th March 2019 which is effective for the annual period beginning on or after 1st April 2019.

a). Ind AS 116 "Leases":

On 30th March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) Amendment Rules, 2019, notifying Ind AS 116 "Leases", which replaces Ind AS 17 "Leases". The new standard (Ind AS 116) introduces a single on-balance sheet lease accounting model for lessee. This will result in the company recognizing right of use assets & lease liability in the books.

The Company does not have lease arrangements which would require recognition of asset in form of 'Right to use' and liability towards present value of future rent payable. Hence, there is No Impact in the financial statement of the company.

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

b). Ind AS 12 - Appendix C, Uncertainty over Income Tax Adjustments

The amendment requires an entity to determine probability of the relevant tax authority accepting the uncertain tax treatment that the Company has used in tax computation or plan to use in their income tax filings.

c) Amendment to Ind AS 12 – Income taxes

The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

d) Ind AS 19 - Plan amendment, curtailment or settlement

The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and to recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Based on preliminary assessment, the Company does not expect any significant impact on its financial statements on account of above (a), (b), (c) and (d) amendments.

28.11. Impact of COVID -19

The spread of COVID-19 has severely impacted businesses around the globe. In many countries, including India, there has been severe disruption to regular business operations due to lockdowns. The pandemic partially impacted operations and financial results of the Company.

However, the Company continue to take various precautionary measures to protect from COVID-19, strictly adhering to the guidelines issued by the Central and State Governments from time to time.

The Company has been taking various precautionary measures to protect employees and their families from COVID-19 apart from contributing through local authorities at the plant location towards countering COVID-19 impact on the local communities. The Company has prepared a detailed manual exclusively for the use of its employees and implemented various action plans based on this.

As part of its Business Continuity Plan (BCP), the Company has assessed the impact of pandemic on its financial results based on internal and external information available up to the date of approval of the financial results. and believes that there is no material impact or adjustments required in the financial result for the period ending 31st March 2021. As the situation is continuously evolving, the company will continue to monitor future events for any material change in the economic conditions.

NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2021

28.12. The Government of India, on 20th September, 2019 vide the Taxation Laws (Amendment) Ordinance 2019, inserted a new section 115BAA in the Income Tax Act, 1961 which provides an option to the Company for paying income tax at reduced rates subject to compliance of the conditions stipulated therein. The Company has chosen not to opt for the reduce rate of tax in September, 2019 and continue with the existing rate of Tax.

28.13. Previous year figures are regrouped or rearranged wherever considered necessary.

| | | |
|---|-------------------------|-----------------------------------|
| As per our report on even date attached | | For and on behalf of the Board of |
| For Khimji Kunverji & Co LLP | | Directors of |
| Chartered Accountants | | TANFAC Industries Limited |
| | | CIN: L24117TN1972PLC006271 |
| | K.Sendhil Naathan | M.R.Sivaraman |
| | Managing Director | Director |
| | DIN: 08850046 | DIN: 00020075 |
| Praveen Kumar Daga | N.R.Ravichandran | R.Karthikeyan |
| Partner (143762) | Chief Financial Officer | Director |
| | | DIN: 00824621 |
| Camp : Bengaluru | Archana.T | |
| Date: May 7, 2021 | Company Secretary | |

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[illegible]

[illegible]

[illegible]

REGISTERED PARCEL / SPEED POST

If undelivered please return to:

Integrated Enterprises (India) Limited

Unit: **TANFAC INDUSTRIES LIMITED**

2nd Floor, "Kences Towers",

No. 1, Ramakrishna Street,

Off. North Usman Road, T.Nagar

Chennai - 600 017.

Email Id: corpserv@integratedindia.in