

# 30th Annual Report | 2010-11

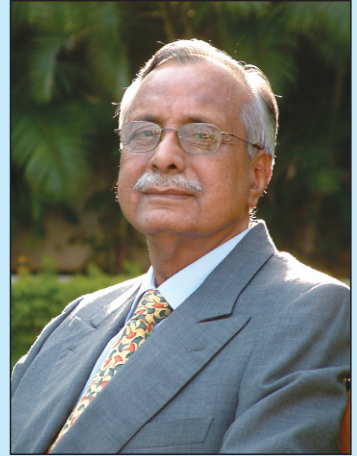


**Finolex**  
Industries Limited

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## Chairman's Message



*Dear Stakeholders,*

*The year gone by has been one of stable growth and consolidation.*

*India is emerging as one of the fastest growing economies of the world, besides China, with all time high GDP growth rate close to 9%. Your Company has registered significant growth on all fronts of its products in terms in volume and value during the year. However, the profit margin of the Company has been under pressure due to increase in raw material prices.*

*The Company's Power Plant has been able to achieve full capacity and is expected to maintain the same going forward.*

*The Government of India's commitment to rural development, additional investments in agriculture to increase the supply side to bring down inflation augers well for your Company. The Company's products are largely sold in the rural markets. The initiatives taken by the Government are expected to keep the demand buoyant.*

*I am confident that with your support the 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. S. N. Inamdar**

Independent Director

**Dr. Vijay P. Bhatkar**

Independent Director

**Dr. Sunil U. Pathak**

Independent Director

**Mr. P. D. Karandikar**

Independent Director

**Mr. K. Cherian Varghese**

Additional Director

(Resigned effective 23rd October, 2010)

**Mr. K. P. Chhabria**

Executive Vice Chairman

**Mr. Prakash P. Chhabria**

Managing Director

**Mr. S. S. Dhanorkar**

Asst.Managing Director &  
Chief Operating Officer

**Mr. P. Subramaniam**

Asst.Managing Director &  
Chief Financial Officer

**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

The Royal Bank of Scotland N.V.

**Auditors**

B.K.Khare & Co.,

Chartered Accountants

**Solicitors & Advocates**

Crawford Bayley & Co., Mumbai

**Investor Relations Centre**

P-14, Rajiv Gandhi Infotech Park,

MIDC, Phase-1, Hinjewadi,

Pune 411 057,

Maharashtra, India.

Tel.No.020-27408200

Fax No. : 020 - 22932939

E-mail : investors@finolexind.com

**Registered Office**

Gat No.399, Urse, Taluka Maval,

District Pune 410 506,

Maharashtra, India.

Tel No. : 02114-237251

Fax No. : 02114-237252

E-mail : investors@finolexind.com

## Management Discussion and Analysis

### Introduction

The year under review has been one of consolidation and productivity improvement for your Company.

### Financial Review

The Company's two divisions viz. PVC Resin and PVC Pipes & Fittings have shown improved production and sales growth in volume and in terms of value during the year under review. The profit margins have been under pressure as compared to the previous year due to increase in raw material prices.

### Global Economy and its Effect on the Company

Just when the global economy was showing signs of consolidation, the political crisis in the Middle East has once again led to uncertainty. The crude oil prices have moved up from US\$ 80 to US\$ 120 per barrel in a short span of 4 months. The commodity prices are once again volatile due to uncertain global developments though the demand supply scenario has shown improvement during the year as compared to past year. Uncertain times still continue with some more economies in Europe showing financial crisis which requires to be resolved.

A very high inflation rate, supply constraints, and governance issues have significantly affected the Indian economic situation during the year under review. However, the economy has shown resilience in spite of all these impediments, by showing good GDP growth of over 8.5%. The rural economy is also growing at a good pace which has given an impetus to Pipes demand of your Company.

### Industry Outlook

#### PVC Resin Business

The domestic demand for PVC Resin grew by 7% during the year under review. The demand-supply gap is being filled in by imports. The total imports were around 700,000 MT during the year under review. It is expected that this trend will continue over the years to come.

The raw material prices have increased significantly during the year which were not commensurate with the increase in finished goods prices thereby affecting the profit margins of the Company.

#### PVC Pipes Business

The demand for PVC Pipes continued to show strong growth for the third year in succession. The growth in demand during the year under review for your Company's products was over 20%. The bulk of the PVC Pipes demand comes from rural areas for Agriculture and Irrigation sectors. Due to the large network of dealers spread across pan India, your Company has been able to reach even the remotest villages where the demand for PVC Pipes exists. Due to the improvement in the real estate sector during the year, your Company was able to post growth in the sale of Plumbing and sanitation Pipes which was entirely due to the highest quality of the product and the strong brand equity of your Company.

It is expected that the Government will continue its thrust on agriculture and rural sectors which will enhance further demand for Pipes. Your Company has initiated steps to augment its production capacity at the existing locations by debottlenecking to the extent of additional 20,000 MTs and also by putting up a new Pipes Plant in the state of Gujarat of 50,000 MTs capacity. With this increased capacity your Company will cross the major milestone of 2,00,000 MT capacity per annum.

### 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. With increasing globalisation the companies in India have to deal with developments taking place around the globe. The volatile movements in exchange rates are caused by major geo-political developments besides mere economic and financial issues. There is

also, of late, an increasing protectionism trends by developed economies through exchange rates management. These factors are beyond the control of your Company. The recent Middle East crisis has resulted in hardening of crude oil prices and its derivatives. Your Company continues to import its main raw materials, viz., EDC, Ethylene, VCM and Coal. Based on the operations of the Company new risks, if any, are identified and appropriate steps are taken to mitigate them. The Company is also exposed to foreign exchange risks and interest rate risks, the same are managed and mitigated by your Company by using hedging products..

The surplus cash generated during the course of business is invested with banks / mutual funds 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 of its operations. All the manufacturing facilities and processes are subject to regular inspections. A Safety Audit is carried out regularly at the PVC resin plant at Ratnagiri and preventive measures are taken to ensure high standards of safety. Your Company has completed 16.28 million man-hours without any reportable accident at its PVC resin plant at Ratnagiri.

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 and also through other means to keep the stakeholders informed about the business performance.

### 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, inter alia, monitors performance of Internal Audit on a periodical basis through review of the audit plans, audit findings and 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 1045.

### Cautionary statement

Estimates and expectations stated in this Management Discussion and Analysis may be a "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, 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 thirtieth annual report and audited accounts for the year ended 31st March, 2011.

### Financial Results

	2010-2011	(Rs. in lakhs) 2009-2010
Profit before depreciation & finance charges	24904.45	28224.73
Less :		
Finance charges	5966.28	4660.66
Profit before depreciation and taxation	18938.17	23564.07
Deductions for:		
i) Depreciation	7442.91	6167.41
ii) Provision for taxation	3878.16	4164.28
Profit after depreciation and taxation	7617.10	13232.38
Add :		
Surplus of profit and loss account of earlier year	8429.44	3551.06
Appropriations:		
(i) General reserve	2000.00	2000.00
(ii) Debenture redemption reserve	1500.00	2000.00
(iii) Proposed dividend	3721.00	3721.00
(iv) Tax on dividend	633.00	633.00
Balance carried over to the balance sheet	8192.54	8429.44

### Operations

The operational performance is summarised below:

	2010-2011	2009-2010
Income	222101.07	161194.15
Profit before tax	11495.26	17396.66
Profit after tax	7617.10	13232.38

### PVC Resin

Production	- in (MTs)	270124	249867
Sale			
(excluding interdivisional) :	- in (MTs)	171460	138819
	- in Rs. lakhs	89074.07	64547.06

### PVC Pipes and Fittings

Production	- in (MTs)	140056	114520
Sale	- in (MTs)	138322	112789
	- in Rs. lakhs	90563.83	72004.20

### Power

Production	- in (MW)	258182	Nil
Sale (including interdivisional)	- in (MW)	244614	Nil
	- in Rs. lakhs	11475.64	Nil

### **Dividend**

Your directors have recommended dividend on equity shares @ 30% (Rupees 3.00 per equity share) for the financial year ended 31st March, 2011. The proposed dividend (including corporate dividend tax) will absorb Rs.4354 lakhs.

### **Finance**

The interest and finance charges for the year were Rs. 5966.28 lakhs as against Rs. 4660.66 lakhs for the previous year.

### **Corporate Governance**

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

### **Employee Stock Option Scheme**

During the year, the Company has not issued any stock options.

### **Establishment of PVC pipes & fittings manufacturing plant in the State of Gujarat**

At the Vibrant Gujarat Summit, 2011 held in Ahmedabad on 13th January, 2011, your Company has entered into a Memorandum Of Understanding with the Government of Gujarat for establishing a Rigid PVC Pipes & fittings manufacturing plant at Village Masar, District Vadodara, State of Gujarat with 50000 M.T. capacity per annum. The projected capital outlay for the same is Rs.100 crore. Your Company expects to commence commercial production before end of financial year 2011-12. After commissioning of the project, considering ever increasing demand for PVC pipes, your Company would explore the possibility of capacity expansion of the Masar plant in future.

### **PVC Pipes & Fittings**

During the year, your Company has sold 138322 Metric Tons of PVC Pipes and Fittings.

### **Management Discussion and Analysis**

Management Discussion and Analysis of financial condition of the Company and results of operations have been reviewed by the Audit Committee and the same is forming a part of this Annual Report.



### **Lifetime achievement Awards to Shri. P. P. Chhabria, Chairman and Shri. K. P. Chhabria, Executive Vice Chairman**

The Chemicals and Petrochemicals Manufacturers' Association (CPMA) an apex Forum of Producers representing Chemical and Petrochemicals Industry in India has conferred Lifetime Achievement Awards on Shri. P. P. Chhabria, Chairman and Shri. K. P. Chhabria, Executive Vice Chairman for their yeoman service spanning over several decades towards growth of the Vinyl Industry.

### **Risk Management Framework Review**

Your Company has put in place a well designed Risk Management Policy. To further strengthen the same a professional firm was appointed by the Company to evaluate the current risk management practices of the Company. The firm has identified areas of concern and risks. Your Company will work on improvement areas for mitigation of risks to achieve improved monitoring and governance.

### **Fixed Deposits**

Your Company has not accepted any fixed deposits during the year.

### **Directors' Responsibility Statement**

Pursuant to section 217(2AA) of the Companies Act, 1956, the directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the profit of the Company for the year ended on that date;
- (iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the directors have prepared the annual accounts on a going concern basis.

### **Energy Conservation, Technology Absorption and Foreign Exchange earnings and outgo**

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo required to be given pursuant to section 217(1)(e) of the Companies

Act, 1956 read together with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

## Directors

### i. Reappointment of Mr. P. Subramaniam

The Board of Directors has reappointed Mr. P. Subramaniam as wholetime director designated as Asst. Managing Director and CFO for a period of two years effective 5th June, 2011, subject to approval of the members of the Company. The Directors recommend his reappointment.

### ii. Resignation of Mr. M. G. Bhide

Mr. M. G. Bhide, an independent non-executive director has resigned as a director of the Company effective 15th June, 2010. The Directors place on record their sincere appreciation of the services rendered by Mr. M. G. Bhide during his tenure as a director of the Company.

### iii. Resignation of Mr. K. Cherian Varghese

Mr. K. Cherian Varghese, was co-opted as additional director on 18th August, 2010 by the Board. He has resigned as a director of the Company effective 23rd October, 2010. The Directors place on record their sincere appreciation of the services rendered by Mr. K. Cherian Varghese during his tenure as a director of the Company.

### iv. Retirement of directors

Mr. S. S. Dhanorkar, Mr. P. Subramaniam and Dr. Vijay P. Bhatkar retire by rotation at the thirtieth annual general meeting of the Company and being eligible, offer themselves for reappointment.

## Auditors

M/s. B. K. Khare & Company, Chartered Accountants, retire as auditors of your Company at the conclusion of the thirtieth annual general meeting and are eligible for reappointment.

## Appointment of Cost Auditors

The Government of India, Ministry of Corporate Affairs, Cost Audit Branch vide its order No.52/112/CAB-2010 dated 16th December, 2010 had directed your Company to appoint Cost Auditor for Chemicals for the financial year 2010-2011 and for every financial year thereafter continuously.

Accordingly, the Board had appointed M/s.S.R.Bhargave & Co. as Cost Auditors for the financial year 2010-2011.

The Board of Directors in its meeting held on 30th April, 2011 has reappointed them as Cost Auditors for the financial year 2011-2012.

### **Issue and allotment of equity shares to the legal heirs of the erstwhile shareholder of the Company**

The matter of allotment of 33768 Bonus Shares on 8550 rights shares (kept in abeyance earlier) and issue and allotment of 35146 equity shares in respect of (1992) rights shares to the legal heirs of erstwhile shareholder Late Mr.R.P.Chhabria was under dispute. During the year, in terms of orders of the Company Law Board dated 14th September, 1999 and High Court of Judicature at Bombay dated 10th July, 2007 and legal opinion obtained by the Company in this regard, the Company has allotted 33768 equity shares as Bonus Shares on 8550 Rights Shares to the legal heirs of Late Mr.R.P.Chhabria. In terms of the provisions of Section 81(1)(A) of the Companies Act, 1956, to enable your Company to offer 35146 equity shares to the legal heirs of the erstwhile shareholder of the Company Late Mr. R. P. Chhabria, a special resolution for approval of the members is forming part of the notice of annual general meeting. Directors recommend members' approval for the same.

### **Particulars of Employees**

Information as per section 217 (2A) of the Companies Act, 1956 (the "Act") read with the rules framed thereunder forms a part of this report. However, as per the advice received by the Company, pursuant to the provisions of section 219(1)(b)(iv) of the Act, the report and accounts are being sent to the shareholders of the Company excluding the statement of particulars of employees under section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the registered office of the Company.

### **Corporate social responsibility**

During the year, your Company continued its endeavour in extending its support to the society in the areas of health, education, environment, sports and cultural activities, inter alia, with the help of a renowned charitable trust from Pune viz. Mukul Madhav Foundation and other Non-Governmental Organizations (NGOs) from Ratnagiri. Your Company concentrates on the above referred activities mainly in the Ranpar-Golap area in the District of Ratnagiri where Company's PVC resin, PVC pipes and power plants are located.

### 1. Social welfare

Your Company has successfully completed drinking water supply schemes for three villages namely Palkarwadi, Waingani and Kolambe. Your Company is in the process of introducing new water supply schemes for other selected remotely located villages in the Ratnagiri Taluka.

Your Company's Stitching Training Centre is well established. More and more ladies from adjoining villages have, after successful training, started earning through their tailoring activities, albeit, on a small scale. Your Company believes in the principle of training people for taking a step forward in becoming self-employed rather than rendering them one time help. Based on the above principle, your Company held training classes, workshops for ladies from adjoining villages for making candles, soaps, chalk sticks, incense sticks, fish pickles & chutneys etc. with the assistance of NGOs.

Your Company takes pride in assisting the Ratnagirians in their cultural, religious, social and spiritual pursuits by rendering necessary help in monetary and other terms irrespective of caste, creed, religion for celebrating felicitations and festivals, holding exhibitions, seminars, musical concerts etc.

In addition to the usual arrangement for lectures on health, hygiene, nutrition, etc. by Company's Medical Officer, the distribution of foot-wear to the needy students was arranged by the Company through Mukul Madhav Foundation.

### 2. Education

Your Company continued its endeavour in helping and assisting to improve and augment infrastructural and other facilities in the schools located in the remote areas of Ratnagiri Taluka. Your Company gave a handsome donation to a School at Pawas, Dist. Ratnagiri for extension of school building. Your Company also assisted schools for installing drinking water schemes, carrying out repair to school buildings etc.

Your Company sponsored various seminars, workshops and training programmes arranged by different schools in the Ratnagiri District to increase awareness, knowledge, competitiveness, self-health and inculcating hygiene.

### 3. Health care

Your Company and Mukul Madhav Foundation conduct health check-up camps twice a year in the schools located at Fansop, Pawas, Maingadewadi, Boke and Golap. This year more than 4000 students underwent health checkup during the camps. As a follow-up activity, Mukul Madhav Foundation arranges for free of cost

treatment including eye/ear operations wherever required with all expenses paid by the Foundation. Distribution of spectacles, hearing aids, etc. is also done free of cost to the students.

In addition to school-children, this year, health check-up camps were arranged for residents of remotely located villages from Ratnagiri Taluka. Your Company renders monetary help to needy and deserving individuals from the society for availing medical treatments including surgery, hospitalization etc.

### **Acknowledgements**

Your directors take this opportunity to place on record their deep sense of gratitude to the banks, financial institutions, Central and State Government departments, their local authorities especially at Ratnagiri for their guidance and support. Your directors are also grateful to the customers, suppliers and business associates of the Company for their continued co-operation and support. Your directors express their deep sense of appreciation for the total commitment, dedication and hard work put in by all employees at all levels of the Company. Lastly, your directors are deeply grateful for the confidence and faith shown in them by the members of the Company.

Place : Pune  
Dated : 30th April, 2011

For and on behalf of the Board of Directors  
**P.P. Chhabria**  
Chairman

## ANNEXURE TO DIRECTORS' REPORT 2010 2011

Particulars required under the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988

### A CONSERVATION OF ENERGY

#### a) Energy Conservation measures taken :

- Energy recovery steam turbine across steam pressure reducing station is upgraded to reduce down-time and repairs and to give consistently 300 kW /Hour power generation.
- LPG consumption for pilot flame in flare was optimized thereby bringing down LPG consumption considerably.
- In effluent treatment plant extended aeration process, operation of both the surface aerators was staggered by one hour using a timer thereby saving in energy.
- Coke generated in process is being disposed of in a common waste incinerator approved by pollution control board there by saving fuel and power.
- Modification of HCL column refrigeration system resulted in elimination of one of the two oil pumps in compressor units and has resulted in saving in energy.

#### b) Additional investments and proposals, if any, being implemented for reduction in consumption of energy :

- Installation of vapor absorption refrigeration system using low-pressure steam is expected to stop a refrigeration compressor in chilled brine system. Feasibility study of the proposal is under progress.
- Installation regenerative turbine pump in VCM plant with high head low discharge application of pumping EDC, VCM, HCL mixture is expected to give appreciable saving in energy.
- New lighting distribution transformers will be installed to reduce power consumption.

#### c) Impact of the measures at a) and b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

- Resulted in reduction in consumption of energy and subsequently reduction in variable cost of the product is achieved.

#### d) Total energy consumption and energy consumption per unit of Production as per form A

Form A :  
(PVC Plant)

#### A) Power and fuel consumption :

Sr. No	Description	Units	2010-2011	2009-2010
1)	<b>Electricity</b>			
	Purchased units for :			
	PVC resin Plant	Lakhs kWh	1517.53	1496.68
	Total amount	In Rs. lakhs	8829.16	7571.89
	Average rate/unit	Rs./kWh	5.81	5.06

Sr. No	Description	Unit	2010-2011	2009-2010
2)	<b>Furnace oil (LSHS) :</b>			
	Quantity	Metric Tons	<b>5194.383</b>	13885.278
	Total price	In Rs. lakhs	<b>1354.36</b>	3161.48
	Average rate/unit	In Rs. / M.T.	<b>26073.61</b>	22768.58
3)	<b>HSD/SKO/Naphtha :</b>			
	Quantity	Metric Tons	<b>10217.619</b>	9069.189
	Total price	In Rs. lakhs	<b>3900.13</b>	3038.19
	Average rate/unit	In Rs./ MT	<b>38170.64</b>	33500.13
4)	<b>LPG :</b>			
	Quantity	Metric Tons	<b>411.679</b>	558.087
	Total price	In Rs. lakhs	<b>150.29</b>	215.01
	Average rate/unit	In Rs. / M.T.	<b>36506.84</b>	38526.25

#### B) Consumption per metric ton production of PVC Resin :

Sr. No	Description	Unit	2010-2011	2009-2010
1	Electricity	KWh	<b>496</b>	500
2	a) Furnace oil (LSHS)	M.T.	<b>0.0192</b>	0.0556
	b) HSD/SKO/Naphtha	M.T.	<b>0.037</b>	0.0688
	c) LPG	M.T.	<b>0.00152</b>	0.0043

#### B. TECHNOLOGY ABSORPTION :

##### (e) Efforts made in technology absorption as per Form B.

#### FORM- B

Form for disclosure of particulars with respect to absorption.

#### Research and Development (R&D) :

- Specific areas in which R&D efforts have been put in by the Company are:
  - EPVC plant de-bottlenecking done to increase output by 40 %. This is achieved by using chilled water for heat removal.
  - Process of continuous purging of recycled EDC has got stabilized during the year to control impurity level in furnace feed.
  - Reduction in venting of off gases in PVC plant by 50% has resulted in substantial recovery of VCM.
  - Heat insulating paint applied on EDC storage tank has resulted in reducing vaporization losses.
  - Three numbers of imported continuous ambient air monitoring stations are installed in the plant to monitor ambient air.
- Benefits derived as a result of the above R&D:

- Improvement in reaction efficiencies.
  - Improvement in on stream time.
  - Conservation of base material
  - Environmental protection and effluent quality improvement.
3. Future plans of action:
- Nash liquid ring compressor MOC is being upgraded to improve VCM recovery and improve on steam factor.
  - Propose to apply heat insulation paint to other EDC tanks to reduce material vaporization loss.
4. Expenditure on R & D:
- a) Capital
  - b) Recurring
  - c) Total
  - d) Total R & D expenditure as a percentage of total turnover
- } The development work is carried out by the concerned departments on an ongoing basis. The expenses and the cost of assets are grouped under the respective heads.

### Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation :
- Continuous efforts are made with an objective to achieve productivity, reduction in raw material, power and steam consumptions, reduction in product wastage and downtime for maintenance and curtailment of maintenance cost.
2. Benefit derived as a result of the above efforts :
- Conservation of base material
  - Environmental protection and effluent quality improvement
3. Imported Technology :
- a) Technology imported:VCM & PVC technologies from : Uhde GmbH, Germany.
  - b) Has technology been fully absorbed. : Yes

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- (f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans :
- Due to better realisation in the domestic market and in order to meet the domestic demand, the Company did not pursue exports during the year under review.
- (g) (a) Total foreign exchange used : Rs. 126480.97 Lakhs  
(b) Total foreign exchange earned : Rs. Nil



## **Auditors' Certificate on Corporate Governance**

To

The Members of Finolex Industries Limited,

We have examined the compliance of conditions of corporate governance by Finolex Industries Limited for the year ended 31st March, 2011 as stipulated in Clause 49 of the Listing Agreements of the Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us:

We certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreements.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For B. K. Khare & Co.**  
Chartered Accountants

**U. B. Joshi**  
Partner

Place : Pune  
Dated : 30th April, 2011

Membership No. : 044097  
Firm Reg. No. : 105102W

## Corporate Governance

### Compliance Report for the year 2010-2011

#### 1. A brief statement on Company's philosophy on code of governance :

The Company always strives to achieve optimum performance at all levels by adhering to corporate governance practices, such as:

- Fair and transparent business practices.
- Effective management control by Board.
- Adequate representation of promoter, executive and independent directors on the Board.
- Accountability for performance.
- Monitoring of executive performance by the Board.
- Compliance of laws.
- Transparent and timely disclosure of financial management information.

#### 2. Board of Directors and Board procedure:

- i The Board comprises of six non-executive directors and four executive directors. Out of six non-executive directors, five are independent.
- ii During 2010-2011, the Board of Directors met 4 (four) times, viz. on 24th April, 2010, 13th August, 2010, 22nd October, 2010 and 4th February, 2011. The time-gap between two meetings was less than four months.
- iii. The information as required under Annexure IA to clause 49 was made available to the Board in all its meetings.
- iv. None of the directors on the Board was a member of more than 10 committees or chairman of more than 5 committees across all the companies in which he is a director. The necessary disclosures regarding committee positions have been made by the directors.
- v. The details of attendance of each of the directors at the Board (BM), Audit Committee (ACM), Investors Grievance Committee (IGCM) meetings and last Annual General Meeting (AGM) held during the financial year 2010-2011, and details of number of outside directorships and committee positions held by each of the directors are given in Table 1 below :

**Table 1**

Sr. No.	Name of Director	Attendance at Board, Committee Meetings & AGM (during 2010-2011)				Outside Directorships*		Committee Positions**	
		No. of BMs	No. of ACMs	No. of IGCs	AGM	Member	Chairman	Member	Chairman
1	Mr. P. P. Chhabria	4	NA	4	Yes	14	9	3	1
2	Mr. K. N. Atmaramani	4	4	4	Yes	1	Nil	3	Nil
3	Mr. Proshanto Banerjee #	1	1	1	NA	NA	NA	NA	NA
4	Mr. M. G. Bhide ##	1	1	1	NA	NA	NA	NA	NA
5	Mr. S. N. Inamdar	4	4	4	Yes	10	1	8	2
6	Dr. Vijay P. Bhatkar	3	NA	NA	No	3	Nil	Nil	Nil
7	Dr. Sunil U. Pathak	3	4	3	Yes	8	Nil	2	Nil
8	Mr.P.D.Karandikar	4	2	2	Yes	6	Nil	4	Nil
9.	Mr.K.Cherian Varghese ###	1	NA	NA	NA	NA	NA	NA	NA
10	Mr. K. P. Chhabria	4	NA	4	Yes	8	1	1	1
11	Mr. Prakash P. Chhabria	4	NA	NA	Yes	26	4	Nil	Nil
12	Mr. S. S. Dhanorkar	4	NA	NA	Yes	2	Nil	Nil	Nil
13	Mr. P. Subramaniam	4	NA	NA	Yes	1	Nil	Nil	Nil

\* Outside directorships include directorships in Private Limited Companies also.

\*\* Chairmanship/membership held on Audit Committee and Investor Grievance Committee in public limited companies.

# Mr.Proshanto Banerjee ceased to be a director of the Company effective 25th April, 2010 since resigned as director.

## Mr.M.G.Bhide ceased to be a director of the Company effective 15th June, 2010 since resigned as director.

### Mr.K.Cheirian Varghese was co-opted as additional director on 13th August, 2010 and ceased to be the director of the Company effective 23rd October, 2010.

- vi. Two wholetime directors namely Mr.S.S.Dhanorkar and Mr.P.Subramaniam and one independent director Dr.Vijay P. Bhatkar retire by rotation at the thirtieth annual general meeting of the Company and being eligible, offer themselves for reappointment.
- vii. **Brief resume of the directors being reappointed, nature of their expertise in specific functional areas and names of companies in which they hold directorships, memberships of the committees of the Board and the details of shares held in the Company are furnished hereunder:**

Mr. S. S. Dhanorkar, FCA, age 55 years, having 32 years of experience is in the employment of the Company since 1983. He is responsible for overall commercial activities including PVC marketing and imports. He is also Director of Rajasthan Olive Cultivation Limited and Pawas Port Limited

Shares held: 7381.

Mr. P. Subramaniam, M.Com., MBA (Finance) from University of Michigan, U.S.A., age 63 years, has total experience of about 40 years in the fields of corporate finance, treasury, taxation etc. and is in the employment of the Company since 1994. He is responsible for over all financial activities of the Company. He is also director of Pawas Port Limited.

Shares held: 5300.

Dr. Vijay P. Bhatkar, M. E. Ph. D., age 64 years, is one of the most distinguished scientists and IT leaders of India today. He is credited with the creation of several national institutions viz. C-DAC, ER&DC, ETH and so on. Dr. Bhatkar held high ranking positions in Government of India. For his contributions to IT in India, he was conferred Padmashree award in the year 2000. Dr.Bhatkar is presently leading the mission of Education to Home (ETH) of bringing the benefits of ICT to the masses, particularly in the literacy, school and university education. Dr.Vijay P. Bhatkar is also a director of Sterling Infotech Limited, ETH Limited and Siva Investments & Holdings Pvt. Limited. He is not a member of any committee of the Board. He is not holding any shares in the Company

### 3. Code of conduct :

The Board had laid down the code of conduct for the Board and Senior Management Team. The code is posted on [www.finolex.com](http://www.finolex.com)

The Board members and Senior Management team personnel have affirmed compliance with the code. The declaration dated 30th April, 2011 received from Mr.

Prakash P. Chhabria, Managing Director in this regard is given below:

**“I hereby declare that all Board members of the Company and Senior Management personnel have affirmed compliance with the Code of Conduct for applicable period of the financial year 2010-2011.”**

#### **4. Audit Committee:**

Brief description of terms of reference:

- 1) Oversight of Company's financial reporting process and the disclosure of its financial information.
  - 2) Recommending the appointment/removal of external auditors and their remuneration and remuneration of wholetime directors.
  - 3) Reviewing financial statements, adequacy of internal control systems and internal audit function, financial and risk management policies.
  - 4) Pre-audit and post audit discussions with external auditors on nature and scope of audit and areas of concern, if any, respectively.
- Composition, members' names and chairperson:
  - As on 31st March, 2011, Audit committee was consisting of 4 independent directors viz. Mr. S. N. Inamdar (Chairman), Mr. K. N. Atmaramani, Dr. Sunil Pathak and Mr. P. D. Karandikar.
  - All members of the Audit Committee are financially literate and have accounting or related financial management expertise.
  - Required information for review was placed before the Audit Committee meetings held during the year.
  - Meetings and attendance during the year; Details given in Table 1.
  - Mr. Anil B. Atre, AVP (Legal & Admin.) & Company Secretary of the Company acts as Secretary to the Committee.

#### **5. Remuneration Committee (non-mandatory) :**

The Company has not constituted the remuneration committee. But the Audit Committee is entrusted with the responsibility of finalizing the remuneration of executive directors. Audit Committee considers and finalises the remuneration after taking into consideration, inter alia, various factors such as qualification, experience, expertise of the director, prevailing remuneration in the corporate world, financial position of the Company, etc.

Details of remuneration paid to the executive directors for the financial year 2010-2011 are given below:

Table 2

Particulars	Mr. K. P. Chhabria, Executive Vice Chairman	Mr. Prakash P. Chhabria, Managing Director	Mr. S. S. Dhanorkar, Asst. Managing Director & COO	Mr. P. Subramaniam, Asst. Managing Director & CFO
Salary and Allowances (Rs.)	7526122	8556000	4390739	3264248
Contribution to PF, Superannuation and Gratuity Funds (Rs.)	1674000	1488000	755532	617148
Bonus (Rs.)	1080000	960000	487440	398160
Commission payable (Rs.)	8000000	7100000	NA	NA
Notice Period	6 months	6 months	3 months	3 months
Service contract	Five Years	Five years	Five years	Four years

The details of remuneration paid to the non-executive directors and number of shares held by them are given below :

Table 3

Sr. No.	Name	Remuneration (Rs.)		Shares held
		Commission	Sitting fees	
1	Mr. P. P. Chhabria	100000	240000	172863
2	Mr. K. N. Atmaramani	100000	140000	Nil
3	Mr. Proshanto Banerjee (Resigned effective 25/04/2010)	Nil	30000	Nil
4	Mr. M. G. Bhide (Resigned effective 16/06/2010)	Nil	30000	Nil
5	Mr. S. N. Inamdar	200000	140000	2000
6	Dr. Vijay P. Bhatkar	100000	120000	Nil
7	Dr. Sunil U. Pathak	100000	200000	Nil
8	Mr.P.D.Karandikar	100000	100000	Nil
9	Mr.K.Chेरian Varghese (Resigned effective 23/10/2010)	Nil	10000	Nil

Note : None of the non-executive directors has any pecuniary relationship or transaction vis-à-vis the Company.

## 6. Investors' Grievance Committee :

As on 31st March, 2011, the Investors' Grievance Committee was comprising of six directors viz. Mr. P. P. Chhabria (non-executive director) the chairman of the committee, Mr. K. N. Atmaramani, Mr. S. N. Inamdar, Dr. Sunil Pathak, Mr. P. D. Karandikar and Mr. K. P. Chhabria.

Mr. Anil B. Atre, AVP (Legal & Admn.) & Company Secretary is the Compliance Officer of the Company.

During the year, Company received 11 shareholders' complaints and 10 of them were resolved. One complaint was pending as on 31st March, 2011.

## 7. General Body Meetings :

i. The location and time where last three AGMs were held.

Year	2007-2008	2008-2009	2009-2010
Date of AGM	18/08/2008	28/8/2009	13/8/2010
Time	at 11.30 a.m.	at 11.30 a.m.	at 10.30 a.m.
Place of AGM	Disha Hall, Parandwadi, Taluka Maval, District Pune 410 506	Training Centre of Finolex Cables Limited Urse, Taluka Maval, Dist. Pune 410 506	Training Centre of Finolex Cables Limited Urse, Taluka Maval, Dist.Pune 410 506

ii. The details of special resolutions passed in the previous 3 AGMs.

No.	Date of AGM	Item of special resolution
1	18.08.2008	1 To obtain consent for amendment of existing Article 114 of the Articles of Association of the Company.
		2 To obtain consent for increasing the number of directors from twelve to fifteen.
		3 To obtain consent for re-designation of Mr. K. P. Chhabria as Executive Vice Chairman with revised remuneration.
		4 To obtain consent for reappointment of Mr. K. P. Chhabria as Executive Vice Chairman of the company for a further period of five years.
2	28.8.2009	1 To obtain consent for alteration of the Clause III (C)(57) of the Objects Clause of the Memorandum of Association of the Company.
		2 To obtain consent for commencing and carrying of the business and activity as mentioned in the amended Clause III (C) (57) of the Objects Clause of the Memorandum of Association of the Company.
3	13.8.2010	1 To obtain consent for amendments of Article Nos.121,131,141,142, 143, 148 and 159 of the Articles of Association of the Company.

- iii Any special resolution passed last year through postal ballot.  
No special resolution was passed last year through postal ballot.
- iv Whether any special resolution is proposed to be conducted through postal ballot:  
No special resolution is proposed through postal ballot.

#### **8. Disclosures :**

- i. No transaction of material nature has been entered into by the Company with its promoters, directors or management or relatives, etc. that may have potential conflict with the interest of the Company.
- ii. There were no instances of non-compliance or penalty, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets, during last three years.
- iii. The Company has complied with all the mandatory requirements of clause 49 of the listing agreements.

Regarding non-mandatory requirements:

- The non-executive chairman is not claiming reimbursement of any expenses for maintaining his office.
- The powers of the remuneration committee are given to the audit committee.
- The Company is publishing unqualified financial statements.
- The Board members are having adequate experience and expertise to deal with the business matters.
- The Company has not established whistle blower policy.

#### **9. Means of Communication :**

- The quarterly results were published during the year under review in leading national and regional newspapers such as Financial Express, Loksatta, Hindu Business Line and Sakal.
- The quarterly results are displayed on [www.finolex.com](http://www.finolex.com) and on websites of BSE and NSE.
- The official news releases of the Company are displayed on the websites of BSE and NSE.
- The Management Discussion and Analysis Report is forming part of annual report. Detailed report is given on pages 3 & 4.

#### **10. General Shareholder Information :**

- a. Annual General Meeting :

Day, date & time : Saturday 16th July, 2011 at 10.30 a.m.

Venue : "Training Centre" Finolex Cables Limited  
At & post Urse, Taluka Maval,  
District Pune 410 506



b. Financial Calendar (Tentative) : April, 2011 to March, 2012

**Table 4**

Announcement of quarterly results of 2011-2012 & annual general meeting	Quarterly results by 14th August, 2011, 14th November, 2011, 14th February, 2012 and 30th May, 2012 and annual general meeting by end of August, 2012.
---	--

- c. Book Closure Period : 1st July, 2011 to 16th July, 2011  
 d. Dividend Payment : Credit / dispatch between 21st July, 2011 to 26th July, 2011

e.	<b>Name of the stock exchange</b>	<b>Scrip Code</b>
	Bombay Stock Exchange Limited (BSE)	500940/finolexind
	National Stock Exchange of India Limited (NSE)	FINPIPE
	ISIN Code	INE183A01016

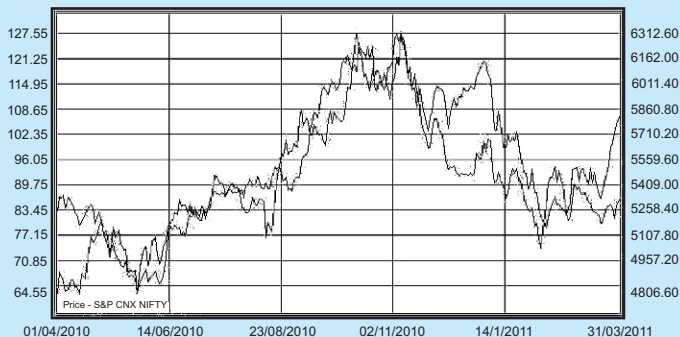
f. Market price data:

Monthly high/low (Rs. /share) during 2010-2011

**Table 5**

	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
	Apr-10		May-10		Jun-10		Jul-10		Aug-10		Sept-10	
BSE	81.95	62.50	84.25	64.80	86.85	66.85	95.90	82.55	104.90	77.65	111.80	98.55
NSE	81.90	62.30	84.40	64.60	86.80	66.70	95.95	82.95	104.70	77.75	111.65	98.50
	Oct-10		Nov-10		Dec-10		Jan-11		Feb-11		Mar-11	
BSE	128.50	105.55	128.45	93.50	109.85	84.25	105.25	84.35	90.65	74.50	93.50	81.00
NSE	128.80	105.55	128.25	92.70	109.50	91.00	105.70	84.10	90.85	75.25	93.90	81.10

**STOCK GRAPH-ONE YEAR COMPARATIVE GRAPH WITH NSE NIFTY**



Source: NSE website.

## g. Registrar and Transfer Agent:

The Company is registered with SEBI as In-House Share Transfer Agent category II. All shareholder related services are provided in-house.

## h. Share Transfer System:

The share transfer committee attends to share transfer formalities normally once in a fortnight. Demat requests are confirmed within 15 days from the date of receipt of request.

## i. a) Shareholding pattern as on 31.3.2011

Table 6

Category	No of shares	% of capital
Indian promoter (including Finolex Cables Ltd.-group co.)	64649865	52.11
FII	4060566	3.27
Banks/FIs/MFs/Insurance Companies	2150818	1.73
Bodies corporate	5749614	4.64
Indian Public	44406186	35.79
NRI/OCB	1606904	1.30
Others	1436282	1.16
Total	124060235	100.00

## b) Entities comprising "Group" under Regulation 3 (1) (e) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 are:

Akash Tatva Investments Pvt. Ltd., Coated Fabrics Pvt. Ltd., Corrugated Box Industries (India) Pvt. Ltd., Devita Investment Pvt. Ltd., Fino Communication Equipments Pvt. Ltd., Finolex Cables Limited, Finolib Chemicals Pvt. Ltd., Hi-Tech Polycoatings Pvt. Ltd., K. P. Investments Pvt. Ltd., Katara Dental Pvt. Ltd., Magnum Machines Pvt. Ltd., Majesty Investments Pvt. Ltd., Mohini Investments Pvt. Ltd., Orbit Electricals Pvt. Limited, Pratibha Xero-Graphic Impressions Pvt. Ltd., V.K.C. Investments Pvt. Ltd., P. P. Chhabria, Prakash P. Chhabria, Gayatri Prakash Chhabria, Hansika-Hiya Prakash Chhabria, K.P. Chhabria, Sunita Kishan Chhabria, Vijay Kishan Chhabria, Priya Vijay Chhabria, Rishi Vijay Chhabria, Deepak K. Chhabria, Vini Deepak Chhabria, Kavita S. Raheja, Siddharth S. Raheja, Sonia S. Raheja, Mukesh Dolumal Katara, Aruna Mukesh Katara, Amit Mukesh Katara and Amrita Mukesh Katara.

Distribution of Shareholding as on 31.3.2011

**Table 7**

No. of Equity Shares held	No. of shareholders	% of shareholders	Number of shares	% of shareholding
1-5000	150256	99.66	31875820	25.69
5001-10000	241	00.16	1868831	1.51
10001 and above	273	00.18	90315584	72.80
Total	150770	100.00	124060235	100.00

- j. Dematerialisation of shares: NSDL: 82.81%, CDSL: 6.52%
- k. Company has not issued any GDRs / ADRs / Share Warrants or any convertible instruments.
- l. Plant locations :

**PVC, Pipes & Fittings and Power Plants**

Ranpar - Pawas Road,  
 Ratnagiri 415 616,  
 Maharashtra, India

**Pipes & Fittings Plant**

D1/10, M.I.D.C., Chinchwad,  
 Pune 411 019, Maharashtra, India.

**Pipes Plant**

Gat No. 399, Urse, Taluka: Maval,  
 District: Pune 410 506, Maharashtra, India.

- m. Address for correspondence :

**Investor Relations Centre**

P-14, Rajiv Gandhi Infotech Park,  
 MIDC, Phase-I, Hinjewadi,  
 Pune 411 057  
 Tel. No.020-2740 8200  
 Fax No.020-2293 2939  
 E-mail: investors@finolexind.com

## Auditors' Report

To the Members of Finolex Industries Limited,

We have audited the attached Balance Sheet of Finolex Industries Limited as at 31<sup>st</sup> March 2011, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government, in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

- e) On the basis of the written representations received from the Directors as on 31<sup>st</sup> March, 2011 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31<sup>st</sup> March, 2011 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;
- f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the Company's accounting policies and the Notes thereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Company as on 31<sup>st</sup> March, 2011;
  - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **B.K. Khare & Co.**  
Chartered Accountants

Place : Pune

Dated : 30<sup>th</sup> April, 2011

**U.B. Joshi**  
Partner  
Membership No. 044097  
Firm Reg. No. 105102W

## Annexure to the Auditors' Report

Referred to in paragraph 1 of our Report of even date:

- i.
  - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) Assets have been physically verified by the management during the year based on the regular program of verification, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As explained, the discrepancies noticed were not material and the same have been properly dealt with in the books of account.
  - (c) In our opinion and according to the information and explanations given to us, during the year, the Company has not disposed of any substantial / major part of fixed assets.
- ii.
  - (a) As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the inventory, the Company is maintaining proper records of inventory. Discrepancies noticed on verification between the physical stocks and the book records were not material and have been appropriately dealt with in the books of account.
- iii.
  1.
    - (a) The Company has not granted any secured or unsecured loan to any Company listed in the register maintained under Section 301 of the Companies Act, 1956.
    - (b) Accordingly, our comments in respect of sub – clauses (b), (c) and (d) are not called for and therefore not offered.
  2.
    - (a) According to the information and explanations given to us and on the basis of our examination of the records, the Company has accepted Inter-Corporate Deposits from six parties listed in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year is Rs.1560 lakhs and the year end balance of the deposits taken is Rs.2963 lakhs.
    - (b) According to the information and explanations given to us, in our opinion, the rate of interest and other terms and conditions of above deposits accepted by the Company, are not prima facie, prejudicial to the interest of the Company.
    - (c) According to the information and explanations given to us, the Company is regular in repayment of principal and payment of interest.
    - (d) There is no overdue amount of Inter-Corporate Deposits accepted from the parties listed in the register maintained under Section 301 of the Companies Act, 1956.

- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weakness in internal control system.
- v. In respect of transactions entered in the register maintained in pursuance of Section 301 of Companies Act, 1956:
- (a) Based on audit procedures applied by us, to the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements have been entered in the register required to be maintained under Section 301 of the Companies Act, 1956.
  - (b) According to the information and explanations given to us and excluding certain transactions of purchase of goods and materials of special nature for which alternate quotations are not available, in our opinion, the transactions have been made at prices which are, prima facie, reasonable having regard to the prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Hence, the provisions of Section 58A and 58AA and any other relevant provisions of the Companies Act, 1956 and rules framed there under are not applicable.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed the books of accounts maintained by the Company relating to the manufacture of PVC Resin, pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view of determining whether they are accurate and complete.
- ix. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other material statutory dues with the appropriate authorities.
- (b) According to the records of the Company and information and explanations given to us, dues of Income Tax, Sales tax, Wealth Tax, Service Tax, Customs Duty and Excise Duty and cess, which have not been deposited on account of disputes and forums where dispute are pending are as under;

Name of statute	Nature of dues	Amount (Rs. lakhs)	Period to which the amount relates	Forum where pending
Finance Act, 1994 (Service Tax)	Service Tax Demand	167.45	2001-02	Commissioner
Finance Act, 1994 (Service Tax)	Service Tax Demand	489.12	2005-06	High Court
Finance Act, 1994 (Service Tax)	Service Tax Demand	67.22	2006-07	Commissioner
Finance Act, 1994 (Service Tax)	Service Tax Demand	0.79	2008-09	CESTAT
Finance Act, 1994 (Service Tax)	Service Tax Demand	305.52	2008-09	Commissioner/Dy. Commissioner
Finance Act, 1994 (Service Tax)	Service Tax Demand	6.18	2009-10	Deputy Commissioner
Finance Act, 1994 (Service Tax)	Service Tax Demand	100.00	2007-08	Commissioner
Finance Act, 1994 (Service Tax)	Service Tax Demand	141.31	2010-11	Commissioner/Dy. Commissioner
Finance Act, 1994 (Service Tax)	Service Tax Demand	3.61	2007-08	CESTAT
The Customs Act, 1962	Customs Demand	26.94	2000-01	CESTAT
The Customs Act, 1962	Customs Demand	14.03	2001-02	CESTAT
The Customs Act, 1962	Customs Demand	3.00	1995-96	Additional Commissioner
The Central Excise Act, 1944	Excise Demand	32.54	1996-97	High Court
The Central Excise Act, 1944	Excise Demand	2.07	1999-00	High Court
The Central Excise Act, 1944	Excise Demand	18.17	2002-03	CESTAT
The Central Excise Act, 1944	Excise Demand	13.11	2005-06	Commissioner (A)
The Central Excise Act, 1944	Excise Demand	0.96	2005-06	CESTAT
The Central Excise Act, 1944	Excise Demand	2.71	2005-06	High Court
The Central Excise Act, 1944	Excise Demand	0.46	2006-07	Commissioner
The Central Excise Act, 1944	Excise Demand	981.99	2007-08	Commissioner
The Central Excise Act, 1944	Excise Demand	48.57	2008-09	Dy./Additional Commissioner
The Central Excise Act, 1944	Excise Demand	3.44	2010-11	Commissioner
The Central Excise Act, 1944	Excise Demand	0.02	1998-99	Commissioner



- x. The Company does not have accumulated losses at the end of the financial year and the Company has not incurred any cash loss in the current and the immediately preceding financial year.
- xi. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the payment of dues to its bankers, financial institutions and debenture holders.
- xii. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any Special Statute applicable to chit fund or nidhi / mutual benefit fund / societies are not applicable to the Company.
- xiv. (a) Based on the records examined by us and according to the information and explanations given to us, we are of the opinion that the Company is maintaining proper records of the transactions and contracts of dealing in shares and securities and timely entries have been made in these records.  
(b) Based on our audit procedures and to the best of our knowledge and belief and according to the information and explanations given to us, the shares and securities have been held by the Company in its own name.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- xvi. To the best of our knowledge and belief and according to explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purpose for which loans were obtained.
- xvii. According to the Cash Flow Statement and records examined by us and according to the information and explanations given to us, on overall basis, funds raised on short-term basis have, prima facie, not been used during the year for long term investment.
- xviii. The Company has not made preferential allotment of shares to parties covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- xix. According to the information and explanations given to us, security or charge has been created in respect of debentures issued.
- xx. The Company has not raised any money by public issues during the year.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B.K. Khare & Co.**  
Chartered Accountants

Place : Pune  
Dated : 30<sup>th</sup> April, 2011

**U.B. Joshi**  
Partner  
Membership No. 044097  
Firm Reg. No. 105102W

## Balance Sheet as at 31st March, 2011

(Rs. in lakhs)

	Schedule	As At 31/03/2011	As At 31/03/2010
<b>Sources of Funds</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	12404.48	12401.10
Reserves & Surplus	2	49626.98	46367.26
		<u>62031.46</u>	<u>58768.36</u>
<b>Loan Funds</b>			
Secured Loans	3	20571.87	20541.94
Unsecured Loans	4	54100.97	62808.76
		<u>74672.84</u>	<u>83350.70</u>
<b>Deferred Tax ( Net )</b>		8006.98	7345.40
(Refer note 4 of Schedule 15)			
		<u>144711.28</u>	<u>149464.46</u>
<b>Application of Funds</b>			
<b>Fixed Assets</b>	5	79247.57	83563.57
<b>Capital Work-in-progress</b>	6	7622.10	6637.94
<b>Investments</b>	7	20798.78	32638.07
<b>Current Assets, Loans &amp; Advances</b>	8	81545.36	65434.06
<b>Less : Current Liabilities &amp; Provisions</b>	9	44502.53	38809.18
<b>Net Current Assets</b>		<u>37042.83</u>	<u>26624.88</u>
		<u>144711.28</u>	<u>149464.46</u>
<b>Notes</b>	15		

As per our report of even date  
For B. K. Khare & Company  
Chartered Accountants

U. B. JOSHI  
Partner

ANIL ATRE  
AVP (Legal & Admn.)  
& Company Secretary

P.P. CHHABRIA Chairman  
K.P. CHHABRIA Executive Vice Chairman  
PRAKASH P. CHHABRIA Managing Director  
K.N. ATMARAMANI  
S.N. INAMDAR  
DR. VIJAY P. BHATKAR  
DR. SUNIL U. PATHAK  
P.D. KARANDIKAR  
S.S. DHANORKAR Asst. Managing Director & COO  
P. SUBRAMANIAM Asst. Managing Director & CFO

Pune : 30th April, 2011

Pune : 30th April, 2011

## Profit and Loss Account for the year ended 31st March, 2011

	Schedule	2010-11	(Rs. in lakhs) 2009-10
<b>Income</b>			
Income from Operations and Other Income	10	222101.07	161194.15
Less : Excise Duty		<u>21392.46</u>	<u>13756.16</u>
<b>Expenditure</b>		<u>200708.61</u>	<u>147437.99</u>
Materials & Manufacturing Expenditure	11	158989.33	101075.02
Personnel Expenses	12	5053.35	4137.84
Other Expenses	13	11761.48	14000.40
Finance Charges	14	5966.28	4660.66
Depreciation		<u>7442.91</u>	<u>6167.41</u>
		<u>189213.35</u>	<u>130041.33</u>
<b>Profit Before Tax</b>		<u>11495.26</u>	17396.66
Less Provision for Taxation		3216.58	4423.18
Current Tax [Includes earlier years write back of Rs. 0.15 lakhs (Previous Year 342.18 lakhs)]			
Deferred Tax		661.58	(258.90)
<b>Profit After Tax</b>		<u>7617.10</u>	<u>13232.38</u>
Add: Surplus brought forward		<u>8429.44</u>	<u>3551.06</u>
Balance available for Appropriation		<u>16046.54</u>	<u>16783.44</u>
<b>Appropriations</b>			
General Reserve		2000.00	2000.00
Debenture Redemption Reserve		1500.00	2000.00
Proposed Dividend		3721.00	3721.00
Tax on Dividend		633.00	633.00
		<u>7854.00</u>	<u>8354.00</u>
Surplus carried to Balance Sheet		<u>8192.54</u>	<u>8429.44</u>
Earnings per share (EPS) par value Rs. 10 each			
Basic / Diluted		6.14	10.67
Profit after tax available for equity shareholders (Rs in Lakhs)		7617.10	13232.38
No. of shares used in computing weighted average EPS		124060235	124060235
Notes	15		

As per our report of even date  
For B. K. Khare & Company  
Chartered Accountants

P.P. CHHABRIA  
K.P. CHHABRIA  
PRAKASH P. CHHABRIA  
K.N. ATMARAMANI  
S.N. INAMDAR  
DR. VIJAY P. BHATKAR  
DR. SUNIL U. PATHAK  
P.D. KARANDIKAR  
S.S. DHANORKAR  
P. SUBRAMANIAM

Chairman  
Executive Vice Chairman  
Managing Director

U. B. JOSHI            ANIL ATRE  
Partner                AVP (Legal & Admn.)  
                              & Company Secretary

Asst. Managing Director & COO  
Asst. Managing Director & CFO

Pune : 30th April, 2011

Pune : 30th April, 2011

## Cash Flow Statement for the year ended 31st March, 2011 and 31st March, 2010 (Rs. in lakhs)

	2010-11	2009-10
<b>A Cash flow from Operating Activities :</b>		
Net Profit before Tax	11495.26	17396.66
<b>Adjustments for :</b>		
Depreciation	7442.91	6167.41
Provision for Leave encashment	38.30	119.02
Profit on sale of Assets/Investments (Net)	(1937.86)	(572.33)
Dividend Income	(226.08)	(91.04)
Interest Income	(140.13)	(385.14)
Interest Expenses	5475.83	4172.87
Exchange Fluctuation Loss ( Net )	1646.84	5401.30
Operating Profit before Working Capital Changes	23795.07	32208.75
<b>Adjustments for :</b>		
Trade and Other Receivables	(13412.68)	5760.53
Inventories	(6156.48)	(16910.32)
Trade Payables	5711.39	12091.11
Cash generated from operations	9937.30	33150.07
Less:		
Taxes Paid ( net of refund )	(4350.06)	(2051.70)
<b>Net cash from operating Activities</b>	<b>5587.24</b>	<b>31098.37</b>
<b>B Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets/Capital Expenditure	(4241.17)	(10044.61)
Sale of Fixed Assets	84.81	50.68
(Purchase)/Sale of Investments ( net )	13822.45	(5466.39)
Interest Received	88.00	275.64
Dividend Received	226.08	91.04
<b>Net cash used in Investing Activities</b>	<b>9980.17</b>	<b>(15093.64)</b>

**Cash Flow Statement for the year ended 31st March, 2011 and 31st March, 2010. (contd.)** (Rs. in lakhs)

	2010-11	2009-10
<b>C Cash Flow from Financing Activities:</b>		
Collection of overdue Allotment/Call money	-	0.23
Proceeds from Long Term Borrowings	-	5000.00
Repayment of Long Term Borrowings	-	(10,953.63)
Exchange Fluctuation Loss ( Net)	(1311.58)	(5401.30)
Short Term Loans movement	(8707.79)	7059.74
Interest paid	(5390.02)	(4865.39)
Dividend and Corporate Dividend Tax paid	(4354.00)	(1452.00)
<b>Net Cash from Financing Activities</b>	<u>(19763.39)</u>	<u>(10612.35)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		
Opening Balance of Cash and Cash Equivalents	17688.88	12296.50
Closing Balance of Cash and Cash Equivalents	13492.90	17688.88
	<u>(4195.98)</u>	<u>5392.38</u>
<b>A+B+C</b>	<u>(4195.98)</u>	<u>5392.38</u>

- Notes :- 1) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statement issued by ICAI.
- 2) Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

As per our report of even date  
For B. K. Khare & Company  
Chartered Accountants

U. B. JOSHI                      ANIL ATRE  
Partner                          AVP (Legal & Admn.)  
   & Company Secretary

Pune : 30th April, 2011

P.P. CHHABRIA  
K.P. CHHABRIA  
PRAKASH P. CHHABRIA  
K.N. ATMARAMANI

S.N. INAMDAR  
DR. VIJAY P. BHATKAR  
DR. SUNIL U. PATHAK  
P.D. KARANDIKAR  
S.S. DHANORKAR  
P. SUBRAMANIAM

Pune : 30th April, 2011

Chairman  
Executive Vice Chairman  
Managing Director  
  
  
  
  
  
Asst. Managing Director & COO  
Asst. Managing Director & CFO

## Schedules forming part of the Balance Sheet

(Rs. in lakhs)

	As At 31/03/2011	As At 31/03/2010
<b>Schedule 1 : Share Capital</b>		
<b>Authorised</b>		
150,000,000 (150,000,000) Equity Shares of Rs.10 each	15000.00	15000.00
Unclassified Share Capital	8500.00	8500.00
	<u>23500.00</u>	<u>23500.00</u>
<b>Issued</b>		
124060235 (124026467) Equity Shares of Rs.10 each	<u>12406.02</u>	<u>12402.64</u>
<b>Subscribed and Paid-Up</b>		
124060235 (124026467) Equity Shares of Rs.10 each fully called-up.	12406.02	12402.64
Less : Amount in Arrears, other than from Directors	<u>1.54</u>	<u>1.54</u>
	<u>12404.48</u>	<u>12401.10</u>

- 1) 367,650 (367,650) Equity Shares have been allotted for consideration other than in cash to the shareholders of the erstwhile Finolex Plastics Pvt. Ltd. pursuant to the scheme of amalgamation.
- 2) i) 5,511,093 (5,511,093) Equity Shares have been issued as fully paid up Bonus Shares on 22nd June, 1989 by capitalisation of General Reserve.  
ii) 33,768 (Nil) equity shares were allotted as fully paid bonus shares (on 8550 equity shares kept in abeyance) on 21st February, 2011 in terms of the order of the Company Law Board dated 14th September, 1999 and the order of High Court of Judicature, Bombay dated 10th July, 2007 by capitalisation of General Reserve.

**Schedules forming part of the Balance Sheet**
**(Rs. in lakhs)**

	As At 31/03/2011	As At 31/03/2010
<b>Schedule 2 : Reserves and Surplus</b>		
<b>Capital Reserve</b>		
per last Balance Sheet	60.54	60.54
	<u>60.54</u>	<u>60.54</u>
<b>Share Capital Buyback Reserve</b>		
per last Balance Sheet	2517.93	2517.93
	<u>2517.93</u>	<u>2517.93</u>
<b>Share Premium</b>		
per last Balance Sheet	15116.27	15222.34
Less: Premium on redemption of Debentures *	-	106.07
	<u>15116.27</u>	<u>15116.27</u>
<b>FIL ESOS Outstanding Account</b>		
per last Balance Sheet	-	43.04
Less:		
Transferred to General Reserve	-	43.04
	<u>-</u>	<u>-</u>
<b>General Reserve</b>		
per last Balance Sheet	14243.08	12200.04
Add : Transferred from ESOS	-	43.04
Transferred from Profit & Loss Account	2000.00	2000.00
Less: Transferred to Share Capital	3.38	-
	<u>16239.70</u>	<u>14243.08</u>
<b>Debenture Redemption Reserve</b>		
per last Balance Sheet	6000.00	4000.00
Add : Transferred from Profit & Loss Account	1500.00	2000.00
	<u>7500.00</u>	<u>6000.00</u>
<b>Surplus in Profit &amp; Loss Account</b>		
	8192.54	8429.44
	<u>49626.98</u>	<u>46367.26</u>

\* Represents prorata premium payable on redemption of 750 Secured Redeemable Non-convertible Debentures of Rs 1000000 each

## Schedules forming part of the Balance Sheet

(Rs. in lakhs)

	As At 31/03/2011	As At 31/03/2010
<b>Schedule 3 : Secured Loans</b>		
<b>Debentures</b>		
1000 12.25% Secured Redeemable Non-convertible (1000) Debentures of Rs 1000000 each	10000.00	10000.00
500 9.50% Secured Redeemable Non-convertible (500) Debentures of Rs 1000000 each	5000.00	5000.00
<b>Term Loans</b>		
From Banks	3787.74	3452.48
	<u>18787.74</u>	<u>18452.48</u>
<b>Working Capital Borrowings from Banks</b>	<u>1784.13</u>	2089.46
	<u>20571.87</u>	<u>20541.94</u>

Notes : 1) Amount repayable within a year Rs. 1214.80 lakhs (Nil)

2) Ref. Note 6 &amp; 7 of Schedule 15 for terms of redemption and nature of security

## Schedule 4 : Unsecured Loans

## Other Loans and Advances (Short Term)

Acceptances-Banks	50528.10	59906.82
Deferred Sales Tax Loan	1970.87	1128.94
Inter Corporate Deposit	1602.00	1773.00
	<u>54100.97</u>	<u>62808.76</u>

Notes : Amount repayable within a year Rs. 50528.10 lakhs (Rs. 59906.82 lakhs)



**Schedules forming part of the Balance Sheet**  
**Schedule 5 : Fixed Assets**

(Rs. in lakhs)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Cost as on 01/04/2010	Additions	Deductions	Cost as on 31/03/2011	Bal. as on 01/04/2010	For the year	On Deductions	Bal. as on 31/03/2011	As at 31/03/2010	As at 31/03/2010
Freehold Land	4398.04	1312.53*	-	5710.57	-	-	-	5710.57	4398.04	4398.04
Leasehold Land	100.70	-	-	100.70	19.41	0.99	-	80.30	81.29	81.29
Buildings	12583.73	27.72	22.14	12589.31	2448.21	264.76	1.30	9877.64	10135.52	10135.52
Plant & Machinery	133353.84	1727.40	2.93	135078.31	66264.45	6998.71	1.75	61826.90	67089.39	67089.39
Furniture & Fixture	938.60	6.50	1.25	943.85	462.81	45.62	0.21	435.63	475.79	475.79
Vehicles	851.23	182.86	192.88	841.21	283.22	80.75	85.84	563.08	568.01	568.01
Aircraft	1108.59	-	-	1108.59	293.06	62.08	-	753.45	815.53	815.53
<b>Total</b>	<b>153334.73</b>	<b>3257.01</b>	<b>219.20</b>	<b>156372.54</b>	<b>69771.16</b>	<b>7442.91</b>	<b>89.10</b>	<b>79247.57</b>	<b>83563.57</b>	<b>83563.57</b>
Previous Year	120586.59	33320.57	572.43	153334.73	63985.09	6167.41	381.34	83563.57	56601.50	56601.50

\* Includes land at Rathagin Rs. 400.19 lakhs for which title transfer is in process.

## Schedules forming part of the Balance Sheet

(Rs. in lakhs)

	As At 31/03/2011	As At 31/03/2010
<b>Schedule 6 : Capital Work - in - Progress</b>		
<b>A] PVC Expansion Project</b>	<b>1185.10</b>	1185.10
<b>B] Power Project</b>		
Opening Balance	11.48	22100.57
Add: Additions	299.04	7787.68
	<u>310.52</u>	29888.25
Less: Transferred to Gross Block	6.34	29876.77
Closing Balance	<u>304.18</u>	<u>11.48</u>
<b>C] Break Water Project</b>	<b>1064.10</b>	1064.10
<b>D] Others</b>		
Opening Balance	3767.20	3737.12
Add: Additions	4096.85	3475.91
	<u>7864.05</u>	7213.03
Less: Transferred to Gross Block	3200.49	3445.83
Closing Balance	<u>4663.56</u>	<u>3767.20</u>
<b>E] Advances</b>	<b>405.16</b>	610.06
Total Capital Work in Progress	<u><u>7622.10</u></u>	<u><u>6637.94</u></u>

**Schedules forming part of the Balance Sheet**
**(Rs. in lakhs)**

	As At 31/03/2011	As At 31/03/2010	
<b>Schedule 7 : Investments</b>			
<b>Non-trade-Long term ( At Cost )</b>			
<b>Quoted and Listed</b>			
9,900 (9,900)	Equity Shares of Rs.2 each fully paid-up in Gulf Oil Corporation Ltd.	1.21	1.21
22,187,075 (22,187,075)	Equity Shares of Rs.2 each fully paid-up in Finolex Cables Ltd.	10260.02	10260.02
12,400 (12,400)	Equity Shares of Rs.10 each fully paid-up in Gold Crest Finance Ltd.	4.96	4.96
	[Aggregate market value Rs. 10472.26 lakhs (Rs.11497.52 lakhs)]	10266.19	10266.19
<b>Unquoted</b>			
4,635,000 (4,635,000)	Equity Shares of Rs.10 each fully paid-up in Finolex Plasson Industries Ltd.	749.77	749.77
6,100,000 (6,100,000)	Equity Shares of Rs.10 each fully paid-up in I2IT Private Limited	610.00	610.00
24,975 (24,975)	Equity Shares of Rs. 10 each fully paid-up in Finolex Infrastructure Ltd.	2.50	2.50
7,500 (7,500)	Equity Shares of Rs.1000 each fully paid-up in Rajsthan Olive Cultivation Limited	75.00	75.00
500 (375)	Units of Rs.100000 each fully paid-up in Peninsula Realty Fund	500.00	375.00
1,000 (1,000)	Equity Shares of Rs.10 each fully paid-up in The Saraswat Co-op Bank Ltd.	0.10	0.10
49,994 (49,994)	Equity Shares of Rs.10 each fully paid-up in Pawas Port Ltd.	4.99	4.99
	In Government Securities :		
	Indira Vikas Patra 1	1942.36	1817.36
		12208.55	12083.55

## Schedules forming part of the Balance Sheet

(Rs. in lakhs)

## Schedule 7 : Investments [Continued from the earlier page]

			As At 31/03/2011	As At 31/03/2010
<b>Current Investments</b>				
<b>Quoted but not Listed</b>		<b>Mutual Fund (MF) Units of Rs.10 each unless specified otherwise</b>		
Nil	(14315894)	Birla MF - BSL Savings Fund - Inst - Growth	-	2500.36
Nil	(9619269)	Birla MF - BSL Short Term Opportunities Fund - Inst - Growth	-	1000.00
5000859	(Nil)	Birla MF - BSL Fixed Term Plan Ser CF - Growth	500.09	-
Nil	(9367958)	Canara Robeco MF - Canara Robeco Treasury Advantage - Super Inst Growth	-	1301.01
Nil	(1000000)	DWS MF - DWS Fixed Term Fund Ser 43 - Inst Growth	-	100.00
5000000	(Nil)	HDFC MF - HDFC FMP 370D September 2010 (2)-Ser XV-Growth	500.00	-
Nil	(2291668)	IDFC MF - IDFC Money Manager - Treasury Plan C - Growth	-	250.13
Nil	(13267503)	IDFC MF - IDFC Money Manager - Investment Plan B - Growth	-	1850.22
2000000	(Nil)	Kotak MF - Kotak FMP Ser 30 - Growth	200.00	-
Nil	(1834440)	Prudential ICICI MF - ICICI Floating Rate - Plan D - Growth (unit of Rs. 100 each)	-	2500.49
Nil	(10000000)	Prudential ICICI MF - ICICI FMP Ser 49 - 1 Yr Plan A - Growth	-	1000.00
Nil	(13113294)	Reliance MF - Reliance Medium Term Fund - Growth	-	2500.32
66697	(19760976)	Religare MF - Religare Ultra ST Fund - Inst Growth (unit of Rs. 1000 each)	900.00	2500.30
11601303	(Nil)	Religare MF - Religare Credit Opportunities Fund - Inst Growth	1262.02	-
Nil	(18584232)	Tata MF - Tata Floater Fund - Growth	-	2551.39
Nil	(202301)	UTI MF - UTI Treasury Advantage Fund - Inst Growth (unit of Rs. 1000 each)	-	2500.30
12896	(Nil)	UTI MF - UTI Floating Rate Fund Short Term Plan - Inst Growth (unit of Rs. 1000 each)	140.63	-
Shares, Debentures or Bonds:				
49000	(Nil)	SBI 9.95% 160326 (Bonds of Rs. 10000 each)	5087.49	-
[Aggregate market value Rs. 8673.25 lakhs (Rs. 20675.15 lakhs)]			8590.23	20554.52
			20798.78	32638.07

1 Represents Rs. 500 ( Rs. 500 )

MF Represents Mutual Fund

## Schedules forming part of the Balance Sheet

### Details of Purchase and Sale of Units during the Year 2010-2011

Particulars	No.of Units
Birla Cash Plus Inst Premium Growth	13184733
Birla Sun Life Savings Fund - Institutional Growth	22634335
Birla Sun Life Ultra Short Term Fund - Institutional Growth	21976823
Birla Sun Life Short Term Opportunities Fund - Institutional Growth	19753502
Birla Sun Life Floating Rate Fund - Long Term - Institutional Growth	23131175
Birla Sun Life Medium Term Plan - Institutional Growth	13640034
Birla Sun Life Cash Manager - Institutional Growth	6903419
Birla Sun Life Fixed Term Plan - Ser CF - Growth	5000859
Canara Robeco Liquid Fund - Super Institutional Growth	85696575
Canara Robeco Treasury Advantage - Super Institutional Growth	63068167
DWS Fixed Term Fund Ser 43 - Institutional Growth	1000000
DSP BlackRock Money Manager Fund - Institutional Growth	343149
DSP Blackrock Liquidity Fund - Institutional Growth	1107611
Fidelity Cash Fund - Super Institutional Growth	77308971
Fidelity Ultra Short Term Debt Fund - Super Institutional Growth	94599938
Fidelity FMP Ser 2 Plan A - Growth	32626316
HDFC Cash Management Fund Treasury Advantage Plan - Growth	63960826
HDFC Liquid Fund - Premium Plan - Growth	42137151
HDFC Quarterly Interval Fund Plan C - Growth	25000000
HDFC FMP 370D September 2010 (2) - Growth Ser XV	5000000
IDFC Cash Fund - Super Inst Plan C - Growth	28320978
IDFC Money Manager - Treasury Plan C - Super Inst Growth	68816410
IDFC Savings Advantage Fund - Plan A - Growth	126651
IDFC Money Manager Investment Plan B - Growth	13267503
Kotak FMP Ser 30 370 Days - Growth	2000000
Prudential ICICI Liquid Super Institutional Growth	5536428
Prudential ICICI Floating Rate Plan D - Growth	12198668

<b>Particulars</b>	<b>No.of Units</b>
Prudential ICICI FMP Ser 49 - 1 Year Plan A - Institutional Growth	10000000
Prudential ICICI Long Term Floating Rate Plan C - Growth	19984612
Prudential ICICI Blended Plan B - Institutional Growth	20072004
Prudential ICICI Interval Fund II Quarterly Interval Plan B - Institutional Growth	25538674
Prudential ICICI Interval Fund II Quarterly Interval Plan - Institutional Growth	19326742
Reliance Liquidity Fund - Growth	17293255
Reliance Medium Term Fund - Growth	43884508
Reliance Monthly Interval Fund Ser I - Institutional Growth	11463528
Reliance Quarterly Interval Fund - Ser II - Institutional Growth	15821858
Reliance Quarterly Interval Fund - Ser III - Institutional Growth	11994339
Reliance Liquid Fund Cash Plan - Growth	69079163
Religare Liquid Fund - Super Institutional Growth	32873246
Religare Ultra Short Term Fund - Institutional Growth	52642203
Religare Credit Opportunities Fund - Institutional Growth	11601303
TATA Liquid Super High Inv. Fund - Growth	554732
TATA Floater Fund - Growth	123960846
TATA Fixed Income Portfolio Fund Scheme A2 - Institutional Growth	10000000
UTI Liquid Cash Plan - Institutional Growth	504251
UTI Floating Rate Fund Short Term Plan - Institutional Growth	167445
UTI Treasury Advantage Fund - Institutional Growth	1129885
UTI Fixed Income Interval Fund Monthly Interval Plan Ser I - Institutional Growth	16400567
UTI Fixed Income Interval Fund Monthly Interval Plan Ser II - Institutional Growth	14924779
UTI Fixed Income Interval Fund - Ser II Quarterly Interval Plan V - Institutional Growth	13959250
Templeton India Treasury Mgt A/C - Super Institutional Growth	275120
Templeton India Ultra Short Bond Fund - Super Institutional Growth	24431035

**Schedules forming part of the Balance Sheet**
**(Rs. in lakhs)**

	As At 31/03/2011	As At 31/03/2010
<b>Schedule 8 : Current Assets, Loans and Advances</b>		
<b>(A) Current Assets :</b>		
(i) Inventories		
Stores, spares & consumables	3319.23	2820.88
Raw materials	19532.50	10682.46
Semi-finished goods	6627.24	6151.78
Finished goods	10652.43	14319.80
	<u>40131.40</u>	<u>33974.92</u>
(ii) Sundry Debtors (unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	–	283.44
Considered doubtful	46.02	46.02
	<u>46.02</u>	<u>329.46</u>
Less : provision	46.02	46.02
	–	283.44
Other debts	10592.02	3338.02
	<u>10592.02</u>	<u>3621.46</u>
(iii) Cash & Bank Balances		
Cash on hand	25.34	34.79
Balances with Scheduled Banks :		
In Current Accounts	360.27	3452.04
In Fixed Deposit accounts	2300.00	4787.50
	<u>2685.61</u>	<u>8274.33</u>
<b>(B) Loans and Advances (unsecured, considered good) :</b>		
(i) Advances recoverable in cash or in kind or for value to be received *	9817.37	4975.30
* Includes an amount of Rs. 4587.50 lakhs (Rs.Nil) receivable from banks on which the bankers have a lien.		
(ii) Advance Tax :		
Advance Tax paid	34164.29	29799.21
Less: Provision for taxation	31066.96	27835.36
	<u>3097.33</u>	<u>1963.85</u>
(iii) Balances with customs, excise etc.	15221.63	12624.20
	<u>28136.33</u>	<u>19563.35</u>
	<u>81545.36</u>	<u>65434.06</u>

## Schedules forming part of the Balance Sheet

(Rs. in lakhs)

	As At 31/03/2011	As At 31/03/2010
<b>Schedule 9 : Current Liabilities and Provisions</b>		
<b>Current Liabilities :</b>		
Sundry Creditors (Ref Note No. 8 of Schedule 15)	23808.15	17679.42
Sundry Creditors for capital goods	277.96	1125.21
Trade and Security Deposits	58.75	57.22
Unclaimed Dividend *	235.33	377.48
Unclaimed Interest on Debentures *	23.89	23.89
Other Liabilities	14357.57	13929.19
Interest accrued but not due on loans	771.23	685.42
	<u>39532.88</u>	<u>33877.83</u>
<b>Provisions :</b>		
Proposed Dividend	3721.00	3721.00
Tax on Dividend	633.00	633.00
Short Term compensated absences and Gratuity	615.65	577.35
	<u>4969.65</u>	<u>4931.35</u>
	<u>44502.53</u>	<u>38809.18</u>

\* There is no amount due and outstanding as at 31st March,2011  
to be credited to the Investor Education & Protection Fund.



**Schedules forming part of the Profit & Loss Account**
**(Rs. in lakhs)**

	2010-11	2009-10
<b>Schedule 10 : Income from Operations and Other Income</b>		
<b>(A) Income from Operations :</b>		
Sales	218861.68	159022.91
Income from Other Operations	303.40	226.43
	<u>219165.08</u>	<u>159249.34</u>
<b>(B) Other Income :</b>		
Interest earned		
Term deposits	69.07	253.32
Others [Tax deducted at source Rs. 0.38 lakhs (Rs.14.67 lakhs )]	71.06	131.82
Miscellaneous Income	583.75	755.76
Dividend - From long term investments	226.08	91.04
Profit on Sale of Assets	2.87	0.13
Profit on Sale/Redemption of Investments ( net )	1983.16	712.74
	<u>2935.99</u>	<u>1944.81</u>
	<u>222101.07</u>	<u>161194.15</u>
<b>Schedule 11 : Materials and Manufacturing Expenditure</b>		
Materials Consumed		
Raw Materials *	131330.04	95403.39
Packing Material	1469.18	901.33
Stores & Spares	2211.18	1970.19
	<u>135010.40</u>	<u>98274.91</u>
Add : (Increase)/ Decrease in stock of		
Finished & Semi-finished goods	3191.91	(16812.47)
	<u>138202.31</u>	<u>81462.44</u>
Add : Manufacturing Expenses ( Direct )		
Power & Fuel	16297.43	16145.90
Others	4489.59	3466.68
	<u>158989.33</u>	<u>101075.02</u>
<b>Schedule 12 : Personnel Expenses</b>		
Salaries, Wages, Bonus and Commission	4228.26	3344.71
Contribution to Provident and Other Funds	308.33	345.11
Staff Welfare Expenses	516.76	448.02
	<u>5053.35</u>	<u>4137.84</u>

\* Includes cost of EDC sold Rs. 5753.23 lakhs (Rs.2467.90 lakhs)

## Schedules forming part of the Profit &amp; Loss Account

(Rs. in lakhs)

	2010-11	2009-10
<b>Schedule 13 : Other Expenses</b>		
Rent, Rates & Taxes	537.52	699.28
Insurance	399.86	318.43
Repairs & Maintenance		
Buildings	262.88	207.63
Plant & Machinery	578.04	647.68
Others	224.06	106.45
Communication	108.23	114.51
Travelling and Conveyance	289.06	251.49
Directors' Sitting Fees	10.10	11.40
Auditors' Remuneration		
Audit fees	22.00	18.00
Tax Audit	5.00	5.00
Other Services	7.42	7.47
Out of Pocket Expenses	0.73	0.76
Advertisement, Publicity and Sales Promotion	891.86	763.02
Commission on Sales	488.91	390.96
Freight Outwards & Other Selling Expenses	3695.99	2819.38
Bad Debts written off	-	880.66
Sales Tax including Surcharge	0.08	-
Donations	325.36	35.03
Loss on Sale / Scrap of Assets	48.17	140.54
Loss on Exchange fluctuation/derivatives (net)	1646.84	5401.30
Miscellaneous Expenses	2219.37	1181.41
	<u>11761.48</u>	<u>14000.40</u>
<b>Schedule 14 : Finance Charges</b>		
Interest :		
Fixed Period Loans	1937.77	313.39
Others	1433.81	2276.58
Bank Charges	490.45	487.79
Premium on Forward Exchange Contracts / Options	2104.25	1582.90
	<u>5966.28</u>	<u>4660.66</u>

## **SCHEDULE 15 : Notes forming part of the Accounts**

### **1) Significant Accounting Policies**

#### **i) Accounting Convention :**

The financial statements are prepared under the historical cost convention, having due regard to fundamental accounting assumptions of going concern, consistency and accrual, in compliance with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.

#### **ii) Fixed Assets :**

- a) Fixed Assets are stated at cost of acquisition or construction less accumulated depreciation. Attributable finance costs and expenses of bringing the respective assets to working condition for their intended use are capitalised.
- b) Impairment: The carrying amount of cash generating units /assets is reviewed at balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of net selling price and value in use. Impairment loss is recognised whenever carrying amount exceeds the recoverable amount.
- c) Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalised as part of the cost of those assets. Other borrowing costs are recognised as expense in the period in which they are incurred.

#### **iii) Depreciation:**

- a) Depreciation is provided on Straight-Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.
- b) Amortisation is provided in respect of leasehold land.

#### **iv) Valuation of Investments:**

Investments classified as long term Investments are stated at cost. Provision for diminution, if any, in the value of long-term investments is made to recognise a decline other than temporary in the fair value of investments. The fair value of a long term investment is ascertained with reference to its market value, investee's assets and results and the expected cash flows from the investment as well as the strategic importance to the Company.

Current investments are valued at lower of cost and fair value.

#### **v) Valuation of Inventories:**

Inventories are valued at lower of cost and net realisable value. Cost is determined on weighted average method. Cost of semi-finished and finished goods comprises of materials, conversion cost and excise duty wherever applicable.

#### **vi) Foreign Currency Transactions:**

- a) Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary Assets & Liabilities denominated in foreign currency are translated at the year-end rate. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of Monetary Assets and Liabilities at the end of the year including exchange difference

## SCHEDULE 15 : Notes forming part of the Accounts

related to purchase of fixed assets is recognised as income or expense, as the case may be.

- b) The company uses foreign exchange forward contracts and options to reduce the cost or to hedge its risks associated with foreign currency fluctuations to underlying transactions, for certain firm commitments or forecasted transactions. The difference between the forward rate and the exchange rate at the inception of the forward contract for underlying transaction is recognised as income or expense over the life of the contract. In respect of hedge contracts, for firm commitment or forecasted transactions, the attributable gain or loss is taken to profit and loss account on accrual and / or on settlement as the case maybe. Loss if any, in respect of outstanding derivatives at the balance sheet date is assessed by the management based on the principle of prudence and charged to profit and loss account of that period.

### vii) Revenue Recognition:

Sale of goods is recognised on dispatches to customers, which coincide with the transfer of significant risks and rewards associated with ownership, inclusive of excise duty and net of discount.

Dividend income is accounted for when the right to receive is established.

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

### viii) Employee Benefits:

- a) Defined Contribution Plan:

Contributions are made to approved Superannuation and Provident Fund.

- b) Defined Benefit Plan:

Company's liability towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past Service Gratuity Liability is computed with reference to the service put in by each employee till the date of valuation as also the projected terminal salary at the time of exit. Actuarial gain or losses are recognised immediately in the Statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future Cash Flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

- c) Short Term Compensated Absences:

Liability on account of encashment of leave to employee is considered as short term compensated expense provided on actual.

### ix) Taxation:

Current tax is determined as the amount of tax payable in respect of taxable income for the year. The deferred tax for timing difference between the book and tax profit for the year is accounted for using tax rates and tax laws that have been enacted or substantially enacted at the Balance Sheet date (except to the extent reversing in the tax holiday period). Deferred Tax assets arising from the timing differences are recognised to the extent that there is virtual certainty that sufficient future taxable income will be available.

## SCHEDULE 15 : Notes forming part of the Accounts

### x) Provisions and contingent liabilities:

- a) Provisions in respect of present obligations arising out of past events are made in the accounts when reliable estimates can be made of the amount of the obligation.
- b) Contingent liabilities are disclosed by way of note to the financial statements after careful evaluation by the management of the facts and legal aspects of the matter involved.

### xi) Accounting for leases:

Assets given on lease where significant portion of risks and rewards incidental to the ownership are retained are classified as 'Operating lease.' Lease rentals are recognised on straight line basis over the lease term.

## 2) Contingent Liabilities:

- i) Guarantees given by the Company Rs. 1565.07 Lakhs (Rs. 1923.31 Lakhs)
- ii) Claims against the Company not acknowledged as debt:
  - a) Liabilities in respect of income tax matters for which the Company has succeeded in appeal but Income Tax Department has gone in further appeal and exclusive of the effect of similar matters in respect of pending assessments, Rs. 30.37 Lakhs (Rs.30.37 Lakhs).
  - b) Liabilities in respect of income tax matters for which the Company has gone in further appeal and exclusive of the effect of similar matters in respect of pending assessments, Rs. 887.75 Lakhs (Rs. 887.75 Lakhs).
  - c) Excise/Customs/Service Tax in respect of which either show cause notice is received or the Company/Department is in appeal, Rs. 2435.29 Lakhs (Rs. 2478.44 Lakhs).
  - d) Amounts claimed by banks in respect of derivative transactions which are under dispute not acknowledged as debt Rs. 23977.54 Lakhs. (Rs. 29474.16 Lakhs).
- 3) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance payments), Rs. 1424.59 Lakhs (Rs. 2714.73 Lakhs).
- 4) The break-up of deferred tax assets and liabilities into major components at the year end is as below :

Particulars	Liabilities (Rs. in Lakhs)		Assets (Rs. in Lakhs)	
	As at 31/03/2011	As at 31/03/2010	As at 31/03/2011	As at 31/03/2010
Depreciation	10000.03	9338.45	---	---
Others	---	---	1993.05	1993.05
Total	10000.03	9338.45	1993.05	1993.05
Net Deferred tax liability	8006.98	7345.40	---	---

**SCHEDULE 15 : Notes forming part of the Accounts**

- 5) A. Quantitative information of derivative instruments outstanding as at the balance sheet date:

Category	Amount (Rs. in Lakhs) 2010 -11	Amount (Rs. In Lakhs) 2009-10
Foreign Exchange Forwards/ Options	59191.00	46303.76
Interest Rate Swaps	-	1050.66
Currency Swaps	-	33226.00
Total	59191.00	80580.42

- B. The Company has entered into forward contract / option transactions with an objective to hedge the financial risks associated with its business viz. foreign exchange, interest rate.
- C. The Company has not hedged the following foreign currency exposures:
- Borrowings grouped under secured loans equivalent to Rs. 2301.70 lakhs (Rs. 3452.48 Lakhs) and under unsecured loans equivalent to Rs. 2268.55 Lakhs. (Rs. 15892.52 Lakhs).
  - Creditors for imports equivalent to Rs. 8341.28 Lakhs (Rs. 12714.73 Lakhs).

**6) Debentures: Terms of Redemption**

1000 Privately placed Secured Redeemable Non-Convertible Debentures of Rs. 10,00,000 (Rupees ten lakhs) each ("1000 Debentures") will be redeemed in full at par at the expiry of five years from the date of allotment i.e. 17th November, 2008.

500 Privately placed Secured Redeemable Non-Convertible Debentures of Rs.10,00,000 (Rupees ten lakhs) each ("500 Debentures") will be redeemed in three equal instalments at par at the expiry of third, fourth and fifth year from the date of allotment i.e., 18th September, 2009.

**7) Security for Secured Loans:**

- The outstanding amount payable on the above referred "1000 Debentures" with the interest accrued thereon but unpaid and all other costs, charges, expenses and fees payable to the Axis Trustee Services Limited ("ATSL or "Trustees") under the Debenture Trust deed dated 16th February, 2009 and for "500 Debentures" under the Debenture Trust Deed dated 5th March, 2010 respectively have been secured by creation of english mortgage on pari passu basis in favour of Trustees on the Company's immovable properties situate at 1B, 1st Floor, Mahakant Building, Ellisbridge, Ahmedabad in the State of Gujarat.
- The above referred Debentures and the borrowing from ICICI Bank Limited, Singapore Branch ("ICICI Bank") [Axis Bank Ltd. ("Axis Bank") acting as Security Trustee of ICICI Bank] by way of foreign currency loan together with all interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, expenses and other moneys and fees payable as applicable to the trustees under the Debentures Trust Deeds and Security Trustee Agreement have been secured by creating first equitable mortgage on pari passu basis in favour of the ATSL and the Axis Bank by depositing with Axis Bank, Axis Bank acting for itself as

## SCHEDULE 15 : Notes forming part of the Accounts

a Trustee of the above referred foreign currency loan of ICICI Bank and as an agent of ATSL, all the documents of title, evidences, title deeds and writings in respect of immovable properties falling within the battery limit of the site of the Company's plant for manufacture of PVC, situate at Village Golap, District Ratnagiri in the State of Maharashtra ("Title Deeds") together with all buildings and structures thereon and all plants and machinery attached to the earth or permanently fastened to anything attached to the earth.

(III) The aggregate limits of working capital borrowing of Rs. 139575 lakhs from the Bank of India Consortium together with all interest, liquidated damages, costs, charges, and other monies payable under working capital consortium agreement/sanction letters is secured by:

- (a) Hypothecation of inventories and book debts.
- (b) By extension of second equitable mortgage created in favour of Bank of India Consortium by deposit of Title Deeds with Axis Bank, Axis Bank acting as an agent for Bank of India Consortium, which ranks subsequent and subservient in rank of priority over the first equitable mortgages created / to be created by deposit of Title Deeds in respect of immoveable properties falling within the battery limit of the site of the Company's plant for manufacture of PVC Resin, situate at Village Golap, District Ratnagiri in the State of Maharashtra together with all buildings and structures thereon and all plant and machinery attached to the earth or permanently fastened to anything attached to the earth.

### 8) Sundry Creditors

- A) Outstanding to creditors other than Micro, Small & Medium Enterprise Rs. 24017.23 lakhs (Rs. 18765.19 Lakhs) [Interest Paid/Payable is Nil (Rs. Nil)]
- B) Outstanding to Micro, Small & Medium Enterprise : Rs. 68.88 Lakhs (Rs. 39.44 lakhs) The identification of suppliers as micro, small and medium enterprise defined under "The Micro, Small and Medium Enterprises Development Act, 2006" was done on the basis of information to the extent provided by the suppliers of the company. Total outstanding dues to Micro, Small and Medium Enterprises which were outstanding for more than stipulated period are given below.

	<b>Rs. lakhs</b>
a) Principal amount due	Nil
b) Interest paid under MSMED Act, 2006	Nil
c) Interest due	Nil
d) Interest accrued and due	Nil
e) Interest due and payable till actual payment	Nil

- 9) Donation includes political donation of Rs. Nil paid to political parties (Rs. 10 lakhs each paid to Nationalist Congress Party and Shiv Sena).

**SCHEDULE 15 : Notes forming part of the Accounts**

- 10) Disclosure as per Accounting Standard 15 (Revised)  
The following table sets out the status of the Gratuity Plan as required under AS 15 (Revised).

<b>Statement showing Changes in the Present Value of the Obligation</b>		<b>Rs. in lakhs</b>
	<b>As at 31 / 03 / 2011</b>	<b>As at 31 / 03 / 2010</b>
Present Value of obligation at the beginning of the year	<b>600.55</b>	462.65
Interest Cost	<b>46.05</b>	36.41
Current Service Cost	<b>49.71</b>	46.57
Benefits Paid	<b>(49.84)</b>	(14.98)
Actuarial (gain)/ loss on obligation	<b>(6.05)</b>	69.90
Present Value Of obligation as at the end of the year	<b>640.42</b>	600.55
<b>Table Showing changes in fair value of plan assets</b>		
Fair value of plan Assets at the beginning of the year	<b>356.73</b>	307.43
Expected Return on plan assets	<b>29.60</b>	26.56
Contributions	<b>42.71</b>	38.36
Benefits Paid	<b>(49.84)</b>	(14.98)
Actuarial gain/ (loss) Plan Assets	<b>3.97</b>	(0.64)
Fair value of plan Assets at the end of the year	<b>383.17</b>	356.73
<b>Actuarial gain or loss recognized</b>		
Actuarial (gain)/ loss on obligation	<b>(6.05)</b>	69.90
Actuarial gain /(loss) Plan Assets	<b>3.97</b>	(0.64)
Total gain / (loss) for the year	<b>10.02</b>	67.86
Present Value of obligation	<b>640.42</b>	600.55
<b>Amount to be recognised in the Balance Sheet</b>		
Present Value of obligation	<b>640.42</b>	600.55
Fair Value of Plan Assets	<b>(383.17)</b>	(359.52)
Funded Status	<b>257.25</b>	241.03
Liability/(asset) recognised in the Balance Sheet	<b>257.25</b>	241.03



**SCHEDULE 15 : Notes forming part of the Accounts**
**(Rs. in Lakhs)**

<b>Expenses Recognised in the statement of Profit &amp; Loss Account</b>	<b>2010-11</b>	<b>2009-10</b>
Current Service Cost	49.71	46.57
Interest Cost	46.05	36.41
Expected Return on plan assets	(29.59)	(26.57)
Net Actuarial gain/(loss) recognised in the year	(10.02)	70.55
Past Service Cost	2.79	-
Expenses Recognised in the statement of Profit & Loss	58.94	126.96

**Actuarial Assumptions :** Discounted Rate 8% Salary Escalation 5%

**(Rs. in lakhs)**

<b>(11) Managerial Remuneration :</b>	<b>2010-11</b>	<b>2009-10</b>
1) Calculation of commission payable to the Non-Executive Directors		
Profit as per Profit & Loss Account	11495.26	17396.66
Less : Profit on sale of assets	2.87	0.13
Profit on sale / redemption of investments (net)	1983.16	712.74
	<u>9509.23</u>	16683.79
Add : Directors' Remuneration	311.97	368.65
Directors' Commission	158.00	9.00
Directors' Sitting Fees	10.10	11.40
Loss on sale of assets	48.17	140.54
	<u>10037.47</u>	17213.38
Commission as decided by the Board to Wholetime Directors	151.00	-
Commission as decided by the Board to Non-Executive Directors	7.00	9.00
2) Details of payments and provision on account of remuneration to Managing Director and Wholetime Directors :		
i) Salary and perquisites	266.62	321.03
ii) Commission	158.00	-
iii) Contribution to Provident and other Funds	45.35	47.62
Total Remuneration	<u>469.97</u>	<u>368.65</u>
Note : Contribution to Gratuity Fund is made on global valuation and hence is not precisely ascertained.		
<b>(12) CIF Value of Imports :</b>	<b>Value</b>	<b>Value</b>
Raw materials*	124497.19	87209.65
Stores, spares and components	132.66	489.52
Capital goods	506.47	191.65
* Inclusive of high seas purchases		

**SCHEDULE 15 : Notes forming part of the Accounts**

(Rs. in lakhs)

<b>(13) Expenditure in Foreign Currency :</b>		<b>2010-11</b>	<b>2009-10</b>
Interest		<b>1043.65</b>	1863.04
Subscription		<b>11.53</b>	11.02
Travelling expenses		<b>32.98</b>	24.55
Legal and Professional fees		<b>246.82</b>	41.49
Others		<b>9.67</b>	3.24

<b>(14) Consumption of Raw Materials:</b>		<b>2010-11</b>	<b>2009-10</b>
Imported	86%	<b>113314.76</b>	90% 86117.09
Indigenous	14%	<b>18015.28</b>	10% 9286.30
		<u><b>131330.04</b></u>	<u>95403.39</u>

<b>(15) Consumption of Raw Materials:</b>		<b>Qty (M.T.)</b>	<b>2010-11</b>	<b>Qty (M.T.)</b>	<b>2009-10</b>
EDC *	<b>146924</b>		<b>34033.73</b>	108485	14380.44
Ethylene	<b>34573</b>		<b>18284.48</b>	30308	14240.11
VCM	<b>121290</b>		<b>51100.21</b>	118980	43619.94
PVC (excluding captive)	<b>25510</b>		<b>12973.33</b>	24570	9602.63
Others			<b>14938.29</b>		13560.27
			<u><b>131330.04</b></u>		<u>95403.39</u>

\* Goods traded in 24313 M.T. ( 17444 M.T. )

<b>(16) Consumption of Stores and Spares:</b>		<b>2010-11</b>	<b>2009-10</b>
Imported	3%	<b>62.93</b>	6% 108.70
Indigenous	97%	<b>2148.25</b>	94% 1861.49
		<u><b>2211.18</b></u>	<u>1970.19</u>

<b>(17) Capacities and Production :</b>			
Class of Goods	Unit	Installed Capacity	Production
PVC	M.T.	<b>260000</b> (260000)	<b>270124</b> (249867)
PVC Pipes	M.T.	<b>122867</b> (114163)	<b>130601</b> (107115)
PVC Fittings	M.T.	<b>735</b> (735)	<b>9455</b> (7405)
Power	MW	<b>339012</b> (Nil)	<b>258182</b> (Nil)

Installed capacities are certified by the Managing Director and relied upon by the Auditors.  
Production of pipes & fittings Includes production on job work basis.

**SCHEDULE 15 : Notes forming part of the Accounts**
**(18) Stock and Turnover :**

Class of Goods	Opening Stock		Closing Stock		Turnover	
	Qty.(M.T.)	Value	Qty.(M.T.)	Value	Qty.(M.T.)	#Value
PVC	<b>23026</b>	<b>11467.73</b>	<b>14659</b>	<b>6885.31</b>	<b>*171460</b>	<b>89074.07</b>
	(5287)	(1620.80)	(23026)	(11467.73)	*(138819)	(64547.06)
PVC Pipes	<b>2258</b>	<b>1417.67</b>	<b>3535</b>	<b>1992.73</b>	<b>129324</b>	<b>80755.01</b>
	(335)	(149.45)	(2258)	(1417.67)	(105192)	(64355.81)
PVC Fittings	<b>463</b>	<b>1434.40</b>	<b>920</b>	<b>1249.85</b>	<b>8998</b>	<b>9808.82</b>
	(655)	(584.11)	(463)	(1434.40)	(7597)	(7648.39)
Power (MW)	-	-	-	-	<b>@244614</b>	<b>11475.64</b>
	(-)	(-)	(-)	(-)	(-)	(-)
Miscellaneous						<b>6355.68</b>
{Includes material resold Rs. 5023.82 lakhs (Rs. 4026.78 lacs)}						(8715.49)
#	Net of excise duty					
	Opening and closing stock of PVC includes PVC lying at Pipe Plants.					
*	Net of captive consumption 106842 M.T. (93309 M.T.)					
	Interdivisional Transfers during the year 107031 M.T. ( 93966 M.T.)					
@	Net of captive consumption 13567.28 MW (Nil)					

**(19) Segment Reporting :**
**Primary Segment**

Based on the guiding principle given in the Accounting Standard - 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, the Company's primary segments are PolyVinyl Chloride ( PVC ), Pipes & fittings and Power.

The above business segments have been identified considering :

- i ) The nature of the products
- ii ) The related risks and returns
- iii ) The internal financial reporting systems

Revenue and expenses have been accounted for based on the basis of their relationship to the operating activities of the segment . Revenue and expenses , which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis , have been included under Unallocable Expenses. Assets and liabilities which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis , have been included under Unallocable Assets / Liabilities.

<b>SCHEDULE 15 : Notes forming part of the Accounts</b>											<b>(Rs. in lakhs)</b>		
Description	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
	PVC	PVC	PIPES & FITTINGS	PIPES & FITTINGS	POWER	POWER	OTHER THAN SEGMENT	OTHER THAN SEGMENT	ELIMINATIONS	ELIMINATIONS	TOTAL	TOTAL	
<b>A) PRIMARY SEGMENT INFORMATION</b>													
SEGMENT REVENUE (net of excise duty)													
a) External Sales	108869.56	76706.46	100819.86	82542.88	11475.64	-	-	-	-	-	219165.08	159249.34	
b) Inter-segment Sales	53590.78	34893.79	7.95	-	3345.72	-	-	-	(56945.45)	(34893.79)	-	-	
TOTAL REVENUE	160460.36	111600.25	100827.81	82542.88	14822.36	-	-	-	(56945.45)	(34893.79)	219165.08	159249.34	
SEGMENT RESULT	8450.81	19918.98	7213.56	8195.48	3438.86	-	-	-	0.00	-	19101.23	28114.46	
Interest											5966.28	4660.66	
Net unallocable (expenditure) / income											(1639.69)	(6057.14)	
PROFIT BEFORE TAX											11495.26	17396.66	
Provision for current tax											3216.58	4423.18	
Provision for deferred tax											661.58	(258.90)	
PROFIT AFTER TAX											7617.10	13232.38	
SEGMENT ASSETS	99479.84	108889.31	32553.52	23840.70	30565.15	-	55204.88	65482.53*	-	-	217903.39	198012.55	
SEGMENT LIABILITIES	27957.16	9415.90	10855.08	9950.28	607.38	-	29942.69	30984.25	-	-	66362.31	50350.44	
CAPITAL EXPENDITURE	662.46	858.43	2067.91	2012.94	571.40	-	925.10	29876.77	-	-	4226.87	32748.14	
DEPRECIATION	4757.74	5145.32	1163.52	951.38	1518.01	-	3.66	70.71	-	-	7442.93	6167.41	
<p>* Includes Rs. 29888.55 lacs in respect of power plant. Power plant is operationalised from 25th March 2010. The segment revenue and results from 25th March 2010 to 31st March 2010 not being material have not been disclosed separately.</p>													
<b>B) Secondary Segment</b>													
The Company caters mainly to the needs of Indian markets. Export turnover during the year being less than 10% of the total turnover, there are no reportable geographical segments.													

## SCHEDULE 15 : Notes forming part of the Accounts

### (20) Related Party Disclosures :

Disclosures as required by the Accounting Standard 18 " Related Party Disclosures " are given below :

#### a) List of Related Parties

- 1 Finolex Cables Limited
- 2 Finolex Plasson Industries Limited
- 3 Finprop Advisory Services Limited
- 4 Pawas Port Limited
- 5 Akash-Tatva Investments Pvt Ltd.
- 6 Coated Fabrics Pvt Ltd.
- 7 Corrugated Box Industries (I) Pvt.Ltd.
- 8 Finolib Chemicals Pvt. Ltd.
- 9 Orbit Electricals Pvt Ltd.
- 10 Kaya Software Pvt. Ltd.
- 11 Devita Investments Pvt Ltd.
- 12 Mohini Investments Pvt Ltd.
- 13 Fino Communication Equipments Pvt Ltd.
- 14 K.P. Investments Pvt Ltd.
- 15 Majesty Investments Pvt Ltd.
- 16 Magnum Machines Pvt Ltd.
- 17 V.K.C. Investments Pvt Ltd.
- 18 Hi-Tech Poly Coatings Pvt Ltd.
- 19 Pratibha Xero-Graphic Impression Pvt Ltd.

#### Key management personnel

- 1 Mr. P. P. Chhabria - Chairman
- 2 Mr. K. P. Chhabria - Vice-Chairman
- 3 Mr. Prakash P. Chhabria - Managing Director
- 4 Mr. S. S. Dhanorkar -Wholetime Director
- 5 Mr. P. Subramaniam -Wholetime Director

## SCHEDULE 15 : Notes forming part of the Accounts

		(Rs. in lakhs)		
b) Transactions with related Parties		2010-11		2009-10
Nature of transactions	Associate companies	Key management personnel	Associate companies	Key management personnel
<b>1 Sales and other Income</b>				
Finolex Cables Limited	175.94	-	169.44	-
Finolex Plasson Industries Limited	1968.91	-	1461.95	-
Total	<u>2144.85</u>	-	<u>1631.3</u>	-
<b>2 Purchases of raw materials and stores</b>				
Finolex Cables Limited	14.76	-	83.52	-
<b>3 Expenditure on Services</b>				
Finolex Cables Limited	7.10	-	-	-
Finprop Advisory Services Limited	39.65	-	36.72	-
	<u>46.75</u>	-	<u>36.72</u>	-
<b>4 Recoveries</b>				
Finolex Cables Limited	19.88	-	7.57	-
<b>5 Dividend received</b>				
Finolex Cables Limited	133.12	-	44.37	-
Finolex Plasson Industries Limited	92.70	-	46.35	-
	<u>225.82</u>	-	<u>90.72</u>	-
<b>6 Dividend paid</b>	-			
Finolex Cables Limited	1205.78	-	401.93	-
<b>7 Rent paid</b>				
Kaya Software Private Limited	101.53	-	106.81	-
<b>8 Interest to Companies against ICD</b>				
Akash-Tatva Investments Pvt Ltd.	13.58	-	2.62	-
Coated Fabrics Pvt Ltd.	45.66	-	40.51	-
Corrugated Box Industries (I) Pvt.Ltd.	15.73	-	3.41	-
Finolib Chemicals Pvt. Ltd.	6.51	-	0.94	-
Orbit Electricals Pvt Ltd.	13.02	-	2.72	-
Devita Investments Pvt Ltd.	6.69	-	-	-
Mohini Investments Pvt Ltd.	4.10	-	-	-
Fino Communication Equipments Pvt Ltd.	7.89	-	-	-
K.P. Investments Pvt Ltd.	2.56	-	-	-
Majesty Investments Pvt Ltd.	23.11	-	-	-
Magnum Machines Pvt Ltd.	38.31	-	-	-
V.K.C. Investments Pvt Ltd.	1.23	-	-	-
Hi-Tech Poly Coatings Pvt Ltd.	0.92	-	-	-
Pratibha Xero-Graphic Impression Pvt Ltd.	0.55	-	-	-

**SCHEDULE 15 : Notes forming part of the Accounts**

Nature of transactions	2010-11		2009-10	
	Associate companies	Key management personnel	Associate companies	Key management personnel
<b>9 Reimbursement of expenses received</b>				
Finolex Cables Limited	153.30	–	163.46	–
Finolex Plasson Industries Limited	0.00	–	24.89	–
Total	<u>153.30</u>	–	<u>188.35</u>	–
<b>10 Amount Outstanding</b>				
Debtors	972.25	–	304.88	–
Creditors	351.53	–	14.30	–
<b>11 Loans, Advances and Deposits</b>				
Akash-Tatva Investments Pvt Ltd.	53.00	–	207.00	–
Coated Fabrics Pvt Ltd.	474.00	–	537.00	–
Corrugated Box Industries (I) Pvt.Ltd.	163.00	–	125.00	–
Finolib Chemicals Pvt. Ltd.	50.00	–	70.00	–
Orbit Electricals Pvt Ltd.	172.00	–	50.00	–
Devita Investments Pvt Ltd.	53.00	–	-	–
Mohini Investments Pvt Ltd.	38.00	–	-	–
Fino Communication Equipments Pvt Ltd.	65.00	–	-	–
K.P. Investments Pvt Ltd.	17.00	–	-	–
Majesty Investments Pvt Ltd.	123.00	–	-	–
Magnum Machines Pvt Ltd.	350.00	–	-	–
V.K.C. Investments Pvt Ltd.	20.00	–	-	–
Hi-Tech Poly Coatings Pvt Ltd.	15.00	–	-	–
Pratibha Xero-Graphic Impression Pvt Ltd.	9.00	–	-	–
<b>12 Refund of Deposits</b>				
Akash-Tatva Investments Pvt Ltd.	207.00	–	70.00	–
Coated Fabrics Pvt Ltd.	237.00	–	101.00	–
Corrugated Box Industries (I) Pvt.Ltd.	75.00	–	127.00	–
Finolib Chemicals Pvt. Ltd.	70.00	–	–	–
Orbit Electricals Pvt Ltd.	50.00	–	–	–
Devita Investments Pvt Ltd.	70.00	–	–	–
Mohini Investments Pvt Ltd.	35.00	–	–	–
Fino Communication Equipments Pvt Ltd.	77.00	–	–	–
K.P. Investments Pvt Ltd.	30.00	–	–	–
Majesty Investments Pvt Ltd.	212.00	–	–	–
Magnum Machines Pvt Ltd.	180.00	–	–	–
V.K.C. Investments Pvt Ltd.	–	–	–	–
<b>13 Managerial remuneration</b>	–	469.97	–	368.65

**(21) BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I Registration Details**

Registration No. 

	2	4	1	5	3
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 State Code 

1	1
---	---

Balance Sheet Date 

3	1	0	3	1	1
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D D M M Y Y

**II Capital Raised during the Year (Amount in Rs. Thousands)**

<p>Public Issue</p> <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table> <p>Bonus Issue</p> <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L					N	I	L			<p>Rights Issue</p> <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table> <p>Private Placement</p> <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>			N	I	L					N	I	L		
		N	I	L																									
		N	I	L																									
		N	I	L																									
		N	I	L																									

**III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

<p>Total Liabilities</p> <table border="1" style="width: 100%;"><tr><td>1</td><td>8</td><td>9</td><td>2</td><td>1</td><td>3</td><td>8</td><td>1</td></tr></table> <p>Sources of Funds</p> <p>Paid - up Capital</p> <table border="1" style="width: 100%;"><tr><td>1</td><td>2</td><td>4</td><td>0</td><td>4</td><td>4</td><td>8</td></tr></table> <p>Secured Loans</p> <table border="1" style="width: 100%;"><tr><td>2</td><td>0</td><td>5</td><td>7</td><td>1</td><td>8</td><td>7</td></tr></table> <p>Deferred Tax</p> <table border="1" style="width: 100%;"><tr><td> </td><td>8</td><td>0</td><td>0</td><td>6</td><td>9</td><td>8</td></tr></table> <p>Application of Funds</p> <p>Net Fixed Assets</p> <table border="1" style="width: 100%;"><tr><td>8</td><td>6</td><td>8</td><td>6</td><td>9</td><td>6</td><td>7</td></tr></table> <p>Net Current Assets</p> <table border="1" style="width: 100%;"><tr><td>3</td><td>7</td><td>0</td><td>4</td><td>2</td><td>8</td><td>3</td></tr></table> <p>Accumulated Losses</p> <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>	1	8	9	2	1	3	8	1	1	2	4	0	4	4	8	2	0	5	7	1	8	7		8	0	0	6	9	8	8	6	8	6	9	6	7	3	7	0	4	2	8	3			N	I	L			<p>Total Assets</p> <table border="1" style="width: 100%;"><tr><td>1</td><td>8</td><td>9</td><td>2</td><td>1</td><td>3</td><td>8</td><td>1</td></tr></table> <p>Reserves and Surplus</p> <table border="1" style="width: 100%;"><tr><td>4</td><td>9</td><td>6</td><td>2</td><td>6</td><td>9</td><td>8</td></tr></table> <p>Unsecured Loans</p> <table border="1" style="width: 100%;"><tr><td>5</td><td>4</td><td>1</td><td>0</td><td>0</td><td>9</td><td>7</td></tr></table> <p>Investments</p> <table border="1" style="width: 100%;"><tr><td>2</td><td>0</td><td>7</td><td>9</td><td>8</td><td>7</td><td>8</td></tr></table> <p>Misc. Expenditure</p> <table border="1" style="width: 100%;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td></tr></table>	1	8	9	2	1	3	8	1	4	9	6	2	6	9	8	5	4	1	0	0	9	7	2	0	7	9	8	7	8			N	I	L		
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#### IV Performance of Company (Amount in Rs. Thousands)

Turnover ( net of excise duty )

1	9	7	7	7	2	6	2
---	---	---	---	---	---	---	---

Total Expenditure

1	8	9	2	1	3	3	5
---	---	---	---	---	---	---	---

Profit Before Tax

+		0	1	1	4	9	5	2	6
---	--	---	---	---	---	---	---	---	---

Profit After Tax

+		0	0	7	6	1	7	1	0
---	--	---	---	---	---	---	---	---	---

Earnings Per Share in Rs.

0	6	.	1	4
---	---	---	---	---

Dividend Rate %

3	0	.	0	0
---	---	---	---	---

#### V Generic Names of Principal Products/Services of Company

(As per monetary terms)

a) Item Code No. (ITC Code)

	3	9	0	4	2	1	1	0			
--	---	---	---	---	---	---	---	---	--	--	--

Product Description

S		P	V	C		R	E	S	I	N	
---	--	---	---	---	--	---	---	---	---	---	--

b) Item Code No. (ITC Code)

	3	9	0	4	2	2	1	0			
--	---	---	---	---	---	---	---	---	--	--	--

Product Description

E		P	V	C		R	E	S	I	N	
---	--	---	---	---	--	---	---	---	---	---	--

c) Item Code No. (ITC Code)

	3	9	1	7	2	3	9	0			
--	---	---	---	---	---	---	---	---	--	--	--

Product Description

P	V	C		P	I	P	E	S			
---	---	---	--	---	---	---	---	---	--	--	--

d) Item Code No. (ITC Code)

	3	9	1	7	4	0	0	0			
--	---	---	---	---	---	---	---	---	--	--	--

Product Description

P	V	C		F	I	T	T	I	N	G	S
---	---	---	--	---	---	---	---	---	---	---	---

e) Item Code No. (ITC Code)

	N		A								
--	---	--	---	--	--	--	--	--	--	--	--

P	O	W	E	R							
---	---	---	---	---	--	--	--	--	--	--	--

(22) Figures in respect of the previous year have been regrouped or rearranged wherever necessary to conform to the current period's classification.

Signatures to Schedules 1 to 15 and Notes to Accounts.

As per our report of even date  
For B. K. Khare & Company  
Chartered Accountants

U. B. JOSHI  
Partner

ANIL ATRE  
AVP (Legal & Admn.)  
& Company Secretary

P.P. CHHABRIA  
K.P. CHHABRIA  
PRAKASH P. CHHABRIA  
K.N. ATMARAMANI  
S.N. INAMDAR  
DR. VIJAY P. BHATKAR  
DR. SUNIL U. PATHAK  
P.D. KARANDIKAR  
S.S. DHANORKAR  
P. SUBRAMANIAM

Chairman  
Executive Vice Chairman  
Managing Director

Asst. Managing Director & COO  
Asst. Managing Director & CFO

Pune : 30th April, 2011

Pune : 30th April, 2011

**NOTICE**

NOTICE is hereby given that the thirtieth annual general meeting of the members of Finolex Industries Limited will be held on Saturday, 16th day of July, 2011 at 10.30 a.m. at Training Centre of Finolex Cables Limited at and post Urse, Taluka Maval, District Pune 410 506 to transact the following business:

1. To receive, consider, approve and adopt the audited balance sheet as at 31<sup>st</sup> March, 2011 and the profit and loss account for the year ended on that date and the reports of the directors and the auditors thereon.
2. To declare dividend for the financial year ended 31<sup>st</sup> March, 2011.
3. To appoint a director in place of Mr.S.S.Dhanorkar, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a director in place of Mr.P.Subramaniam, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a director in place of Dr.Vijay P. Bhatkar, who retires by rotation and, being eligible, offers himself for reappointment.
6. To appoint auditors to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting and to fix their remuneration.

**Special business:**

7. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as a special resolution:-

“RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310, 311, schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the “Act”) and subject to the approvals as are necessary, consent of the Company be and is hereby accorded to the reappointment of Mr.P.Subramaniam as a wholetime director of the Company designated as Assistant Managing Director and Chief Financial Officer, with effect from 5<sup>th</sup> June, 2011 for a period of two years on the remuneration and on the terms and conditions including remuneration to be paid in case of inadequacy of profits, absence of profits or no profits as are set out in the agreement entered into by the Company with Mr.P.Subramaniam, which agreement is placed before this meeting and is hereby specifically approved with liberty to the Board of Directors (the “Board”) to alter and vary the terms and conditions of the agreement.

RESOLVED FURTHER THAT the Board be and is hereby authorized to revise from time to time during the tenure of the appointment of Mr.P.Subramaniam, the remuneration payable to him, subject to ceiling laid down in sections 198, 309 and schedule XIII to the Act without further approval of the members of the Company but with such other approvals, actions or permissions, if any, required for such revision in the remuneration.

RESOLVED FURTHER THAT the Chairman or Executive Vice Chairman or Managing Director or Assistant Managing Director and Chief Operating Officer of the Company be and are hereby authorized severally to do all such acts, deeds, matters and things as may be considered necessary, usual, proper or expedient to give effect to the above resolution.”

8. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as a special resolution :-

"RESOLVED THAT subject to the guidelines issued by the Securities and Exchange Board of India (SEBI) as applicable and subject to the other consents, permissions, approvals and sanctions, if any, as may be necessary and subject to such conditions, if any, as may be laid down by SEBI or any other authorities, consent of the Company be and is hereby accorded under section 81(1A) and other applicable provisions of the Companies Act, 1956 to the Board of Directors of the Company (the "Board") to issue and offer from and out of the unissued balance equity shares in the Authorized Share Capital of the Company 35146 equity shares of Rs.10 each at a premium of Rs.30 per equity share for cash (the "New Equity Shares"), at an aggregate issue price of Rs.14,05,840 to the legal heirs of the then shareholder of the Company viz. Late Shri R.P.Chhabria in terms of the order of the Hon'ble High Court of Judicature at Bombay dated 10<sup>th</sup> July, 2007 on the following main terms and conditions :

- (a) The offer of New Equity Shares shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Company and the New Equity Shares shall rank pari passu in all respects with the existing Equity shares of the Company;
- (b) The New Equity Shares shall be entitled to dividend declared and paid by the Company for the financial year ended on 31<sup>st</sup> March, 2007 and thereafter;
- (c) The application money for the New Equity Shares of Rs. 14,05,840 shall be paid simultaneously on acceptance of offer by the legal heirs of Late Shri R.P.Chhabria.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all actions and to do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable, proper or expedient to give effect to the issue, offer and allotment of the aforesaid shares, their listing with the stock exchange(s) as may be deemed appropriate, and to resolve and settle all questions and difficulties that may arise in the proposed offer, issue and allotment of any of the aforesaid shares and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion may deem fit without being required to seek any further consent or approval of the members or otherwise to the end, effect and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors, or to the Chairman or to the Managing Director or any one or more whole-time Directors or officers of the Company to give effect to the aforesaid resolution."

By Order of the Board of Directors,  
For Finolex Industries Limited,  
Anil Atre  
AVP (Legal & Admin.) &  
Company Secretary

Pune,  
30th April, 2011  
Registered Office:  
Gat No. 399, Urse, Taluka Maval  
District Pune 410506.

### Notes:

- 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company. The proxy form, in order to be effective, must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.**
2. The explanatory statement pursuant to section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The register of members and the share transfer books of the Company will remain closed from 1<sup>st</sup> July, 2011 to 16<sup>th</sup> July, 2011, both days inclusive.
4. Dividend, if declared at the meeting, will be credited/dispatched between 21<sup>st</sup> July, 2011 to 26<sup>th</sup> July, 2011 to those shareholders whose names appear on the register of members of the Company on 16<sup>th</sup> July, 2011 or on the register of beneficial owners maintained by the depositories as at the close of their business hours on 30<sup>th</sup> June, 2011.
5. Please refer page 18 for brief resume of Directors being reappointed.
6. Members whose shareholding is in the dematerialized form are requested to direct change of address notifications and updations of bank/mandate/ECS details to their respective depository participants. Members holding shares in physical form may please send such details to the Company at its Investor Relations Centre at P-14, Rajiv Gandhi Infotech Park, MIDC, Phase I, Hinjewadi, Pune 411 057.
7. Members holding shares in physical form are requested to consider dematerializing the same at the earliest.
8. Members who have not appointed nominees are requested to appoint nominees. The prescribed form for appointment of nominee will be made available on request.
9. Members desirous of obtaining any information concerning the accounts and operations of the Company for the financial year ended 31<sup>st</sup> March, 2011 are requested to address their questions to the Company Secretary at Investor Relations Centre so as to reach on or before 30<sup>th</sup> June, 2011 so that the requested information is made available at the meeting to the best extent possible.
10. Please ensure to enclose copies of PAN card(s) of all transferees along with share transfer documents to be lodged for transfer of shares. In absence of such PAN card copies, Company cannot effect the requests for transfer/transmission/name deletion etc.
11. Pursuant to sections 205A and 205C of the Companies Act, 1956, all unclaimed/unpaid dividends up to the financial year 2003-2004 have been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government.
12. Members are requested to bring their copy of the annual report and the duly filled in attendance slip with them at the annual general meeting.
13. Government of India, Ministry of Corporate Affairs vide its circular No.18/2011 dated 27<sup>th</sup> April, 2011 has clarified that the Company can send Annual Report by electronic mail to the members who have registered their e-mail addresses with the Company or with concerned depository. As such to enable the Company to send the soft copy of the Annual Report by electronic mail, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the depository through their respective Depository Participants. Members who hold shares in physical form are requested to register their e-mail addresses with the Company by sending e-mail to: **investors@finolexind.com**.

14. Route map showing directions to the venue of the meeting is given on page 71.

**EXPLANATORY STATEMENT IN RESPECT OF ITEM NOS.7 AND 8 OF THE NOTICE PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**

**Item No.7**

Mr.P.Subramaniam was reappointed as wholetime director designated as Assistant Managing Director and Chief Financial Officer for the period of four years from 5<sup>th</sup> June, 2007 to 4<sup>th</sup> June, 2011.

Mr.P.Subramaniam has been reappointed as whole-time director designated as Assistant Managing Director and Chief Financial Officer for the further period of two years from 5<sup>th</sup> June, 2011 by the Board of Directors at its meeting held on 30<sup>th</sup> April, 2011, on the recommendation of Audit Committee, at its meeting held on 29<sup>th</sup> April, 2011 upon the terms and conditions as set out in the agreement entered into by the Company with Mr.P.Subramaniam.

Mr.P.Subramaniam, M.Com., MBA (Finance) from University of Michigan, U.S.A., has total experience of about 40 years in the field of corporate finance, treasury etc. and is in the employment of the Company since 1994. He is, inter alia, responsible for overall financial activities of the Company.

The main terms and conditions of the agreement entered into by the Company with Mr.P.Subramaniam are as under:

**A Remuneration: (w.e.f. 05/06/2011)**

The Company shall pay to Mr.P.Subramaniam basic salary in the scale of Rs.1 lac to Rs.5 lac per month with an annual increment, as may be decided by the Board within the abovementioned scale, due on expiry of each year of service completed and other perquisites as under:

<b>Description</b>	<b>Amount</b>
Basic salary – per month (Rs.)	194600
House rent allowance per month (Rs.)	58380
Conveyance allowance (Including reimbursement) – per month (Rs.)	14500
Reimbursement of driver's salary – per month (Rs.)	7000
Compensatory allowance – per month (Rs.)	28175

**B Perquisites and facilities:**

Mr.P.Subramaniam shall also be entitled to:

- 1 Bonus/Ex gratia as announced by the Company.
- 2 Medical allowance including reimbursement as per rules of the Company
- 3 Leave with full pay and all allowances as per the rules of the Company.
- 4 Encashment of leave at the end of tenure as per the rules of the Company.
- 5 Leave Travel Concession for self and family in accordance with the rules of the Company.
- 6 Variable performance Incentive as decided by the Board (not exceeding Rs.10 lakhs) for each financial year commencing from 1st April, 2011.
- 7 Benefit of group personal accident insurance policy taken out by the Company.
- 8 Contribution to provident fund, superannuation fund and gratuity fund as per the rules of the Company.
- 9 Free use of motor car (without driver) provided by the Company for business purposes.
- 10 Free landline and mobile phone facility that is to say all charges whereof including rental, call charges etc. shall be paid by the Company in full, personal long distance calls to be billed by the Company to Mr.P.Subramaniam.
- 11 The Company shall reimburse actual entertainment and travelling expenses incurred by Mr.P.Subramaniam in connection with the Company's business.

The said agreement entered into by the Company with Mr.P.Subramaniam in connection with his reappointment and remuneration as applicable is available for inspection by the members of the Company at the registered office of the Company between 10.00 a.m. and 12.00 noon on any working day of the Company till 16th July, 2011.

The aforesaid may be treated as an abstract of the terms and conditions of reappointment and remuneration of Mr.P.Subramaniam pursuant to Section 302 of the Companies Act, 1956.

Mr.P.Subramaniam is concerned or interested in the resolution proposed at item no.7 of the Notice, since the aforesaid resolution relates to his reappointment and payment of remuneration to him. No other director is concerned or interested in the above resolution.

**Item No. 8**

Entitlement of Mr.Anil Chhabria as a representative of some of the legal heirs of late Mr.R.P.Chhabria was subject matter of the legal proceedings which came to an end on the order dated 10th July, 2007 of the Hon'ble High Court of Judicature at Bombay which was passed in appeal No.784/2000. The Company was allowed to abide by the order dated 14th September, 1999 of the Company Law Board. In implementation of the said order of the High Court of Judicature at Bombay, the Company is advised to issue rights shares offered in 1992. The issuance of shares is

in terms of the order of the Company Law Board and is special to the heirs of late Mr.R.P.Chhabria. No issue is to be made to other existing shareholders.

The terms and conditions for the issuance are as follows:

- (a) The offer of New Equity Shares shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Company and shall rank pari passu in all respects with the existing Equity shares of the Company;
- (b) The New Equity Shares shall be entitled to dividend declared and paid by the Company, for the financial year ending 31st March, 2007 and thereafter;
- (c) The application money for the New Equity Shares of Rs. 14,05,840 shall be paid simultaneously on acceptance of offer by the legal heirs of Late Shri R.P.Chhabria.

The Board accordingly recommends the special resolution set out at item no.8 of the accompanying notice for the approval of the members.

The following documents are available for inspection by the members of the Company at the registered office of the Company between 10.00 a.m. and 12.00 noon on any working day of the Company till 16th July, 2011:-

1. Copy of the resolution passed by the members of the Company at their extraordinary general meeting held on 18th May, 1992 for Rights Issue 1992.
2. Copy of Letter of Offer for the Rights Issue 1992.
3. Copy of the Order of the Company Law Board dated 14th September, 1999.
4. Copy of order of High Court of Judicature at Bombay dated 15th March, 2000.
5. Copy of order of High Court of Judicature at Bombay dated 10th July, 2007.

Mr.P.P.Chhabria and Mr.K.P.Chhabria are deemed to be concerned or interested in the resolution proposed at item no. 8 of the Notice, as some of the legal heirs of the then shareholder of the Company.

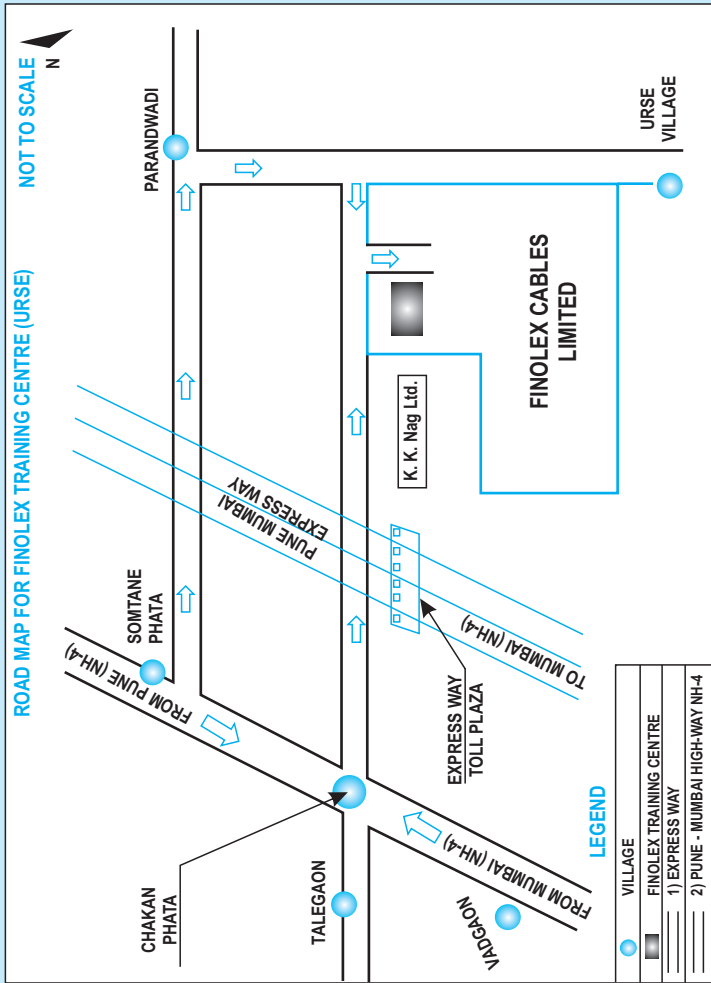
Mr.Prakash P.Chhabria, being related to Mr.P.P.Chhabria, is deemed to be concerned or interested in the resolution proposed at item No.8 of the Notice.

None of the remaining directors is concerned or interested in the resolution proposed at item No.8 of the notice.

By Order of the Board of Directors,  
For Finolex Industries Limited,

Pune,  
30th April, 2011.

Anil B. Atre  
AVP (Legal & Admin.) &  
Company Secretary





**FINOLEX INDUSTRIES LIMITED**

Registered Office: Gat No.399, Urse, Taluka Maval, District Pune - 410 506, Maharashtra, India.

**PROXY FORM**

Folio No.: \_\_\_\_\_ No. of shares \_\_\_\_\_

DP ID No. : \_\_\_\_\_

Client ID No. : \_\_\_\_\_

I/We \_\_\_\_\_ of

\_\_\_\_\_ being member(s) of the above named

Company, hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy to attend and vote for me/us on my/our behalf at the 30th annual general meeting of the Company to be held on Saturday, the 16th July, 2011 at 10.30 a.m. at Training Centre of Finolex Cables Limited at and post Urse, Taluka Maval, District Pune 410 506.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

Affix Revenue  
Stamp of 15  
paise (Pl. Sign  
across the  
stamp)

Signature \_\_\_\_\_

N. B. : Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself on a poll and the proxy need not be a member. The form duly completed should be deposited at the Registered Office of the Company at Gat No. 399, Urse, Taluka Maval, District Pune 410 506, not later than 48 hours before the time for holding the Meeting.

**FINOLEX INDUSTRIES LIMITED**

Registered Office: Gat No.399, Urse, Taluka Maval, District Pune - 410 506, Maharashtra, India.

**30TH ANNUAL GENERAL MEETING - 16th July, 2011**

**ATTENDANCE SLIP**

(To be handed over at the entrance of the venue of the Meeting)

Folio No. : \_\_\_\_\_ DP ID No. : \_\_\_\_\_ Client ID No. : \_\_\_\_\_

Member's Name \_\_\_\_\_

No. of shares \_\_\_\_\_

Proxy's Name (in block letters) \_\_\_\_\_

I hereby record my presence at the 30th annual general meeting at Training Centre of Finolex Cables Limited at and post Urse, Taluka Maval, District Pune 410 506 on 16th July, 2011 at 10.30 a.m.

\_\_\_\_\_  
Member's / Proxy's Signature

Notes : 1) Interested joint members may obtain attendance slips from the Registered Office of the Company. 2) Members/joint members/proxies are requested to bring the attendance slips with them. Duplicate slips will not be issued at the entrance of the meeting hall.

## Five Year Financial Highlights

(Rs. in lakhs)

PROFIT AND LOSS ACCOUNT DATA	2010/11	2009/10	2008/09	2007/08	2006/07
Gross Revenue	222101.07	161194.15	173500.25	167550.25	125252.12
Materials and manufacturing cost (including excise duty)	180381.79	114831.18	138028.85	137282.48	99186.01
Personnel expenses	5053.35	4137.84	3760.50	3466.66	2615.91
Administration and selling expenses	11761.48	14000.40	27095.05	7845.94	6444.69
Finance charges	5966.28	4660.66	4682.66	3031.93	1373.20
Depreciation	7442.91	6167.41	5832.25	5745.77	5460.81
(Loss)/Profit before tax	11495.26	17396.66	(5899.06)	10177.47	10171.51
Taxation	3878.16	4164.28	(2109.64)	3058.92	3183.24
(Loss)/Profit after tax	7617.10	13232.38	(3789.42)	7118.55	6988.27
Dividend ( including tax on dividend)	4354.00	4354.00	1452.00	4354.00	4354.00
<b>BALANCE SHEET DATA</b>					
Share capital	12404.48	12401.10	12400.87	12400.15	12399.28
Reserves and surplus	49626.98	46367.26	37594.95	42999.72	40467.00
Net worth	62031.46	58768.36	49995.82	55399.87	52866.28
Deferred tax ( net )	8006.98	7345.40	7604.30	9805.98	10470.98
Long term Loans	18787.74	18452.48	24300.04	14776.39	17344.00
Short term Loans	55885.10	64898.22	56940.39	54398.21	30545.46
Total liabilities	144711.28	149464.46	138840.55	134380.45	111226.72
Gross block	156372.54	153334.73	120586.59	113911.37	109098.26
Net block (including CWIP)	86869.67	90201.51	86515.40	76649.31	65972.00
Investments	20798.78	32638.07	26458.95	25214.29	24562.68
Net current assets	37042.83	26624.88	25866.20	32516.85	20692.04
Total assets	144711.28	149464.46	138840.55	134380.45	111226.72
<b>KEY RATIOS</b>					
Return on net worth ( % )	12.28	22.52	(7.58)	12.85	13.22
Earnings per share ( Rs. )	6.14	10.67	(3.06)	5.74	5.63
Long term debt to equity	0.30	0.31	0.49	0.27	0.33
Dividend payout ( % )	57.16	32.90	-	61.16	62.30
Interest coverage	2.93	4.73	(0.26)	4.36	8.41
Book value per share	50.00	47.37	40.31	44.67	42.63

Book Post

If undelivered please return to :

**Finolex**  
**Industries Limited**

P-14, Rajiv Gandhi Infotech Park, MIDC Hinjewadi,  
Pune 411 057. Tel.+91-20-27408200. E-mail : [investors@finolexind.com](mailto:investors@finolexind.com)