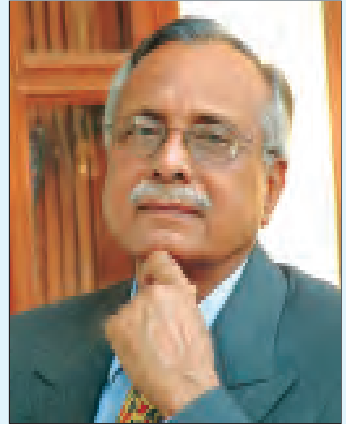


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Chairman's Message



Dear Stakeholders,

I am happy to present to you the performance for the financial year ended 31st March, 2008.

Your Company has registered significant growth in gross income. Your Company continues to be a leader in the PVC pipe industry. I am happy to inform you that the new PVC pipes plant at Urse has been commissioned. The demand for PVC resin also has been growing steadily and PVC resin is expected to continue to be in short supply in India.

Though the economic outlook has turned uncertain the Indian economy is expected to continue on the growth path, albeit at a slower pace than in the recent past. The rising inflation, soaring crude prices and tightening money market conditions are some of the challenges that are emerging in the Indian economy. Your Company has geared itself to face the challenges effectively. I am sure the Company's long term focus on quality and innovation and its strong brand equity will help it to tide over the situation and come out a winner.

I am confident that with your support your Company shall continue to march forward in the coming years.

P.P. CHHABRIA
Chairman

BOARD OF DIRECTORS

Mr. P.P. Chhabria

Non-executive Chairman

Mr. K.N. Atmaramani

Independent Director

Mr. Proshanto Banerjee

Independent Director

Mr. M.G. Bhide

Independent Director

Mr. S.N. Inamdar

Independent Director

Mr. S.S. Marathe

Independent Director

Mr. K.P. Chhabria

Managing Director

(Up to 31st January, 2008)

Executive Vice Chairman

(effective 1st February, 2008)

Mr. Prakash P. Chhabria

Deputy Managing Director

(Up to 31st January, 2008)

Managing Director

(effective 1st February, 2008)

Mr. S.S. Dhanorkar

Asst. Managing Director &

Chief Operating Officer

Mr. P. Subramaniam

Asst. Managing Director &

Chief Financial Officer

Mr. J.S. Arora

Director (Projects)

Mr. S.S. Math

Director (Manufacturing)

(22nd October, 2007 to 19th July, 2008)

Company Secretary

Mr. Anil Atre

Bankers

Bank of India

ICICI Bank Limited

Bank of Baroda

Citibank N.A.

Bank of Maharashtra

The Bank of Nova Scotia

Corporation Bank

BNP Paribas

Auditors

B.K. Khare & Co.

Chartered Accountants, Pune

Solicitors & Advocates

Crawford Bayley & Co., Mumbai

Investor Relations Centre

(Effective 4th July, 2008)

P-14, Rajiv Gandhi Infotech Park

MIDC, Hinjewadi

Pune 411 057

Tel: 020-27408200

Fax No. 020-22932939

E-mail: investors@finolexind.com

Registered Office

(Up to 3rd July 2008)

D1/10, M.I.D.C., Chinchwad,

Pune 411 019, Maharashtra, India.

Registered Office

(Effective 4th July 2008)

Gat No. 399, Urse,

Taluka: Maval,

District: Pune 410 506

Maharashtra, India.

Tel: 02114-237251

Fax: 02114-237252

E-mail: investors@finolexind.com

Management Discussion and Analysis

Introduction

Your Company has just completed one more year of good growth. The gross income has shown a growth of 34%.

Financial Review

Both the divisions of the Company i.e. PVC Resin and PVC Pipes and Fittings have shown steady growth. However, the volatility in the raw material and currency markets has had an impact on the margins.

Your Company's operations continue to reflect the positive factors experienced by the Indian economy. The GDP growth was 9.6% during 2006-07 but has moderated a bit to 8.7% in 2007-08. Increased allocation by the Union Government on Irrigation, the higher growth experienced by the Construction Industry and a good monsoon during 2007-08 all contributed to increased demand for your Company's products.

Global Economy and Effect on the Company

The global economic situation has suddenly turned very uncertain. The sub-prime crisis and related financial problems in the U.S. and other advanced countries have started affecting the global economy over the past few months. The continuous rise in crude oil prices to unprecedented levels has exerted an immense pressure in many economies including that of India. Your Company's raw materials which have a co-relation to the crude oil prices have also been impacted.

The inflation rates are rising across the globe and the economists are predicting a severe food crisis. The impact of all these factors is likely to be felt on the growth potential of developing countries. On a positive note the Indian economy is much stronger today as compared to the last recession in the 1980. The growing middle class, positive demographic factors, positive savings rates and such other factors will definitely ensure that the impact on the Indian economy will be much less as compared to that on developed countries. The Union Government has declared large investment outlays in infrastructure, irrigation, drinking water facility, etc. This might keep the economy growing, albeit at a rate lower than the peak rate of 9.8% achieved last year.

Industry Outlook

PVC Resin Business

Backed by a strong growth in demand for the PVC Pipes, the PVC Resin demand in India has also seen a strong growth. No additional capacity for manufacture of PVC Resin was set up in India during the year under review whereas the demand has grown by almost 200,000 MT. As a result the demand / supply gap has further widened.

The availability of raw material continues to be tight in the international market which has had impact on your Company's ability to fully utilize its capacity. Your Company has signed Long Term Contracts for a substantial part of its raw material requirements.

Your Company is watching the international raw material situation very carefully. The rising Crude Oil price is a matter of great concern.

PVC Pipes Business

Your Company continues to maintain the leadership position in the PVC pipes business in India.

Your Company turned out a modest growth during the year under review. It is heartening to note that the growth has come from all segments of demand viz. agriculture, drinking water, plumbing and sanitation. This policy of diversified growth has helped your Company to reap the benefits of a growing Indian economy.

The demand for PVC Pipes is expected to continue growing on the background of increased spending on infrastructure sector. The irrigation potential in India still remains largely untapped with more than half of the net cultivated area depending on rains. The India Government has increased its thrust on Agriculture and Rural Development. There are various Government programmes like Accelerated Infrastructure Benefit Programme [AIBP], Rural Infrastructure Development Fund [RIDF], Water Harvesting Schemes, Bharat Nirman Abhiyan etc. all of which are expected to give a boost to the demand of PVC Pipes and Fittings.

Risks And Concerns

Your Company has a well documented Risk Management Policy. This policy is reviewed periodically by the Management and appropriately modified wherever necessary. Based on the operations of the Company, new risks, if any, are identified and steps taken to mitigate the same. Your Company continues to

import its main raw materials viz. Ethylene Di-Chloride [EDC], Ethylene and Vinyl Chloride Monomer [VCM]. None of these raw materials are traded in futures market and there is no opportunity to hedge the price risks. The Company is also exposed to foreign exchange risks and interest risks on its imports. The Company makes use of hedge / derivatives products to manage these risks.

The surplus cash generated during the course of business is invested in financial instruments from time to time. The detailed guidelines for investment of such surplus have been laid down and these are reviewed regularly by the Management.

Your Company continues to accord highest priority for safety in all its operations. All the manufacturing facilities and processes are subject to regular inspections. A Safety Audit is carried out meticulously at the PVC resin plant in Ratnagiri and preventive measures are taken to ensure high standards of safety.

Your Company has taken adequate insurance cover for all its plants as well as for third party liabilities.

Transparency in Sharing Information

Transparency refers to sharing information and acting in an open manner. Processes, instructions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them. Your Company believes in total transparency in sharing information about its business operations with all its stakeholders. Your Company strives to provide maximum possible information in the Management Discussion and Analysis in the Annual Report to keep the stakeholders informed about the business performance. As an open channel of communication between stakeholders and officials, and to make a wide range of information accessible, your Company holds regular meetings with institutional investors in India and abroad.

Internal Control Systems

The Company has instituted adequate internal control procedure commensurate with the nature of its business and the size of its operations for the smooth conduct of its businesses.

Internal audit is conducted at regular intervals at all the plants and covers the key areas of operations. It is an independent, objective and assurance function responsible for evaluating and improving the effectiveness of risk management, control, and governance processes.

An Audit Committee consisting of four independent, non-executive directors is in place. The Audit Committee monitors performance of Internal Audit on a periodic basis through review of the audit plans, audit findings & promptness of issue resolution through follow ups.

Human Resources

Your Company's industrial relations continued to be harmonious during the year under review. Your Company conducts regular in-house training programs for employees at all levels. Employees are also sent for selected external training programs especially with a view to aid leadership development. The employee strength of your Company is currently 1016.

Cautionary statement

Estimates and expectations stated in this Management Discussion and Analysis may be "forward-looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expected or implied. Important factors that could make a difference to your Company's operations include economic conditions affecting demand / supply and price conditions in the domestic and international markets, changes in the Government regulations, tax laws, other statutes and other incidental factors.

Directors' Report

To the Members

Your directors have pleasure in presenting their twenty-seventh annual report and audited accounts for the year ended 31st March, 2008.

Financial Results

	(In Rs. million)	
	2007-2008	2006-2007
Profit before depreciation & finance charges	1895.517	1700.552
Finance charges	303.193	137.320
Profit before depreciation	1592.324	1563.232
Deductions for:		
i) Depreciation	574.577	546.081
ii) Provision for taxation	305.892	318.324
Profit after depreciation and taxation	711.855	698.827
<i>Add:</i>		
Surplus of profit and loss account of earlier year	502.793	389.366
Appropriations		
(i) General reserve	100.000	100.000
(ii) Debenture redemption reserve	50.000	50.000
(iii) Proposed dividend	372.100	372.100
(iv) Tax on dividend	63.300	63.300
(v) Balance carried over to balance sheet	629.248	502.793

Operations

The operational performance is summarized below:

		2007-2008	2006-2007
Income	(In Rs. million)	16755.025	12525.213
Profit before tax	(In Rs. million)	1017.747	1017.151
Profit after tax	(In Rs. million)	711.855	698.827
Cash earnings	(In Rs. million)	1219.932	1225.497
PVC Resin			
Production	(MTs)	212714	182134
Sale (excluding interdivisional):			
- in	(MTs)	187780	133951
- in	(Rs. million)	8571.241	5597.848
PVC Pipes and Fittings			
Production	(MTs)	77750	72497
Sale	(MTs)	75827	74211
Sale	(In Rs. million)	4445.951	4006.752

Dividend

Your directors have recommended a dividend on equity shares @ 30% (Rs. 3.00 per equity share) for the financial year ended 31st March, 2008. The proposed dividend (including corporate dividend tax) will absorb Rs. 435.400 million.

Finance

The interest and finance charges for the year were Rs. 303.193 million as against Rs. 137.320 million for the previous year.

Corporate governance

Pursuant to clause 49 of the listing agreements with the stock exchanges, a separate section on corporate governance and the certificate obtained from the auditors of the Company regarding compliance with the conditions of corporate governance are forming part of this annual report.

Power project

Due to local agitation at Ratnagiri, the work on power project was suspended frequently during the year under review. Moreover, non-availability of construction labour also caused delays. Presently the work has commenced.