

Finolex Cables Limited



Exceptional Adversity
**OUTSTANDING
CHARACTER**

Annual Report
2020-21

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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.



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*"On the other side of
a storm is the strength
that comes from having
navigated through it.
Raise your sail
and begin."*

- Gregory S. Williams

Challenges such as those presented by the pandemic are beyond our control. What is in our control is our response to such challenges. The beliefs we hold, the values we profess, the attributes that define us and the way we conduct ourselves became even more important in the face of the unprecedented challenges brought about by the COVID-19 pandemic. Yes, the adversity was exceptional. But our hardwired corporate character not only helped us successfully navigate a year that was like no other in recent history, but also enabled us to emerge stronger through the crisis.

We have demonstrated agility and resilience through these tough times by enhancing our focus on cost, process efficiency, and new product development. At the same time, we have stayed the course for expanding our retail footprint and for our capex plans for our electron beam facility, backward integration projects, and conduit plant. In doing so, we are ensuring that Finolex Cables emerges from the crisis not only stronger, but ready to seize the opportunities presented by the changing world.

Finolex Facts and Figures

Established in 1958, Finolex Cables is India's largest and prominent manufacturer of electrical and telecommunication cables. We have lately expanded into the fast-moving electrical goods (FMEG) segment with the goal of becoming a complete electrical products company. Our manufacturing excellence, innovative capabilities, and technology competence form the cornerstone of our operations. We adhere to the highest standards of integrity and corporate governance, and have forged strong relationship with institutional and retail customers over the years.

Finolex Cables is a debt-free Company and has a turnover exceeding Rs. 2,845.1 crores, 5 manufacturing sites and 1,649 employees.

Our character has always been at the core of our success

In our over five-decade long glorious journey, we have created countless milestones and redefined prospects through our persistent focus, innovation, and agility. Be it in our preliminary years when our originators had to valiant the unbridled times of India's partition; in the 1950s

when we initiated the concept of using stranded conductors for the manufacture of electrical wires; in the late 1980s when we became the first private sector company in India to manufacture Jelly Filled Telephone Cables (JFTC), or in the 1990s when we expanded our portfolio to overwhelm

the immense impediment to our JFTC business due to the initiation of mobile phones; we have passed every storm and emerged stronger. Our past is intriguing and encouraging. Our future pledges to build on this rich legacy and drive stronger prospects amidst the challenges.

Industry-firsts

- ◆ First in India to make multi-strand wires
- ◆ First in India to manufacture auto cables
- ◆ First in private sector to manufacture and supply JFTC to DoT
- ◆ First in India to launch FRLS wires and cables
- ◆ First in India to make co-axial cables using physical foam process
- ◆ First in India to make aerial cable designs
- ◆ First in India to manufacture LAN cables with UL verification
- ◆ First and only company in India to manufacture power cables up to 500 kV through Joint Venture
- ◆ First in the industry to be integrated backwards, capturing entire value chain





Our character enabled us to stay resilient in FY 2021

5

Manufacturing sites

28

Depots

5,000

Channel Partners

90,000

Retailers

1,649

Employees

22%

Market share in the organised wires industry

Rs. 2,845.1 Crores

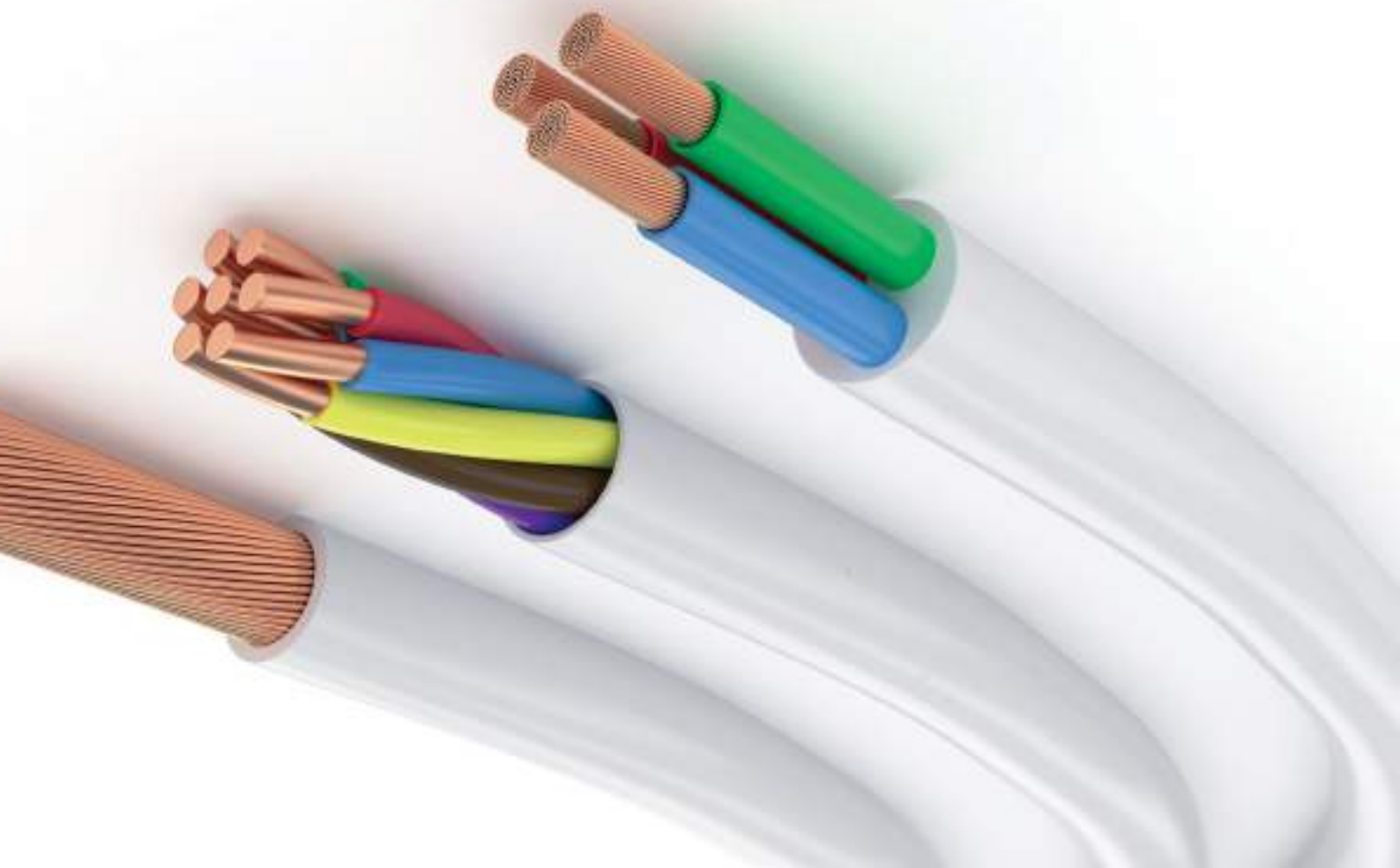
Revenue

Rs. 431.8 Crores

EBITDA

Rs. 282.9 Crores

PAT



Finolex Facts and Figures

Our differentiating strengths

Robust Financials

Our robust financial stance reinforces our capacity in strengthening our business and establishing long-term value for all our stakeholders.



Comprehensive Product Portfolio

We have a comprehensive suite of products comprising of wires, cables, lighting solutions, electrical accessories, switchgear, fans, and water heaters to support varied applications and end-users.



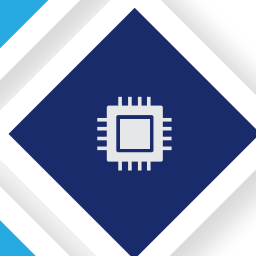
Manufacturing Excellence

We have five contemporary, well-equipped, multi-location manufacturing sites spread across planned locations to cater to customers pan-India, while diversifying and de-risking our operations.



Technology Associations

We have aligned with worldwide leaders to entrench the modern technology in our products and processes, enabling us to bring dynamic solutions to the Indian market.



Backward Integration

We manufacture compounds, copper rods, glass fibers and many other raw materials in-house, offering us extensive control over quality and empowering us to enhance value of our products.



Powerful Brand Recall

Our brand has secured the trust of our customers through its dedication to quality, safety and reliability, leading to the Company's sustained growth.



Extensive Distribution Network






We are diving deeper into the market by expanding our distribution system, including a distinct network for our consumer electrical products.



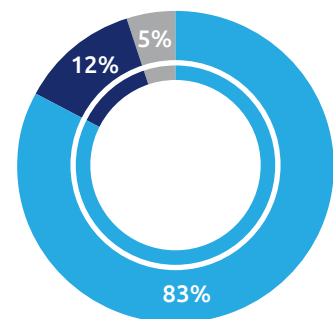


Our manufacturing footprint

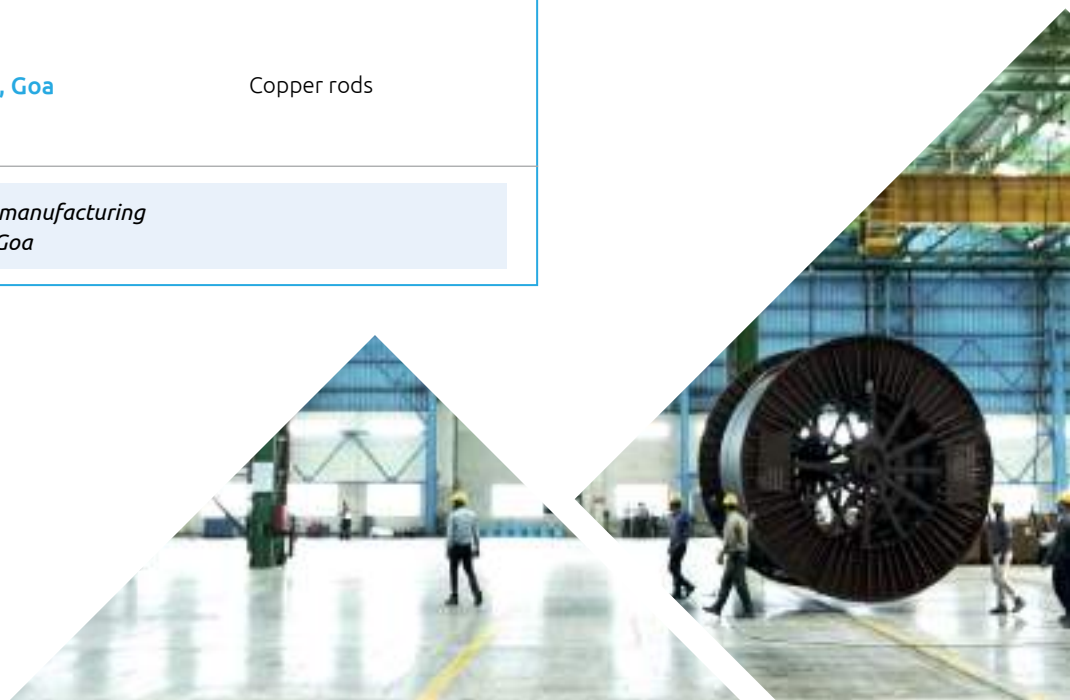
Throughout our magnificent journey, we have strategically augmented our manufacturing competencies and invested in backward integration. Our five state-of-the-art, automated manufacturing sites give us a locational advantage in ensuring uninterrupted service and delivering of highest quality products to our customers. Our manufacturing prowess has facilitated us to cater to the ever-evolving demands of our customers.

	Plant	Product Focus
	Roorkee, Uttarakhand	Electrical wires for construction; wires for automobile; switches; switchgear and agricultural applications
	Urse, Pune, Maharashtra	All electrical wires, optic fiber, optic fiber cables, all communication and power cables
	Pimpri, Pune, Maharashtra	Telephone cables; winding wire for pump-set industry
	Verna, Goa	Electrical wires, optic fiber cables, co-axial cables, jelly filled telephone and conduits
	Ponda, Goa	Copper rods
Capacity utilization levels at all manufacturing facilities at 75% except Ponda, Goa		

Revenue break-up of our business verticals (as on FY 2021)



- Electrical wires and cables
- Communication cables
- Electrical consumer products



Chairman's Message



"At Finolex Cables, we have stayed focused and demonstrated agility and resilience through these uncertain times by enhancing our focus on cost, process efficiency, and new product development."

- D.K. Chhabria

Dear Shareholders,

Trust that you all are safe and in good health. The COVID-19 pandemic has ravaged the foundations of world economy and is forcing an unprecedented social, economic, and business response. It has fundamentally changed the way we live, work, and has made work from home, social distancing, and increased digitization and technology adoption as the new normal.

The Indian economy has been severely impacted on account of the pandemic and contraction of economic activity following the nationwide lockdown. As per the Central Statistics Office (CSO), the economy contracted by 7.3% in FY 2020-21, as compared to 4% economic growth recorded in the previous fiscal. Recent economic indications and data suggest that the economy is headed for a gradual revival with 1.6% growth recorded in Q4 of the fiscal year.

Favourable government reforms, strong thrust on infrastructure development, recovery in consumer sentiments following successful vaccination drives contributed to the buoyancy in economic activity. However, uncertainty about the resurgence of coronavirus infections and subsequent restrictions may threaten the economic recovery.

At Finolex Cables, we have stayed focused and demonstrated agility and resilience through these uncertain times by enhancing our focus on cost, process efficiency, and new product development. We have taken judicious actions to help ensure our continued competitiveness, financial resilience, and business continuity in the new normal. We are adopting increased digitization and automation across our operations to enhance operational



efficiencies, while also controlling costs where possible. At the same time, for ensuring safety of our employees, business partners, and customers, utmost precaution and highest safety standards are being followed across all our locations.

Our capex plan of Rs. 200 crores over the next 18-20 months remains unabated. The Company's conduit plan at Goa was commissioned during the year and has also started clocking revenues during the last quarter. The construction of electron beam cured cables plant has faced delays due to the pandemic and international travel restrictions on experts. The Company expects the work to commence once the travel restrictions are relaxed. This plant at Pune for manufacture of cables with deployment of electron beam accelerators will serve the renewable energy sector as well as construction and automobile segments due to their ability to withstand higher temperature. Further, we are planning to set up a new line to make tinned copper and foray into instrumentation cables. While the nationwide lockdown and shortage of labour had impacted our project timelines, we are working towards restoring speed with the easing of lockdowns and resumption of economic activities.

One of our most significant achievements this year has been the launch of a new range of decorative fans and lighting products to strengthen our FMEG portfolio. As a consumer-centric brand, we have always kept innovation at the forefront. We have observed an increase in demand for stylish designs and innovative technologies by households and are confident that our newly introduced products will

help us further strengthen our market share. With our increased reach in tier II and III cities, we expect to get encouraging results. The investments made by the Company will be a source of competitive advantage, enabling us to capitalise on the unfolding opportunities and give the required scale and strength to the business.

Our well-spread distribution network has been our driving force in reaching out to different parts of the country. We have set an ambitious target of growing our distribution network to 1,50,000 retail touchpoints by connecting with 500 distributors each reaching out to around 300 retailers.

While we could achieve taking up our retail touchpoints to 90,000 retailers this year, we are continuing with renewed vigour towards the goal of 1,50,000. Further, we are bringing our dealers on a common software platform to get better visibility of secondary data. By deepening our reach and leveraging technology solutions, we are upbeat about growing the sales of our consumer products. Our continued investments in brand building and channel partner engagement will help us augment our market reach and connect.

Government's continued strong focus on infrastructure development, rural electrification and affordable housing also augur well for the wires and cables industry. Moreover, rapidly growing urbanization, increasing disposable incomes and changing preferences are driving the adoption of consumer electrical goods among Indian households. The COVID-19 pandemic has also fuelled the demand for electrical appliances that can help consumers and their families to live

healthy and stay safe. Further, with the work-from-home trend expected to continue, consumers want smart electrical products that can make their life easier and productive. We are proactively investing in capacity and network expansion and product innovation to cater to the evolving market trends and capitalise on the thriving opportunities.

I would like to thank all our stakeholders – our customers, channel partners, business associates, suppliers, employees, and our community. We have grown and become a successful entity with your persistent confidence and support. While the pandemic has created near-term hiccups, we are well-placed to emerge stronger and deliver sustained value in the years ahead with our dynamic principles and corporate character.

Warm Regards,

D.K. Chhabria
Executive Chairman



Staying Focused

Defining character in slogans and statements is the easy part. What makes character come alive are the actions taken and the choices made, especially in times of adversity. At Finolex, we have always placed precedence on staying focused on ensuring safety of our teams, growing our market reach, enhancing our capabilities, and diversifying revenues. Our meaningful efforts will enable us to stay resilient through the challenges and emerge stronger than before.



Ensuring safety

In the light of the ongoing pandemic, we undertook a number of stringent measures and introduced guidelines in the interest of employee health and safety. Our COVID-19 preparedness strategy has been formed to monitor situation daily and initiate appropriate actions. Separate entry and exit points; regular thermal screening and temperature checks of employees and visitors are among the key measures enforced. Our employees and contractual staff are also required to submit an undertaking on their health and travel details, if any.

Wearing of masks and gloves has been made compulsory at all our sites, including while travelling on Company vehicles. Further, we are carrying out regular sanitization and fumigation of common touchpoints. To prevent the spread of the virus, we have replaced contact-based biometric systems with face-recognition method for marking attendance.

Awareness on COVID-19 and the importance of hygiene and physical distancing are being reinforced through training and posters at

all locations. In line with our strict protection measures to deal with the pandemic, we are practising social distancing by modifying our behaviour. We also established 'work from home' policy for our entire workforce as a pre-emptive measure even before formalization of the same by the Government. We launched various initiatives and training programmes to facilitate virtual engagement of workforce with an intent to enhance their physical, mental and overall well-being.



Growing our distribution reach

The Company's vast distribution network has been its driving force for reaching out to different parts of the country. We have over 5,000 channel partners and 90,000 retailer touchpoints and these are served through 28 depots across India. 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 product line.

We have adopted a robust two-tier distribution platform, wherein distributors have clearly defined territories to reach out to retailers.

Our aim is to partner with 500 distributors each covering around 300 retailers, to take our total retailer coverage to 1,50,000 touchpoints from the current coverage of 90,000. To further strengthen our partnership, a clear policy has been outlined for our distributors relating to the working of the network, compensation to be paid, price management and flow of information. Our continued investments in brand building and channel partner engagement will also help us augment our market reach and connect.

