

Finolex

Industries Limited

"How much more there is now to living...we
can lift ourselves out of ignorance...we can
find ourselves as creatures of excellence
and intelligence and skill...we can be free!
We can learn to fly!"



annual report 2001-2002

Jonathan was just a young seagull. It was his destiny to live with his flock, to fish, to eat, to sleep and to wake....

"Is this all there to life?" wondered Jon. He wanted more, he wanted to glide the skies, to soar the vastness, to experiment with the power that could be his.

And he did. His wings transformed - even as he rose high above his squabbling flock. He tested his speed - 110, 120, 130... and flew faster than wind. And as he learned his own power, he rose higher and higher into new realms of joy.

In each of us there is a Jonathan Livingston Seagull. Why must we be swamped by the daily chores of our flock. Why cannot we have the power to soar.

At Finolex Industries, we have soared. As the skies stretch seamlessly and as infinite opportunities emerge, we are ready - with a focus that will take us beyond.

A focus that will take us to greater heights. With modern mindsets and unmatched skills. A focus that will set us free.

(This Annual Report is inspired by the book "Jonathan Livingstone Seagull" by Richard Bach - whose insights into life and living remain an ongoing inspiration to millions of readers).

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freedom", Jon would say to his students.

"Everything that limits us we have to put aside.

Your whole body, from wingtip to wingtip is

nothing more than your thought itself, in a form

you can see. Break the chains of your thought

and you break the chains of your body, too..."

Seven Year Financial Highlights

(Rs. in million)

	2001-2002 (8 months)	2000-2001	1999-2000	1998-1999	1997-1998 (16 months)	1996-1997	1995-1996
PROFIT AND LOSS ACCOUNT DATA							
Gross Revenue	5217.435	8333.977	7926.383	6485.343	8358.874	5842.342	5599.375
Materials and manufacturing cost (including excise duty)	3605.155	6287.413	5944.693	4490.164	6648.001	4230.364	3893.771
Personnel expenses	119.925	154.201	139.848	131.048	157.961	105.788	90.349
Administration and selling expenses	334.923	400.003	371.938	412.296	521.029	379.806	400.703
Finance charges	143.264	381.596	449.294	511.915	647.505	552.933	522.314
Depreciation	276.061	408.251	397.268	397.595	493.950	332.105	324.595
Profit before tax	738.107	402.503	623.342	542.325	(109.572)	241.346	367.643
Taxation	*145.698	30.935	60.903	62.262	0.600	31.533	0.600
Profit after tax	592.409	371.573	562.439	480.063	(110.172)	209.813	364.273
Dividend (including tax on dividend if applicable)	258.437	234.313	247.622	206.438	0.000	81.642	147.552
BALANCE SHEET DATA							
Share capital	1291.837	1444.620	1486.227	1485.486	1485.477	1485.076	1471.059
Reserves and surplus	2529.305	3252.426	3168.508	2853.691	2580.066	2691.433	2562.523
Deferred tax (Net)	853.332	0.000	0.000	0.000	0.000	0.000	0.000
Long term Loans	950.000	1245.990	1955.859	2628.643	2699.578	2795.369	2942.401
Short term Loans	1668.114	1996.827	1975.304	690.718	1565.691	914.054	661.718
Total liabilities	7292.588	7939.863	8585.898	7658.538	8330.812	7885.932	7637.701
Gross block	8389.258	8311.647	8166.523	7985.056	7759.954	6414.905	6389.876
Net block	5474.048	5673.859	5962.258	6197.480	6500.858	6227.252	6028.770
Investments	1043.762	1542.253	975.100	927.879	849.616	950.766	946.520
Net current assets	774.778	723.751	1648.540	533.179	960.095	678.364	618.086
Miscellaneous expenses (to the extent not written off)	0.000	0.000	0.000	0.000	20.243	29.550	44.325
Total assets	7292.588	7939.863	8585.898	7658.538	8330.812	7885.932	7637.701
KEY RATIOS							
Return on net worth (%)	28.97	8.57	13.39	12.50	(2.71)	5.82	9.22
Earning per share (Rs.)	4.29	2.51	3.78	3.23	0.00	1.41	2.47
Long term debt to equity	0.25	0.27	0.42	0.61	0.67	0.67	0.74
Dividend payout (%)	43.62	63.06	44.03	43.00	0.00	38.91	40.51
Net worth	3821.142	4697.046	4654.735	4339.177	4045.300	4146.959	3989.257
Book value per share (Rs.)	29.57	32.51	31.32	29.21	27.23	27.92	27.12

* Includes provision for deferred tax Rs. 89.900 million.

- Notes :
1. Key ratios in respect of accounting year 1997/1998 and 2001/2002 have been annualised, wherever required.
 2. Earning per share is calculated on the share capital as on the date of Balance Sheet except for the years 2000-2001 and 2001-2002, which is calculated after considering weighted average effect of the changes in the share capital due to fresh issue and/or buy-back of shares during the year.
 3. The net worth and book value per share have been calculated after considering the effect of deferred tax provision and buy-back of shares during the year.

chairman's statement

Dear stakeholders,

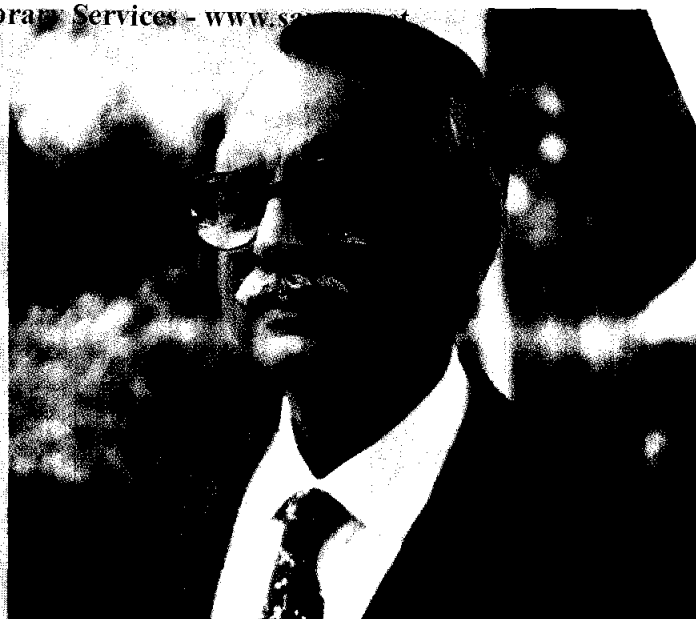
As I look back on the last decade, I am filled with a sense of satisfaction at what we have achieved. Ten years ago, we decided to break away from the mindset of a medium-scale processor to become a petrochemical producer. From a PVC pipe producer (albeit, India's largest even then), we took on the challenge of becoming self-sufficient by setting up a backward integration project for manufacture of the main raw material viz. PVC. It was indeed a giant leap for your Company at that time. The terrain was unknown, the risks were high but we had a desire to fly, fly high above the clouds. A flight which would take us through the ups and downs of the transformation.

There were hurdles initially and we did

stumble sometimes but we got up with renewed determination every time, keeping in mind that every hurdle has an opportunity to learn, to hone our skills. We learnt to manage the peaks and troughs of the Petrochemical industry's economic cycles. As we progressed we kept getting more and more confidence. We were supported by our shareholders, banks, associates and employees.

I am happy to see the results today.

During the 8 months period ended 31st March, 2002, the Company has notched up a PBT (profit before tax) of Rs. 74 crores which is an increase of 175% [on an annualized basis] over the previous year. Sales volume has grown despite the general recession in the economy.



About three years ago, we took a fresh view of our business and identified the key areas that needed to be delved into. We worked on a 3-pronged strategy :

To reduce the interest and debt burden.

To reduce the equity capital so as to improve the return on shareholders funds.

To leverage your Company's strength as an undisputed market leader in the PVC Pipes business, by increasing the PVC Pipes production capacity.

You will be happy to note that your Company has made significant progress towards achieving these goals. Interest burden has come down drastically to only Rs. 14 crores for the 8 months period i.e. a reduction of 44% (on an annualised basis) over the previous year. The buy-back

announced by your Company last year yielded good results with a net buy-back of 19,967,269 Equity shares bringing down the share capital from pre buy-back level of Rs. 148.70 crores to Rs. 129.23 crores, i.e. a reduction of 13%.

The PVC Pipes production capacity has increased from 27,850 MT p.a. two years ago to approximately 38,000 MT p.a. and is expected to go up to more than 50,000 MT p.a. within one year.

Having come this far we have set a higher target for ourselves. We will strive to further capitalize on our strengths, to further spread our wings to break away from all that holds us back and to reach for the skies.

P.P. Chhabria
Chairman

"Why Jon, why?" his mother asked.

"Why is it so hard to be like the rest of the flock, Jon? Why can't you leave low flying to the pelicans, the albatrosses? Don't you forget that the reason you fly is to eat."

"Mom, I just want to know what I can do in the air and what I can't." And he was off....

It took tremendous strength, but it worked.

In ten seconds he had blurred through ninety miles per hour. Jonathan had set a speed record



board of directors

BOARD OF DIRECTORS

Chairman

Mr. P.P. Chhabria

Mr. M.G. Bhide

Mr. S.N. Inamdar

Dr. N.A. Kalyani

Mr. S.S. Marathe

Mr. K.P. Chhabria

Mr. Prakash P. Chhabria

Mr. J.S. Arora

Mr. S.S. Dhanorkar

Mr. P. Subramaniam

SECRETARY

Mr. Anil Atre

Company Secretary &
G.M. (Admin.)

MEMBERS

Bank of India

Bank of Baroda

Bank of Nova Scotia

Bank of Maharashtra

Citibank N. A.

Corporation Bank

State Bank of India

AUDITORS

B. K. Khare & Company

Chartered Accountants

SOLICITORS & ADVOCATES

Crawford Bayley & Company

REGISTERED OFFICE

D1/10, MIDC, Chinchwad,

Pune - 411 019,

India.

management discussion and analysis

The key word in your Company's management strategy is "flexibility". With the business environment changing rapidly, it is absolutely essential that the management not only reacts to the changes in the market place quickly and adapts its policies to match the needs of the market, but is also proactive. There is adequate delegation of authority within your Company to empower the operating personnel to take instant decisions in the interest of your Company while at the same time ensuring that there is no dilution of control on key elements of business.

Your Company believes in following high values in business. Employees at all levels are encouraged to be totally transparent in their dealings with the customers, suppliers and all business associates.

With this sound background, your Company is ready to face the challenges of ever changing business environment like never before, to convert opportunities into strengths.

BUSINESS OF THE COMPANY

Your Company is mainly engaged in the business of manufacturing and marketing PVC pipes & fittings and PVC.

PVC pipes & fittings Division

Industry

The PVC pipes and fittings industry in India is almost equally divided between the organized sector and the unorganized sector. The organized sector is made up of around 50 medium to large-scale producers. The unorganized sector is made up of hundreds of small players who mainly cater to the local markets only. Your Company is the largest manufacturer of PVC pipes in India and enjoys around 20% share of the organized market. Your Company was the first PVC Pipes manufacturer in India to be awarded the IS/ISO 9002 certification. Your Company has been recently accredited with the new ISO certification (i.e. IS/ISO 9001: 2000).

Demand

Considering the vast area of our country and the need to carry water, for irrigation as well as drinking, across the country, there is an assured growth in the PVC pipes business. PVC pipes have several advantages over the traditionally used pipes made of metals, concrete and earthenware. PVC pipes are tough, impact-resistant, corrosion-resistant and offer trouble-free life for several decades. PVC pipes are easy to transport, handle and install and are thus more user friendly as compared to pipes of other materials.

There are two main segments of PVC pipes market in India:

[A] Demand from farmers for irrigation and from households for drinking water, plumbing and waste water.

India is still a predominantly agriculture based economy. A good monsoon means a better purchasing power with almost two-thirds of the Indian population. Amongst other things the additional purchasing power is spent on agricultural inputs including PVC pipes. India has experienced more than a decade of consistently good monsoon. During 2001-02 Agriculture Real GDP growth is estimated at 6.5% against - 0.2% in 2000-01. Foodgrain production in fiscal 2001-02 is also estimated to be higher than the earlier year by 7.78%. This has resulted in a strong demand for PVC pipes and fittings. As per the current estimates even monsoon season for 2002 is expected to bring in adequate rainfall resulting in continuing growth in demand for PVC pipes.

The demand from households for drinking water/plumbing and Soil, Waste and Rainwater (SWR) Pipes is steadily increasing as more and more people are shifting from traditional piping material to PVC pipes. It is experienced that almost 2% of the total cost of a modern building is spent on piping. Considering the importance being attached by the Government to the housing sector, this translates into a huge potential for PVC pipes and fittings for many more years to come.

1. Moulded & Fabricated Fittings
2. PVC pipes plant
3. Selfit uPVC pipes

