

FinOlex
INDUSTRIES

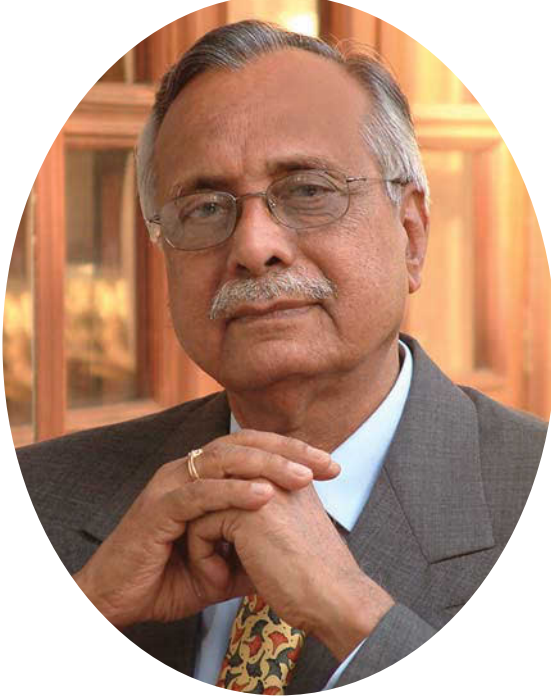
**35th
Annual Report
2015-16**

देहिनोऽस्मिन् यथा देहे कौमारं यौवनं जरा । तथा देहान्तरप्राप्तिर्धीरस्तत्र न मुह्यति ॥

भगवद् गीता अ. २.१३

Just as in the physical body of the embodied being is the process of childhood, youth and old age; similarly by transmigration from one body to another, the wise are never deluded.

Bhagwad Gita, Ch. 2.13



Shri. Pralhad P. Chhabria

(12.03.1930 - 05.05.2016)

**"I have not gone, just moved on.
Each morning we are born again to work hard &
live another beautiful journey..."**

Late Shri. Pralhad P Chhabria and Finolex

Finolex began as a trading operation started by the late Shri. Pralhad Parsram Chhabria in Pune in the early 1950s. The Finolex brand was born from two words, 'fine' and 'flexible'. It was a simple, straightforward name which coincidentally best reflected his personality. Today, more than six decades on, it continues to be a fundamental attribute of the company.

Pralhad Parsram Chhabria, referred to as PP, was born in Karachi on 12 March 1930, into a wealthy business family. As a child, he spent happy times in his native town of Shikarpur, the love for which he carried to the end of his days. However, when he was just twelve years old, his father died suddenly, and the young boy's life was to take a dramatic turn. Within a few short months, the family were left penniless. PP was forced to leave school, and consequently his carefree days. He had to take up a series of menial jobs in order to help provide for the family.

In 1945, at the age of fifteen, he came to Pune. He lived with some relatives, and worked in their home and business, in order to earn his keep.

Two years later, the events following Partition caused his mother and brothers to flee from their home in Sindh and join him in Pune. In order to restore the dignity and independence of the family, PP was forced to start trading as the quickest means to earn money, just like many other young children from the displaced families who had left their homes empty handed.

He soon began trading in electrical switches. In those days, Pune had no specific electrical market as is the case today. He got used to being ignored by the shopkeepers, learning to wait quietly outside until he saw a few good sales taking place, before entering and showing his merchandise. He never took 'no' to indicate complete refusal, and always returned to try again another day, learning how to make the customer feel important without debasing himself, and never allowing the feeling of rejection to influence his next action.

As the market developed in Pune, PP thought about entering the field of manufacturing. His younger brother, Shri. Kishan P Chhabria, joined him.

By the end of 1959, focus shifted to manufacturing and Finolex began introducing innovative and lucrative products. One of the most important was that of automobile wire. Over the years, the PVC auto cable became one of the company's most successful products.

By 1967, PP came across an ailing company, Alfa Rubber, he seized the opportunity to buy it, by the end of 1973, the company name was changed to Finolex Cables Ltd.

As the 1970s progressed, the Finolex business and brand were well established and the company intensified its core business, while continuing to diversify into new products and technologies. By 1981, Finolex Industries was registered with thirteen lines of PVC pipes, along with pipe fittings of all types.

As the business continued to grow, PP realised that he needed to cultivate the Finolex dealer network. He personally selected distributors. These dealers and the ones that followed are the pillars of Finolex's strength, to this day. His personal interaction with them created a feeling of belonging and being a part of the Finolex family.

Finolex introduced many innovative solutions such as jelly-filled telecom cables and drip irrigation.

In 1982, it was time to take Finolex Cables to the public, and the result is history: an overwhelming response with the issue oversubscribed sixty-four times. PP Chhabria was appointed Chairman and MD of the company.

Through all the years of struggle ahead, PP monitored the dates on which the loan repayments were due, never overstepping on even a single occasion. This was not done to save extra interest or penalty, but with the single-minded focus of building credibility. It was the company's solid credit history which gave it one of its most important intangible assets and later became the foundation for its exponential growth.

By 1990 PP's son Prakash joined the business, followed by KP's son's Vijay and Deepak in 1991. For nearly a decade, it had been PP's dream to manufacture PVC resin. KP set up an internal team and alongwith Udhe GmbH, a German technology construction company, a process licence was acquired from Hoechst AG, to set up Finolex's petrochemical plant in Ratnagiri in Maharashtra on the west coast of India.

Being conscious of the importance of education, PP initiated the construction of an Engineering and Management college, the Finolex Management Academy at Ratnagiri.

In his last few years he had withdrawn from active business and devoted himself to philanthropy through his family's registered bodies, Mukul Madhav Foundation and Hope Foundation and Research Centre, active in the fields of medical assistance, education and social welfare.

There were two things that gave PP Chhabria the confidence to set and achieve increasingly ambitious goals. One was Finolex's consistent track record of success and his clear perception of the opportunities before him. The other was his deeply spiritual nature. In his mid-forties he met Swami Ram Baba and was accepted as a disciple. Through the difficult business times and personal tragedies he faced, his Guru was a constant support.

Today MBA schools teach their students concepts such as 'Walk the Talk' and 'Go the Extra Mile'. For PP Chhabria, who had no MBA degree, these were simple precepts by which he lived his life. As his wealth and status grew, he maintained a simple daily routine: waking and sleeping early, avoiding social entertainment, and interacting with others with warmth and humility regardless of their position. Until just a few weeks before he died on 5 May 2016, he continued to spend half of every working day at his office. After him, Finolex will continue to nurture the value system that forms the greatest part of his legacy: customer care, strategic growth, sustainability and – critical in today's world of rapid technological change – constant innovation.

(This has been compiled from There's No Such Thing as a Self Made Man, PP Chhabria's biography written by Saaz Aggarwal in 2008)

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Chairman's Message



The strong foundations laid out by my father Late Shri Pralhad P. Chhabria and our highly ethical and value based approach towards business have helped us to become one of India's most admired companies. As we continue on the path of progress, my father's philosophy "Each morning we are born again to work hard and live another beautiful journey" will always guide us along the way.

Our financial performance during the year under review has been robust. The profit after tax has gone up from ₹ 47.8 crores to ₹ 233.6 crores and we have reduced debt by more than ₹ 400 crores during the year under review through internal generation.

This year, for the first time, your Company has consolidated the financial results of our associate company viz. Finolex Plasjon Industries Private Limited in accordance with the provisions of the Companies Act.

Your Company continues to maintain its number one position in the PVC pipes industry. Being India's leading PVC pipes and fittings manufacturer with a high brand recall and a strong distribution reach, your Company is well positioned to gain from various initiatives of the Government of India, towards development of infrastructure in irrigation and housing. We are on track in terms of expanding our scale of operations not only by increasing production capacity, but also by setting up additional warehouses.

Your Company has been conducting CSR activities for many years in association with Mukul Madhav Foundation, our CSR Partner. We have been engaging not only with the communities living around our plants' but also with the public at large, through various initiatives in health care, education, water conservation and sustainability. I am happy to share with you that your Company has recently been honoured with the Bluedart Global CSR Excellence and Leadership Award, for "Support & Improvement in the Quality of Education" and the India CSR Award for "Best Innovative CSR Practices in Education". These awards were won for our project, Mukul Madhav Vidyalaya, an English medium school in Golap, Ratnagiri, providing quality education to over 500 students.

Mr. Saurabh S. Dhanorkar, Managing Director is to retire on 30th November, 2016 after 33 years of dedication to the Company. The Board and I appreciate Mr.Dhanorkar's loyalty and commitment to our Company. Furthermore, the proposal to appoint Mr. Sanjay S. Math, Director (Operations) as Managing Director with effect from 1st December, 2016 has been recommended to the Members.

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

With warm regards,
Prakash P. Chhabria
 Executive Chairman
 DIN 00016017

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District Pune 410 506.

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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

Investor Relations Centre

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Chinchwad

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Maharashtra

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Contact No.: 022 – 4325 5215

Email: debenturetrustee@axistrustee.com

Website: www.axistrustee.com

Solicitors & Advocates

Crawford Bayley & Co., Mumbai

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
 Mrs. Ritu P. Chhabria
 Mr. Saurabh S. Dhanorkar
 Dr. Sunil U. Pathak

Risk Management Committee

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

Management Discussion and Analysis

(Forming part of the Report of the Directors for the year ended 31st March, 2016)

Industry structure, overview and developments

Indian Economy

India emerged as the world's fastest-growing major economy in FY2016 ahead of China. India's Gross Domestic Product (GDP) is estimated to have grown at 7.5% in FY 2015-16 as per the reports.

The improvement in India's economic fundamentals has accelerated in the year 2015-16 with the combined impact of strong government reforms, the RBI's inflation focus, supported by benign global commodity prices.

Public investment has picked up with a faster clearance of key projects; better infrastructure and greater ease of doing business are promoting private investment, and more generous benefits and wages for public employees are supporting private consumption.

According to a report released in September 2015, India could grow at a potential 8% on average from fiscal 2016 to 2020 powered by greater access to banking, technology adoption, urbanisation and other structural reforms.

Agriculture Sector

The agriculture sector is the backbone of the Indian economy. Over 58 % of rural households depend on agriculture as their principal means of livelihood. Agriculture, along with fisheries and forestry, is one of the largest contributors to the Gross Domestic Product (GDP).

At 157.35 million hectares, India holds the second largest agricultural land in the world. Only 46% of the land is irrigated while 54% is still dependant on the monsoon. This is a huge opportunity the company is trying to capitalise on.

After two consecutive years of drought, the monsoon is estimated to be normal for FY16-17. The agriculture sector is estimated to grow at 6% in the case of a normal monsoon, as per NITI Ayog.

The 2016-17 budget witnessed a slew of measures brought in to improve agriculture and increase farmers' welfare. One such proposal was for 2.95 million hectares of land to be brought under irrigation. This would generate demand for PVC pipes and fittings, which would be of great benefit to your company.

PVC Resin

Fundamentally, PVC is a synthetic resin made from the polymerization of vinyl chloride. PVC is a product which is derived at the end of the value chain (ref fig 1) that begins with industrial grade salt (NaCl). Caustic and chlorine are produced from the salt. Chlorine and ethylene gives EDC, which is used to produce VCM. PVC is derived from VCM.