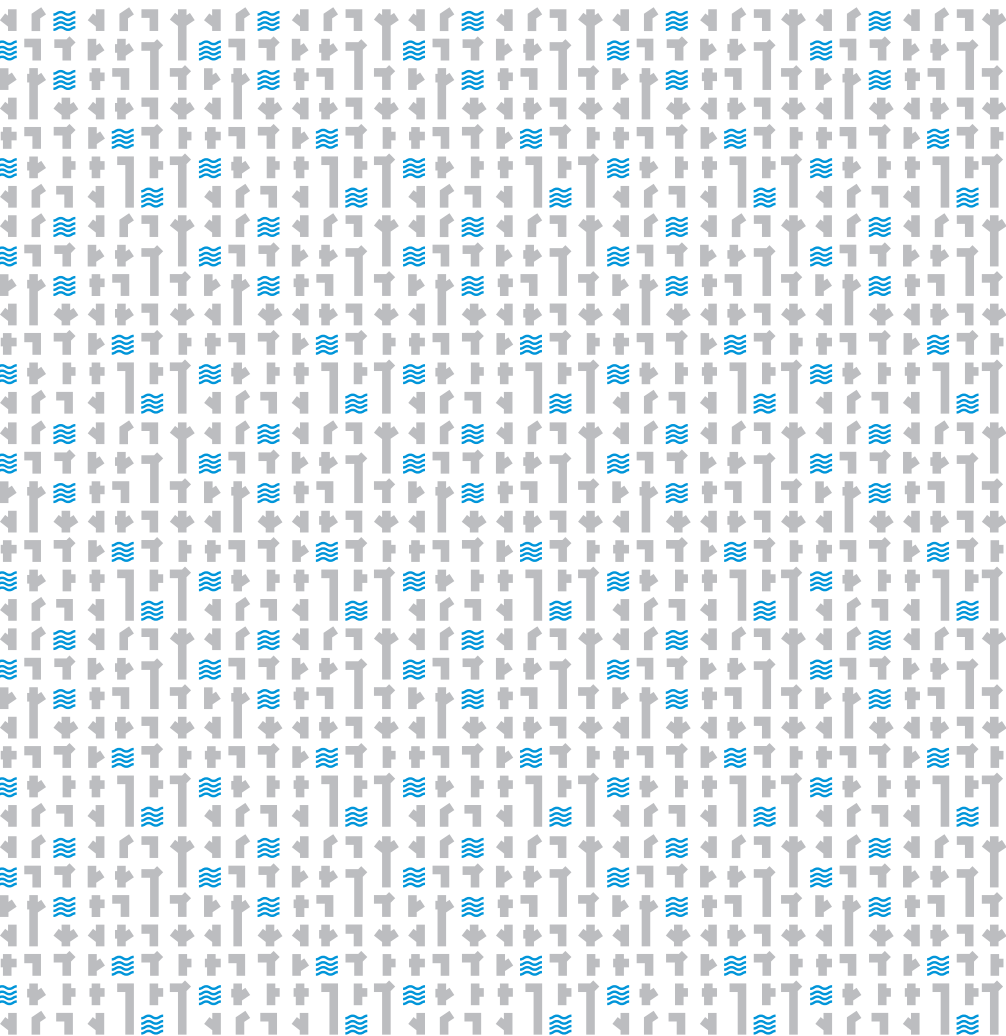


**Finolex**  
**INDUSTRIES**

34<sup>th</sup> Annual Report 2014-15



Finolex Industries Limited



Extrusion machines at the Finolex Urse plant



Finolex Pipes & Fittings

## HAR KADAM AAPKE SAATH

AB INTERNET SAB ENI HOGI SAATH

**f** 14,595  
followers

**t** 87,600  
mentions

**1,91,700**  
views

Follow  
US ON

[www.finolex.com/finolexindia](http://www.finolex.com/finolexindia)  
@finolexindia  
FinolexIndia

### OUR MOST IMPORTANT CAMPAIGNS

#### REVERTYHDROPCOURTES

Use this ad-hoc short video campaign with the hashtag #revertyhdropcourtes to highlight the water conservation efforts of the company.

IMPRESSIONS

4,752,424

1,251,982

Uniques Reach

4,935

Tweets



#### #SAAMANTARAHATSAHAQ

On the occasion of World Environment Day, Finolex started an online campaign about the saving of water.

IMPRESSIONS

15,973,085

1,738,824

Uniques Reach

4,722

Tweets



THIS LED TO FINOLEX TRENDING  
NATIONALLY ON TWITTER



## Chairman's Message



Dear Shareholders,

Over the past year, your Company has achieved modest growth in terms of production and sales.

The business scenario was affected by a sharp drop in PVC prices on the back of a global crash in oil prices during the third quarter of FY 2015. The unseasonal rains and hailstorms in many parts of the country also played a part in affecting demand. The prices have now recovered and we are confident of moving back to our projected growth path.

The overall projections for your Company's products remain very optimistic. Our Prime Minister has declared a special thrust on agriculture to benefit our farmer brothers with the ambitious programme of "Har Khet Ko Paani" (Water for every field). Similarly "Pradhan Mantri Awas Yojana" which promises shelter for every Indian and announcement of plan to develop "100 Smart Cities" indicate that there will be a surge in demand for your Company's products in the years to come. Your Company is on track in terms of expanding its scale of operations not only by increasing production capacity, but also by setting up additional warehouses.

I am delighted to share with you that Finolex Pipes have been recognized as India's most trusted Brand in the category "Manufacturing – Pipes" by the Brand Trust Report 2015 coupled with ranking as one of the top 1,000 brands out of 19,000 brands studied. This is recognition for years of hard work in giving consistently high quality products to our customers through our ever increasing network of dealers and sub-dealers.

Distribution is an important aspect for success in the PVC pipes and fittings industry. Realizing this, your Company has opened depots at Cuttack (Odisha), Noida (Uttar Pradesh) and Indore (Madhya Pradesh).

Your Company continues its commitments to CSR activities. I am happy to share that your Company has recently received an "Excellence in CSR" award by the Amity Global School.

The Board joins me in expressing deep appreciation to the employees and the management for their consistent hard work and valued contribution during the year.

With warm regards,

**Prakash P Chhabria**  
Executive Chairman

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Chairman Emeritus  
**Mr. Kishan P. Chhabria**

## BOARD OF DIRECTORS

**Mr. Prakash P. Chhabria**  
 Executive Chairman

**Mr. Sanjay K. Asher**  
 Independent Director

**Mr. Kanaiyalal N. Atmaramani**  
 Independent Director

**Mrs. Ritu P. Chhabria**  
 Non-Executive, Non-Independent Director

**Mr. Dara N. Damania**  
 Independent Director

**Mr. Saurabh S. Dhanorkar**  
 Managing Director

**Mr. Shrikrishna N. Inamdar**  
 Independent Director

**Mr. Prabhakar D. Karandikar**  
 Independent Director

**Mr. Sanjay S. Math**  
 Director (Operations)

**Dr. Sunil U. Pathak**  
 Independent Director

**Mr. Anil V. Whabi**  
 Chief Financial Officer

**Mr. Umesh M. Gosavi**  
 Company Secretary

### Audit Committee

Mr. Shrikrishna N. Inamdar, Chairman  
 Mr. Kanaiyalal N. Atmaramani  
 Mr. Dara N. Damania  
 Mr. Prabhakar D. Karandikar  
 Dr. Sunil U. Pathak

### Stakeholders' Relationship Committee

Mr. Kanaiyalal N. Atmaramani, Chairman  
 Mr. Prakash P. Chhabria  
 Mr. Dara N. Damania  
 Mr. Shrikrishna N. Inamdar  
 Mr. Prabhakar D. Karandikar  
 Dr. Sunil U. Pathak

### Nomination and Remuneration Committee

Mr. Shrikrishna N. Inamdar, Chairman  
 Mr. Sanjay K. Asher  
 Mr. Kanaiyalal N. Atmaramani  
 Mr. Dara N. Damania  
 Mr. Prabhakar D. Karandikar  
 Dr. Sunil U. Pathak

### Corporate Social Responsibility Committee

Mr. Prakash P. Chhabria, Chairman  
 Mr. Saurabh S. Dhanorkar  
 Dr. Sunil U. Pathak

### Risk Management Committee

Mr. Prakash P. Chhabria, Chairman  
 Mr. Saurabh S. Dhanorkar  
 Dr. Sunil U. Pathak

**Bankers**

Bank of India  
ICICI Bank Limited  
Bank of Baroda  
Citibank N.A.  
Bank of Maharashtra  
Corporation Bank

**Auditors**

M/s. P. G. Bhagwat  
Chartered Accountants, Pune

**Solicitors & Advocates**

Crawford Bayley & Co., Mumbai

**Investor Relations Centre**

D1/10, MIDC  
Chinchwad  
Pune 411 019.  
Maharashtra  
India  
Tel.No.020-27408200/27408571  
Fax No.020-27479000  
E-mail:investors@finolexind.com

**Registered Office**

Gat No.399, Village Urse  
Taluka Maval  
District Pune 410 506.  
Maharashtra  
India  
Tel.02114-237251  
Fax:02114-237252  
E-mail:investors@finolexind.com  
CIN: L40108PN1981PLC024153  
Website: [www.finolexwater.com](http://www.finolexwater.com)

## Management discussion and analysis

### Introduction

In the year under review, your Company has seen a continued growth in its performance. Your Company has 3 major areas of business – PVC pipes & fittings, PVC resin and Power.

### Financial review

The business scenario both in terms of product demand and pressure on margins was affected largely due to a sharp drop in PVC prices during October-December 2014 and due to unseasonal rain and hailstorms in many parts of the country during the year under review. The total income from operations (net) marginally increased from ₹ 2,453 crores to ₹ 2,476 crores. However, profit before tax for the year has decreased from ₹ 242 crores to ₹ 81 crores while net profit after tax decreased from ₹ 170 crores to ₹ 48 crores.

The steep decline in the price of crude oil, which in turn caused more than a 20% fall in the price of PVC resin, resulted in an abnormal erosion in your Company's margin during third quarter of FY 2015. The loss of inventory carry of raw material and finished products during this unprecedented and unforeseeable situation caused a heavy loss to your Company during the third quarter. Prices revived gradually subsequently during the next quarter. However, because of the loss incurred during third quarter, your Company posted a much lower profit as compared to the previous year.

### Outlook for your Company

#### Company overview

Finolex Industries Limited (FIL) is predominantly engaged in the business of manufacturing PVC pipes & fittings. It is the only PVC pipe manufacturing company in India which enjoys backward integration, with its own PVC resin manufacturing unit.

Your Company, which was incorporated in 1981, continues to maintain its number one ranking across the PVC pipes and fittings industry in India.

Since the predominant material used to transport water during those early days was metal and concrete, the initial years of your Company were spent in developing and building the market for PVC pipes and fittings. Your Company started as a PVC pipe manufacturing company in 1981. With the aim to become fully integrated, a state of the art PVC resin manufacturing unit was commissioned at Ratnagiri in 1994, which was further expanded in 2006. In order to reduce its dependency on the grid for its power requirements, FIL commissioned a 43 MW thermal power plant at Ratnagiri in 2009-10.

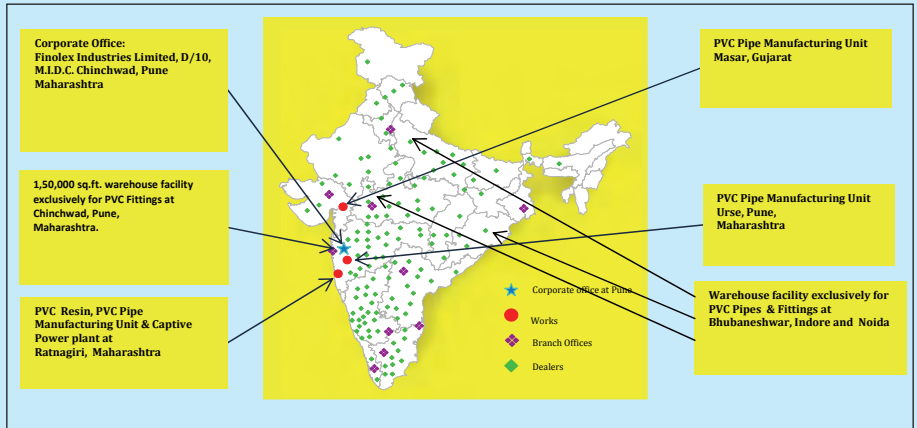
#### Your Company at a glance

- India's largest backward integrated PVC pipe manufacturer with a PVC pipe & fittings production capacity of 2,50,000 MT
- Backward integration
  - PVC resin capacity - 2,72,000 MT
  - Captive thermal power plant capacity - 43 MW



- Pan India distribution network through a wide network of dealers, sub-dealers and retail outlets – 15,000+ touch points
- High level of trust from its customers , spread across the length and breadth of India
- Superior brand recall due to high quality product offerings for agriculture, housing, building & construction

### FIL – Pan India reach



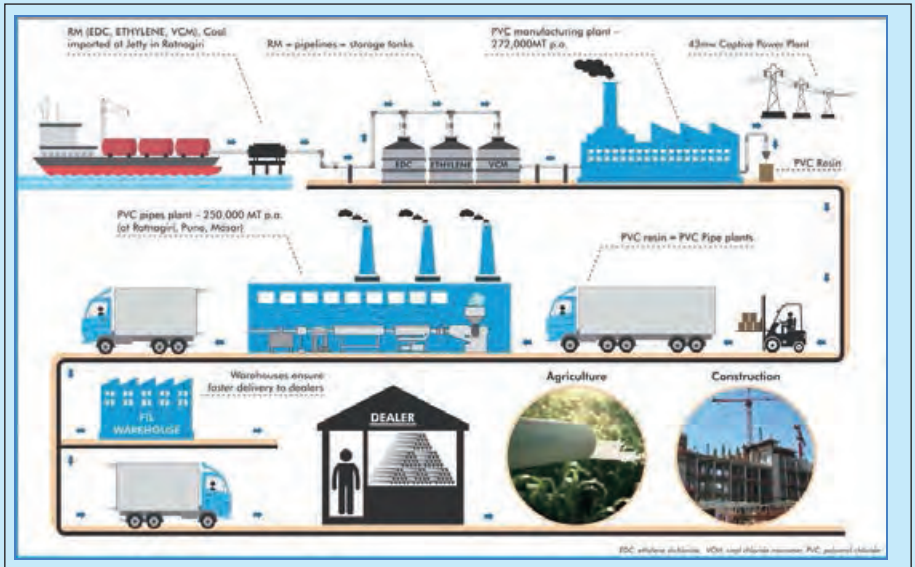
### Business model

Your Company has a strong focus on the agriculture-pipe market and operates on an unique cash-n-carry model. Over the years, your Company has built a very large distribution network, which adds to its strength. Your Company is now focusing on increasing the PVC pipes & fittings production capacity and widening the distribution reach. The strength of your Company lies in its quality products, satisfied customers and of course a dedicated team.

- Key revenue driver – mainly the PVC pipes & fittings segment, with a steadily increasing in-house consumption of PVC resin.
- Market wise sales are distributed between agriculture (approximately 70%) and non-agriculture (approximately 30%) which is mainly construction.
- Key cost components - EDC, Ethylene and VCM are the key raw materials for PVC production.
- Margin improvement initiatives are underway. However, the raw material price fluctuation, which is not in line with PVC price movement, does impact operating margins.



## FIL – Value Chain



### PVC pipes and fittings division:

'Finolex' is the number one brand name in the Indian PVC pipes & fittings industry. The product power is essentially due to superior quality, wide distribution reach and high brand recall. Your Company sells rigid PVC pipes for agricultural (approximately 70%) and non-agricultural applications (approximately 30%). PVC is a better material for water transportation:

- PVC pipes have better flow characteristics as compared to galvanized iron or cement pipes
- PVC pipes are easy to install and are corrosion free
- PVC pipes are easier to transport because of their low weight per meter

Over the years, your Company has successfully established the concept of PVC pipes & fittings as the preferred material for water transportation. The brand has been built through a sustained focus on high quality products and deep market penetration. To achieve this, your Company undertakes various branding activities such as organizing farmer meets, plumber meets, participating in village fairs, industrial and agricultural exhibitions and TV advertising. The Company also launched a new website reflecting its vision.

## Branding activities



## New website – reflecting change

[www.finolexwater.com](http://www.finolexwater.com) : With better disclosures, greater engagement



Your Company always recognizes the tremendous importance of PVC pipes in the life of a typical Indian farmer. In fact, your Company believes that the pipeline, which brings water to the fields, is in a true sense, the farmer's "lifeline".

Your Company believes in consistently providing consumers with high quality products that ensure trouble free service for decades.

Your Company enjoys a high level of trust from its customers, spread across the length and breadth of India. Our products are sold through a network of more than 15,000 dealers, sub-dealers and retailers. Your Company continuously invests in the expansion of PVC pipes & fittings capacity.