

Enhance. Engage. Expand.



Finolex Cables Limited
2018-19 Annual Report

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With future opportunities for growth rooted in the strategic direction taken today, at Finolex Cables, our rich legacy of over five decades propels us to take the right decisions at the right time to move ahead faster.



Download this report or read online at www.finolex.com

Forward-looking Statements

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events. The Company has sourced the industry information from the publicly available resources and has not verified those information independently.

Our core businesses of electrical and communication wires and cables are leaders in their segments whilst our newer business of electrical consumer durables is making fast progress. Given the emerging opportunities as a New India is being shaped, each of our business segments holds considerable promise for realising higher revenues and growth. Cognisant of the attractive dynamics and led by our continued commitment to provide our stakeholders the best returns in the industry, we have devised an action plan and commenced its execution to take advantage of the burgeoning prospects and accelerate value creation.

We are enhancing our strengths by adding new lines and capacities in our manufacturing, growing our portfolio with new product variants and product offerings and significantly increasing our distribution network. We are deepening our engagement with our channel partners, customers and consumers. The investments that we are making will be a source of competitive advantage, enabling us to capitalise on the unfolding opportunities and expand our business growth.

Enhance. Engage. Expand.

Our smart strategy for delivering sustained value for all our stakeholders.



About Finolex Cables



5

Manufacturing Sites



26

Branches



5,000+

Channel Partners



30,000+

Retail Touchpoints

Who we are

Finolex Cables is India's largest and leading manufacturer of electrical and telecommunication cables and a fast-growing player in the fast-moving electrical goods (FMEG) industry.

How did we grow

Since 1958, we have remained focussed on expanding our manufacturing capabilities, embracing pioneering techniques, embedding the latest technology, growing our distribution network and maintaining the highest quality for our products and processes. Our tactical decision to invest in backward integration for the manufacture of critical cable components and engage in collaborations with leading global players have further strengthened our operations.

What products do we offer

Wires & Cables



Light Duty Cables

FR PVC Insulated

Industrial Cables

Flexible Cables

Solar Cables

Elevator Cables

3CF & WW Cables for
Agricultural Sector

Auto & Battery Cables for
Automobile Sector

LT & HT Power and
Control Cables

Communication Cables

Optic Fiber Cables

Co-axial Cables

LAN Cables

Telephone Cables

CCTV Cables

Speaker Cables

Jelly Filled Telephone
Cables (JFTC)

Lighting



T5 & T8 Tubes

Ballast Fittings

LED Products

Electrical Switches



Switch Range

Mounting Boxes

Switchgear



MCB

RCCB

DB

Fans



Ceiling Fans

Table Fans

Wall Fans

Pedestal Fans

Exhaust Fans

Water Heaters



Instant

Storage

With whom do we collaborate

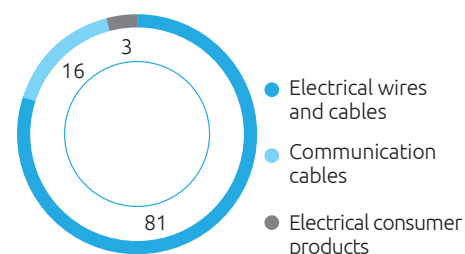
Technology Partner

Essex Corp. USA (Superior)
AT&T (Lucent Technologies)
Corning, USA
NSW, Germany
Sumitomo, Japan
GE, USA

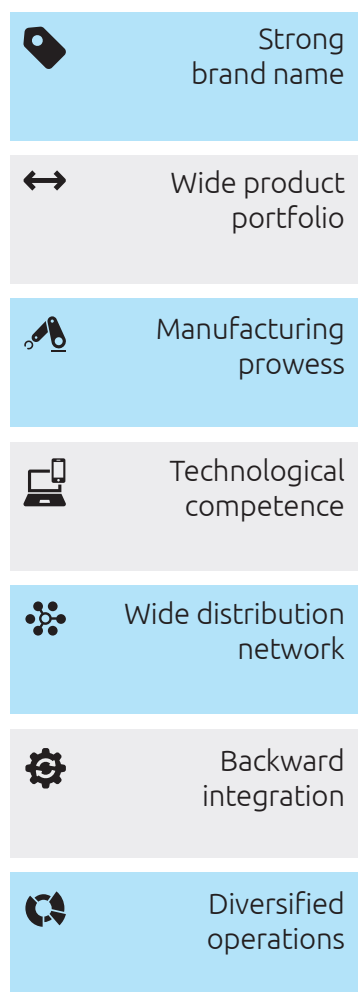
Area of Technology Solutions

JFTC Cables, Copper Rods
Optic Fiber Cables
Optic Fiber
Winding Wires
EHV Power Cables
Compounds

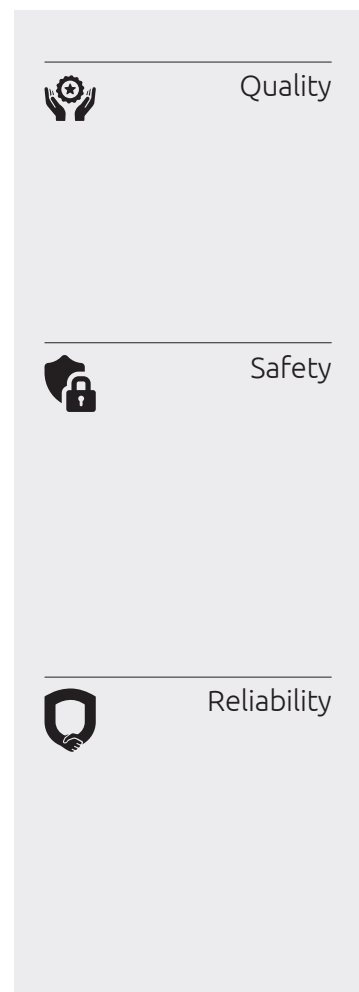
Revenue Segmentation (%)



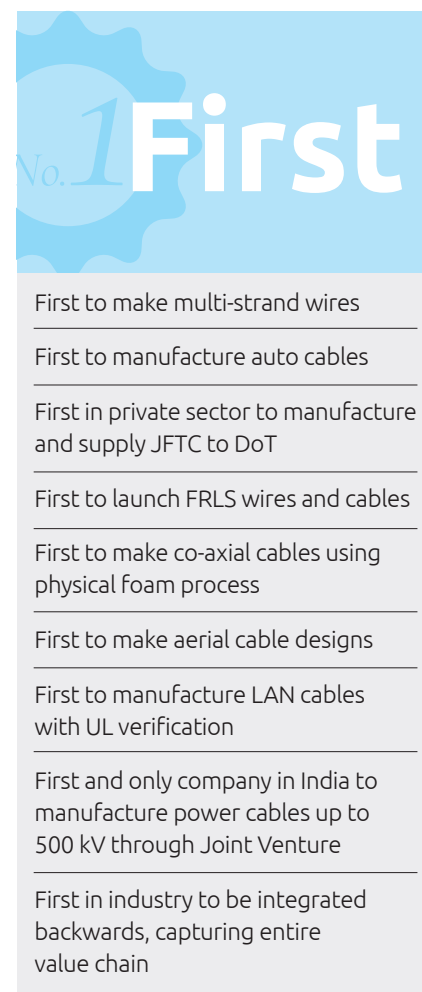
What are our strengths



Our Brand Commitment



Mapping our Pioneering Initiatives



Letter from the Chairman



Dear Shareholders,

It is with great pleasure that I present before you the Annual Report of your Company for the financial year ended 2018-19. Throughout this period, we have maintained focus on the swift execution of our action plan to Enhance our strengths, Engage with our stakeholders and Expand our opportunities. We are confident that as our implementations gather momentum, it will take us on a sustained higher growth trajectory.

As expected, the stabilisation of the Goods and Services Tax (GST) has resulted in the wires and cables industry steadily moving towards the organised market from a largely unorganised market. However, the demand for electrical and communication cables remained muted during the year due to subdued growth in end-user sectors, especially real estate and telecommunications. The natural calamity of floods in Kerala also impacted our business operations. Notwithstanding this difficult market environment, the distinct recognition our brand commands enabled us to deliver a resilient financial performance. For the full year, we recorded 6.2% growth in revenue, realising Rs. 3,200 crores as against Rs. 3,012 crores in the previous year. Profit before tax increased by 5.5% to Rs. 532 crores for the year as against Rs. 504 crores for the previous year. Profit after tax declined moderately to Rs. 344 crores for the year as against Rs. 358 crores during the previous year. Volatile commodity pricing and unwinding of tax holiday benefits at our facility at Roorkee, Uttarakhand impacted our margins.

Our state-of-the-art manufacturing facilities have been one of our greatest strengths. We continue to invest in maintaining this strategic edge. We have committed a capex of Rs. 200 crores over the next 18 months for enhancing our manufacturing capabilities at Urse, Pune. This capex is directed towards enhancing production capabilities to meet the requirements of the Solar Power Industry and the Automotive Industry, bringing in-house certain value additions which were outsourced earlier and further expansion of the Optic Fiber line. With the resounding results of the national elections, progressive government policies and programmes that were initiated in the past five years, the telecom network expansion is expected to pick up pace. Among these, Bharat Net, Digital India and Smart Cities projects, in particular, provide a thrust to digitisation and

Revenue

Rs. 3,200 crores

FY 2018-19



Rs. 3,012 crores

FY 2017-18

PBT

Rs. 532 crores

FY 2018-19



Rs. 504 crores

FY 2017-18

PAT

Rs. 344 crores

FY 2018-19



Rs. 358 crores

FY 2017-18

offer attractive medium and long-term prospects for the demand of optic fiber.

In the area of electrical wires and cables, our wide array of quality products has enabled us to serve almost every industrial and domestic requirement. Our focus on maintaining industry-leading portfolio remains unchanged. We will soon be introducing new solar cables and automotive cables that meet emerging demands of the respective sectors. Also, the construction sector, which accounts for 60% of our electrical wires and cables revenue, is poised for strong growth aligned with the government's efforts to boost real estate and infrastructure development. Government projects such as Saubhagya Scheme – an initiative to provide electricity to all households, Power for All and Integrated Power Development Scheme – which will spur investments to improve transmission and distribution efficiencies, Deendayal Upadhyaya Gram Jyoti Yojana to boost rural electrification, and Housing for All also augur well for the sustained demand of our electrical wires and cables.

Led by our purpose of growing our new vertical of electrical consumer products and further diversify our business, we are intensely focussing on getting the distribution metrics right. Our strategy is directed towards setting up a robust two-tier distribution model. This will ensure that our home products are available on the store shelves of more retailers across the country, leading to higher sales conversion. Aligned with this strategy, we have commenced on an ambitious plan of enhancing our retail outreach to 1,50,000 from the current base of 30,000 by the end of this financial year. To achieve this fivefold strong distribution target, we are deploying industry-best practices and latest technology tools that enable us to engage better with our channel partners.

We launched our exclusive retail store - Finolex House - during the year. The launch of Finolex House is our commitment to the consumers to offer them the whole range of Finolex quality products under one roof. Our target is to set up 50 such Finolex Houses by the end of this financial year. Coupled with expansion of our distribution network, the increased spends we are making towards advertising and marketing will also deepen our brand engagement. Our greatest thrust is in the realm of digital through a wide spectrum of compelling marketing content on popular

platforms. We are confident that our focussed efforts will make us a well-recognised player in the fast-moving electrical goods segment and bolster our revenues from this vertical.

Finolex Cables has a proud history of winning prestigious awards and recognitions for its premium offerings and technologically advanced operations. Adding to our accolades, we were conferred the 'Expert's Choice Award in the category of Electrical Wires and Cables' for the year 2018. This award further reaffirms our commitment of delivering excellence across our products.

In summary, FY 2018-19 was a successful year as we bolstered our foundation for the future. Importantly, we did so while staying true to our brand commitment of quality, safety and reliability. Looking ahead, we are confident that your Company is in attractive segments in which it enjoys a strong competitive position. Our clear strategy of reinforcing our capabilities will help us seize the opportunities and drive sustainable growth and profitability. Finally, our strong balance sheet with a net cash surplus positions us well to grow our business organically as well as inorganically. We have been keeping a watchful eye for value-accretive acquisitions, especially in the electrical line of business.

Finally, I would like to take this opportunity to thank our employees for their hard work and commitment throughout the year. The success of our business is driven by the energy they bring to work every day. I would also like to extend my appreciation to our distribution partners, suppliers, customers, consumers and our bankers for their continued support; and our valued shareholders for the confidence they have reposed in our Company. I look forward to our continued success in achieving our goals and delivering strong performance.

Mr. D.K. Chhabria
Executive Chairman

Enhancing Our Strengths

Our growth strategy is aligned with the proficiency and competitive edge which we have established in our business. By enhancing our capabilities which have got us far and ahead in our journey, we are reinforcing our foundation for continued and higher growth. After all, you can grow profitably and sustainably only from a position of strength.



>Rs. 200 crores

Planned capex over the next 18 months to enhance manufacturing capabilities



New Solar & Automotive Cables

Exciting innovations to meet new demand

Location

Roorkee, Uttarakhand

Urse, Pune, Maharashtra

Pimpri, Pune, Maharashtra

Verna, Goa

Ponda, Goa

Product

Electric wire for construction; wires for automobile; switches; switchgear and agricultural applications

All electrical wires, optic fiber cables and all communication cables

Telephone cables; winding wire for pump-set industry

Electrical wires, optic fiber cables, co-axial cables

Copper rods

Expanding manufacturing prowess

Our rapid and industry-leading growth has been the outcome of a well-formulated strategy for setting up modern, well-equipped plants and regular capacity expansion aligned with market requirements. Our approach has been to go for expansion whenever we have reached 75% capacity utilisation. Backward

integration has been another strategic lever deployed to ensure full control of quality and add value to our products. Further, our diversified manufacturing presence has provided us a locational advantage in reaching out pan-India.

Data traffic in the country is set for exponential increase with higher number of connected devices, increasing video consumption and surging data consumption per unit. This coupled with



Government's thrust on digitisation is fuelling the demand for optical fiber. With our current manufacturing unit for optical fiber operating close to 75% capacity, we are acting in advance to augment our production volume. The addition of a new line at our Urse facility in Maharashtra will boost our optical fiber capacity to successfully meet the expected surge in market demand. The expansion at Urse facility will also enable us to strengthen backward integration for our processes and products.

On the electrical cables side, we are making investments in our manufacturing capabilities which will lead to newer products and newer applications. In addition, aligned with our continued focus on driving an efficient value chain, we are also increasing backward integration at our Urse plant. Initial approvals for the expansion at Urse plant have already been received. A new factory is also under construction at Goa for the manufacture of electrical conduits.

Growing our product portfolio

Our comprehensive and superior quality offerings in the wires and cables segment have made us a market leader in India's wires and cables industry. In the communication cables segment, from being the first private sector company in India to manufacture Jelly Filled Telephone Cables (JFTC) in the early 1980s to cater to the Indian telecommunications sector, to strategically shifting to the manufacture of optical fiber towards the late 1990s to serve the internet, digital and cable era, we have always been at the forefront of emerging market requirements. In the electrical cables segment, as well, our diversified product suite enables us

to meet the requirements of a broad spectrum of industries and clients. Having entrenched our reputation and position in the wires and cables industry, we have leveraged our brand equity to foray into the electrical consumer segment with an aim to become a complete electrical products company, and also to emerge as a strong B2C player.

We continue to diversify and strengthen our product suite. So far, we were making solar cables with a chemical process; we will now be introducing solar cables and automotive cables manufactured using the Electron Beam Technology, which makes the insulation withstand higher temperatures with minimal wear/tear and makes the insulation more abrasion resistant. Conduits, the manufacturing plant for which is being set up, is also a new product in the offing. All our new offerings have exciting market opportunities in India. We also launched different variants of LAN cables and CCTV cables to boost our growth potential in the communication cable segment. Our home products such as electrical switches, lights, fans and water heaters have been well-accepted, and we remain focussed on growing this consumer-focussed range steadily. Aligned with this action plan, several new models of our existing products were introduced during the year.

Intensifying our distribution reach

The Company's vast distribution network has been a key strength for reaching out to different parts of the country. While the communication cables segment is largely a B2B business, electrical cables are sold to channel partners as well as

institutional clients. West and South India account for 75% of our electrical wires and cables business. To gain market share in the North and East, we have been aggressively adding new distributors and dealers in these regions. Our well-established distribution network is also being leveraged to enhance the reach and accessibility of our electrical consumer products. At the same time, we are also building a separate network for every home product line. Recognising the dynamics of modern retail, we have also launched our own e-retail website to address the e-commerce and online retail opportunity.

During the year under review, for driving the sales of our consumer electric products, we have further stepped up our focus on our distribution network. Our objective is to build a robust two-tier distribution system by increasing our retailer touchpoints to 150,000 from the current coverage of 30,000. We aim to add 500-600 distributors to our channel partner network to achieve this strong retail reach. This massive rollout has commenced and is expected to be completed in this financial year. With significant expansion in the number of retailers stocking our new products, we are upbeat about more sales conversions.



150,000

Retailers

Projected coverage at the end of FY2019-20 from current strength of 30,000

Deepening Our Engagement

Investing in relationships is crucial for continued success. This philosophy inspires us to connect better with our channel partners, customers and end-users. We are confident that our focus on deepening our engagements with all our stakeholders will lead to greater brand recognition and recall and stronger relations, opening up new possibilities of business growth.



Engaging better with channel partners

For our core business of wires and cables, we have set up a strong distribution network over the years. Our channel partner network is an important business differentiator, adding efficiencies to our supply chain. We continue to pursue marketing strategies and promotions that provide mutual benefits to our channel partners and for our business. Maintaining regular communication with our partners is important to us for fostering stronger connections. During the year, meets at different levels, namely distributors, dealers and retailers were conducted at various locations. With the intent to serve our channel partner in a better way, we have launched the app Finolex Konnect. The technology solution enables our channel partners to track all relevant and recent information on products, promotions and price schemes, among others, at the click of a button.



We continue to pursue marketing strategies and promotions that provide mutual benefits to our channel partners and for our business.

During the year, aligned with our strategy of ambitious two-tier distribution model for electrical consumer products, we invested in a powerful software for distribution management. Tracking both our dealers and retailers digitally, the built-in platform provides real-time visibility on product outflow, prices at the distributor and retailer levels,