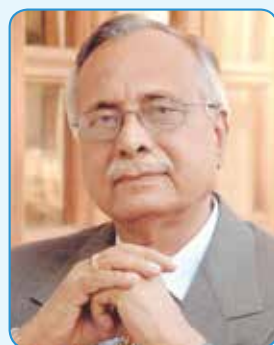




# An opportunity called India



**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...”**

## Contents

### 1 OVERVIEW

Highlights of the Year **\_02** Corporate Information **\_04**  
Message from the Chairman **\_05** FIL - Prepared for India Opportunity **\_08**

### 2 STRATEGIC REVIEW

Agriculture Segment - The Bedrock of FIL's Success **\_12**  
Non-Agriculture Segment - The Future of FIL's Growth **\_14**  
Strong Value Chain **\_16** People Make It Happen **\_17**  
Strong Governance and Transparency - Professional Management **\_18**  
Sharing Success - CSR **\_19** Board of Directors **\_22**  
Performance Over the Years **\_24**

### 3 STATUTORY REPORTS

Management Discussion and Analysis **\_25**  
Board of Directors' Report **\_31**  
Practicing Company Secretary's Certificate on Corporate Governance **\_82**  
Corporate Governance **\_83**

### 4 FINANCIAL STATEMENTS

Independent Auditors' Report on Standalone Financial Statement **\_104**  
Balance Sheet **\_112** Statement of Profit and Loss **\_113**  
Cash Flow Statement **\_114** Statement of Changes in Equity **\_115**  
Notes to the Financial Statements **\_117**  
Independent Auditors' Report on Consolidated Financial Statement **\_183**  
Consolidated Balance Sheet **\_188**  
Consolidated Statement of Profit and Loss **\_189**  
Consolidated Cash Flow Statement **\_190** Statement of Changes in Equity **\_191**  
Notes to the Consolidated Financial Statements **\_193**  
Notice of Annual General Meeting **\_267**

The details of each source consulted in preparing this document have been provided in the bibliography at the end of this report.

## At Finolex Industries Limited (FIL), we have always believed in India.

Today, India has become the focus of the world – the shining beacon of potential and positivity. The Indian growth story is not only intact, but is on a fast track as the country powers ahead as the fastest growing major economy. The Indian engine of growth is all set to continue its surge for years to come when one considers:

- the world's largest and youngest population - **134 Cr<sup>1</sup> people with 27 years of median age**
- the world's fastest growing employed population - **28 Cr<sup>2</sup> people likely to be added to its workforce by 2050**
- one of the world's fastest growing national income - **7%<sup>3</sup> in 2016-17**
- one of the world's highest household savings rate - **18.7%<sup>4</sup> of the gross national disposable income**

As the country gears up to add 2 Cr new houses in the next seven years, as plans unfold for 100 smart cities entailing an investment of over ₹ 50,000 Cr<sup>5</sup>, and a long-term investment plan of over US\$ 4.3 trillion<sup>6</sup> between 2016 and 2030 in the country's infrastructure, an unprecedented opportunity is fast unfurling.

At FIL, we call this

### An opportunity called India



We firmly believe that we have all the right blocks in the right place to both contribute to and capitalise on this huge growth opportunity.

With

- An enviable scale and manufacturing expertise
- Seamless backward integration
- Strong balance sheet with no long-term debt

A brand renowned for quality and a track record of consistent performance.



**5.17%**

Revenue  
growth - CAGR FY12-17



**36.20%**

PAT  
growth - CAGR FY12-17



**28.18%**

Net worth  
growth - CAGR FY12-17



**63.09%**

Market capitalisation  
growth - CAGR FY12-17

At FIL, we are confident and convinced, prepared and poised, ready and raring, for

**An opportunity called India**



# Highlights of the Year



2015-16 ₹ 2,843.1 Cr

2016-17 ₹ 2,987.6 Cr



2015-16 ₹ 404.4 Cr

2016-17 ₹ 563.0 Cr



2015-16 ₹ 254.4 Cr

2016-17 ₹ 352.2 Cr



2015-16 14.22%

2016-17 18.84%



2015-16 8.95%

2016-17 11.79%



2015-16 ₹ 1,569.8 Cr

2016-17 ₹ 2,291.4 Cr



2015-16 ₹ 20.5

2016-17 ₹ 28.4



2015-16 ₹ 211.5 Cr

2016-17 ₹ 94.2 Cr

## Expanding footprint

Expand distribution network in all geographies with higher focus in the northern and eastern regions.

## Capacity expansion

Increase installed capacities of PVC pipes and fittings in order to capture expected increase in demand.

## BUSINESS STRATEGY

## Cash-n-carry

Follow cash-n-carry model to keep the balance sheet light.

## Branding

Promote brand and quality consciousness amongst consumers.



# Corporate Information

## 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  
(Up to November 30, 2016)*

**Mr. Shrikrishna N. Inamdar**

*Independent Director*

**Mr. Prabhakar D. Karandikar**

*Independent Director*

**Mr. Sanjay S. Math**

*Managing Director  
(effective December 1, 2016)*

**Dr. Sunil U. Pathak**

*Independent Director*

**Mr. Anil V. Whabi**

*Director – Finance  
(effective August 26, 2016)*

**Ms. Vidya Shembekar**

*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. Sanjay S. Math

Dr. Sunil U. Pathak

## Risk Management Committee

Mr. Prakash P. Chhabria  
*Chairman*

Mr. Sanjay S. Math

Mr. Anil V. Whabi

Dr. Sunil U. Pathak

## 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

## 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

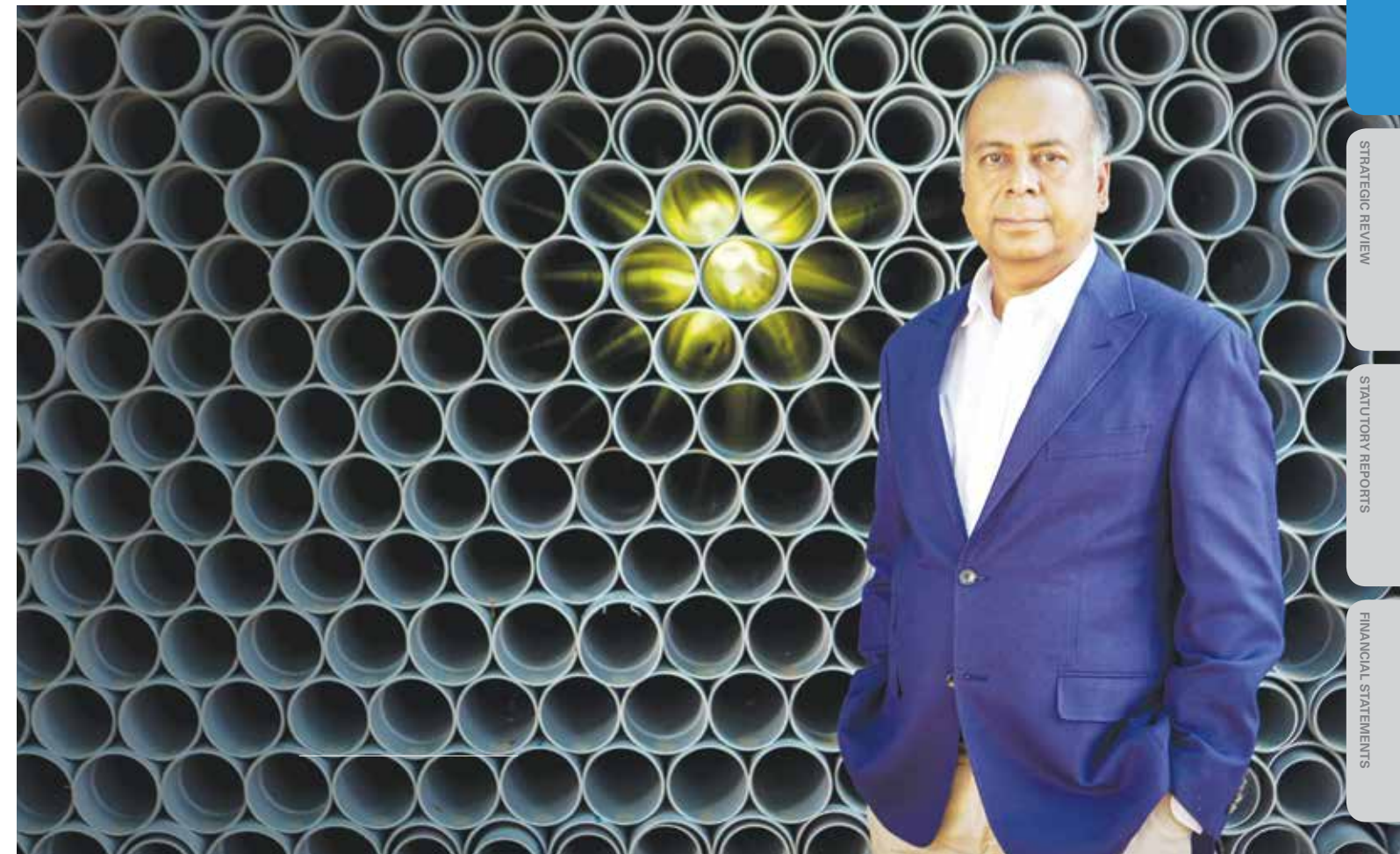
## Solicitors & Advocates

Crawford Bayley & Co., Mumbai

## Investor Relations Centre

D1/10, MIDC, Chinchwad,  
Pune - 411 019. Maharashtra, India  
Tel.: 020-27408200/27408571  
Fax.: 020-27479000  
E-mail: investors@finolexind.com

# Message from the Chairman



*Dear Shareholders,*

I am pleased to present before you the 2016-17 annual report. This year has indeed been both interesting and eventful. The unexpected result of the UK referendum in June 2016 triggered Brexit, followed by the US Presidential election, has changed the global geo-political equation. In India, the two headline events that dominated the year were the currency demonetisation and the expected passage of the one-nation, one-tax GST bill in FY18, both of which are expected to have a positive long-term impact.

The year had its fair share of operating challenges for the Company, which had a marked impact

on demand across industries and markets. In our case, demand for agricultural and non-agricultural pipes was affected. And yet, in spite of these challenges, we persisted. Even though volumes did not grow, a combination of our agility, robust product portfolio and aggressive marketing activities enabled us to phenomenally increase our margins.

## Performance in 2016-17

### Financial performance

In 2016-17, the revenue from operations of the Company increased by 5.08% from ₹ 2,843.1 Cr



in 2015-16 to ₹ 2,987.6 Cr. PAT in absolute terms grew by 38.44% to ₹ 352.2 Cr. This growth in margin was primarily driven by an increased EDC/ PVC price spread. During the year, we also worked assiduously in reducing debt, leading to a reduction of 65.77% in finance cost to ₹ 15.3 Cr from ₹ 44.7 Cr in the previous year. This, in turn, increased our margins.

#### Key developments in 2016-17

The key highlight of the year was undoubtedly the signing of the FlowGuard Processor agreement with Lubrizol Corporation, the world leaders in CPVC resin and compounds since 1959. It is a defining initiative that will benefit both Companies. Under the partnership, Lubrizol will provide us with their high quality CPVC compound for manufacture and sale of Finolex FlowGuard Plus pipes and fittings in India. CPVC pipes and fittings can withstand high temperature of water making them suitable for residential, commercial and industrial applications. While the CPVC market is still at a nascent stage in India, accounting for less than 10% of the overall pipes and fittings volume within the industry, it is the fastest growing segment and has significant opportunities for the future.

The Company continued winning prestigious awards during the year. These included The Supply Chain Icon of the Year 2017 by Global Logistics Excellence Awards and The Water Company of the Year Award by the National CSR Leadership Congress & Awards. We created a National Record for conducting the largest number of plumber meets simultaneously across 26 states and 58 cities with 3,000 plumbers, which was mentioned in the Limca Book of Records.

#### Banking on the Indian opportunity

The fundamentals of the country remain very strong with low inflation, declining interest rates, rising focus on agriculture and infrastructure,

the expected implementation of the Goods and Services Tax (GST) in FY18, all of which could facilitate the economy to maintain a GDP growth upwards of 7%<sup>7</sup>.

The Government is determined to boost agriculture, infrastructure and housing sectors as part of its long-term strategic focus. There is also a clear direction to double farmers' income in the next five years by improving their agriculture-credit and financing. These developments are expected to drive the future growth and expansion of the Company.

I am very optimistic of the great opportunity our country has to offer. I believe that with superior quality products and aggressive marketing across the right target market, we are at a vantage point to accelerate our growth momentum.

#### Corporate social responsibility

At FIL, we feel business prosperity is sustainable by sharing with the needy and giving hope to people who often feel they don't have the right to be hopeful. As a responsible corporate, we conduct our CSR activities in healthcare, education, water conservation and community welfare with Mukul Madhav Foundation (MMF), our CSR partner. This year also we have increased our CSR spend substantially.

I am proud to inform you that your Director Mrs. Ritu Chhabria, Managing Trustee of MMF, was a part of the National Women's Parliament held at Amravati, Andhra Pradesh (AP), where she shared the dais with dignitaries like Mr. N. Chandrababu Naidu (Chief Minister, AP) and Mr. Kodela Siva Prasada Rao (Speaker of the Legislative Assembly, AP) among others.

I am also pleased to inform you that one of the key projects, the Mukul Madhav Vidyalaya (MMV) a state-of-the-art English medium school in Golap, Ratnagiri, has received tremendous

appreciation for its unique approach to mould students into responsible citizens.

As a country, I believe we are at the cusp of the next phase of growth and expansion, one that will usher in the NEW INDIA that will rightfully occupy its place as a global leader. The future is exciting and promising. The future is an Opportunity called India.

On behalf of the Board, I would like to thank all our stakeholders including shareholders, investors, bankers, creditors and employees for their continued support. A special note of thanks to Mr. Saurabh S. Dhanorkar, the former Managing Director who retired during the current fiscal year, for his immense contributions towards the growth of the Company. Mr. Sanjay Math takes over the reins and responsibilities from Mr. Dhanorkar and I am sure he will do a splendid job in his new role as the Managing Director of the Company. I also welcome Mr. Anil Whabi, Chief Financial Officer to the Board.

I would like to express my sincere gratitude to all the members of our Board for their continued insights and invaluable guidance as we explore new opportunities and move ahead with confidence.

Yours sincerely,

**Prakash P. Chhabria**  
Executive Chairman



# FIL - Prepared for India Opportunity

## At a glance

**2,90,000**  
MTPA

PVC pipes and fittings  
manufacturing capacity

**800+**

Dealers

**2,72,000**  
MTPA

PVC resin  
manufacturing capacity

**18,000+**

Retail touch points

**1,400+**

Stock Keeping Units (SKUs)  
as on March 31, 2017

**₹ 7,615.89** Cr

Market capitalisation as on  
March 31, 2017

FIL is engaged in the business of manufacturing PVC pipes and fittings. It is the only PVC pipe manufacturing company in India which enjoys backward integration with its own PVC resins manufacturing unit.

It is the leading and most trusted brand, commanding more than 20% market share in the organised segment.

## Profile

The Company's shares are listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). Its products have received certification from BIS (Bureau of Indian Standards) and MCGM (Municipal Corporation of Greater Mumbai). The Company primarily caters to the agriculture segment with a growing presence in construction and industrial businesses.

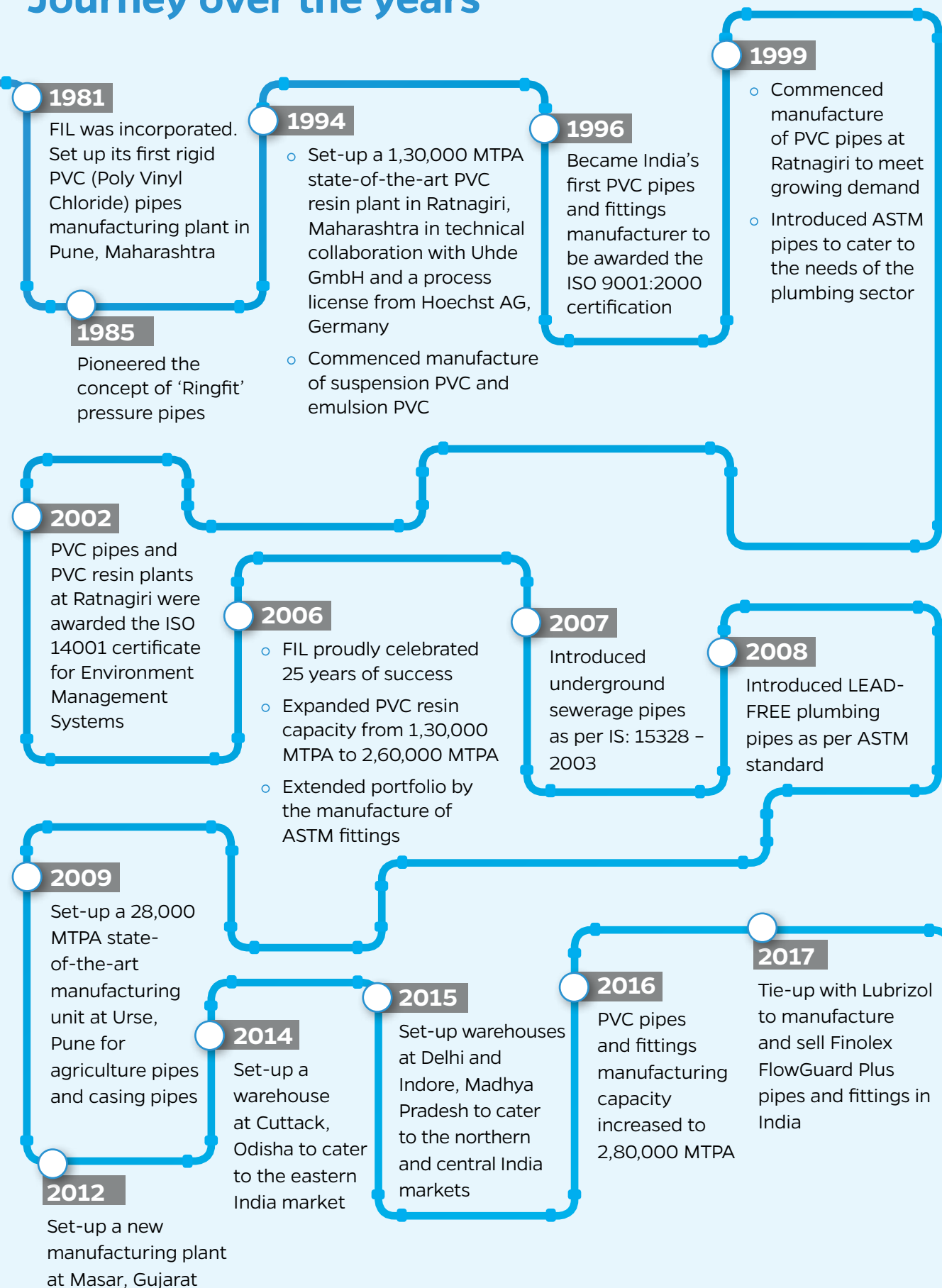
## Presence

- Headquartered in Pune, Maharashtra
- Three manufacturing plants at:
  - Ratnagiri (Maharashtra) for the manufacture of PVC resin and PVC pipes including a captive power plant
  - Urse (Pune, Maharashtra) for the manufacture of PVC pipes
  - Masar (Gujarat) for the manufacture of PVC pipes
- Jetty in Ratnagiri for the import of raw materials
- Four distribution warehouses: Chinchwad (Maharashtra), Cuttack (Odisha), Delhi, and Indore (Madhya Pradesh)
- 10 branch offices across India viz., Ahmedabad, Bengaluru, Chennai, Kochi, Coimbatore, Delhi, Hyderabad, Indore, Kolkata and Mumbai



Urse Plant, Pune

## Journey over the years



## Awards & Accolades

- 2017 - The Supply Chain Enterprise Icon of the Year by Global Logistics Excellence Awards
- 2016 - Water Company of the Year Award by the National CSR Leadership Congress & Awards
- 2016 - The National Record certificate from The Limca Book of Records for conducting the largest number of plumber meets organised simultaneously across 26 states and 58 cities with a presence of 3,000 plumbers
- 2016 - Blue Dart Global CSR Excellence and Leadership Award for Support & Improvement in Quality of Education
- 2016 - Best Innovative CSR Practices Award in Education at the India CSR Awards
- 2015 - Top 100 Brands Award in the Architecture & Design sector by The Economic Times
- 2015 - India's most Trusted Brand in the category Manufacturing - Pipes awarded by Brand Trust Report
- 2015 - Best Safety Practices Award by National Safety Council, Maharashtra Chapter & Directorate of Industrial Safety & Health, Maharashtra State
- 2014 - Asia's 100 Best Marketing Brands by the WCRC Leaders Asia magazine
- 2014 - Honoured by the World Economic Forum (WEF) as amongst the Global Growth Companies - 2014 in South Asia
- 2014 - Green Manufacturing Excellence Award: Certificate of Merit, Believers category from Frost & Sullivan

## Our business verticals:

- PVC pipes and fittings** - Manufactures a wide range of products catering to the agriculture and non-agriculture sectors.
- PVC resin** - Manufactures high quality resin providing consistent raw material for captive consumption (backward integration) and sales in the open market.
- Power plant** - Produces power for captive consumption.



Wide range of PVC pipes & fittings



# Agriculture Segment - The Bedrock of FIL's Success

## Overview

FIL manufactures a diverse range of pipes and fittings catering to the agriculture sector. These products have empowered farmers to enhance farm security by addressing their irrigation needs. During the year, we undertook several meets with farmers to educate them on the advantages of using our products. These meets were carried out during key festivals to better connect with them.



## Agriculture sector opportunities

₹ **1,87,223** Cr

Union Budget 2017-18 allocation to the agricultural sector

₹ **40,000** Cr

Union Budget 2017-18 allocation for irrigation projects

₹ **5,000** Cr

Dedicated micro-irrigation funds to be set-up by NABARD

₹ **10** trillion

Targeted agricultural credit disbursement for 2017-18

## Products offered

### Agriculture pipes and fittings

- Selfit PVC-U Pipes
- Ringfit PVC-U Pipes
- Various types of moulded and fabricated fittings

### Casting pipes

- CS Casing Pipes
- CM Casing Pipes
- Screen Pipes with ribs
- SDR series Casing Pipes

## Evergreen revolution<sup>8</sup>

The evergreen revolution is a three-year roadmap planned by the Ministry of Agriculture to enhance farm growth and double farmers' income by 2022 through the following initiatives:

- Using advanced technology to enhance farm productivity
- Promoting climate-resilient indigenous breeds of cows and buffaloes, and deep sea fishing
- Leveraging space technology in agriculture and allied sectors
- Setting-up seed production and processing units at 'Panchayat' level
- To utilise unplanted rice fields for cultivating pulses and oil-seeds to increase cropping intensity by 0.1 Cr hectares per annum
- Consolidating online trading and inter-market transactions

### Column pipes

- PVC-U Column Pipes

### Solvent cement

- PVC-U Solvent cement for agriculture applications
- PVC-U Solvent cement for higher dia agriculture applications
- Rubber Lubricant





# Non-Agriculture Segment - The Future of FIL's Growth

## Overview

FIL's non-agriculture segment caters to the growing requirements of the housing, industrial and construction sectors. These products play a crucial role in creating efficient and enduring infrastructure for each of these key sectors.

We undertake regular marketing initiatives which include conducting plumber meets, promoting our products at CREDAI and Indian Plumbing Association seminars as well as organising factory visits.

## Finolex FlowGuard Plus CPVC – the product of the future

CPVC is the latest in plumbing technology invented and pioneered by Lubrizol, USA. Finolex FlowGuard Plus CPVC pipes are an excellent alternative over conventional materials as they can withstand higher temperature variations. They are widely used in homes, hotels, hospitals as well as manufacturing plants.

## Reassurance of Finolex FlowGuard Plus CPVC pipes and fittings

- Ideal for hot water up to 93°C
- NSF certified raw material
- Lowest bacterial growth
- Safe for potable water systems
- Outstanding fire safety profile, does not support fire
- Insulated properties resulting in high energy saving
- Strong quality control hence no batch variation
- No corrosion thus uncompromised water quality

## Collaboration with Lubrizol

In line with its culture of providing quality Made in India products for the Indian markets, FIL joined hands with Lubrizol Corporation, the inventors and the largest manufacturers of CPVC compound worldwide, to manufacture and market CPVC pipes and fittings in India.

In March 2017, FIL launched the first range of Finolex FlowGuard Plus pipes and fittings which has been highly appreciated among the various end-user segments and has brought in renewed interest among the dealers (both existing and new ones).

## Products offered

### Finolex FlowGuard Plus CPVC pipes and fittings

- Finolex FlowGuard Plus CPVC pipes
- Various types of Finolex FlowGuard fittings

### Plumbing pipes and fittings

- Heavy Pressure Plumbing Pipes
- ASTM PVC-U Pipes
- Various types of fittings

### Sewerage pipes (Underground Drainage Pipes)

- Selfit sewerage pipes
- Ringfit sewerage pipes

### Solvent cement

- Medium duty PVC-U Solvent cement for plumbing applications
- Heavy duty PVC-U Solvent cement for plumbing applications
- PVC-U Solvent cement for SWR applications
- CPVC solvent cement for hot and cold water plumbing applications
- Rubber Lubricant
- Primer

### SWR pipes and fittings

- SWR Selfit pipes
- SWR pipes with integrated rings
- SWR Selfit moulded fittings and SWR fittings with integrated rings

## Non-agriculture opportunities

**1** Cr

Houses proposed to be constructed by 2019

**5** lakh

Ponds to be constructed for drought proofing

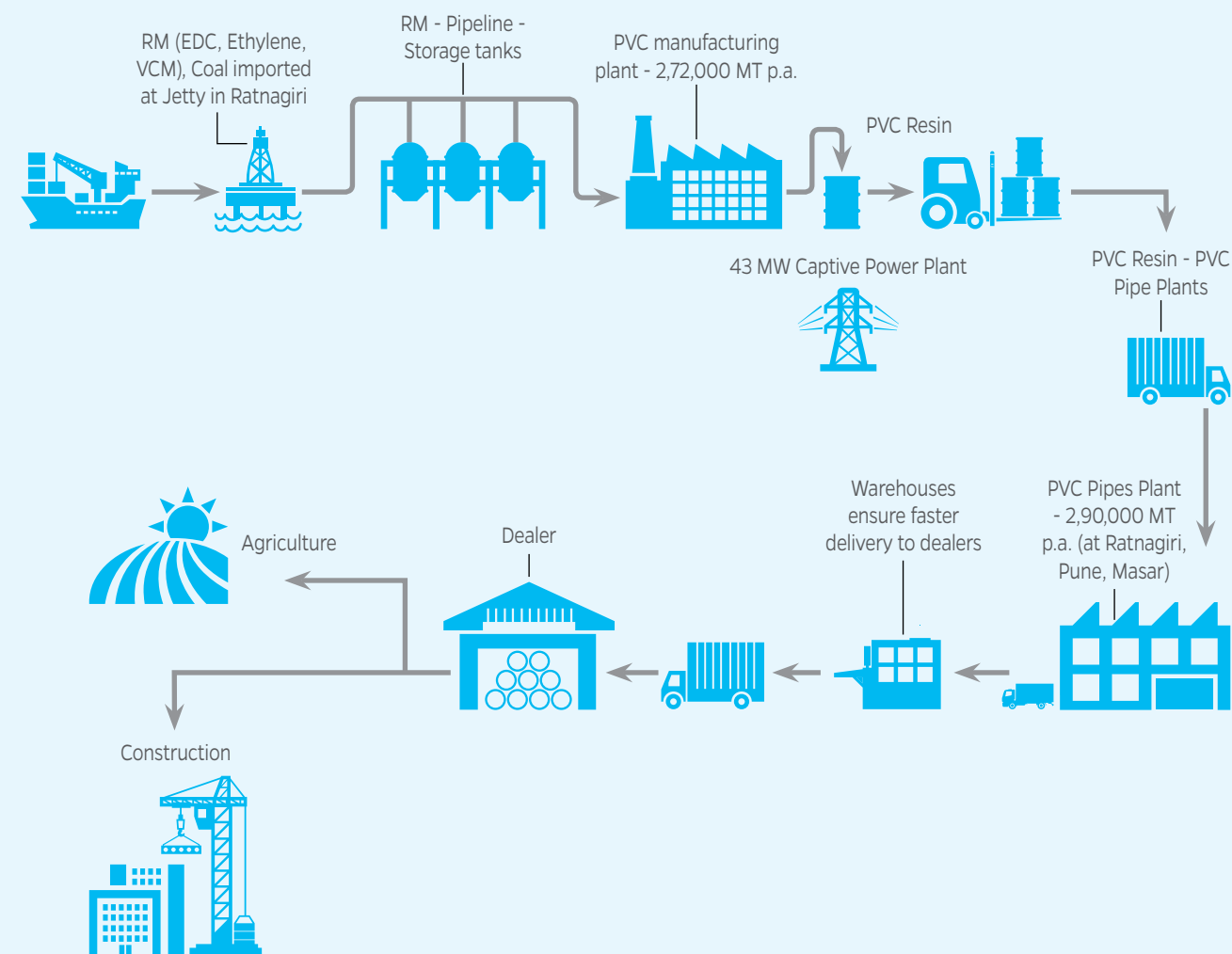
**60**%

Targeted coverage of sanitation in rural areas, up from 42% in October 2014



# Strong Value Chain

We have integrated production plants that enable us to ensure a steady supply of raw material to control the quality of our pipes and fittings. The process starts with importing the raw material Ethylene dichloride (EDC), Ethylene, Vinyl Chloride Monomer (VCM) and coal from international markets. They are stored in bulk at our plant in Ratnagiri, and used for manufacturing PVC resin. The advantage of a captive power plant is that it ensures a steady power supply and reduces the manufacturing costs. The majority of the PVC resin manufactured is transported to our PVC pipes and fittings manufacturing plants. The rest is sold in the open market. At the PVC pipes and fittings plants, numerous products are manufactured which are transported to our dealers and various warehouses around the country.



# People Make It Happen

In a business which involves manufacturing and customer interface for brand promotion and sales, it is critical to employ the right people who have the ability to leverage market opportunities.

## Fostering human capital

We focus on continuously upgrading and building the skills of our employees through various programmes which include orientation, internal and external skill training, managerial and leadership training. In addition, we have initiated digital training programmes to empower our employees to leverage digital technology. Competency mapping forms the basis of our training programmes, whereby the competency gaps of employees are identified and the necessary training is provided.

## Safe and conducive work environment

We have undertaken initiatives towards ensuring a healthy and safe work environment for the physical and psychological well-being of our employees. At our manufacturing plants, we have regular safety-related training and drills conducted for our employees. We have incorporated relevant techniques and methods to prevent any kind of work-related hazard. We have also developed a standard work procedure for operations, maintenance and emergency response and control.

At FIL, we understand the critical role that intellectual capital plays in maximising gains from the massive Indian opportunity. As a result, we are constantly investing in developing our peoples' capabilities through constant skill enhancement training and the adoption of a learning-based culture.



FIL team, Chinchwad, Pune