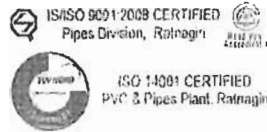


# Finolex Industries Limited



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TEL : +91-20-27408200,  
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Visit us at : [www.finolex.com](http://www.finolex.com)

## FORM A

Pursuant to clause 31 of the Listing Agreement  
Covering letter of the Annual Audit Report to be filed with Stock Exchanges  
(SEBI Circular No.CIR/CFD/DIL/7/2012 dated 13<sup>th</sup> August, 2012)

1	Name of the Company	Finolex Industries Limited
2	Annual financial statements for the year ended	31 <sup>st</sup> March, 2014
3	Type of Audit observation	Unqualified
4	Frequency of observation	Not applicable

For M/s P.G.Bhagwat  
Chartered Accountants  
Firm's Registration No.101118W

Abhijeet Bhagwat  
Partner  
Membership No.136835

For Finolex Industries Limited

S.S.Dhanorkar  
Managing Director

For Finolex industries Limited

S.M.Inamdar  
Chairman - Audit Committee

For Finolex Industries Limited

Anil Whabi  
President Finance & CFO

For Finolex Industries Limited

Umesh Gasavi  
G.M.(Legal) & Company Secretary  
Compliance Officer

Date: 22nd August, 2014

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**FinOlex**  
Pipes

33<sup>rd</sup>  
**ANNUAL REPORT**  
2013-14

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**Finolex Industries Limited**





Paani ko apni  
manzil tak pahunchaye

## *Chairman's Message*



*Dear Shareholders,*

*Your Company continues to march forward on its projected growth path. We have seen a strong increase in both turnover and profitability. In fact, sales and profit are at an all-time high.*

*The steps taken by your Company to increase production capacities are paying rich dividends, and your Company is poised to take advantage of the increasing demand for its products in the coming years.*

*Your Company continues to maintain its number one position in the PVC pipes industry. We are undertaking various initiatives to further strengthen Brand Finolex. One of the Company's greatest strengths is its pan India network of distributors and retailers. We are taking further steps to aggressively grow in East India and North-East India. As a first step, your Company has established a large dedicated warehouse at Cuttack in the state of Odisha.*

*We have also increased our commitment to CSR activities. We have a social conscience, and will continue in our attempts to improve the standard of living for the under privileged in our vicinity. We hope to extend this aid in time throughout the country.*

*I am confident that your Company will continue to grow at a substantial rate in the coming years.*

*The Board joins me in expressing our deep appreciation to the employees and the management team for their hard-work and valued contribution during 2013-14.*

*With warm regards,*

**Prakash P. Chhabria**  
Executive Chairman

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

## BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

**Mr. S. Krishnamoorthy**  
General Manager  
(Accounts & Finance)

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

### Bankers

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

### Auditors

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

### Solicitors & Advocates

Crawford Bayley & Co., Mumbai

### Investor Relations Centre

D1/10, MIDC  
Chinchwad  
Pune 411 019.  
Maharashtra  
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Tel.No.020-27408200/27408570/571  
Fax No.020-27479000  
E-mail:investors@finolexind.com

### Registered Office

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Maharashtra  
India  
Tel.02114-237251  
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E-mail:investors@finolexind.com  
CIN: L40108PN1981PLC024153  
Website: www.finolex.com

# Management discussion and analysis

## Introduction

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

## Financial review

Your Company has further improved its profitability during the year under review. Profit before tax for the year has increased by 27% from ₹ 190 crore to ₹ 242 crore while net profit after tax increased by 25% from ₹ 136 crore to ₹ 170 crore. The turnover has increased by 13.45% from ₹ 2,145 crore to ₹ 2,453 crore.

## Outlook for the Company

### PVC pipes and fittings division:

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

Since the predominant material used to transport water during those early days was metal and concrete, the initial years of your Company were spent in developing and building the market for PVC pipes and fittings. Your Company was instrumental in convincing end users that PVC is a better material for water transportation, and superior to metal or concrete for the following reasons:

- a) PVC has better flow characteristics as compared to galvanized iron or cement pipes
- b) PVC is corrosion free
- c) PVC is easy to install
- d) Transportation of PVC is easier because of its low weight per metre.

Over the years, your Company has successfully established the concept of PVC pipes and fittings as the preferred material for water transportation and has also built and grown Brand 'Finolex' as the Number One brand name in the PVC pipes and fittings industry. The brand has been built, by your company, through a sustained focus on high quality products, and deep market penetration in rural areas. To achieve this, your Company undertakes various branding activities such as organizing farmer meets, plumber meets, participating in village fairs, participating in industrial and agricultural exhibitions etc. as well as TV advertisements. Your Company has always recognized the tremendous importance of PVC pipes in the life of a typical Indian farmer. In fact, it believes that the pipeline, which brings water to the fields, is in a true sense, the farmer's "lifeline". Your Company therefore believes in consistently providing consumers with high quality products that ensure trouble free service for decades.



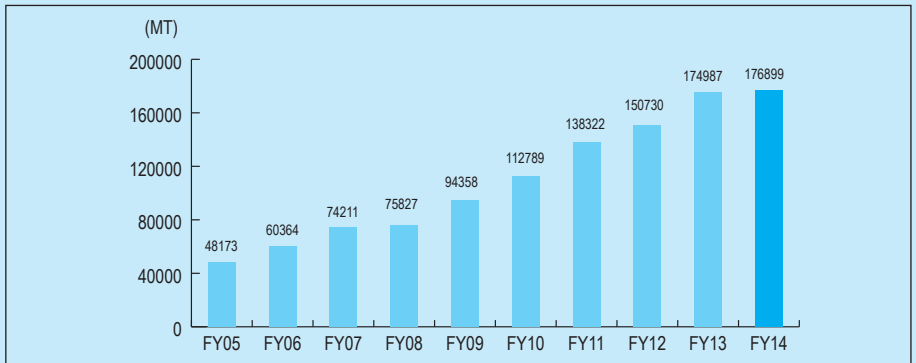
*Finolex Farmers' workshop in progress*



*Finolex Plumbers workshop in progress*

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

### Sales volume of PVC Pipes and Fittings



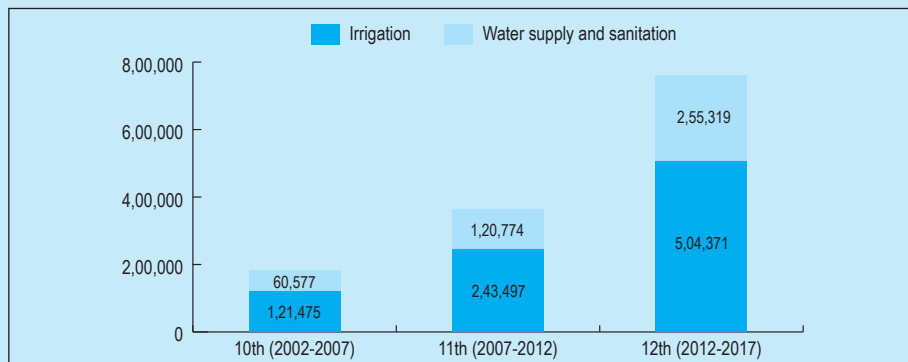
The sales volume growth of PVC pipes and fittings during the year under review was less than expected because of an extended monsoon. Whereas, in value, it was up by 13.45%. Agricultural pipes are by necessity laid underground and the activity of digging trenches slows down considerably during the monsoon. During the year under review, many parts of Western and Southern India witnessed heavy rains and hailstorms as late as February 2014. This had a dampening effect on the sales during the quarter January to March 2014, which is traditionally the peak season for your Company's products. Despite the slowdown in the last quarter of the year under review, your Company has seen an increase in demand towards the end of the rainy season and now expects a healthy growth in the sale of pipes and fittings over the forthcoming quarters.



As per NCAER estimates, the annual size of the rural market for agri inputs is in excess of ₹45,000 crore. PVC pipes and fittings are an important part of agri inputs. It is estimated that about 14% of rural income is spent on agri inputs.

As per the statistics, only about 43% of the land under cultivation in India has access to irrigation. This means that more than half of India's agriculture still depends on the monsoon. Successive governments have allocated large funds to increase the reach of irrigation.

### Government spending in 5-Year plans



An increase in disposable income in rural India and a continued focus by the Government to increase irrigation coverage in the country augurs well for the demand of your Company's products. Your Company has experienced that the demand for PVC pipes and fittings is acyclical in nature. A good monsoon implies better purchasing power for the farmer, thereby resulting in a high demand for pipes. Similarly, a poor monsoon requires the farmer to source water from farther distances, thereby also increasing the demand for pipes.

Furthermore, the area under irrigation in India is abysmally low and the potential for irrigation is so large that your Company does not expect any structural drop in demand in the foreseeable future. Your Company has therefore seen a CAGR of more than 15% over the last ten years, and expects this trend to continue in the years to come.

In the non-agricultural sector, PVC pipes are seen to be fast replacing traditional plumbing material such as galvanized iron (GI). Accordingly, your Company has also been focusing on leveraging its distribution strength, by targeting the rising demand for pipes and fittings in the non-agricultural sector, in tier two and tier three cities.

Your Company believes that this strategy shields its sales from recessionary trends, in residential and commercial sectors in the metros. Your Company expects a steady growth in the non-agricultural sector of the market.

Within the domestic construction market, the tier II and tier III cities offer potential growth as they are less penetrated. Moreover, there is a rapid transition from traditional plumbing material like metal to PVC Pipes and fittings.

Your Company has set up ultramodern and highly efficient plants in three key locations: Pune and Ratnagiri in Maharashtra and Masar in Gujarat. Additionally, with its increased focus on the fittings business, your Company has set up a 1,30,000 sq. ft. state-of-the-art warehouse dedicated exclusively to fittings, at Chinchwad, Pune. Your Company is poised to achieve significantly higher volumes in fittings, by streamlining its distribution channels and by increasing its reach across India.

### PVC pipes factory at Masar, Gujarat



PVC pipes and fittings are primarily sold in two market segments i.e. Agriculture and Construction, with your Company's focus being in the agriculture segment. Your Company is arguably the only PVC pipes manufacturer in the country which sells its products pan India, entirely against advance payments. Your Company continues to focus on increasing its reach across various states within India. With the intention of spreading operations to East India and North East India, your Company has recently also set up an ultramodern, fully equipped pipes and fittings warehouse at Cuttack in Odisha, and in the coming years, your Company expects to become a dominant player in the North East market of India. With the Masar facility in Gujarat being fully operational, your Company is now in a position to supply products to the North Indian market very efficiently. Your Company has continued to steadily grow in this market, and has increased its capacity at Masar from 30,000 MTs p.a. to 50,000 MTs p.a. during the year under review. The total capacity of PVC pipes now stands at 2,30,000 MTs p.a. Your Company has the necessary infrastructure to increase the capacity by another 1,00,000 MTs at a marginal incremental capex.

Your Company has also added a new category of pipes called Column pipes, to its portfolio. Column pipes are suitable for submersible pumps which are used to draw water from bore wells. The product has already been well received in the market and your Company is increasing the capacity to meet the growing demand.

### PVC Resin division:

Your Company is the only PVC pipes manufacturer in India which is backward integrated in the production of PVC resin. Your Company's state-of-the-art PVC resin manufacturing facility was commissioned in 1994 in technical collaboration with Uhde GmbH of Germany and a licensed technology from Hoechst AG. The initial capacity of PVC resin was 1,30,000 MTs p.a. which was enhanced to 2,60,000 MTs p.a. in the year 2006, of which 2,50,000 MTs p.a. comprised of Suspension PVC and 10,000 MT p.a. of Emulsion PVC. The Emulsion PVC capacity was further increased to 22,000 MTs p.a. in FY 2013.

The backward integration of PVC resin gives your Company the unique advantage of a consistent quality of raw material at a lower cost, than the prevailing import parity of PVC resin.

Certain recent developments in the global petrochemical market are likely to benefit your Company, particularly in the PVC resin division.

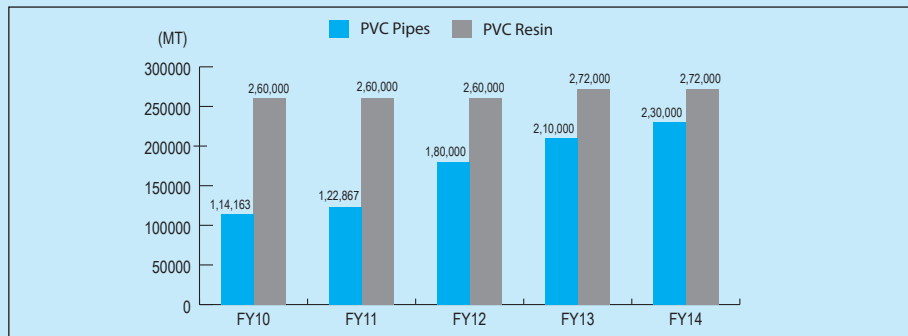
In recent years, the natural gas industry in the United States has witnessed a revolution, with the development of shale gas extraction. The shale gas boom is likely to have an unprecedented effect on the US energy market and this in turn will have important implications on the prices of many downstream products like Ethylene. Market trends indicate that a huge capacity of Ethylene is likely to be added to the US market in the coming years, which in turn will help bring down raw material costs for your Company.

Another global development that your Company is likely to benefit from is the growth in the Ethylene Di-Chloride (EDC) capacity. It is expected that almost 2.8 million MTs of new EDC capacity will come up globally between 2013 and 2017. EDC being a globally traded material, this new capacity is expected to aid in lowering the price of EDC. Your Company is watching the developments with optimism.

### Business outlook:

The domestic demand for PVC resin has grown by almost 3% during the year under review. However, the domestic production capacity has not seen a significant increase, due to which the gap between demand and supply has grown further during the year under review, to 1.05 million MTs p.a. During the year under review, your Company produced 2,38,659 MTs of Suspension Grade PVC resin. Captive consumption of PVC resin for making pipes during the year was 1,66,168 Mts. Your Company expects its captive consumption to continue to grow, making it increasingly less dependent on the market for PVC resin. This has resulted in your Company steadily moving away from a B2B business model of PVC resin to a B2C business of PVC pipes and fittings. Your Company believes that this transition will help achieve a better control on margins.

## Installed capacities



## Power plant

Your Company has set up a 43 MW power plant at Ratnagiri in order to provide uninterrupted, high quality power to its production facility there. Generating power from this plant has resulted in substantial savings for your Company, as compared to the cost of purchasing power from the grid. Exclusive and better quality power has also led to improved productivity of the plant.

Your Company has also started consuming captive power at its plant in Pune, during the year under review. The power plant is designed to take care of future power requirements of your Company, and expansion in capacities. Currently, the surplus power generated at the plants is sold to the grid. However, your Company is now focusing on producing sufficient power for its own captive requirement.

## Risks and concerns

Your Company has a well-documented risk management policy in place. This policy is reviewed by the management periodically and modified appropriately wherever necessary. One of the risks which is inherent to the nature of your Company's business is the volatility of foreign exchange rates and prices of raw material, caused by major global developments.

In order to bring down the amount of foreign exchange exposure, your Company has started availing buyers' credit of 90 to 120 days instead of a credit of up to 360 days which was the practice earlier. Additionally, your Company has started hedging a major portion of its foreign exchange exposure, thereby bringing down the volatility caused by wide fluctuations in foreign exchange rates.

The prices of crude oil and its derivatives have had an additional impact on the pricing of your Company's products. Your Company continues to import its main raw materials namely EDC, Ethylene, VCM and Coal.

The surplus cash generated during the course of business is invested with banks/mutual funds from time to time. The detailed guidelines for such investments have been laid down by the Finance Committee of the Board of Directors and these are reviewed on a regular basis.

Your Company continues to accord the highest priority for safety in all of its operations. All manufacturing facilities and processes are subject to regular inspections. Safety audits are carried out regularly, and preventive measures are taken to ensure high standards of safety. Your Company has successfully completed 3.29 million man-hours without any reportable accidents at its PVC resin plant at Ratnagiri.

All plants have been adequately insured, and third party liabilities have been accounted for.

### 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 stake holders. Your Company strives to provide maximum possible information in the Management Discussion and Analysis which are a part of the Annual Report. In order to keep stake holders informed of our business performance we will adopt other means, as and when required.

### Internal control systems

The Company has put in place adequate internal control procedures, proportionate to the nature of its business and the size of its operations for the smooth conduct of its businesses.

Internal audits are conducted at regular intervals at all the plants and cover key areas of operations. These audits are independent, objective and responsible for evaluating and improving the effectiveness of risk management, control and governance processes.

An Audit Committee consisting of five independent non-executive directors, monitors the performance of the internal audits. This is conducted on a periodical basis through a review of the audit plans, audit findings and promptness of issue resolution through follow-ups.

### Human resources

Your Company's industrial relations continue to be harmonious during the year under review. Your Company has increased its focus on training and development and has recruited the services of a reputed management education institute to impart training at every level within the Organization. A team of selected middle level executives have been identified as potential future leaders. A structured leadership development program has been implemented, in order to develop their abilities to take on larger responsibilities in the coming years. Additionally, a detailed program of activities has been laid out, to ensure that each and every employee of the Company undergoes training for a minimum stipulated number of man-days every year. Your Company believes that this initiative of developing employee potential will go a long way in helping your Company excel in the coming years. The employee strength of your Company currently stands at 1,104.

### 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, and changes in Government regulations, tax laws, other statutes and other incidental factors.

## Directors' report

To the members,

Your directors have pleasure in presenting the thirty-third annual report together with the audited accounts for the year ended 31<sup>st</sup> March, 2014.

### Financial results

	(₹ in lakhs)	
	<b>2013-14</b>	<b>2012-13</b>
Profit before depreciation & finance charges	37,052.54	29,602.17
Less:		
Finance charges	6,637.17	5,144.89
Profit before depreciation and taxation	30,415.37	24,457.28
Deductions for:		
i) Depreciation	6,229.18	5,441.64
ii) Provision for taxation	7,171.53	5,401.95
Profit after depreciation and taxation	17,014.66	13,613.69
Add:		
Surplus of profit and loss account of earlier year	9,837.14	8,156.10
Appropriations:		
(i) General reserve	4,000.00	4,000.00
(ii) Proposed dividend (including prior year adjustments)	8,686.67	6,825.25
(iii) Tax on dividend	1,476.30	1,107.40
Balance carried over to the balance sheet	12,688.83	9,837.14

### Operations

The operational performance is summarised below:

Income	2,49,671.13	2,17,819.15
Profit before tax	24,186.19	19,015.64
Profit after tax	17,014.66	13,613.69

#### PVC resin

Production	- in (MTs)	2,52,236	2,51,000
Sale (excluding interdivisional)	- in (MTs)	1,24,122	1,16,217
	- in ₹ lakhs	87,441.07	71,760.36

#### PVC pipes and fittings

Production	- in (MTs)	1,85,134	1,77,037
Sale	- in (MTs)	1,76,899	1,74,987
	- in ₹ lakhs	1,56,326.64	1,37,788.75

#### Power

Production	- in (MW)	2,37,929	2,82,654
Sale (excluding interdivisional)	- in (MW)	41,027	1,19,344
	- in ₹ lakhs	1,535.38	4,933.04

### Dividend

Your directors have recommended dividend on equity shares @ 70% (₹ 7.00 per equity share) for the financial year ended 31<sup>st</sup> March, 2014. The proposed dividend (including corporate dividend tax) will absorb ₹ 10,162.97 lakhs.

### 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 under review, your Company has not issued any stock options.

### Management discussion and analysis

Pursuant to clause 49 of the listing agreements entered into with stock exchanges, the management discussion and analysis report of the financial condition and results of operations have been reviewed by the audit committee and the same is forming a part of this annual report.

### 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, your directors, on the basis of information and documents made available to them, 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 31<sup>st</sup> March, 2014 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; and
- (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:****Appointment and retirement of directors**

Pursuant to the provisions of sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and Rules made thereunder read with schedule IV to the Companies Act, 2013, 6 (six) non-executive independent directors of the Company, namely Mr. Sanjay K. Asher, Mr. Kanaiyalal N. Atmaramani, Mr. Dara N. Damania, Mr. Shrikrishna N. Inamdar, Mr. Prabhakar D. Karandikar and Dr. Sunil U. Pathak are proposed to be appointed as independent directors to hold office for 5 (five) consecutive years with effect from the date of thirty third annual general meeting of the Company.

The Company has received declarations in writing from all the above directors that they meet the criteria of independence as provided in sub-section (6) of section 149 of the Companies Act, 2013 and under clause 49 of the listing agreement.

Mr. Sanjay S. Math, Director (Operations), retires by rotation and being eligible, offers himself for the reappointment.

Mr. Panyam Subramaniam resigned as Assistant Managing Director of the Company effective from the close of business hours of 4<sup>th</sup> June, 2013.

**Auditors**

M/s.P.G.Bhagwat, Chartered Accountants, Pune, retire as auditors of your Company at the conclusion of the thirty-third annual general meeting and are eligible for reappointment in terms of section 139 of the Companies Act, 2013.

**Appointment of cost auditors**

The Board of Directors at its meeting held on 12<sup>th</sup> May, 2014 has reappointed M/s. S. R. Bhargave & Co. as cost auditors for carrying out audit of cost accounting records in respect of electricity and organic and inorganic chemicals falling under chapter 39 of the Central Excise Tariff Act, 1985 (PVC resin and PVC pipes & fittings) for the financial year ending 31<sup>st</sup> March, 2015.

**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 (CSR)**

As a responsible corporate citizen, your Company actively contributes to the social and economic development of the communities in and around the plants' locations. Your Company and Mukul Madhav Foundation (MMF), a charitable trust have partnered in this journey. For many years, we



have been actively contributing to the social and economic development of the underprivileged in the villages, in and around your Company's plants, situated at Ratnagiri in the state of Maharashtra and Masar in the state of Gujarat. Special focus has been placed on education, health care, community development, environment and self-development. Some of the activities undertaken by your Company and MMF are as follows:-

### 1. Education

#### **Mukul Madhav Vidyalaya – A school with a difference**

Working in and around the villages of Ratnagiri, your Company saw a desperate need for rural up-liftment in education. In 2008, your Company gave on lease 10 acres of land to MMF for the establishment of a school on the outskirts of Ratnagiri. Mukul Madhav Vidyalaya was established in 2010 to provide English education at a nominal cost with a preference to socially and economically underprivileged children. It began in 2010 with 150 students, the school now boasts over 480 students. These students are the first generation of farmers' and fishermen's children to get an English education. In order to meet the day-to-day requirements of the school children, MMF has developed the infrastructure of Mukul Madhav Vidyalaya.

The school is equipped with computers, LCD screens and a selection of books in the library, enabling the outside world to enter the school. The teachers undergo regular training programmes, to ensure that their skills are up to date.

Our CSR activities at Masar, a village in the State of Gujarat, are still in the initial stages. We recently started extending financial assistance and support to two schools, Prathamik School and Girdhar Vidhyalaya. Both these schools are located very close to your Company's plant.

Your Company has provided benches and desks, teacher's tables, and computers so that the students can engage in online activities. In order to encourage the students in their education, your Company has awarded prizes to the toppers in the academic results.

#### **Scholarships / Educational assistance**

MMF provides financial assistance to deserving students, so that they can pursue higher education in the fields of engineering, architecture and doctorate programmes. The foundation has set up fellowships for resident doctors at reputed hospitals. Doctors studying for their post graduation are eligible to avail of this fellowship programme. These resident doctors are trained under experienced doctors based in these hospitals. The trained doctors are entitled to additional financial help, should they need it.

### 2. Health care

#### **Work with hospitals**

MMF is associated with a number of hospitals primarily in Maharashtra and reaching out slowly to other parts of India, MMF depends upon referrals from social workers. The social workers verify each case to ascertain fund requirements and follow up to see that the patient receives the necessary care and sufficient assistance even after the discharge.

### Association with reputed hospitals

MMF has been associated with reputed hospitals since the turn of the century. MMF is engaged in this activity with the sole objective of modernizing and improving the quality of medical treatment provided to children and women. In the year 2000, MMF set up a Neo-Natal Intensive Care Unit. In 2001, a Neo-Natal Ward was established at KEM, a reputed Hospital in Pune. During the same year, the foundation also opened a Paediatric Intensive Care Unit, a Children's Ward and an OPD, all at KEM hospital.

In 2012, MMF donated a wing "SONALI". The little stars rooms consists of 6 beds and life saving equipment in the NICU ward at KEM. The purpose of this wing is to allow the underprivileged to avail quality medical care at a concessional cost.

In order to create public awareness about a healthy lifestyle, MMF has sponsored an event called Bhag Pune Bhag – a Marathon which was held in October 2013, which was organized by Prashanti Cancer Care Mission.

### Free medical camps for children

Since 2008, MMF has been conducting free bi-annual medical health camps in Government schools in and around Ratnagiri. At each camp, dentists, ophthalmic and general physicians screen around three thousand students. Doctors and specialists from prominent hospitals viz. KEM Hospital, Pune, Bharati Vidyapeeth school of Audiology, Bharati Vidyapeeth Dental College and H.V.Desai Eye Hospital are participating in these camps. Medical cards are maintained to monitor the students progress. MMF provides additional medical treatment to those students who require it.

As usual, during December, 2013, your Company and MMF conducted health check up camps for school children and women in villages situated near your Company's plant at Ratnagiri. Taking this a step forward, during the month of February, 2014, MMF organised similar health-camps for children in the slum areas of Pune and the municipal schools of Panchgani.

### Free cancer detection camps for women & set-up of women's well-being clinic

To sensitize and create public awareness about breast and cervical cancer, MMF in association with a reputed Pune based NGO, "Prashanti Cancer Care Mission" organized a unique program called 'Cancer Diagnosis at Your Doorstep'. This camp was conducted in December 2013 for rural women from and around Ratnagiri and in March 2014 for women living in the slum areas of Pune.

Two Cancer detection tests were carried out under the observation of qualified doctors, a counselor and trained technicians. A mobile van which was equipped with all the required machinery was used to conduct this initiative.

To take that additional step forward in the direction of providing quality health care services to underprivileged women, on 8<sup>th</sup> March, 2014, International Women's Day, 'The Finolex Women's Well Being Clinic' was inaugurated at Ratnagiri. The services which will be provided at this well-being clinic are mammography and colposcopy tests. Your Company extended financial assistance to MMF to buy and donate a mammography machine and a

colposcope machine to the clinic. While taking care of the requirements of the clinic, MMF also extended help to other hospitals. Your Company provided financial assistance to MMF to buy a C Arm machine and donate the same to a reputed hospital at Delhi.

### **Ruby Hall Clinic, Pune & Healing Little Hearts, UK**

MMF's most recent venture is in collaboration with Healing Little Hearts (HLH), a registered charity in Leicester, UK and Grant Medical Foundation's Ruby Hall Clinic, Pune. Together, MMF brings in specialist medical teams from the UK to Pune to stand-in, guide and train the in-house doctors at Ruby Hall Clinic, during complex heart procedures. This team is made up of paediatricians, nurses and intensivists from the University Hospitals of Leicester, Alder Hey Children's Hospital, Liverpool Children's Hospital and other institutions. Doctors who wish to participate in this programme were requested to register with HLH.

Currently, children in India with heart problems either do not get the surgical treatment required, or the doctors do not have the expertise to either operate on them (as in the case of underweight babies) or to care for them following the surgery. This results in extremely high mortality rates. The vision for this project is to help alleviate this scenario in India.

Members of Healing Little Hearts give their time to come to India in support of this worthy cause without any financial remuneration. These surgeons specialize in operating on newborn babies suffering with heart diseases.

### **Health care facilities at Masar**

Your Company has taken further steps in CSR and has ventured into Masar, Gujarat. We have constructed a toilet block for female students at Girdhar Vidhayalaya, Masar.

## **3. Community development**

In order to take a small step to solve the drinking water problem faced by villagers, your Company continued to implement drinking water supply schemes in the adjoining areas of Golap, with the help of Gram Panchayats of the respective villages. Your Company, under "Rashtriya Gramin Peyajal Yojana" helped the Gram Panchayats of Kolambe, Bhatye and Phansop villages. Until these schemes were implemented, your Company organized a water supply to the villages from a well, by providing pumps, a pipeline and water tanks. While taking care of the water shortage, your Company also extended financial help to the Gram Panchayats for payment of repair charges, electricity bills etc. in respect of the existing water supply schemes.

Further more, as a part of its CSR activities, your Company has undertaken a project to make potable water available to the villagers. Accordingly, a Water Filtration Unit has been installed on one of the wells at Bhatye village which has been a great help to the villagers.

And finally, at Masar in Gujarat State, your Company offered financial assistance to the village Grampanchayat Committee to celebrate Navratri in a grand fashion.

#### 4. Environment & safety initiatives

Your Company is committed to achieve the highest standards of environmental excellence by adopting environmentally sustainable and effective operating systems and processes in its plants. At Ratnagiri, your Company has put in place the internationally acclaimed Environment Management System under ISO14001. Your Company fully complies with all applicable environmental regulations in respect of air, water, noise, hazardous waste, e-waste etc. to mitigate the potential environmental impact on the society. The Executive Committee of "Frost & Sullivan's Green Manufacturing Excellence Awards 2014" has awarded a "Certificate of Merit - Believers Category" to our Golap, Ratnagiri plant.

Your Company's manufacturing plants are well equipped with the latest fire safety equipment. In addition, your Company's PVC manufacturing plant at Ratnagiri has a put in place a fully pledged and well equipped fire safety dept. The plant has its own fire fighters who are capable of performing fire and rescue services at par with the Ratnagiri Municipal Council's fire department. Fire fighters are sent on fire calls in villages/communities nearby as well Ratnagiri city and industries around Ratnagiri. To keep the fire fighters up-to-date and alert, mock drills and fire drills are performed through-out the year as per the "On site Emergency Management Plan" with the participation of all key personnel at the factory alongwith nearby schools and other establishments, for the benefit of the public at large. Your Company believes this is an excellent example of "Service Beyond Self". Your Company won the Bonze Trophy in the National Safety Council Awards Competition 2013 for the Company's PVC manufacturing plant situated at Ratnagiri.

##### Prevention of air pollution

Your Company has installed processes to comply with the requirement of the National Ambient Air Quality Standards. All 12 parameters including particulate matters, sulfur dioxide and oxides of nitrogen are analyzed as per the standards. All stack emissions are also regularly monitored and the flue gas quality is under control as per the specifications laid down by pollution control board.

##### Zero effluent discharge

As part of its endeavor to keep the environment and water bodies around its plants at Ratnagiri, free from contaminants and pollution, your Company has successfully achieved its goal for zero discharge. This has been achieved by recycling it back into the system. The remainder has been used for irrigation purposes. Trees and plants within the premises have benefitted from this process. The ground water quality is regularly monitored by sampling and analyzing the bore well water.

##### Effluent treatment plant

The aqueous effluent generated during the process of manufacturing PVC undergoes various treatments in your Company's world class effluent treatment plants. These treatments include, equalization, flocculation, floc separation, aeration activated sludge process, clarification, polishing using activated carbon filter etc. The treated effluent is checked every day to ensure that it meets with MPCB specifications.

### Effluent recycle plant

Part of the treated effluent undergoes further treatment in an effluent recycle plant. The treatments include, biological treatment, phosphate removal, ultra filtration and demineralization process for recycling it in the plant operations.

### Tree plantation

The remaining treated effluent fit for irrigation is used for the trees planted on the factory premises. Your Company has planted and nurtured close to 49,000 different kinds of trees including fruit bearing trees such as mangoes, chikoo, cashew, coconut etc. within the PVC manufacturing plant and the captive power plant premises. The tree plantation activity is carried out annually during the week-long celebrations of World Environment Day commencing on 5<sup>th</sup> of June every year.

### Rain water harvesting

Your Company has built two large reservoirs which help to collect rain water from nearby lands. These reservoirs are filled by pumping water from a dam. The dam has also helped in bringing up the ground water table within the vicinity.

## 5. Cultural and other activities

Your Company extends financial help to the local communities in promoting their cultural, religious, social and spiritual pursuits irrespective of caste, creed, religion to celebrate festivals and felicitations, hold exhibitions, seminars, musical concerts, blood donation camps etc.

## Acknowledgements

Your directors take this opportunity to place on record their sense of gratitude to the banks, financial institutions, central and state government departments and their local authorities 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 appreciation for the commitment, dedication and hard work put in by the employees at all levels. Lastly, your directors are grateful for the confidence and faith shown in them by the members of the Company.

Pune  
12<sup>th</sup> May, 2014

**Prakash P. Chhabria**  
Executive Chairman

## **ANNEXURE TO DIRECTORS' REPORT 2013 – 2014**

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

### **A CONSERVATION OF ENERGY**

#### **a) Energy conservation measures taken:**

##### **VCM PVC CPP Plant**

- A multistage centrifugal pump installed to replace a high head low capacity energy intensive centrifugal pump P-1407 achieving 35 kw/hr. power saving.
- Installation of additional condenser in HCl column overhead system in VCM plant has resulted in stoppage of one refrigeration compressor of 210 kw/hr.
- Dispersion Agent batch preparation vessels' D-4201A/B agitators replaced with energy efficient design. Energy saving achieved is 8 kw/hr.
- Operation of pumps P-5303 A/B for waste water transfer from Unit 53 pit to ETP modified on level control. Energy saving achieved is 6 kw/hr.
- Cooling water pump impellers Coro-coating done to achieve 3% reduction in pumping energy.
- PX-4101 discharge header connected of WDS4 header to EPVC resulting in energy saving of around 1000 kw/Per Annum.
- Reduction from 18% to 6% in loss of ignition (LOI) in fly ash is achieved by partial recycling of high LOI fly ash from hoppers back to boilers' furnace of power plant. This has resulted in increasing fuel efficiency from 83 to 83.5%. Additionally, it has helped in bringing about an improvement in the quality of the ash so that it can be used in cement production.
- By proper load management, transformer at PMCC-4 kept de-energized to save no load losses. Energy conservation achieved 60 kw/day.

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

- Maximization of process heat recovery in VCM high boil overhead system by converting cold DM water tank in PVC to warm DM water tank.
- Reuse PVC plant condensate, to preheat deaerator feed DM water in power plant to reduce steam consumption and then reuse the condensate after polishing as DM water for deaerator feed water.
- Introduction of dedicated lighting transformer for plant lighting including O&U, VCM and SPVC plants to save 700 kW / day.

#### **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 of energy consumption, leading to a reduction in the cost of production of goods.

## 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	2013-14	2012-13
1	<b>a) Electricity</b>			
	Purchased units for PVC resin plant	Lakhs KWh	13,366.96	1,304.94
	Total amount	₹ in lakhs	10,269.68	8,527.71
	Average rate/unit	₹/KWH	7.68	6.53
	<b>b) Own generation</b>			
	i) Through diesel generator			
	Unit	KWh	10,586	7,435
	Units per litre of diesel oil		1.05	3.25
	Cost/unit	₹	57.94	18.60
	ii) Through steam turbine/generator			
	Units	KWh	2,379.29	3,179.31
	Units per litre of fuel oil/gas		8,317.12	11,886.35
	Cost/units	₹	2.80	3.74
2	<b>Coal (specify quantity and where used)</b>			
	Total coal quantity	Metric Tons	2,12,517	2,33,944
	Total cost	₹ in lakh	8,317.12	11,886.35
	Average rate	₹/MT	3,896.22	5,080.85
3	<b>a) Furnace oil (LSHS)</b>			
	Quantity	Metric Tons	1,519.00	1,424.30
	Total price	₹ in lakhs	633.95	645.48
	Average rate/unit	₹/MT	41,745.29	45,319.19
	<b>b) HSD/SKO/Naphtha</b>			
	Quantity	Metric Tons	10,417.96	10,115.64
	Total price	₹ in lakhs	5,862.65	5,840.69
	Average rate/unit	₹/ MT	56,274.46	57,739.14
	<b>c) LPG</b>			
	Quantity	Metric Tons	511.61	407
	Total price	₹ in lakhs	368.80	284.06
	Average rate/unit	₹/ Ton	72,081.12	69,749.12
4	<b>Others /internal generation</b>			
	Quantity		None	None
	Total price			
	Average rate/unit			
5	<b>Total energy used in PVC manufacture</b>	Million kcal	2,53,635	2,45,362

**B Consumption per metric ton production**

PVC production	M.T.	2,54,684	SPVC+EPVC
PVC bagged	M.T.	2,55,097	SPVC+EPVC
Power	MWh	2,37,929	

Sr No	Description	Unit	2013-14	2012-13
1	Electricity	KWh/ MT PVC	525	518
2	a) Furnace oil (LSHS)	MT/ MT PVC	0.0060	0.0056
3	b) HSD/SKO/Naphtha	MT/ MT PVC	0.040	0.040
4	c) LPG	MT/ MT PVC	0.00200	0.00161
5	d) Coal	MT/ MWH power	0.727	0.736

**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)**
**1. Specific areas where R&D has been conducted:**

- All feed EDC storage tanks have been coated with heat insulation paint to avoid evaporation loss.
- Addition of finned tube air cooled exchanger in cracker quench overhead system in a parallel to existing 2 bays has resulted in a reduction of pressure in the system, improving productivity by 2 tonnes per day.
- Provision of new gas detectors and relocation of existing gas detectors at VCL pumping station has improved the safety of the system.
- Installation of a canister pipe around number two sea water pumps' column pipe has brought down the column pipe vibrations and resulted in less frequent breakdowns of the pumping system.
- The replacement of MS fusion welded studs on the boiler bed coils to SS 304 fusion welded studs is expected to increase the life of bed coils from 18 months to 24 months. This will avoid additional boiler shutdowns.
- In the switch yard, Silicon coating applied to critical insulators at some places, (approx. 80) and replacement of ceramic insulators with polymer insulators at other places (approx. 80) has avoided the corona effect and tripping, thereby improving reliability.
- An online UPS system was installed for the control system of SPVC & EPVC expansion plants, to avoid tripping due to voltage fluctuations at 220 KV grid.
- A large number of roof mounted air ventilators have been installed in the pipes plant to improve the work environment.



### 2. 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. Plan of action to be implemented:

- Installation of a permanent caustic wash system for treating imported EDC impurities.
- To reduce off spec. quality of SPVC resin during sampling in drying sections. The sampling facility will be modified to recycle flush resin 3.6 MTs p.a. back to product stream of prime quality.
- Installation of a centrifuge to concentrate phosphate sludge in effluent recycle plant. This will hopefully improve sludge handling.
- Installation of a transducer and implementation of logic to control power generation by taking a signal from power export bay to turbine governing system. This will regulate export power to MSEDCL resulting in control on the power generation system.
- Power plant turbine vibrations have been reduced from a high vibration level above 90 microns to 50 microns by retightening the foundation bolt, increasing turbine bearing rigidity with shim plate, matching and removing piping offsets. This has not only increased the turbine life, it has also lessened the continuous oil and steam leaks through the seals.
- Replacement of P4205A/B model WD300/56 pumps with model WD5000/60 completed to increase reliability during emergency conditions. A circulation loop (PCV loop) with a control valve is provided to avoid excess pressurization during short stopper (additive-1) charging to reactors.
- 20 bar demineralized water network is provided in U84 area, for critical equipment leak test.
- An arrangement for pumping anti fouling solution from the ground floor to vessels at the polymerization reactor floor avoided manual handling of the drums.
- T-9621 tank agitator upgraded, resulting in uniform lime solution thereby improving the quality of the recycled water.
- Cooling water headers of poly reactors S/CWR provided with positive isolation, to isolate cooling water and keep the jacket under inert atmosphere during long stoppages, thereby reducing corrosion.
- Inhibitor-I Antioxidant solution dosing system augmentation, by replacing existing dosing pumps to the improved LEWA pumps, to ensure and increase reliability and availability of spares.
- Hydrogen rectifier will be replaced with the latest technology rectifier to obtain process flexibility of operating the H2 plant on partial load, in case of any problem to some of the electrolytic cells.

**4. Expenditure on R & D:**

- |  |   |   |
|--|---|---|
| a) Capital<br>b) Recurring<br>c) Total<br>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:
  - Technology imported: VCM & PVC technologies from Uhde GmbH, Germany.
  - Has technology been fully absorbed. : Yes

**C. FOREIGN EXCHANGE EARNINGS AND OUTGOINGS**

- (f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:
- Due to a 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 : ₹ 1,42,675.29 lakhs  
(b) Total foreign exchange earned : ₹ 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 on 31<sup>st</sup> March, 2014, as stipulated in clause 49 of the Listing Agreements entered into with National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the 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 Agreement.

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

Pune  
12<sup>th</sup> May, 2014

For M/s P. G. BHAGWAT  
Chartered Accountants  
Firm's registration Number: 101118W  
Abhijeet Bhagwat  
Partner  
Membership Number: 136835

## Corporate governance

### Compliance report for the year 2013-2014

#### 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 Chairman of the Board is executive director and more than 50% of the Board comprises of non-executive independent directors.
- ii. During 2013-2014, the Board of Directors met 5 (five) times, viz. on 4<sup>th</sup> May, 2013, 10<sup>th</sup> August, 2013, 14<sup>th</sup> September, 2013, 30<sup>th</sup> October, 2013 and 25<sup>th</sup> January, 2014. 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 was 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 2013-2014, and details of number of outside directorships and committee positions held by them are given in Table 1.

**Table 1**

Sr. No.	Name of director	Attendance at Board, committee meetings & AGM (during 2013-2014)				Outside directorships*		Committee positions**	
		No. of BMs	No. of ACMs	No. of IGCMs	AGM	Member	Chairman	Member	Chairman
1	Mr. Prakash P. Chhabria	5	NA	4	Yes	13	Nil	1	1
2	Mr. Sanjay K. Asher	4	NA	NA	Yes	52	Nil	10	4
3	M. Kanaiyalal N. Atmaramani	5	4	4	Yes	1	Nil	3	1
4	Mr. Dara N.Damania	5	4	4	Yes	11	Nil	6	Nil
5	Mr. Saurabh S. Dhanorkar	5	NA	NA	Yes	1	Nil	Nil	Nil

contd.

Sr. No.	Name of director	Attendance at Board, committee meetings & AGM (during 2013-2014)				Outside directorships*		Committee positions**	
		No. of BMs	No. of ACMs	No. of IGCMs	AGM	Member	Chairman	Member	Chairman
6	Mr. Shrikrishna N. Inamdar	5	4	4	Yes	15	2	6	4
7	Mr. Prabhakar D. Karandikar	5	4	4	Yes	8	Nil	6	3
8	Mr. Sanjay S. Math	5	NA	NA	Yes	Nil	Nil	Nil	Nil
9	Dr. Sunil U. Pathak	5	4	4	Yes	1	Nil	2	Nil
10	Mr. Panyam Subramaniam @	1	NA	NA	NA	1	Nil	Nil	Nil

\* Outside directorships include directorships in private limited companies also.

\*\* Chairmanship/membership held on audit committee and investors' grievance committee in public limited companies including the Company.

@ Mr. Panyam Subramaniam has resigned as Assistant Managing Director of the Company effective from the close of business hours of 4<sup>th</sup> June, 2013.

(vi) Six independent directors namely Mr. Sanjay K. Asher, Mr. Kanaiyalal N. Atmaramani, Mr. Dara N. Damania, Mr. Shrikrishna N. Inamdar, Mr. Prabhakar D. Karandikar and Dr. Sunil U. Pathak being eligible and offering themselves, for appointment, are proposed to be appointed as Independent Directors to hold office for five consecutive years with effect from the date of thirty-third annual general meeting.

One executive director namely Mr. Sanjay S. Math retires at the thirty-third annual general meeting of the Company and being eligible, offer himself for re-appointment.

(vii) **Brief resume of the directors being appointed and 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. Sanjay K. Asher**, age 51 years, is a director of the Company since 4<sup>th</sup> February, 2012. Mr. Sanjay K. Asher, has been practising as a solicitor for a number of years on various matters including corporate laws. He is also a Director in the following companies, viz.: A. L. Movers Private Limited, A. L. Records Management Private Limited, Ashok Leyland Limited, Allied Pickfords India Private Limited, Bajaj Allianz General Insurance Company Limited, Bajaj Allianz Life Insurance Company Limited, Diamant Boart Marketing Private Limited, Enam Infrastructure Trusteeship Services Private Limited, Finolex Cables Limited, Finolex Plasson Industries Ltd., Finolex Industries Limited, Hoganas India Private Limited, ArjoHuntleigh Healthcare India Private Limited, Indian Cookery Private Limited, Innovative Industries Limited, Kryfs Power Components Limited, Mandhana Industries Limited, Master Voss International Project Private Limited, Morgan Stanley Investment Management Private Limited, NV Advisory Services Private Limited, Orbit Electricals Private Limited, Oerlion Textile India Private Limited, Repro India Limited, Sanghvi Movers Limited, Sharp India Limited, Shree Renuka Sugars Limited, Siporex India Private Limited, Sudarshan Chemical Industries Limited, ValueQb Consulting Private Limited, Varun Maritime Private Limited, Varun Global Private Limited, Varun Resources Private Limited, J.B.Chemicals

and Pharmaceuticals Limited, Arch Protection Chemicals Private Limited, Kineco Kaman Composites India Private Limited, Lonza India Private Limited, Narendra Plastic Pvt. Limited, Team Relocations India Private Limited, Pallazzo Hotels & Leisure Limited, Vamona Developers Private Limited, Classic Mall Development Company Private Limited, Gangetic Hotels Private Limited, Offbeat Developers Private Limited, Alliance Hospitality Services Private Limited, Turning Point Estate Private Limited, Surya Treasure Island Private Limited, Jabalpur Treasure Island Private Limited, Raipur Treasure Island Private Limited, Indore Treasure Island Private Limited, AKME Rhine River Projects Private Limited.

Mr. Sanjay K. Asher is not holding shares in the Company.

**Mr. Kanaiyalal N. Atmaramani**, age 76 years, is a director of the Company since 27<sup>th</sup> July, 2002. Mr. Atmaramani is a director of IL&FS Securities Services Limited and Finolex Industries Limited. He held various high ranking positions in the investment and finance fields. He was associated with UTI in various capacities for a period of seventeen years including Executive Trustee. Subsequently, he was with Tata Mutual Fund and retired as its Managing Director in February, 2002.

Mr. Kanaiyalal N. Atmaramani is not holding shares in the Company.

**Mr. Dara N. Damania**, age 78 years, is a director of Company since 29<sup>th</sup> July, 2011. He is B.E. (Mech.) from College of Engineering, Pune. He joined Buckau Wolf India in the year 1957 as a Trainee Engineer. During his tenure from 1957 to the present date, he converted Buckau Wolf India (now the Company known as ThyssenKrupp Industries India Pvt. Limited, a Group Company of ThyssenKrupp Ag. Germany) from a single product company to a multi-product company.

Presently, he is Vice Chairman of ThyssenKrupp Industries India Pvt. Limited and ThyssenKrupp Group's Representative for India. He is also director of group companies of ThyssenKrupp and other public and private limited companies viz, ThyssenKrupp Industries India Private Limited,, ThyssenKrupp Elevator (India) Pvt. Limited, ThyssenKrupp Engine Components India Pvt. Limited, ThyssenKrupp System Engineering India Pvt. Limited, Uhde India Private Limited, Berco Undercarriages (India) Private Limited, Finolex Industries Limited, KSB Pumps Limited, Sudarshan Chemical Industries Limited and Sanghvi Movers Limited.

Mr. Dara N. Damania is holding 900 shares in the Company.

**Mr. Shrikrishna N. Inamdar**, age 69 years, is a director of the Company since 22<sup>nd</sup> March, 1989, is an eminent Advocate of repute practising on income tax side. Mr. Inamdar is director of the following companies viz. Kulkarni Power Tools, Kirloskar Ferrous Limited, Kirloskar Brothers Limited, Finolex Industries Limited, Sudarshan Chemical Industries Limited, The Ugar Sugar Works Limited, Apple Hospitals Research Institute Limited, Kirloskar Proprietary Limited, Sakal Papers Pvt. Limited and CMC Commutators Mfg. Co. Pvt. Limited.

Mr. Shrikrishna N. Inamdar is holding 2,000 shares in the Company.

**Mr. Prabhakar D. Karandikar**, age 65 years, is a director of the Company since 27<sup>th</sup> June, 2009. He is M.A., I.A.S. (Retd.), M.Sc. (London School of Economics) is the former divisional commissioner of Pune. He has been at the helm of affairs of various Government organizations and has held position of Secretary to Government of Maharashtra in various departments. He is also director of IL&FS Renewable Energy Limited, Shriram EPC Limited, Shriram Asset Management Committee Ltd, State Farms Corpn. of India Limited, Finolex

Industries Limited, Finolex Plasson Industries Ltd., Cabal Insurance Broking Services Pvt. Limited, BVG India Pvt. Limited and Rajasthan Olive Plantation Ltd.

Mr. Prabhakar D.Karandikar is not holding shares in the Company.

**Dr. Sunil U. Pathak**, age 63 years, is a director of the Company since 21<sup>st</sup> October, 2008. He is M.Sc., Ph.D., an eminent personality in the field of Income Tax and he held high ranking positions in the Income Tax Department, Government of India. He wrote a thesis on "Depreciation under Income Tax Act" for which he was awarded Ph.D degree by Pune University in 1995. After illustrious career of 24 years in IRS, he opted for voluntary retirement in the year 1997, and engaged in Income Tax Tribunal and Chamber consultation practice in Pune and Mumbai. He is also a member of the audit committee and investors' grievance committee of the Board. He is a director of Orbit Electricals Pvt. Limited and Finolex Industries Limited.

Dr. Sunil U. Pathak is holding 300 shares in the Company.

**Mr. Sanjay S. Math**, age 59 years, is a director of the Company since 4<sup>th</sup> February, 2012. He is B.E.(Chemicals), UDCT and PGDM, Mumbai. He is a member of American Institute of Chemical Engineering. He has rich working experience in various reputed projects and petrochemical plant operations. He worked in reputed organizations like National Organic Chemicals Industries Ltd., Bombay Dyeing & Mfg. Co. Ltd., Rama Petrochemicals Ltd., Essar Oil Ltd. and Soudi Yanbu Petrochemical Company (a public company of SABIC).

Mr. Sanjay S. Math is holding 3000 shares in the Company.

### 3. Code of conduct:

The Board has laid down the code of conduct for the Board and senior management team of the Company. 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 25<sup>th</sup> April, 2014 received from Mr.Saurabh S. Dhanorkar, 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 2013-2014."**

### 4. Audit committee:

Brief description of terms of reference of the Audit Committee (the "Committee"):

- 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;
- 3) Reviewing financial statements, adequacy of internal control systems and internal audit function, financial and risk management policies; and
- 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 31<sup>st</sup> March, 2014, audit committee was consisting of 5 (five) independent directors viz. Mr.Kanaiyalal N. Atmaramani, Mr.Dara N. Damania, Mr.Shrikrishna N. Inamdar (Chairman of the Committee), Mr.Prabhakar D. Karandikar and Dr.Sunil U. Pathak.
- 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. Umesh M. Gosavi, General Manager (Legal) & Company Secretary of the Company acts as secretary to the committee.

**5. Remuneration committee (non-mandatory):**

The Board at its meeting held on 27<sup>th</sup> October, 2012 has constituted a remuneration committee, inter alia, to determine and recommend the remuneration of the wholetime directors of the Company. Mr.Sanjay K. Asher, Mr.Kanaiyal N. Atmaramani, Mr.Dara N. Damania, Mr.Shrikrishna N. Inamdar (Chairman of the Committee), Mr.Prabhakar D.Karandikar and Dr.Sunil U. Pathak are the members of the remuneration committee.

The remuneration committee is, inter alia, entrusted with the following terms of reference:

- To recommend to the Board the specific remuneration packages for executive directors within the applicable provisions of the Companies Act, 1956 including amendments and re-enactments thereof. The objective of such policy shall be to ensure that the executive directors of the Company are rewarded for their individual contributions to the overall growth of the Company;
- The Committee shall consider and recommend the remuneration and revision thereof of the executive directors after taking into consideration, inter alia, various factors, such as qualification, working experience, expertise in relevant field of the incumbent, comparative remuneration, profile with respect to the industry and the size of the Company, the recommendations made under listing agreements, profit for the year of the company and any other criteria as deemed and appropriate by the Committee.
- One meeting of the remuneration committee was held on 25<sup>th</sup> January, 2014. All Committee Members attended the meeting.

Details of remuneration paid to the executive directors for the financial year 2013-2014 are given below:  
(In ₹)

Particulars	Mr. Prakash P. Chhabria, Executive Chairman	Mr. Saurabh S. Dhanorkar, Managing Director	Mr. P. Subramaniam, AMD (Upto 4.6.2013)	Mr. Sanjay S. Math, (Director – Operations)
Salary and allowances	1,31,01,465	72,25,298	35,34,907	61,02,335
Contribution to PF	10,21,248	5,09,904	1,30,464	3,53,433
Superannuation	13,87,800	6,93,000	0	0
Gratuity fund	3,30,528	1,65,024	1,30,464	1,13,280
Bonus	17,02,080	8,49,840	2,17,440	5,89,056
Performance incentive	N.A.	10,00,000	10,00,000	8,49,600
Total	1,75,43,121	1,04,43,066	50,13,275	80,07,704
Commission payable	5,00,00,000	86,00,000	-	60,00,000
Notice period	6 months	3 months	3 months	3 months
Service contract	Five years	Five years	Resigned w.e.f. 4.6.2013	Five years

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

Sr. No.	Name	Remuneration (₹)		Shares held
		Commission	Sitting fees	
1	Mr. Sanjay K. Asher	3,00,000	1,20,000	Nil
2	Mr. Kanaiyalal N. Atmaramani	3,00,000	2,80,000	Nil
3	Mr. Dara N.Damania	3,00,000	2,80,000	900
4	Mr. Shrikrishna N. Inamdar	6,00,000	2,80,000	2,000



5	Mr. Prabhakar D. Karandikar	3,00,000	5,80,000	Nil
6	Dr. Sunil U. Pathak	3,00,000	5,60,000	300

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

#### 6. Investors' grievance committee:

As on 31<sup>st</sup> March, 2014, the investors' grievance committee was comprising of six directors viz. Mr. Kanaiyalal N. Atmaramani (Chairman of the committee), Mr. Dara N. Damania, Mr. Shrikrishna N. Inamdar, Mr. Prabhakar D. Karandikar and Dr. Sunil U. Pathak the non-executive directors and Mr. Prakash P. Chhabria, the Executive Chairman of the Company.

#### Meeting and attendance during the year: Details given in Table 1.

Mr. Umesh M. Gosavi, General Manager (Legal) & Company Secretary is the Compliance Officer of the Company.

During the year, Company received 11 shareholders' complaints and all of them were resolved during the year.

#### 7. General body meetings:

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

Year	2010-2011	2011-2012	2012-2013
Date of AGM	16/7/2011	11/8/2012	14/9/2013
Time	10.30 a.m.	10.30 a.m.	11.30 a.m.
Place of AGM	Training Centre of Finolex Cables Limited, Urse, Taluk Maval, Dist. Pune - 410 506	Training Centre of Finolex Cables Limited, Urse, Taluk Maval, Dist. Pune - 410 506	Training Centre of Finolex Cables Limited, Urse, Taluk Maval, Dist. Pune - 410 506

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

	Date of AGM	Item of special resolution	
1.	16.7.2011	1	To obtain approval for reappointment of Mr.P.Subramaniam as wholtime director designated as Asst.Managing Director and CFO for a further period of two years effective 5 <sup>th</sup> June, 2011 and for his remuneration.
		2	To obtain approval for issue of shares in terms of the order of the High Court of Judicature of Bombay to the legal heirs of Late Mr.R.P.Chhabria.
2	11.8.2012	1	To obtain approval for reappointment of Mr.Prakash P. Chhabria as Managing Director for another five years effective 1 <sup>st</sup> December, 2011 and his appointment as wholtime director designated as Executive Chairman for the remaining period of his term from the close of business hours of 11 <sup>th</sup> August, 2012.
		2	To obtain approval for reappointment of Mr.S.S.Dhanorkar as wholtime director designated as Assistant Managing Director & COO for another five years effective 1 <sup>st</sup> December, 2011 and his appointment as Managing Director for the remaining period of his term from the close of business hours of 11 <sup>th</sup> August, 2012.
		3	To obtain approval for appointment Mr.S.S.Math, as wholtime director designated as Director (Operations) effective 4 <sup>th</sup> February, 2012 for a period of five years.
		4	To obtain approval for payment and distribution of a sum not exceeding 1% of the net profit by way of commission to the non-executive directors.
3	14.9.2013	No special resolution was passed.	

- 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:  
A special resolution under section 180(1)(a) of the Companies Act, 2013 and the Rules made thereunder for creation of charges on the assets of the Company as mentioned in the notice of the 33<sup>rd</sup> annual general meeting is proposed to be conducted 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.

**Application of non-mandatory requirements:**

1. Remuneration committee  
Earlier, the Company has not constituted the remuneration committee. But the audit committee was entrusted with the responsibility of finalisation of remuneration of executive directors. The Board at its meeting held on 27<sup>th</sup> October, 2012 has constituted a remuneration committee.
2. Audit qualification  
The Company has already moved to a regime of unqualified financial statements.
3. Training of board members  
The Board members are having adequate experience and expertise to deal with the business matters of the Company.
4. Whistle blower policy  
The Company has adopted 'Whistle Blower Policy' at the Board meeting held on 12<sup>th</sup> May, 2014.
- iv. Cost Auditor:  
With reference to the general circular No.15/2011-52/5/CAB-2011 dated 11<sup>th</sup> April, 2011 issued by the Government of India, Ministry of Corporate Affairs, Cost Audit Branch, New Delhi, following are the details of cost auditor and filing of cost audit report with Central Government.

Particulars of cost auditor	Details of filing of cost audit report for the period ended 31 <sup>st</sup> March, 2013
M/s. S. R. Bhargave & Co. 3, Kushaboo Apartments 5 No.78/2, Plot No.29, Bhusari Colony(L) Off:Paud Road, Kothrud, Pune 411 038 E-mail: <a href="mailto:bhargaves@vsnl.net">bhargaves@vsnl.net</a>	Cost Audit Report: Due date: 27.09.2013 Filing date: 24.09.2013 Cost compliance report for 31.3.2013 Filing date: 23.09.2013

## 9. Means of communication:

- The quarterly results were published during the year under review in leading national and regional newspapers.
- The quarterly results are displayed on 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.
- Presentations made to institutional investors or to the analysts
- The Management Discussion and Analysis Report is forming part of annual report. Detailed report is given on pages 4 to 10.

## 10. General shareholder information:

- a. Annual general meeting:
- Day, date & time : Saturday, 20<sup>th</sup> September, 2014 at 11.00 a.m.
  - Venue : Kirloskar Institute of Advanced Management Studies,  
Gat No. 356 & 357, Near Tata Foundry Maval,  
Village Dhamane, Taluka Maval,  
District Pune 410 506.

- b. Financial Calendar (Tentative) : April, 2014 to March, 2015

Announcement of quarterly results of 2014-2015 & annual general meeting	Quarterly results by 14 <sup>th</sup> August, 2014, 14 <sup>th</sup> November, 2014, 14 <sup>th</sup> February, 2015 and 30 <sup>th</sup> May, 2015 and annual general meeting by end of September, 2015.
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- c. Book Closure Period : 10<sup>th</sup> September, 2014 to 20<sup>th</sup> September, 2014
- d. Dividend Payment date : Credit / despatch between 25<sup>th</sup> September, 2014 to 29<sup>th</sup> September, 2014.
- e.

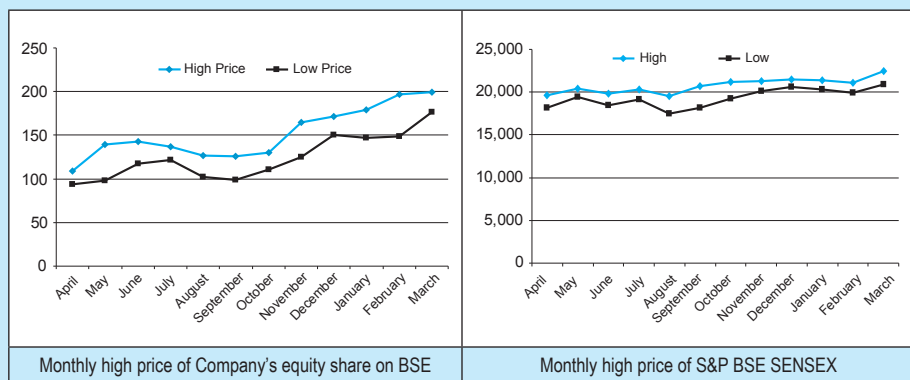
Name of the stock exchange	Scrp Code
BSE Limited (BSE)	500940/finolexind
National Stock Exchange of India Limited (NSE)	FINPIPE
ISIN Code	INE183A01016

The annual listing fees for the year 2014-15 has been paid to BSE & NSE.

- f. Market price data:  
Monthly high/low (₹ /share) during 2013-2014

	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
	Apr-13		May-13		Jun-13		Jul-13		Aug-13		Sept-13	
BSE	109.00	93.80	139.00	98.35	142.40	117.30	137.00	121.50	126.50	102.20	126.00	99.00
NSE	109.00	93.45	139.10	98.50	142.60	110.85	137.40	121.00	130.00	102.25	126.00	99.30
	Oct-13		Nov-13		Dec-13		Jan-14		Feb-14		Mar-14	
BSE	130.00	110.85	164.60	124.70	171.15	150.25	179.40	14.00	196.40	148.30	199.60	176.75
NSE	129.90	108.15	164.80	124.60	171.00	150.30	179.50	147.55	196.45	148.00	200.00	176.40

## STOCK GRAPH-ONE YEAR COMPARATIVE GRAPH WITH S&P BSE SENSEX



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, if found in order.

i. Shareholding pattern as on 31.3.2014

Category	No of shares	% of capital
Promoter and promoter group (including Finolex Cables Ltd.)	6,51,00,597	52.46
FII	54,41,588	4.39
Banks/FIs/MFs/Insurance companies	25,77,785	2.08
Bodies corporate	78,57,863	6.33
Indian public	4,16,52,928	33.57
NRI/OCB	6,84,352	0.55
Others	7,80,268	0.62
Total	12,40,95,381	100.00

Distribution of shareholding as on 31.3.2014

No. of Equity Shares held	No. of shareholders	% of shareholders	Number of shares	% of shareholding
1-5000	1,30,867	99.68	2,61,12,218	21.05
5001-10000	191	0.14	14,31,739	1.15
10001 and above	231	0.18	9,65,51,424	77.80
Total	1,31,289	100	12,40,95,381	100

- j. Dematerialisation of shares: NSDL: 80.95%, CDSL: 10.40%
- k. Company has not issued any GDRS / ADRS / Share Warrants or any convertible instruments.
- l. Plant locations :
- |  |   |
|--|---|
| <b>PVC, PVC pipes and power plants</b><br>Ranpar - Pawas Road,<br>District Ratnagiri 415 616,<br>Maharashtra, India. | <b>PVC pipes &amp; fittings plants</b><br>Gat No.399, Urse,<br>Taluka Maval,<br>District Pune 410 506,<br>Maharashtra, India. |
| <b>PVC pipes plant</b><br>Village Masar,<br>Taluka Padra,<br>District Vadodara 391 421,<br>Gujarat, India.           | D1/10, M.I.D.C.<br>Chinchwad,<br>Pune 411 019,<br>Maharashtra, India.   |
- m. Address for correspondence:  
**Investor Relations Centre**  
D1/10, M.I.D.C., Chinchwad,  
Pune 411 019, Maharashtra, India.  
Tel. No.020-2740 8200 / 2740 8571  
Fax No.020-27479000  
E-mail: investors@finolexind.com

## Independent auditors' report

To the members of Finolex Industries Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of Finolex Industries Limited, which comprise the Balance Sheet as at March 31<sup>st</sup>, 2014, the Profit and Loss Statement and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956(" the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31<sup>st</sup>, 2014;
- (b) in the case of the Profit and Loss Statement, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by section 227(3) of the Act, 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 purpose 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 those books;
  - c. the Balance Sheet, Profit and Loss Statement 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 Statement, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
  - e. on the basis of written representations received from the directors as on March 31<sup>st</sup>, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31<sup>st</sup>, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Pune  
12<sup>th</sup> May, 2014

For M/S P. G. BHAGWAT  
Chartered Accountants  
Firm's registration number: 101118W  
Abhijeet Bhagwat  
Partner  
Membership number: 136835

## Annexure to the auditors' report

### Re: Finolex Industries Limited

Referred to in paragraph 1 under the heading, "Report on Other Legal and Regulatory Requirements" of our report on even date:

- (i) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the current year based on the regular programme of verification which in our opinion is reasonable having regard to the size of the company and the nature of its assets. According to the information and explanations given to us, discrepancies noticed on physical verification were not material and have been properly dealt with in the books of account.
- (c) The company has not disposed off substantial part of its fixed assets during the current year.
- (ii) (a) As explained to us, physical verification of inventory has been conducted by the management during the year. In our opinion, the interval of such verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. Discrepancies noticed on physical verification were not material and have been properly dealt with in the books of account.
- (iii) (a) According to the information and explanations given to us, the company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (b), (c) and (d) of the Order are not applicable to the company.
- (e) According to the information and explanations given to us, the company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (f) and (g) of the Order are not applicable to the company.
- (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, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit we have not observed any major weaknesses or continuing failure to correct major weaknesses in internal control system.
- (v) (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us by the



management, the transactions made in pursuance of such contracts or arrangements have been made at prices which are 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 sections 58A, 58AA or any other relevant provisions of the Act and the rules framed thereunder and the directives issued by the Reserve Bank of India are not applicable to the company.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company 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 we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of records with a view to determine whether they are accurate and complete.
- (ix) (a) The company is 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, Custom Duty, Excise Duty, cess and other material statutory dues applicable to it with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at March 31<sup>st</sup>, 2014, for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute are mentioned below:

Name of the Statute	Nature of Dues	Amount (in lakhs)	Period to which the amount relates	Forum where dispute is pending
Customs Act, 1962	Customs Duty	26.94	2000-01, 2004-05	CESTAT
Customs Act, 1962	Customs Duty	1,170.55	2013-14	Commissioner (Appeals)
Central Excise Act, 1944	Excise Duty	29.67	2005-06,2010-11,2012-13	CESTAT
Central Excise Act, 1944	Excise Duty	181.85 4.62 2,688.82 43.32	2008-09, 2012-13 & 2013-14 2012-13 1998-99, 2006 to 2008, 2011-12 2005-06, 2008-09, 2011-12	Additional Commissioner Assistant Commissioner (Appeals) Commissioner Deputy Commissioner
Central Excise Act, 1944	Excise Duty	40.44	1996-97, 1999-2000	High Court
Finance Act, 1994	Service Tax	26.76	2007-08, 2010-11	CESTAT
Finance Act, 1994	Service Tax	742.72 29.15	2001-02, 2006 to 2009, 2010-11 2007 to 2011	Commissioner Deputy Commissioner
Finance Act, 1994	Service Tax	489.12	2005-06	High Court
Sales Tax	CST & VAT	2,422.32	2005-06, 2008-09	Bombay Tribunal

- (x) The company has no accumulated losses at the end of March 31<sup>st</sup>, 2014. The company has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and according to the information and explanations given to us by the management, we are of the opinion that the company has not defaulted in repayment of dues to financial institution or bank and debenture holders.
- (xii) According to the information and explanations given to us the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund, nidhi, mutual benefit fund or society and thus the provisions of clause 4 (xiii) (a), (b), (c) and (d) of the Order 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 therein.
- (b) 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 bank or financial institutions.
- (xvi) According to the information and explanations given to us by the management, term loans availed by the company were, prima facie applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an examination of the financial statements of the company, on an overall basis, the funds raised on short-term basis have, prima facie, not been used for long-term investment.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, security or charge has been created in respect of the debentures issued.
- (xx) According to the information and explanations given to us, the company has not raised money by any public issue during the current year.
- (xxi) Based upon the audit procedures performed by us and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

Pune  
12<sup>th</sup> May, 2014

For M/S P. G. BHAGWAT  
Chartered Accountants  
Firm's registration number: 101118W  
Abhijeet Bhagwat  
Partner  
Membership number: 136835

Balance sheet as at 31<sup>st</sup> March, 2014

	Note No.	As at 31st March 2014	As at 31st March 2013
₹ in lakhs			
<b>A Equity and liabilities</b>			
<b>1 Shareholders' Funds</b>			
(a) Share Capital	2	12,409.54	12,408.68
(b) Reserves & Surplus	3	66,559.33	59,707.59
<b>Sub-total - Shareholders' funds</b>		<u>78,968.87</u>	<u>72,116.27</u>
<b>2 Non-current liabilities</b>			
(a) Long-term borrowings	4	23,220.87	13,970.87
(b) Deferred tax liabilities (net)	5	10,632.53	9,363.58
(c) Other long-term liabilities	6	43.70	46.76
(d) Long-term provisions	7	806.48	1,365.07
<b>Sub-total - Non-current liabilities</b>		<u>34,703.58</u>	<u>24,746.28</u>
<b>3 Current liabilities</b>			
(a) Short-term borrowings	8	42,371.22	57,092.20
(b) Trade payables	9	11,142.88	18,411.80
(c) Other current liabilities	10	13,693.57	19,731.86
(d) Short-term provisions	11	10,217.78	7,967.45
<b>Sub-total - Current liabilities</b>		<u>77,425.45</u>	<u>1,03,203.31</u>
<b>Total - equity and liabilities</b>		<u>1,91,097.90</u>	<u>2,00,065.86</u>
<b>B Assets</b>			
<b>1 Non-current assets</b>			
(a) Fixed assets	12		
(i) Tangible assets		90,388.73	87,826.48
(ii) Intangible assets		132.96	126.08
(iii) Capital work-in-progress		3,246.31	5,060.61
(b) Non-current investments	13	12,740.40	12,740.40
(c) Deferred tax assets (net)		-	-
(d) Long-term loans and advances	14	1,932.22	1,965.22
(e) Other non-current assets	15	3,280.90	40.80
<b>Sub-total - Non-current assets</b>		<u>1,11,721.52</u>	<u>1,07,759.59</u>
<b>2 Current assets</b>			
(a) Current investments	16	9,405.00	23,220.46
(b) Inventories	17	50,594.66	48,277.84
(c) Trade receivables	18	4,098.67	3,872.10
(d) Cash and bank balances	19	2,091.89	904.84
(e) Short-term loans and advances	20	13,186.16	16,031.03
<b>Sub-total - Current assets</b>		<u>79,376.38</u>	<u>92,306.27</u>
<b>Total - Assets</b>		<u>1,91,097.90</u>	<u>2,00,065.86</u>
Notes to the financial statements form an integral part of the balance sheet	1		

As per our report of even date

For M/s P. G. Bhagwat  
Chartered Accountants  
FRN 101118WAbhijeet Bhagwat  
Partner  
M. No. 136835S. Krishnamoorthy  
General Manager (Accounts & Finance)Umesh M. Gosavi  
General Manager (Legal) & Company Secretary

Prakash P. Chhabria Executive Chairman

Kanaiyalal N. Atmaramani  
Dara N. Damania  
Saurabh S. Dhanorkar  
Shrikrishna N. Inamdar  
Prabhakar D. Karandikar  
Sanjay S. Math  
Dr. Sunil U. Pathak

Managing Director

Director (Operations)

Pune: 12<sup>th</sup> May, 2014Pune: 12<sup>th</sup> May, 2014

**Profit and loss statement for the year ended 31<sup>st</sup> March, 2014**

₹ in lakhs

	Note No.	2013-14	2012-13
<b>Income</b>			
<b>I Revenue from operations (Gross)</b>	21	2,78,665.07	2,43,342.51
Less : Excise duty		(33,361.98)	(28,860.37)
<b>II Other income</b>	22	4,368.04	3,337.01
<b>III Total revenue (I + II)</b>		<u>2,49,671.13</u>	<u>2,17,819.15</u>
<b>IV Expenses</b>			
Cost of materials consumed	23	1,73,888.38	1,45,960.92
Purchases of stock-in-trade	24	-	63.74
Changes in inventories of finished goods, work-in-progress and stock-in-trade	25	(6,291.53)	(2,627.10)
Employee benefits expense	26	7,171.24	7,191.05
Other expenses	27	30,873.49	28,019.20
Finance costs	28	6,637.17	5,144.89
Depreciation and amortization expense		6,229.18	5,441.64
Total expenses		<u>2,18,507.93</u>	<u>1,89,194.34</u>
<b>V Profit before exceptional and extraordinary items and tax (III - IV)</b>		31,163.20	28,624.81
<b>VI Exceptional items</b>		6,977.01	9,609.17
<b>VII Profit before extraordinary items and tax (V - VI)</b>		<u>24,186.19</u>	<u>19,015.64</u>
<b>VIII Extraordinary items</b>		-	-
<b>IX Profit before tax (VII - VIII)</b>		<u>24,186.19</u>	<u>19,015.64</u>
<b>X Tax expense:</b>			
Current tax		5,850.00	5,573.93
Deferred tax		1,268.95	378.02
Less: Short/(Excess) provision of earlier years		52.58	(550.00)
		<u>7,171.53</u>	<u>5,401.95</u>
<b>XI Profit/(Loss) for the year from continuing operations (IX - X)</b>		<u>17,014.66</u>	<u>13,613.69</u>
<b>XII Profit/(Loss) from discontinuing operations</b>		-	-
<b>XIII Tax expense of discontinuing operations</b>		-	-
<b>XIV Profit/(Loss) from discontinuing operations (after tax) (XII - XIII)</b>		-	-
<b>XV Profit/(Loss) for the year (XI + XIV)</b>		<u>17,014.66</u>	<u>13,613.69</u>
<b>XVI Earning per equity share (nominal value of share ₹10 each)</b>	1.11		
Basic		13.71	10.97
Diluted		13.71	10.97
Notes to the financial statements form an integral part of the profit and loss statement 1			

As per our report of even date

 For M/s P. G. Bhagwat  
 Chartered Accountants  
 FRN 101118W

 Abhijeet Bhagwat  
 Partner  
 M. No. 136835

 S. Krishnamoorthy  
 General Manager (Accounts & Finance)

 Umesh M. Gosavi  
 General Manager (Legal) & Company Secretary

Prakash P. Chhabria Executive Chairman

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 Saurabh S. Dhanorkar  
 Shrikrishna N. Inamdar  
 Prabhakar D. Karandikar  
 Sanjay S. Math  
 Dr. Sunil U. Pathak

 Managing Director  
 Director (Operations)

 Pune: 12<sup>th</sup> May, 2014

 Pune: 12<sup>th</sup> May, 2014

## Cash flow statement for the year ended 31<sup>st</sup> March, 2014

	₹ in lakhs	
	2013-14	2012-13
<b>A Cash flow from Operating Activities:</b>		
<b>Net Profit before Tax</b>	24,186.18	19,015.64
<b>Adjustments for :</b>		
Depreciation	6,229.18	5,441.64
Profit on sale of Investments (Net)	(3,041.54)	(2,351.90)
Profit on sale of Fixed Assets	(16.63)	58.77
Dividend Income	(359.30)	(270.56)
Interest Income	(561.75)	(280.03)
Interest Expenses	6,216.87	4,691.85
Exchange Fluctuation ( Gain )/ Loss - net	6,977.01	5,485.49
Operating Profit before Working Capital Changes	<u>39,630.02</u>	<u>31,790.90</u>
<b>Adjustments for :</b>		
Trade and Other Receivables	(1,203.83)	8,863.09
Inventories	(2,316.79)	(15,645.78)
Trade and other Payables	<u>(6,463.37)</u>	<u>6,331.43</u>
Cash generated from operations	29,646.04	31,339.64
Less:		
Taxes Paid ( net of refund )	<u>(5,234.94)</u>	<u>(3,900.15)</u>
<b>Net cash from operating activities (A)</b>	<u>24,411.09</u>	<u>27,439.49</u>
<b>B Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets/Capital Expenditure	(7,046.52)	(11,861.30)
Sale of Fixed Assets	300.12	1,255.87
(Purchase)/Sale of Investments ( net )	16,857.00	16,243.74
Interest Received	561.75	280.03
Dividend Received	<u>359.30</u>	<u>270.56</u>
<b>Net cash used in Investing activities (B)</b>	<u>11,031.64</u>	<u>6,188.90</u>

**Cash flow statement  
for the year ended 31<sup>st</sup> March, 2014**

	₹ in lakhs	
	2013-14	2012-13
<b>C Cash Flow from Financing Activities:</b>		
Collection of overdue Allotment/Call money	0.86	-
Proceeds from Long Term Borrowings	23,000.00	8,000.00
Repayment of Long Term borrowings	(20,882.45)	(3,087.96)
Exchange Fluctuation Gain /(Loss) - net	(5,655.71)	(4,014.25)
Short Term Loans movement	(16,164.52)	(26,424.98)
Interest paid	(6,666.91)	(5,777.15)
Dividend and Corporate Dividend Tax paid	(7,791.84)	(4,326.80)
Dividend paid for earlier years	(95.11)	-
<b>Net Cash from Financing activities (C)</b>	<b>(34,255.68)</b>	<b>(35,631.14)</b>
A+B+C	1,187.05	(2,002.75)
Opening balance of cash and cash equivalents	904.84	2,907.59
Closing balance of cash and cash equivalents refer note 19	2,091.89	904.84

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 M/s P. G. Bhagwat  
Chartered Accountants  
FRN 101118W

Abhijeet Bhagwat  
Partner  
M. No. 136835

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General Manager (Accounts & Finance)

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Sanjay S. Math  
Dr. Sunil U. Pathak

Managing Director  
Director (Operations)

Pune: 12<sup>th</sup> May, 2014

Pune: 12<sup>th</sup> May, 2014

## Notes to the financial statements

	₹ in lakhs	
	As at 31/03/2014	As at 31/03/2013
<b>Note 2 - Share capital</b>		
Authorised:		
150,000,000 (150,000,000) Equity shares of ₹10 each	15,000.00	15,000.00
Unclassified share capital	<u>8,500.00</u>	<u>8,500.00</u>
	<u>23,500.00</u>	<u>23,500.00</u>
Issued, subscribed and fully paid up:		
124095381 (124095381) Equity shares of ₹10 each fully paid	12,409.54	12,409.54
Less : Amount in arrears, other than from directors	<u>-</u>	<u>0.86</u>
	<u>12,409.54</u>	<u>12,408.68</u>

Reconciliation of the shares outstanding at the beginning and at the end of the reporting period:	As at 31/03/2014		As at 31/03/2013	
	No.	₹ in lakhs	No.	₹ in lakhs
At the beginning of the period	12,40,95,381	12,409.54	12,40,95,381	12,409.54
Add: Allotted during the period pursuant to section 81(1A) of the Companies Act, 1956.	-	-	-	-
Outstanding at the end of the period	<u>12,40,95,381</u>	<u>12,409.54</u>	<u>12,40,95,381</u>	<u>12,409.54</u>

**Terms/ Rights attached to equity shares:**

The Company has only class of equity shares having a par value of ₹ 10 per share. Each holder of the equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. During the year ended March 31, 2014, the amount of per share dividend recognised as distributed to equity shareholders was ₹ 7 (March 31, 2013 ₹ 5.50).

In the event of liquidation of the company, the holders of equity shares are entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Details of shareholders holding more than 5% shares in the company:	As at 31/03/2014		As at 31/03/2013	
	No.	% of holding	No.	% of holding
Equity shares of ₹ 10 each fully paid				
Finolex Cables Ltd.	4,01,92,597	32.39%	4,01,92,597	32.39%
Orbit Electricals Private Limited	2,33,30,901	18.80%	2,33,18,901	18.79%

## Notes to the financial statements

	₹ in lakhs	
	As at 31/03/2014	As at 31/03/2013
<b>Note 3 - Reserves and surplus</b>		
<b>Capital reserve</b>		
As per last balance sheet	60.54	60.54
	<u>60.54</u>	<u>60.54</u>
<b>Share capital buyback reserve</b>		
As per last balance sheet	2,517.93	2,517.93
	<u>2,517.93</u>	<u>2,517.93</u>
<b>Share premium</b>		
As per last balance sheet	15,126.81	15,126.81
Add : Premium on shares issued	-	-
	<u>15,126.81</u>	<u>15,126.81</u>
<b>General reserve</b>		
As per last balance sheet	23,450.22	19,225.90
Add : transferred from surplus	4,000.00	4,000.00
Add : transferred on account of adoption of amendment to AS-11.	-	224.31
	<u>27,450.22</u>	<u>23,450.21</u>
<b>Debenture redemption reserve</b>		
As per last Balance Sheet	7,500.00	7,500.00
Add : transferred from surplus	-	-
	<u>7,500.00</u>	<u>7,500.00</u>
<b>Contingency reserve</b>		
As per last balance sheet	1,215.00	1,215.00
Add : transferred from surplus	-	-
	<u>1,215.00</u>	<u>1,215.00</u>
<b>Surplus in the statement of profit and loss</b>		
Surplus at the beginning of the year	9,837.14	8,156.10
Profit for the year	17,014.66	13,613.69
Less: Dividend paid for earlier years	-	-
Less: Short provision for dividend for earlier years	-	-
<b>Less: appropriations</b>	-	-
General reserve	4,000.00	4,000.00
Contingency reserve	-	-
Proposed dividend	8,686.67	6,825.25
Tax on dividend	1,476.30	1,107.40
Net surplus in statement of profit & loss	<u>12,688.83</u>	<u>9,837.14</u>
<b>Grand total</b>	<u><u>66,559.33</u></u>	<u><u>59,707.59</u></u>



## Notes to the financial statements

	₹ in lakhs	
	As at 31/03/2014	As at 31/03/2013
<b>Non current liabilities</b>		
<b>Note 4 - Long-term borrowings</b>		
<b>Debentures*</b>		
Secured		
1000 (Nil) 10.90% Secured redeemable non-convertible debentures of ₹ 10,00,000 each.	10,000.00	-
Less: Redeemed during the year	-	-
Less: Current maturities of long term debt	-	-
	<u>10,000.00</u>	<u>-</u>
500 (500) 9.50% Secured redeemable non-convertible debentures of ₹ 10,00,000 each.	3,500.00	5,000.00
Less: Redeemed during the year	1,500.00	1,500.00
Less: Current maturities of long term debt	2,000.00	1,500.00
	<u>-</u>	<u>2,000.00</u>
Nil (1000) 12.25% Secured redeemable non-convertible debentures of ₹ 10,00,000 each.	10,000.00	10,000.00
Less: Redeemed during the year	10,000.00	-
Less: Current maturities of long term debt	-	10,000.00
	<u>-</u>	<u>-</u>
	<u>10,000.00</u>	<u>2,000.00</u>
*Refer Note no. 1.1 for terms of redemption and nature of security.		
<b>Term loans</b>		
Secured		
From Banks	11,250.00	10,000.00
(For terms of Loan refer Note 1.1)		
<b>Deferred payment liabilities</b>		
Unsecured		
Sales tax deferral loan	1,970.87	1,970.87
Deferred sales tax loan is interest free and payable in 10 yearly installments of various amounts starting from March 2020.		
	<u>23,220.87</u>	<u>13,970.87</u>
<b>Note 5 - Deferred tax (Asset)/ liabilities (net)</b>		
Deferred tax liabilities		
On depreciation	11,070.56	9,624.48
Deferred tax assets		
On provision for employee benefits	(438.03)	(260.90)
Net	<u>10,632.53</u>	<u>9,363.58</u>
<b>Note 6 - Other long-term liabilities</b>		
Trade and security deposits	43.70	46.76
	<u>43.70</u>	<u>46.76</u>

## Notes to the financial statements

	₹ in lakhs	
	As at 31/03/2014	As at 31/03/2013
<b>Note 7 - Long-term provisions</b>		
Leave encashment	301.36	279.99
Gratuity (Refer Note 1.5)	505.12	489.39
Provision for taxation (net off advance tax)	-	595.69
	<u>806.48</u>	<u>1,365.07</u>
<b>Current liabilities</b>		
<b>Note 8 - Short-term borrowings</b>		
Secured		
Loans Repayable on Demand:		
Acceptances from banks	32,217.00	52,573.74
Working capital borrowings from banks (Refer Note 1.1)	10,154.22	4,518.46
	<u>42,371.22</u>	<u>57,092.20</u>
<b>Note 9 - Trade payables</b>		
Trade payables (Refer Note 1.4)	<u>11,142.88</u>	<u>18,411.80</u>
	<u>11,142.88</u>	<u>18,411.80</u>
<b>Note 10 - Other current liabilities</b>		
<b>Current maturities of long term debts</b>		
Debentures		
500 (500) 9.50% Secured Redeemable Non-convertible debentures of ₹ 10,00,000 each.	2,000.00	1,500.00
NIL (1000) 12.25% Secured Redeemable Non-convertible debentures of ₹ 10,00,000 each.	-	10,000.00
Term loans from banks	3,750.00	1,382.45
Interest accrued but not due on loans	532.61	883.92
Unclaimed dividend	449.56	351.28
<b>Other payables</b>		
Advances from customers	2,926.93	3,194.34
Salary and reimbursement	920.45	929.22
Statutory dues	836.93	595.04
Provision for expenses	1,265.28	895.61
Forward Contract Payable	1,011.81	-
	<u>13,693.57</u>	<u>19,731.86</u>
<b>Note 11 - Short-term provisions</b>		
Proposed dividend	8,686.68	6,825.25
Tax on dividend	1,476.30	1,107.40
Leave encashment	30.03	34.80
Gratuity (refer note 1.5)	24.77	-
	<u>10,217.78</u>	<u>7,967.45</u>

## Notes to the financial statements

## Note No. 12 - Fixed Assets

## (a) (i) TANGIBLES

Particulars	Gross block as on		Additions		Deductions	Gross block as on	Depreciation		Net block	
	01.04.2013	6,630.96	Borrowing cost	AS - 11 Normal additions			As on 01.04.2013	For the year	Deductions	As on 31.03.2014
Free hold land	6,630.96	-	-	6.37	-	6,637.33	-	-	6,637.33	6,630.96
Lease hold land	100.70	-	-	-	-	100.70	22.40	0.99	23.39	77.31
Buildings	17,268.15	17.55	-	2,197.46	-	19,483.16	3,340.59	418.19	3,758.78	15,724.38
Plant and machinery	1,50,949.42	81.18	122.23	6,592.44	1,066.74	1,56,678.53	84,818.09	5,660.14	89,642.16	67,036.37
Office equipments	169.13	-	-	10.13	0.22	179.04	74.64	6.98	81.45	97.59
Furniture & fixtures	984.01	-	-	68.50	0.92	1,051.59	598.84	49.07	647.62	403.97
Vehicles	841.35	-	-	52.98	216.40	677.93	262.68	68.35	266.15	411.78
Total	1,76,943.72	98.73	122.23	8,927.88	1,284.28	1,84,808.28	89,117.24	6,203.72	90,141	90,388.73
Previous year	1,62,494.91	746.45	259.36	15,262.55	1,819.55	1,76,943.72	84,261.05	5,422.91	89,117.24	87,826.48

## (a) (ii) INTANGIBLES

Particulars	Gross block as on		Additions		Deductions	Gross block as on	Depreciation		Net block	
	01.04.2013	155.94	Borrowing cost	AS - 11 Normal additions			As on 01.04.2013	For the year	Deductions	As on 31.03.2014
Computer software	155.94	-	-	32.34	-	188.28	29.86	25.46	55.32	132.96
Total	155.94	-	-	32.34	-	188.28	29.86	25.46	55.32	132.96
Previous year	178.74	-	-	-	22.80	155.94	11.13	18.73	29.86	126.08
<b>(a) (iii) Capital work-in-progress</b>										
Capital work-in-progress										3,246.31
										5,060.61

Note : Opening balances of assets have been regrouped wherever necessary.

## Notes to the financial statements

### Note 13 - Non - current investments

₹ in lakhs

	As at 31/03/2014 No. of shares	As at 31/03/2013 No. of shares	As at 31/03/2014	As at 31/03/2013
<b>Non-trade-long term ( At Cost )</b>				
<b>Quoted and listed</b>				
Equity shares of ₹ 2 each fully paid-up in Gulf Oil Corporation Ltd.	9,900	9,900	1.21	1.21
Equity shares of ₹ 2 each fully paid-up in Finolex Cables Ltd.	2,21,87,075	2,21,87,075	10,260.02	10,260.02
Equity shares of ₹ 10 each fully paid-up in Gold Crest Corporation Ltd.	12,400	12,400	4.96	4.96
[Aggregate market value ₹ 24,574.49 lakhs (₹ 10,124.09 lakhs)]				
Sub Total			<u>10,266.19</u>	<u>10,266.19</u>
<b>Unquoted</b>				
Equity shares of ₹ 10 each fully paid-up in Finolex Plasson Industries Ltd.	46,35,000	46,35,000	749.77	749.77
Equity shares of ₹ 10 each fully paid-up in I2IT Private Limited	61,00,000	61,00,000	610.00	610.00
Equity shares of ₹ 10 each fully paid-up in Finolex Infrastructure Ltd.	53,43,404	53,43,404	534.34	534.34
Equity shares of ₹ 1000 each fully paid-up in Rajasthan Olive Cultivation Limited	7,500	7,500	75.00	75.00
Units of ₹ 1,00,000 each fully paid-up in Peninsula Realty Fund	500	500	500	500
Equity shares of ₹ 10 each fully paid-up in The Saraswat Co-op Bank Ltd.	1,000	1,000	0.10	0.10
Equity shares of ₹ 10 each fully paid-up in Pawas Port Ltd.	49,994	49,994	5.00	5.00
Sub Total			<u>2,474.21</u>	<u>2,474.21</u>
Total			<u>12,740.40</u>	<u>12,740.40</u>

(Refer Note 1(ix) for basis of valuation)

### Note 14 - Long-term loans and advances

₹ in Lakhs

	As at 31/03/2014	As at 31/03/2013
Unsecured - considered good :		
Security deposits	645.56	708.87
Capital advances	388.74	346.38
Other loans and advances :		
Claims receivable		
Unsecured - considered good	60.92	60.92
Other deposits and advances:		
Unsecured - considered good	837.00	849.05
Doubtful	84.94	84.94
	<u>921.94</u>	<u>933.98</u>
Less : Provision for doubtful deposits and advances	<u>(84.94)</u>	<u>(84.94)</u>
	<u>837.00</u>	<u>849.05</u>
	<u>1,932.22</u>	<u>1,965.22</u>

## Notes to the financial statements

## Note 15 - Other non-current assets

	₹ in lakhs	
	As At 31/03/2014	As At 31/03/2013
Long term trade receivables		
Unsecured - considered doubtful	12.96	58.98
Less: Provision for doubtful receivables	<u>(12.96)</u>	<u>(58.98)</u>
	-	-
Unsecured - considered good		
Prepaid expenses	40.50	40.80
Advance tax (net off provision)	<u>3,240.40</u>	<u>-</u>
	<u>3,280.90</u>	<u>40.80</u>

## Note 16 - Current investments

	As At 31/03/2014 No. of units	As At 31/03/2013 No. of units	As At 31/03/2014 ₹ in lakhs	As At 31/03/2013 ₹ in lakhs
<b>Quoted and listed Mutual Fund (MF) Units of ₹10 each</b>				
Axis MF - Axis FTP - Ser 21 (394 Days) - Growth	-	1,00,00,000	-	1,000.00
Birla MF - BSL Fixed Term Plan Ser ES - Growth	-	1,00,00,000	-	1,000.00
Birla MF - BSL Fixed Term Plan Ser EY - Growth	-	1,00,00,000	-	1,000.00
HDFC MF - HDFC FMP 400D March 2012 (1)-Ser XXI-Growth	-	1,00,00,000	-	1,000.00
HDFC MF - HDFC FMP 399D March 2012 (1)-Ser XXI-Growth	-	1,00,00,000	-	1,000.00
IDBI MF - IDBI FMP 380 Days Ser II(March 2012) - E - Growth	-	80,00,000	-	800.00
JP Morgan MF - JP Morgan FMP Ser 6 - Growth	-	1,00,00,000	-	1,000.00
SBI MF - SBI Debt Fund Ser 13 Months - 13 - Growth	-	2,99,99,990	-	3,000.00
<b>Quoted but not listed -Mutual Fund (MF) Units of ₹100 each</b>				
Birla MF - BSL Cash Plus - Growth	9,73,246	-	2,000.00	-
<b>Quoted but not listed - Mutual Fund (MF) Units of ₹1000 each</b>				
Axis MF - Axis Liquid Fund - Growth	1,33,761	-	1,900.00	-
IDBI MF - IDBI Liquid Fund - Growth	1,45,584	-	2,000.00	-
IDBI MF - IDBI Ultra Short Term Fund - Growth	-	5,37,904	-	6,420.46
Reliance MF - Reliance Liquid Fund - Treasury Plan - Growth	64,027	-	2,000.00	-
UTI MF - UTI Treasury Advantage Fund - Inst - Growth	-	4,63,866	-	7,000.00
<b>Secured redeemable index linked NCD of ₹100,000 each</b>				
Citi Financial Consumer Finance India Limited	<u>1,505</u>	-	<u>1,505.00</u>	-
	<u>1,318,123</u>	<u>9,90,01,760</u>	<u>9,405.00</u>	<u>23,220.46</u>

[Aggregate market value ₹9,417.19 lakhs (previous year ₹24,939.08 lakhs)]

(Refer Note 1 (ix) for basis of valuation)

(MF represents Mutual Fund)

## Notes to the financial statements

### Note 17 - Inventories

	₹ in lakhs	
	As at 31/03/2014	As at 31/03/2013
Raw materials	20,983.43	24,950.95
Work-in-progress	3,312.92	5,279.73
Finished goods	22,017.88	13,759.54
Stores and spares	4,088.16	3,934.69
Packing material	192.27	352.93
	<u>50,594.66</u>	<u>48,277.84</u>

(Refer Note 1 (iii) for basis of valuation)

### Note 18 - Trade receivables

Trade receivables outstanding for a period less than six months :		
Unsecured - Considered good	3,756.36	3,546.89
Trade receivables outstanding for a period exceeding six months :		
Unsecured - Considered good	342.31	325.21
	<u>4,098.67</u>	<u>3,872.10</u>

### Note 19 - Cash and bank balances

#### Cash and cash equivalents

Cash on hand	32.07	15.38
Balances with banks in current accounts	1,610.26	538.17
Balances with banks for unpaid dividend	449.56	351.29
	<u>2,091.89</u>	<u>904.84</u>

### Note 20 - Short term loans and advances

#### Others

Unsecured - Considered good		
Deferred Premium	1,555.88	-
Balance with Customs, Excise, etc.	7,768.73	9,597.28
Advances to Employees	17.12	7.50
Advances to suppliers and others	2,916.13	1,139.60
Prepaid Expenses	146.40	53.60
Advance Tax (net off provision)	781.90	5,233.05
	<u>13,186.16</u>	<u>16,031.03</u>

### Note 21 - Revenue from operations

Sale of manufactured goods	2,76,122.29	2,41,286.10
Other operating revenues	2,542.78	2,056.41
Revenue from operations (gross)	<u>2,78,665.07</u>	<u>2,43,342.51</u>
Less: Excise duty	33,361.98	28,860.37
Net	<u>2,45,303.09</u>	<u>2,14,482.14</u>

## Notes to the financial statements

	₹ in lakhs	
	2013-14	2012-13
<b>Details of goods sold</b>		
<b>Finished goods</b>		
PVC	86,636.99	71,154.14
PVC pipes & fittings	1,51,133.72	1,35,589.91
Power	1,535.38	4,933.04
Others	<u>5,997.00</u>	<u>2,735.70</u>
	<u>2,45,303.09</u>	<u>2,14,412.79</u>
<b>Traded goods</b>		
EDC	-	69.35
	-	<u>69.35</u>
<b>Note 22 - Other income</b>		
<b>Interest earned on</b>		
Fixed deposits with bank	-	34.81
Overdues from customers	106.02	164.46
Others	455.73	80.76
<b>Dividend received</b>		
From long-term investments	359.30	270.56
Net gain on sale of current investments	3,041.54	2,351.90
Profit on sale of assets	65.58	3.05
Other non-operating income	<u>339.87</u>	<u>431.47</u>
	<u>4,368.04</u>	<u>3,337.01</u>
<b>Note 23 - Cost of materials consumed</b>		
Cost of raw material consumed	1,71,526.33	1,44,150.20
Packing material consumed	<u>2,362.05</u>	<u>1,810.72</u>
	<u>1,73,888.38</u>	<u>1,45,960.92</u>
<b>Details of raw material consumed</b>		
EDC	25,521.04	19,042.64
Ethylene	30,457.86	24,607.28
VCM	57,910.59	51,954.47
Coal	8,316.85	11,886.35
PVC (excluding captive)	25,301.35	18,884.89
Others	<u>24,018.64</u>	<u>17,774.57</u>
	<u>1,71,526.33</u>	<u>1,44,150.20</u>
<b>Note 24 - Purchase of stock in trade</b>		
EDC	-	63.74
	-	<u>63.74</u>

## Notes to the financial statements

	₹ in lakhs	
	2013-14	2012-13
<b>Note 25 - Change in inventories of finished goods, work in progress &amp; stock in trade</b>		
<b>Inventories at the end of the year</b>		
Work in progress	3,312.92	5,279.73
Finished goods	<u>22,017.88</u>	<u>13,759.54</u>
	<u>25,330.80</u>	<u>19,039.27</u>
<b>Inventories at the beginning of the year</b>		
Work in progress	5,279.73	3,432.82
Finished goods	<u>13,759.54</u>	<u>12,979.35</u>
	<u>19,039.27</u>	<u>16,412.17</u>
<b>Details of inventory</b>		
<b>(a) Raw material</b>		
EDC	5,840.26	8,827.55
Ethylene	7,186.77	6,156.99
VCM	335.01	2,828.07
Coal	676.17	2,733.47
PVC (excluding captive)	1,450.98	810.08
Others	<u>5,494.24</u>	<u>3,594.79</u>
	<u>20,983.43</u>	<u>24,950.95</u>
<b>(b) Work-in-progress</b>		
PVC	821.71	81.96
VCM	209.37	474.03
PVC compound	2,189.06	4,334.35
Others	<u>92.78</u>	<u>389.39</u>
	<u>3,312.92</u>	<u>5,279.73</u>
<b>(c) Finished goods</b>		
PVC	9,966.50	8,680.97
PVC pipes & fittings	12,018.52	5,034.19
Others	<u>32.86</u>	<u>44.38</u>
	<u>22,017.88</u>	<u>13,759.54</u>
<b>Note 26 - Employee benefits expense</b>		
Salaries, wages, bonus and commission	6,114.23	5,924.29
Contribution to provident fund and other funds (Refer Note 1.5)	314.95	564.68
Staff welfare expenses	<u>742.06</u>	<u>702.08</u>
	<u>7,171.24</u>	<u>7,191.05</u>



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₹ in lakhs

	2013-14	2012-13
<b>Note 27 - Other expenses</b>		
Power and fuel	10,636.97	8,887.43
Stores and spares consumed	3,209.44	2,233.86
Other manufacturing expenses	6,809.32	6,403.87
Rent	196.37	328.16
Rates and taxes	1,106.61	868.99
Insurance	453.16	517.00
Repairs & maintenance (Buildings)	442.64	222.60
Repairs & maintenance (Plant & Machinery)	1,199.92	841.36
Repairs & maintenance (Others)	249.46	440.17
Communication expenses	169.53	154.34
Travelling and conveyance	739.19	400.94
Directors sitting fees	21.00	16.40
Commission to Non-executive Directors	21.00	14.73
Auditor's remuneration :		
• Statutory audit fees	22.00	22.00
• Tax audit fees	5.00	5.00
• Other fees	12.49	8.01
• Out of pocket expenses	0.92	0.80
Advertisement, publicity and sales promotion	1,480.05	1,188.33
Commission on sales	398.13	377.15
Freight outward & other selling expenses	1,252.28	1,597.10
Donations	18.22	150.00
Loss on sale of assets	48.95	61.77
Legal and professional fees	1,204.84	1,516.15
Miscellaneous expenses	1,112.87	1,632.79
Excise duty collected and paid ( Net )	63.13	130.25
	<u>30,873.49</u>	<u>28,019.20</u>

### Note 28 - Finance costs

Interest expense	3,958.29	3,818.03
Other borrowing costs	420.29	488.61
Premium on forward exchange contracts	2,258.59	838.25
	<u>6,637.17</u>	<u>5,144.89</u>

## Notes forming part of the financial statements

### Note 1 Significant accounting policies

#### i) Basis of preparation:

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year.

#### ii) Use of estimates:

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, current assets, non-current assets, current liabilities and non-current liabilities and the disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

#### iii) Valuation of inventories:

Inventories are valued at lower of cost and net realizable value. Cost is determined on moving weighted average method. Cost of semi-finished and finished goods comprises of materials, conversion cost, other cost incurred in bringing the inventories to their present location and condition and excise duty wherever applicable.

#### iv) Cash and cash equivalents:

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

#### v) Depreciation:

Depreciation is provided on Straight-Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

Amortisation is provided in respect of leasehold land over the period of lease.

#### vi) Revenue recognition:

Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Where the ability to assess the ultimate collection with reasonable certainty is lacking at the time of raising any claim, revenue recognition is postponed to the extent of uncertainty involved. In such cases revenue is recognized only when it is reasonably certain that the ultimate collection will be made.

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

Dividend from investments is not recognized in the profit and loss statement until a right to receive payment is established in the reporting period.

vii) **Fixed assets:**

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. 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.

viii) **Foreign currency transactions:**

**Initial recognition:** A foreign currency transaction is recorded on initial recognition in the reporting currency by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

**Conversion:** At the year end, monetary items denominated in foreign currencies are converted into rupee equivalents at the year-end exchange rates.

**Exchange differences:** All exchange differences arising on settlement/conversion on foreign currency transactions are included in the Profit and Loss Statement.

In accordance with MCA notification on Accounting Standard 11 (AS 11), in respect of long term foreign currency loan taken for acquisition of assets, the exchange difference arising on reporting of said loan is adjusted to the cost of the respective assets.

**Forward exchange contracts:** The Company uses foreign exchange forward contracts and options to hedge its risks associated with foreign currency fluctuations.

Forward contracts/options entered into to hedge foreign currency risk on underlying liabilities are accounted as per Accounting Standard 11, "The Effects of changes in Foreign Exchange Rates". The premium arising at the inception of such forward contracts/options is amortised as expense over the life of the contract. Gains and losses arising on account of roll over/cancellation of forward contracts are recognised as income/ expense of the period in which such roll over/cancellation takes place.

Forward contracts/options entered into to hedge foreign currency risk on unexecuted firm commitments are accounted, keeping in view the principle of prudence as enunciated in AS 1, "Disclosure of Accounting Policies"; in pursuance of the announcement of the ICAI dated March 29, 2008 on Accounting for Derivative Losses.

ix) **Valuation of investments:**

Investments that are readily realizable and intended to be held for not more than a year from the date on which such investment is made are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of such investments.

x) **Employee benefits:**

I. **Short term employee benefits**

All employee benefits payable wholly within twelve months of rendering the services are classified as short term employee benefits. Benefits such as salaries, wages, expected cost of bonus and short term compensated absences, etc. is recognized in the period in which the employee renders the related service.

II. **Post-employment benefits**

a) Defined contribution plans

The Company's superannuation scheme, state governed provident fund and employee state insurance scheme are defined contribution plans. The contribution paid/payable under the scheme is recognized during the period in which the employee renders the related service.

b) Defined benefit plans

The employees' gratuity fund scheme is the Company's defined benefit plan. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognized immediately in the Profit & Loss Statement. The fair value of the plan's assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis. Gains or a loss on the curtailment or settlement of the defined benefit plan is recognized, when the curtailment or settlement occurs. Past service cost is recognized as expenses on a straight-line basis over the average period until the benefits become vested.

III. **Long term employee benefits**

The obligation of long term compensated absences are recognized in the same manner as in the case of defined benefit plans as mentioned in note II (b) above. Accumulated leaves that are expected to be utilized within the next 12 months are treated as short term employee benefits.

xi) **Segment accounting:**

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Allocation of common costs

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocable items

Unallocable items include general corporate income and expense items which are not allocated to any business segment.

Inter-segment

Segment revenue from inter-segment transactions is accounted on the basis of transfer price agreed between the segments.

Segment accounting policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

**xii) Accounting for leases:**

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

**xiii) Earnings per share:**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity Shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**xiv) Taxes on income:**

Tax on income for the current period is determined on the basis of taxable income after considering the various deductions available under The Income Tax Act, 1961.

Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year. The tax effect is calculated on the accumulated timing differences at the end of the accounting period based on prevailing enacted or substantively enacted regulations.

Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. At each reporting date the company reassesses the unrecognized deferred tax assets and reviews the deferred tax assets recognized.

**xv) Intangible assets:**

Intangible Assets are amortised over the useful life of the assets on SLM method.

Research and development costs are expensed out as and when incurred, except for development costs which relate to the design and testing of new or improved material, products or processes which are recognized as an asset, when it is expected that such assets will generate future economic benefits.

**xvi) Impairment policy:**

The company assesses at each balance sheet date whether there is any indication that an asset or cash generating unit (CGU) may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset's or CGU's net selling price or its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

**xvii) Provisions:**

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

**xviii) Contingent liability:**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the

Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

#### 1.1) **Terms of borrowings:**

##### **Terms of debenture**

500 privately placed 9.50% secured redeemable non-convertible debentures of ₹ 10 lakhs each, aggregating to ₹ 5,000 lakhs ("9.50% NCDs") will be redeemed in three instalments commencing at the end of 3rd, 4th and 5th year from the date of allotment i.e. 21<sup>st</sup> September, 2009 in the ratio of 3:3:4.

1,000 privately placed 10.90 % secured redeemable non-convertible debentures of ₹ 10 lakhs each, aggregating to ₹ 10,000 lakhs ("10.90% NCDs") will be redeemed in 3 years bullet from the date of allotment i.e. 31st December, 2013

##### **Terms of loan repayment**

The term loan from Central Bank of India amounting to ₹ 10,000 lakhs was availed in the financial year 2011-12 and carried interest at the rate of 11.75% p.a. The loan is repayable in 3 equal annual instalments from the date of disbursement.

The term loan from Bank of Maharashtra amounting to ₹ 5,000 lakhs was availed in the financial year 2012-13 at the interest rate of Base Rate + 0.75% repayable in 12 quarterly instalment starting from January, 2015.

The term loan from Citibank NA amounting to ₹10,000 lakhs was availed in the financial year 2012-2013 at the interest rate of 10.75% p.a. will be repayable in 1 year bullet from date of drawdown.

#### **Nature of security for secured borrowings and working capital:**

##### **Debentures**

- (a) The outstanding amount payable on 9.50% NCDs of ₹ 5,000 lakhs with the interest accrued there on but unpaid and all other costs, charges, expenses and fees payable to the debenture trustees namely Axis Trustee Services Limited ("ATSL") secured under the Debenture Trust Deed dated 5<sup>th</sup> March, 2010 have been secured by creation of English mortgage on pari passu basis in favour of ATSL on the Company's immovable properties situated at 1B, 1<sup>st</sup> Floor, Mahakant Building, Ellisbridge, Ahmedabad in the State of Gujarat.

The said 9.50% NCDs are further secured by equitable mortgage created in favour of the ATSL on pari passu basis by depositing with Axis Bank Limited, New Delhi ("ABL"), ABL acting for itself 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 Resin, situate at Village Golap, District Ratnagiri in the State of Maharashtra 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.

- (b) The outstanding amount payable on 10.90% NCDs of ₹ 10,000 lakhs with the interest accrued there on but unpaid and all other costs, charges, expenses and fees payable to the debenture trustees namely Axis Trustee Services Limited ("ATSL") secured under the Debenture Trust Deed dated 31<sup>st</sup> March, 2014 and creation of simple mortgage on pari passu basis in favour of ATSL on immoveable properties of the Company 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 plants and machinery attached to the earth or permanently fastened to anything attached to the earth.

### Term Loans:

**From Central Bank of India:** The outstanding amount payable on term loan of ₹ 10,000 lakhs availed from Central Bank of India with all interest, liquidated damages, commitment charges, premia on prepayment, costs, expenses and other moneys and fees payable as applicable are secured by equitable mortgage created in favour of Central Bank of India, Pimpri, Pune by depositing all the documents of title, evidences, title deeds and writings in respect of immovable properties of the Company falling within the battery limit of Company's captive power plant 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; and

**From Bank of Maharashtra:** The outstanding amount payable on term loan of ₹ 5,000 lakhs availed from Bank of Maharashtra with all interest, liquidated damages, commitment charges, premia on prepayment, costs, expenses and other moneys and fees payable as applicable are secured by:

Deed of Hypothecation for movable property of the Company viz., plant and machinery and other movable assets falling within the battery limit of the PVC manufacturing plant situate at Golap-Ratnagiri, District Ratnagiri, Maharashtra State.

**From Citibank N.A.:** The outstanding amount payable on term loan of ₹ 10,000 lakhs availed from Citibank N.A. with all interest, liquidated damages, commitment charges, premia on prepayment, costs, expenses and other moneys and fees payable as applicable are secured by:

Extension of second equitable mortgage, to be created in favour of Citibank by deposit of title deeds with Axis Bank Ltd., New Delhi ("ABL") on pari passu basis with other second charge holders, ABL acting for itself and as an agent of Citibank N.A. 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 immovable 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.

**Working capital:** The aggregate limits of working capital borrowings of ₹ 1,39,575 lakhs from the Bank of India Consortium together with all interest, liquidated damages, costs, charges and other moneys payable under working capital consortium agreement/sanction letters are secured by:

- (i) Hypothecation of inventories and book debts; and
- (ii) Extension of second equitable mortgage, created in favour of Bank of India Consortium on pari passu basis with other second charge holder by deposit of title deeds with Axis Bank Ltd. (ABL), New Delhi. ABL 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 immovable 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.

**Note**
**1.2 Contingent Liabilities and commitments:**

₹ In lakhs

Particulars	2013-14	2012-13
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	10.17	179.38
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	910.97	436.23
c) Excise/Customs/Service Tax in respect of which either show cause notice is received or the Company/Department is in appeal	5,702.89	4,379.44
d) Sales Tax matters in respect of which either show cause notice is received or the Company/Department is in appeal	2,422.32	-
e) Amounts claimed by banks in respect of derivative transactions which are under dispute not acknowledged as debt. Claims in foreign exchange have been revalued at exchange rate as on Balance Sheet date. In view of counter claims of the Company against the banks, the facts and circumstances of the case and uncertainty of period for which the litigations will continue, a reliable estimate of the liability, if any, cannot be made. It is unlikely that there will be a material liability on the Company on this account in the near future. Therefore, in view of what is stated above no provision is required to be made out of the current year's profit. The company has been legally advised in respect of this issue confirming the aforesaid section.	15,980.22	14,478.81
f) Estimated amount of contracts remaining to be executed on capital account and not provided for (net off capital advances)	927.28	1369.93

**1.3 A. Details of derivative instruments outstanding as at the balance sheet date:**

The Company has entered into forward contracts/option transactions with an objective to hedge the financial risks associated with its business viz. foreign exchange, interest rate. Quantitative information of derivative instruments outstanding as at the balance sheet date:		
Forward contracts/ Options for payables including firm commitments	63,539.40	-
B. The Company has not hedged the following foreign currency exposures:		
(i) Borrowings grouped under :-		
a) Secured loans (JPY)	-	1,382.45
b) Unsecured loans (USD)	1,220.88	52,573.74
(ii) a) Trade payable (USD)	7,383.26	15,475.45
b) Advance to Suppliers (EURO)	273.61	-
c) Advance to Suppliers (CHF)	1.29	-



## 1.4 Trade payables

(₹ In lakhs)

Particulars	2013-14	2012-13
A) Outstanding trade payable other than micro, small & medium enterprise	11,136.01	18,370.55
B) Interest Paid/Payable other than MSME	-	-
C) Outstanding to micro, small & medium enterprise	6.87	41.25
D) Interest Paid/Payable to MSME	-	-

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. There were no outstanding dues to micro, small and medium enterprises which were outstanding for more than the stipulated period.

## 1.5 Disclosure as per accounting standard 15 (Revised)

Amount of ₹ 314.95 lakhs (₹ 564.68 lakhs) is recognised as an expense and included in "Employees benefits expense" (Note 26) in the Profit and Loss Statement.

The following table sets out the status of the Funded Gratuity Plan (defined benefit plan) as required under AS 15 (Revised).

Particulars	2013-14	2012-13
<b>a) Statement showing changes in the present value of the obligation</b>		
Present value of obligation at the beginning of the year	780.81	654.89
Interest cost	59.20	44.54
Current service cost	64.18	68.91
Benefits paid	(81.55)	(196.22)
Actuarial (gain)/ loss on obligation	3.54	208.69
Present value of obligation as at the end of the year	826.18	780.81
<b>b) Statement showing changes in the fair value of planned assets</b>		
Fair value of plan assets at the beginning of the year	291.42	393.82
Expected return on plan assets	23.51	27.41
Contributions	60.45	50.78
Benefits paid	(81.55)	(196.22)
Actuarial gain/ (loss) plan assets	2.46	15.63
Fair value of plan assets at the end of the year	296.29	291.42

(₹ In lakhs)

	2013-14	2012-13
<b>c) Amount to be recognised in the balance sheet</b>		
Present value of obligation	826.18	780.81
Fair value of Plan Assets	(296.29)	(291.42)
Liability/(asset)	529.89	489.39
Unrecognised past service cost	-	-
Liability/(asset) recognised in the Balance Sheet	529.89	489.39
<b>d) Expenses recognised in the statement of profit &amp; loss account</b>		
Current service cost	64.18	68.91
Interest cost	59.20	44.54
Expected return on plan assets	(23.51)	(27.41)
Net actuarial gain/(loss) recognised in the year	1.09	193.05
Past service cost	-	-
Expenses recognised in the statement of profit & loss	100.96	279.09
<b>e) Principal actuarial assumptions at the balance sheet date</b>		
Discount rate	8% p.a.	8% p.a.
Expected return on plan assets	8% p.a.	8% p.a.
Mortality	Indian Assured Lives Mortality (2006-08) Ultimate	Indian Assured Lives Mortality (1994 -96) (modified) Ultimate
Future salary increases	6% p.a.	5% p.a.
Disability	Nil	Nil
Attrition	1% p.a.	1% p.a.
Retirement	58 years	58 years

The company expects to contribute Rs 61,36,300 in the financial year 14-15 towards funding of the gratuity plan

**Basis used to determine the overall expected return:**

Life Insurance Corporation of India (LIC) manages the investments of Employee Gratuity Scheme. Expected rate of return on investments is determined based on the assessment made by the LIC at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year. Yield on the portfolio is calculated based on a suitable mark-up over the benchmark Government securities of similar maturities.

Broad categories of plan assets as a percentage of total plan assets.		
		Percentage
Particulars	2013-14	2012-13
Central Government securities	23.86	23.86
State Government securities	16.14	16.14
Other approved securities (Government Guaranteed Securities)	1.21	1.21
Bonds and debentures	39.32	39.32
Fixed deposits	14.20	14.20
Equity shares	4.67	4.67
Money market instruments	0.02	0.02
Mutual fund	0.58	0.58
Grand total	100	100
The estimates of future salary increase considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.		
General descriptions of defined plans:		
Gratuity plan:		
The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service or retirement whichever is earlier. The benefit vests after five years of continuous service.		

## 1.6 CIF Value of Imports:

(₹ In lakhs)

Particulars	2013-14	2012-13
Raw materials *	1,39,425.68	1,31,921.46
Stores, spares and components	292.60	256.72
Capital goods	2,136.47	2,562.08
* Inclusive of high seas purchases		

## 1.7 Consumption of raw materials

Imported	1,53,069.17	1,32,760.84
	89.24%	92.10%
Indigenous	18,457.15	11,389.34
	10.76%	7.90%
Total	1,71,526.33	1,44,150.17

## 1.8 Expenditure in foreign currency:

Interest	714.64	2,126.43
Subscription	18.40	14.73
Travelling expenses	27.97	7.41
Legal and professional fees	56.64	374.23
Others	2.87	3.04

**1.9 Related party disclosures**

Disclosures as required by accounting standard 18 "related party disclosures" are given below:		
<b>A) Names of related parties and nature of relationship where control exists</b>		
<b>Name of the related party</b>	<b>Nature of relationship</b>	
1. Pawas Port Ltd.	Substantial interest	
<b>B) Names of related parties with whom transactions have been entered into</b>		
1. Mr. Prakash P. Chhabria - Executive Chairman	Key management personnel	
2. Mr. Saurabh S. Dhanorkar - Managing Director		
3. Mr. Panyam Subramaniam - Assistant Managing Director & CFO (Up to 4th June, 2013)		
4. Mr. Sanjay S. Math - Director Operations	Associate Company- Significant Influence	
5. Finolex Cables Limited		
6. Finolex Plasson Industries Ltd.		
<b>Enterprises over which key management personnel or their relatives exercise significant influence</b>		
1. Finprop Advisory Services Ltd.	Significant Influence	
2. Magnum Machine Technologies Ltd.		
3. Kaya Software Pvt. Ltd.		
<b>C) Transactions with related parties</b>		
		(₹ In lakhs)
Nature of Transactions	2013-14	2012-13
<b>Sales, Services and other income</b>		
<b>1 Sale of goods</b>		
Finolex Cables Limited	118.36	695.42
Finolex Plasson Industries Ltd.	2,654.78	2,989.98
<b>2 Reimbursement received of expenditure incurred</b>		
Finolex Cables Limited	95.38	187.81
<b>3 Dividend received</b>		
Finolex Cables Limited	266.24	177.50
Finolex Plasson Industries Ltd.	92.70	92.70
<b>Purchase of material / assets</b>		
<b>1 Purchase of raw material and components</b>		
Finolex Cables Limited	20.20	4.26
Finolex Plasson Industries Ltd.	1.57	-
<b>2 Purchase of fixed assets</b>		
Finolex Cables Limited	54.09	358.51
Magnum Machine Technologies Limited	692.74	684.40

(₹ In lakhs)

	2013-14	2012-13
<b>Expenses</b>		
<b>1 Remuneration of key management personnel</b>		
Mr. Prakash P. Chhabria	675.43	476.42
Mr. Saurabh S. Dhanorkar	190.43	137.50
Mr. Panyam Subramaniam ( Upto 31st July, 2013 )	50.13	111.41
Mr. Sanjay S. Math	140.08	68.79
<b>2 Services</b>		
Finprop Advisory Services Limited	49.20	55.06
<b>3 Rent</b>		
Kaya Software Pvt.Ltd.	-	56.24
Finolex Cables Limited	10.33	7.46
<b>4 Reimbursement of expenses paid</b>		
Finolex Cables Limited	-	2.26
Finprop Advisory Services Limited	1.04	1.85
<b>5 Dividend paid</b>		
Finolex Cables Limited	2,210.59	1,205.78
<b>Amount outstanding</b>		
<b>1 Due from</b>		
Finolex Cables Limited	18.30	77.01
Finolex Plasson Industries Ltd.	24.44	-
<b>2 Due to</b>		
Finolex Cables Limited	0.04	-
Finolex Plasson Industries Ltd.	-	11.01

**1.10 Movement of provision for leave encashment**

Particulars		
Carrying amount at the beginning of the year	314.79	218.33
Provision made during the year	265.38	455.69
Amount used during the year	248.79	359.22
Unused amounts reversed during the year	-	-
Carrying amount at the end of the year	331.39	314.79

(₹ In lakhs)

	2013-14	2012-13
<b>1.11 Earning per share</b>		
<b>Basic</b>		
a) Profit for the year	24,186.19	19,015.64
b) Less: Attributable tax thereto	7,171.53	5,401.95
c) Profit after tax	17,014.66	13,613.69
Weighted average number of equity shares used as denominator	12,40,95,381	12,40,95,381
Basic earning per share of nominal value of ₹ 10/- each	13.71	10.97
Note: There are no potential shares that have a dilutive effect on the EPS		

**1.12 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 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".

Description	2013-14		2012-13	2013-14		2012-13	2013-14		2012-13	2013-14		2012-13	2013-14		2012-13	2013-14	
	PVC	PVC	PIPES & FITTINGS	PIPES & FITTINGS	POWER	POWER	OTHER THAN SEGMENT	OTHER THAN SEGMENT	ELIMINATIONS	ELIMINATIONS	TOTAL	TOTAL	ELIMINATIONS	ELIMINATIONS	TOTAL	TOTAL	
A. Primary segment information																	
Segment revenue (Net of excise duty)	87,441.07	71,760.34	1,56,326.64	1,37,788.75	1,535.38	4,933.04	-	-	-	-	-	-	-	-	-	2,45,303.09	2,14,482.14
a) external sales	83,861.57	84,607.77	-	-	14,912.31	15,777.33	-	-	-	-	-	-	-	-	-	-	-
b) inter-segment sales	1,71,302.64	1,56,368.11	1,56,326.64	1,37,788.75	16,447.69	20,710.37	-	-	-	-	-	-	-	-	-	2,45,303.09	2,14,482.14
Total revenue	20,079.52	23,418.18	13,205.34	7,165.84	3,450.98	4,812.76	-	-	-	-	-	-	-	-	-	36,735.85	36,396.78
Segment result																(6,637.17)	(5,144.89)
Interest																	
Net unallocable (expenditure) / income																(5,912.49)	(11,236.25)
Profit before tax																24,186.19	19,015.64
Provision for current tax																5,850.00	5,573.93
Provision for deferred tax																1,268.95	378.02
Short / (Excess) provision of earlier years																52.58	(550.00)
Profit after tax																17,014.66	13,613.69
Segment assets	85,328.32	71,765.97	39,574.83	19,786.86	33,632.70	30,127.58	27,734.79	26,083.79	-	1,86,670.64	1,47,762.20	-	-	-	-	-	-
Segment liabilities	7,577.83	2,852.30	6,045.17	11,406.49	2,316.96	1,378.31	10,597.72	8,705.27	-	26,529.69	24,342.37	-	-	-	-	-	-
Capital expenditure	534.57	4,830.98	7,161.40	10,721.11	130.78	389.93	70.16	3.18	-	7,896.90	15,945.20	-	-	-	-	-	-
Depreciation	2,639.57	2,290.61	2,042.52	1,549.69	1,645.89	1,600.97	1.21	0.37	-	6,229.18	5,441.64	-	-	-	-	-	-
B. Secondary segment																	
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.																	

Note 1.13 Figures of the previous year have been regrouped/rearranged wherever necessary.

As per our report of even date  
For M/s P. G. Bhagwat  
Chartered Accountants  
FRN 101118W

Abhijeet Bhagwat  
Partner  
M. No. 136835

S. Krishnamoorthy  
General Manager (Accounts & Finance)

Prakash P. Chhabria  
Kanayalal N. Atmaramani  
Dara N. Damania  
Saurabh S. Dhanorkar  
Shikrisha N. Inamdar  
Prabhakar D. Karandikar  
Sanjay S. Math  
Dr. Sunil U. Pathak

Executive Chairman  
Managing Director  
Director (Operations)

Umesh M. Gosavi  
General Manager (Legal) & Company Secretary

Pune: 12<sup>th</sup> May, 2014

Pune: 12<sup>th</sup> May, 2014

## NOTICE

NOTICE is hereby given that the thirty-third annual general meeting of the members of Finolex Industries Limited will be held on Saturday, 20<sup>th</sup> September, 2014 at 11.00 a.m. at Kirloskar Institute of Advanced Management Studies, Gat No. 356 & 357, Near Tata Foundry Maval, Village Dhamane, Taluka Maval, District Pune, 410506 to transact the following business:

### Ordinary business:

1. To receive, consider and adopt the audited balance sheet as at 31<sup>st</sup> March, 2014 and the profit and loss account for the year ended on that date together with the reports of the directors' and the auditors' thereon.
2. To declare dividend on equity shares for the financial year ended 31<sup>st</sup> March, 2014.
3. To appoint a director in place of Mr. Sanjay S. Math (DIN 01874086), who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint auditors and fix their remuneration and in this regard to consider, and, if thought fit, to pass, with or without modification (s), the following resolution as an ordinary resolution:  
**"RESOLVED THAT** M/s. P.G. Bhagwat, Chartered Accountants (Firm Registration No. 101118W) be and are hereby appointed as statutory auditors of the Company, to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting of the Company or annual general meeting to be held in the year 2017 (subject to ratification of their appointment at every annual general meeting) on such remuneration as shall be fixed by the Board of Directors plus service tax thereon and reimbursement of out-of-pocket expenses."

### Special business:

5. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:  
**"RESOLVED THAT** pursuant to the provisions of section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, approval of the Company be and is hereby accorded to the remuneration of ₹ 3,50,000 plus service tax thereon and reimbursement of out of pocket expenses, if any, payable to M/s. S. R. Bhargave & Co., Cost Accountants for their appointment as cost auditor to conduct the audit of the cost records of the Company for the financial year ending 31<sup>st</sup> March, 2015 which was approved by the Board of Directors (hereinafter referred to as "the Board" which term shall include any committee constituted by the Board or any person(s) authorised by the Board) at its meeting held on 12<sup>th</sup> May, 2014 on the recommendation of the audit committee.  
**RESOLVED FURTHER THAT** the Board be and is hereby authorized to do or to authorize any person to do all such acts, deeds, matters and things and give such directions as may be considered necessary, relevant, usual, customary and/ or expedient to give effect to the aforesaid resolution".
6. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:  
**"RESOLVED THAT** pursuant to the provisions of sections 149, 150, 152 read with schedule IV and other applicable provisions of the Companies Act, 2013 (the "Act"), the Companies (Appointment and Qualification of Directors) Rules, 2014 and clause 49 of the



listing agreement, Mr. Sanjay K. Asher (DIN 00008221), director of the Company who was appointed as director liable to retire by rotation and who has submitted a declaration that he meets criteria for independence as provided in section 149(6) of the Act and is eligible for appointment, be and is hereby appointed as an independent director of the Company to hold office for 5 (five) consecutive years with effect from the date of this annual general meeting of the Company.”

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

“**RESOLVED THAT** pursuant to the provisions of sections 149, 150, 152 read with schedule IV and any other applicable provisions of the Companies Act, 2013 (the “Act”), the Companies (Appointment and Qualification of Directors) Rules, 2014 and clause 49 of the listing agreement, Mr. Kanaiyalal N. Atmaramani (DIN 00129768), director of the Company who was appointed as director liable to retire by rotation and who has submitted a declaration that he meets criteria for independence as provided in section 149(6) of the Act and is eligible for appointment, be and is hereby appointed as an independent director of the Company to hold office for 5 (five) consecutive years with effect from the date of this annual general meeting of the Company.”

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

“**RESOLVED THAT** pursuant to the provisions of sections 149, 150, 152 read with schedule IV and any other applicable provisions of the Companies Act, 2013 (the “Act”), the Companies (Appointment and Qualification of Directors) Rules, 2014 and clause 49 of the listing agreement, Mr. Dara N. Damania (DIN 00403834), director of the Company who was appointed as director liable to retire by rotation and who has submitted a declaration that he meets criteria for independence as provided in section 149(6) of the Act and is eligible for appointment, be and is hereby appointed as an independent director of the Company to hold office for 5 (five) consecutive years with effect from the date of this annual general meeting of the Company.”

9. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

“**RESOLVED THAT** pursuant to the provisions of sections 149, 150, 152 read with schedule IV and any other applicable provisions of the Companies Act, 2013 (the “Act”), the Companies (Appointment and Qualification of Directors) Rules, 2014 and clause 49 of the listing agreement, Mr. Shrikrishna N. Inamdar (DIN 00025180), director of the Company who was appointed as director liable to retire by rotation and who has submitted a declaration that he meets criteria for independence as provided in section 149(6) of the Act and is eligible for appointment, be and is hereby appointed as an independent director of the Company to hold office for 5 (five) consecutive years with effect from the date of this annual general meeting of the Company.”

10. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

“**RESOLVED THAT** pursuant to the provisions of sections 149, 150, 152 read with schedule IV and any other applicable provisions of the Companies Act, 2013 (the “Act”), the Companies (Appointment and Qualification of Directors) Rules, 2014 and clause 49

of the listing agreement, Mr. Prabhakar D. Karandikar (DIN 02142050), director of the Company who was appointed as director liable to retire by rotation and who has submitted a declaration that he meets criteria for independence as provided in section 149(6) of the Act and is eligible for appointment, be and is hereby appointed as an independent director of the Company to hold office for 5 (five) consecutive years with effect from the date of this annual general meeting of the Company.”

11. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as an ordinary resolution:

“**RESOLVED THAT** pursuant to the provisions of sections 149, 150, 152 read with schedule IV and any other applicable provisions of the Companies Act, 2013 (the “Act”), the Companies (Appointment and Qualification of Directors) Rules, 2014 and clause 49 of the listing agreement, Dr. Sunil U. Pathak (DIN 00049315), director of the Company who was appointed as director liable to retire by rotation and who has submitted a declaration that he meets criteria for independence as provided in section 149(6) of the Act and is eligible for appointment, be and is hereby appointed as an independent director of the Company to hold office for 5 (five) consecutive years with effect from the date of this annual general meeting of the Company.”

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

“**RESOLVED THAT** in supersession of the ordinary resolution passed under section 293(1) (a) of the Companies Act, 1956 at the annual general meeting of the Company held on 29<sup>th</sup> June, 2006 and pursuant to section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and any Rules made thereunder, subject to such approvals, consents, sanctions and permissions, as may be necessary, and the Articles of Association of the Company and all other provisions of applicable laws, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the “Board” which term shall include a Committee constituted by the Board or any person(s) authorized by the Board) to create any kind of mortgage(s), hypothecation (s), pledge(s) and/or charge(s), in addition to the mortgage(s), hypothecation(s), pledge(s) and/or charge(s) already created, from time to time as and by way of first/exclusive charge(s)/ second or subsequent charge(s) of any nature whatsoever, and on such terms and conditions as the Board may deem fit, on all or any part of the movable and/or immovable properties of the Company, wheresoever situate, both present and future, and the whole or substantially the whole of all or any of the undertakings of the Company (Save and except the current assets that are or may be hypothecated and/or pledged in favour of the Company’s bankers for securing borrowings for working capital requirements in favour of one or more banks and/or financial institutions and/or trustees for debenture holders and/or others to secure term loans borrowed / to be borrowed and/or debentures issued/to be issued (whether on a rights basis to the members of the Company and/or to the public and/or to any other person or person(s) and/or any banking or financial or other facilities or arrangements made/to be made in terms of any Agreement/ Heads of Agreement/Letters of Sanction/Memorandum of the Terms and Conditions/ Debenture Trust Deed entered into/to be entered into by the Company in respect of such arrangements but so that the first/exclusive charge(s) created/ to be created shall not be for securing a sum exceeding ₹ 2,000 crores (Rupees two thousand crores) over and above the aggregate of the paid up capital of the Company and its free reserves at any time plus interest, commitment charges,

premium on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company, and the charge(s) other than the first / exclusive charge(s) created or to be created shall be such sum(s) (upto the said sum of ₹ 2,000 crores (Rupees two thousand crores) over and above the said aggregate of the paid up capital of the Company and its free reserves from time to time) as may be secured in favour of the banks/financial institutions /trustees for debentureholders or others.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to finalize with such banks/ financial institutions/ trustees for debenture holders and/or any other person(s) the documents for creating the aforesaid first, second or subsequent or other mortgage and/or charge and to do all such acts, deeds, matters and things as may be considered necessary, relevant, usual, customary, and/ or expedient for giving effect to the aforesaid resolution, and also to agree to any amendments thereto from time to time as it may think fit for giving effect to the aforesaid resolution.”

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

**“RESOLVED THAT** in supersession of the ordinary resolution passed under section 293(1) (d) of the Companies Act, 1956 at the annual general meeting of the Company held on 29<sup>th</sup> June, 2006 and pursuant to section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and any Rules made thereunder, subject to such approvals, consents, sanctions and permissions, as may be necessary, and the Articles of Association of the Company and all other provisions of applicable laws, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall include any committee constituted by the Board or any person(s) authorized by the Board) to borrow any sum or sums of money, from time to time, where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company’s bankers in the ordinary course of business) may exceed, at any time, the aggregate of the paid-up capital of the Company and its free reserves (that is to say reserves not set apart for any specific purpose), provided that the total amount so borrowed shall not at any time exceed ₹ 2,000 crores (Rupees two thousand crores) over and above the aggregate of the paid up capital of the Company and its free reserves at any time and that the Board be and is hereby empowered and authorised to arrange or fix the terms and conditions in respect of the moneys borrowed / to be borrowed from time to time whether as to interest, repayment, security or otherwise howsoever as it may deem fit, as also to execute all such deeds and documents as may be considered to be necessary, relevant, usual, customary and/ or expedient for this purpose.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized and empowered to arrange or settle the terms and conditions on which all such monies are to be borrowed from time to time as to interest, repayment, security or otherwise howsoever as the Board may think fit and to do all such acts, deeds, matters and things and to execute or authorize any person to execute all such documents, instruments and writings as may be considered necessary, relevant, usual, customary and/ or expedient for giving effect to the aforesaid resolution.”

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

**“RESOLVED THAT** pursuant to the provisions of sections 42, 71 and other applicable provisions, if any, of the Companies Act, 2013, read with the Rules made thereunder, the approval of the Company be and is hereby accorded, to authorise the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall include any committee constituted by the Board or any person (s) authorised by the Board) for making offer(s) or invitation(s) to subscribe to secured/unsecured redeemable Non-Convertible Debentures (“NCDs”) on a private placement basis, in one or more tranches during the year on such terms and conditions, as may be decided by the Board within the overall borrowing limits of the Company, as approved by the members, from time to time.”

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds and things and give such directions as may be considered necessary, relevant, usual, customary and/ or expedient to give effect to the aforesaid resolution, including determining the terms and conditions of the NCDs.”

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

**“RESOLVED THAT** pursuant to the provisions of section 197 and any other applicable provisions of the Companies Act, 2013 read with the Rules made thereunder a sum not exceeding one percent per annum of the net profits of the Company calculated in accordance with the provisions of section 198 of the Companies Act, 2013, be paid to and distributed by way of commission amongst the directors other than the managing director or wholetime directors of the Company or some or any of them in such amounts or proportions and in such manner and in all respects as may be decided and directed by the Board of Directors and such payments shall be made in respect of the profits of the Company for each financial year commencing from 1<sup>st</sup> April, 2014, provided that none of the directors aforesaid shall receive individually a sum exceeding ₹ 10,00,000/- (Rupees ten lakhs only) in a financial year.

**RESOLVED FURTHER THAT** the above remuneration shall be in addition to fee payable to the director(s) for attending the meetings of the Board or any Committee thereof or for any other purpose whatsoever as may be decided by the Board of Directors and reimbursement of expenses for participation in the Board and other meetings.”

By Order of the Board of Directors  
For Finolex Industries Limited

**Umesh M. Gosavi**  
General Manager (Legal) &  
Company Secretary

Pune  
12<sup>th</sup> May, 2014

**NOTES:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT 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.**

A proxy form is enclosed herewith.

2. The Explanatory Statement pursuant to section 102 (1) of the Companies Act, 2013, in regard to the business as set out in the notice is annexed hereto.
3. Instructions for e-voting are as under:
- (i) The voting period begins on 15<sup>th</sup> September, 2014 at 9.00 a.m. and ends on 16<sup>th</sup> September, 2014 at 6.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 1<sup>st</sup> August, 2014 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
  - (ii) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
  - (iii) Click on shareholders.
  - (iv) Now enter your User ID
    - a. For CDSL: 16 digits beneficiary ID,
    - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
    - c. Members holding shares in physical form should enter folio number registered with the Company.
  - (v) Next enter the image verification as displayed and Click on Login.
  - (vi) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
  - (vii) If you are a first time user follow the steps given below:

	<b>For members holding shares in demat form and physical form</b>
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) * Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name and the 8 digits of the folio number in the PAN field. In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 1 then enter RA00000001 in the PAN field.

DOB	Enter the date of birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Date of Dividend	Enter the dividend bank details as recorded in your demat account or in the Company records for the said demat account or folio. • Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the number of shares in the Dividend Bank details field.

- (viii) After entering these details appropriately, click on “SUBMIT” tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this notice.
- (xi) Click on the EVSN for the relevant Finolex Industries Limited on which you choose to vote.
- (xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the resolution and option NO implies that you dissent to the resolution.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on “Click here to print” option on the voting page.
- (xvii) If demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xviii) Note for non – individual shareholders and custodians :

- Non-Individual shareholders (i.e. other than individuals, HUF, NRI etc.) and custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- After receiving the login details compliance user should be created using the admin login and password. The compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the board resolution and Power of Attorney (POA) which they have issued in favour of the custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

(xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com)..

4. Mr. S.V. Deulkar, Practicing Company Secretary (C.P. No.965) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The scrutinizer shall within a period of not exceeding three working days from the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in employment of the Company and make a scrutinizer's report of the votes cast in favour or against, if any, forthwith to the Executive Chairman of the Company.

The results of the e-voting along with the scrutinizer's report shall be placed on the Company's website [www.finolex.com](http://www.finolex.com) and on the website of CDSL within two days of passing of the resolution at the annual general meeting of the Company. The results will also be communicated to the stock exchanges where the shares of the Company are listed.

In terms of clause 35 (B) of the listing agreement, the members are requested to cast their votes through e-voting as explained above. Further pursuant to clause 35(B) of the listing agreement, the members who do not have access to e-voting facility may also cast their vote by returning the enclosed postal ballot form on or before 16<sup>th</sup> September, 2014 to the scrutinizer. The scrutinizer will submit his results to the Chairman of the meeting after 16<sup>th</sup> September, 2014.

5. The register of members and the share transfer books of the Company will remain closed from 10<sup>th</sup> September, 2014 to 20<sup>th</sup> September, 2014, both days inclusive for the purpose of the payment of dividend for the financial year ended 31<sup>st</sup> March 2014 and the annual general meeting.

6. Dividend, if declared at the meeting, will be credited / dispatched between 25<sup>th</sup> September, 2014 to 29<sup>th</sup> September, 2014 to those members whose names appear on the register of members of the Company as on 20<sup>th</sup> September, 2014 or on the register of beneficial owners maintained by the depositories as at the close of their business hours on 9<sup>th</sup> September 2014.
7. The details of the directors proposed to be appointed as require under clause 49 of the listing agreement are given in explanatory statement and forms part of this notice.

The details of Mr. Sanjay S. Math, who is proposed to be re-appointed, are as given below:-

**Mr. Sanjay S. Math**, age 59 years, is a director of the Company since 4<sup>th</sup> February, 2012. He is B.E.(Chemicals), UDCT and PGDM, Mumbai. He is a member of American Institute of Chemical Engineering. He has rich working experience in various reputed projects and petrochemical plant operations. He worked in reputed organizations like National Organic Chemicals Industries Ltd., Bombay Dyeing & Mfg. Co. Ltd., Rama Petrochemicals Ltd., Essar Oil Ltd. and Soudi Yanbu Petrochemical Company (a public company of SABIC).

Mr. Sanjay S. Math is holding 3,000 shares in the Company.

8. Members whose shareholding is in the dematerialized form are requested to direct the 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 D1/10, MIDC, Chinchwad, Pune 411 019 quoting their folio numbers.
9. Since the scrip of the Company is mandated for trading compulsorily in demat form, members holding shares in physical form are requested to consider dematerializing the same.
10. Members who have not appointed nominees are requested to appoint nominees. The prescribed form for appointment of nominee / change in nomination are available on website.
11. Members desirous of obtaining any information concerning the accounts and operations of the Company for the financial year ended on 31<sup>st</sup> March, 2014 are requested to address their questions to the Company Secretary at the Registered Office of the Company so as to reach on or before 31<sup>st</sup> August, 2014 so that the requested information may be made available.
12. Please ensure to enclose copies of PAN card(s) of all transferees/legal heirs while lodging requests for share transfer/transmission of shares. In absence of such PAN card copies, Company cannot effect the requests for transfer/transmission/name deletion etc.
13. Members are requested to note that pursuant to the provisions of section 124 and other applicable provisions of the Companies Act, 2013 (including any statutory modification(s) or reenactment thereof for the time being in force) and rules made thereunder, the dividend remaining unclaimed / unpaid for the period of seven years from the date of transfer to



“Unclaimed Dividend Account” shall be credited to the Investor Education and Protection Fund set up by the Central Government.

14. Members are requested to bring their copies of the annual reports and the attendance slips duly filled-in with them at the annual general meeting.
15. Government of India, Ministry of Corporate Affairs vide its circular No.18/2011 dated 27<sup>th</sup> April, 2011 has clarified that a 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, members holding shares in physical form are advised to forward their e-mail addresses to the Company for registration at [investors@finolexind.com](mailto:investors@finolexind.com) and members holding shares in dematerialized form are requested to update their e-mail Ids with the concerned depository participants to enable the Company to send the soft copy of the Annual Report by electronic mail. It is also clarified that in case any member insists for physical copy of Annual Report, the same would be sent to the member by post, free of cost. Members are further advised to mention their e-mail addresses and land-line and mobile nos. in all correspondence for quick communication.
16. All documents referred to in the notice will be available for the inspection at the Company's registered office during normal business hours on working days upto the date of annual general meeting.
17. Route map showing directions to the venue of the meeting is given on page 87.

**Explanatory Statement pursuant to section 102 of the Companies Act, 2013 (“Act”) sets out all material facts relating to the business mentioned at item nos. 5 to 15 of the accompanying notice dated 12<sup>th</sup> May, 2014.**

### **Item No. 5**

In terms of the provisions of section 148 of the Companies Act, 2013, the Board of Directors at its meeting held on 12<sup>th</sup> May, 2014 has approved the appointment and the remuneration of M/s. S. R. Bhargave & Co., Cost auditor, on recommendation of the audit committee for the audit of cost accounts maintained by the Company relating to production of organic & inorganic chemicals (PVC Resin, Pipes and Fittings) and generation of electricity for the financial year ending 31<sup>st</sup> March, 2015. As approved by the Board, the annual remuneration payable to M/s. S. R. Bhargave & Co. for the financial year ending 31<sup>st</sup> March, 2015 is ₹ 350,000 plus service tax as applicable and reimbursement of out of pocket expenses at actuals subject to approval of the members.

As per rule 14 (a) (ii) of the Companies (Audit and Auditors) Rules, 2014, the remuneration of M/s. S. R. Bhargave & Co., Cost auditor should be approved and ratified by the members.

The Board recommends the resolution set forth in item no. 5 for the approval of the members.

No director, key managerial personnel of the Company or relatives of directors and key managerial personnel, is interested or concerned in the resolution.

**Item Nos. 6 to 11**

Pursuant to the provisions of sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and other Rules made thereunder read with Schedule IV to the Companies Act, 2013, 6 (six) non-executive independent directors of the Company, namely Mr. Sanjay K. Asher, Mr. Kanaiyalal N. Atmaramani, Mr. Dara N. Damania, Mr. Shrikrishna N. Inamdar, Mr. Prabhakar D. Karandikar and Dr. Sunil U. Pathak are proposed to be appointed as independent directors to hold office for 5 (five) consecutive years with effect from the date of this annual general meeting.

The Company has received declarations in writing from all the above directors that they meet the criteria of independence as provided in sub-section (6) of section 149 of the Companies Act, 2013 and under clause 49 of the listing agreement.

The aforesaid six non-executive independent directors being eligible and offering themselves, for appointment, are proposed to be appointed as an independent directors for 5 (five) consecutive years with effect from the date of this annual general meeting.

The details of directors seeking appointment at the annual general meeting are as follows:

**Mr. Sanjay K. Asher**, age 51 years, is a director of the Company since 4<sup>th</sup> February, 2012. Mr. Sanjay K. Asher, has been practising as a solicitor for a number of years on various matters including corporate laws. He is also a Director in the following companies, viz.: A. L. Movers Private Limited, A. L. Records Management Private Limited, Ashok Leyland Limited, Allied Pickfords India Private Limited, Bajaj Allianz General Insurance Company Limited, Bajaj Allianz Life Insurance Company Limited, Diamant Boart Marketing Private Limited, Enam Infrastructure Trusteeship Services Private Limited, Finolex Cables Limited, Finolex Plasson Industries Ltd., Finolex Industries Limited, Hoganas India Private Limited, ArjoHuntleigh Healthcare India Private Limited, Indian Cookery Private Limited, Innoventive Industries Limited, Kryfs Power Components Limited, Mandhana Industries Limited, Master Voss International Project Private Limited, Morgan Stanley Investment Management Private Limited, NV Advisory Services Private Limited, Orbit Electricals Private Limited, Oerlion Textile India Private Limited, Repro India Limited, Sanghvi Movers Limited, Sharp India Limited, Shree Renuka Sugars Limited, Siporex India Private Limited, Sudarshan Chemical Industries Limited, ValueQb Consulting Private Limited, Varun Maritime Private Limited, Varun Global Private Limited, Varun Resources Private Limited, J.B.Chemicals and Pharmaceuticals Limited, Arch Protection Chemicals Private Limited, Kineco Kaman Composites India Private Limited, Lonza India Private Limited, Narendra Plastic Pvt. Limited, Team Relocations India Private Limited, Pallazzio Hotels & Leisure Limited, Vamona Developers Private Limited, Classic Mall Development Company Private Limited, Gangetic Hotels Private Limited, Offbeat Developers Private Limited, Alliance Hospitality Services Private Limited, Turning Point Estate Private Limited, Surya Treasure Island Private Limited, Jabalpur Treasure Island Private Limited, Raipur Treasure Island Private Limited, Indore Treasure Island Private Limited, AKME Rhine River Projects Private Limited.

Mr. Sanjay K. Asher is not holding shares in the Company.

**Mr. Kanaiyalal N. Atmaramani**, age 76 years, is a director of the Company since 27<sup>th</sup> July, 2002. Mr. Atmaramani is a director of IL&FS Securities Services Limited and Finolex Industries Limited. He held various high ranking positions in the investment and finance fields. He was associated with UTI in various capacities for a period of seventeen years including Executive Trustee. Subsequently, he was with Tata Mutual Fund and retired as its Managing Director in February, 2002.

Mr.Kanaiylal N. Atmaramani is not holding shares in the Company.

**Mr. Dara N. Damania**, age 78 years, is a director of Company since 29<sup>th</sup> July, 2011. He is B.E. (Mech.) from College of Engineering, Pune. He joined Buckau Wolf India in the year 1957 as a Trainee Engineer. During his tenure from 1957 to the present date, he converted Buckau Wolf India (now the Company known as ThyssenKrupp Industries India Pvt. Limited, a Group Company of ThyssenKrupp Ag. Germany) from a single product company to a multi-product company.

Presently, he is Vice Chairman of ThyssenKrupp Industries India Pvt. Limited and ThyssenKrupp Group's Representative for India. He is also director of group companies of ThyssenKrupp and other public and private limited companies viz, ThyssenKrupp Industries India Private Limited,, Thyssenkrupp Elevator (India) Pvt. Limited, Thyssenkrupp Engine Components India Pvt. Limited, Thyssenkrupp System Engineering India Pvt. Limited, Uhde India Private Limited, Berco Undercarriages (India) Private Limited, Finolex Industries Limited, KSB Pumps Limited, Sudarshan Chemical Industries Limited and Sanghvi Movers Limited.

Mr. Dara N.Damania is holding 900 shares in the Company.

**Mr. Shrikrishna N. Inamdar**, age 69 years, is a director of the Company since 22<sup>nd</sup> March, 1989, is an eminent Advocate of repute practising on income tax side. Mr.Inamdar is director of the following companies viz. Kulkarni Power Tools, Kirloskar Ferrous Limited, Kirloskar Brothers Limited, Finolex Industries Limited, Sudarshan Chemical Industries Limited, The Ugar Sugar Works Limited, Apple Hospitals Research Institute Limited, Kirloskar Proprietary Limited, Sakal Papers Pvt. Limited and CMC Commutators Mfg. Co. Pvt. Limited.

Mr. Shrikrishna N. Inamdar is holding 2,000 shares in the Company.

**Mr. Prabhakar D. Karandikar**, age 65 years, is a director of the Company since 27<sup>th</sup> June, 2009. He is M.A., I.A.S. (Retd.), M.Sc. (London School of Economics) is the former divisional commissioner of Pune. He has been at the helm of affairs of various Government organizations and has held position of Secretary to Government of Maharashtra in various departments. He is also director of IL&FS Renewable Energy Limited, Shriram EPC Limited, Shriram Asset Management Committee Ltd, State Farms Corpn. of India Limited, Finolex Industries Limited, Finolex Plasson Industries Ltd., Cabal Insurance Broking Services Pvt. Limited, BVG India Pvt. Limited and Rajasthan Olive Plantation Ltd.

Mr. Prabhakar D. Karandikar is not holding shares in the Company.

**Dr. Sunil U. Pathak**, age 63 years, is a director of the Company since 21<sup>st</sup> October, 2008. He is M.Sc., Ph.D., an eminent personality in the field of Income Tax and he held high ranking positions in the Income Tax Department, Government of India. He wrote a thesis on "Depreciation

under Income Tax Act” for which he was awarded Ph.D degree by Pune University in 1995. After illustrious career of 24 years in IRS, he opted for voluntary retirement in the year 1997, and engaged in Income Tax Tribunal and Chamber consultation practice in Pune and Mumbai. He is also a member of the audit committee and investors’ grievance committee of the Board. He is a director of Orbit Electricals Pvt. Limited and Finolex Industries Limited.

Dr. Sunil U. Pathak is holding 300 shares in the Company.

In the opinion of the Board, they fulfill the conditions specified in the Companies Act, 2013 and Rules made thereunder for their appointment as independent directors of the Company and are independent of the management.

Copies of the draft letters for their appointment as an independent director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday upto and including the day of the annual general meeting.

The Board considers that their continued association would be of immense benefit to the Company and it is desirable to continue to avail services of these directors as independent directors. Accordingly, the Board recommends the resolutions set forth in item nos. 6 to 11 for the approval by the members of the Company.

Except the above referred independent directors, being appointees and their relatives, no director, key managerial personnel of the Company or their relatives, is interested or concerned in these resolutions.

### **Item Nos. 12 & 13**

Pursuant to the erstwhile provisions of section 293(1)(a) and 293(1)(d) of the Companies Act, 1956, members have approved the ordinary resolution at the annual general meeting held on 29<sup>th</sup> June, 2006 as follows;

- (i) For borrowing monies on behalf of the Company (apart from temporary loans obtained or to be obtained from the Company’s bankers in the ordinary course of business) in excess of the aggregate of the paid up capital of the Company and its free reserves, subject to the total outstanding amount so borrowed not exceeding a sum of ₹ 2,000 crore at any point of time; and
- (ii) For creation of a mortgage or charge for the said borrowings, as security by way of mortgage/ hypothecation on the Company’s assets in favour of lending agencies and trustees for the amounts borrowed i.e. upto ₹ 2,000 crore, including interest, charges, etc. payable thereon.

Pursuant to the provisions of section 180 of the Companies Act, 2013 read with the Rules made there under, the above powers of the Board are required to be exercised only with the consent of the Company by a special resolution.

The approval of the members pursuant section 180(1)(a) and 180(1)(c) of the Companies Act, 2013 is, therefore, now being sought, by way of a special resolution.

Further pursuant to section 110 of the Companies Act, 2013 read with Companies (Management and Administration) Rules, 2014, a special resolution under section 180(1)(a) is required to be passed by means of postal ballot which includes e-voting as aforesaid.

The Board recommends the resolutions set forth in item nos.12 and 13 for the approval of the members.

No director, key managerial personnel of the Company or relatives of directors and key managerial personnel, is interested or concerned in these resolutions.

### **Item No. 14**

Pursuant to the provisions of section 42 of the Companies Act, 2013 read with the Rules made thereunder, a company offering or making an invitation to subscribe to Non-Convertible Debentures ("NCDs") on a private placement basis, the prior approval of the members by way of a special resolution is required. Such an approval by way of special resolution can be obtained once a year for all the proposed offers and invitations for such NCDs.

The approval of the members is being sought by way of a special resolution under sections 42 and 71 of the Companies Act 2013 read with the Rules made there under, to enable the Company to offer or invite subscriptions for NCDs on a private placement basis, in one or more tranches, during the period of one year from the date of passing of the resolution at item no. 14, within the overall borrowing limits of the Company, as approved by the members from time to time.

The Board recommends the resolution set forth in item no. 14 for the approval of the members.

No director, key managerial personnel of the Company or relatives of directors and key managerial personnel, is interested or concerned in this resolution.

### **Item No. 15**

The members of the Company at their 31<sup>st</sup> annual general meeting held on 11<sup>th</sup> August, 2012 approved by way of a special resolution passed under section 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the payment of remuneration by way of commission to the non-executive directors of the Company, of a sum not exceeding one percent per annum of the net profits of the Company, calculated in accordance with the provisions of the Companies Act, 1956, for a period of five years.

Pursuant to the provisions of sections 149, 197 and any other relevant provisions of the Companies Act, 2013 and taking into account the roles and responsibilities of the directors, it is proposed that the Directors other than managing director and the wholetime directors be paid for each financial year of the Company commencing from 1<sup>st</sup> April, 2014, remuneration not exceeding one percent per annum of the net profits of the Company computed in accordance with the provisions of the Companies Act, 2013. None of the Director shall receive individually a sum exceeding ₹ 10,00,000/- (Rupees ten lakhs only) in a financial year. This remuneration by way of commission will be distributed amongst all or some of the directors as approved by the Board of Directors from time to time and subject to any other applicable requirements under the Companies Act, 2013.

This remuneration shall be in addition to fee payable to the directors for attending the meetings of the Board or any Committee thereof and reimbursement of expenses for participation in the Board and other meetings.

Accordingly, an approval of the members is sought by way of a special resolution under the applicable provisions of the Companies Act, 2013 for payment of remuneration by way of commission to the directors of the Company other than managing director and wholetime directors, as set out in the resolution at item no. 15 of the notice.

The Board recommends the resolution set forth in item no. 15 for the approval of the members.

The managing director, wholetime directors and key managerial personnel of the Company and their relatives are not concerned or interested, financially or otherwise, in this resolution set out at item no. 15 of the notice. Non executive independent directors of the Company may be deemed to be concerned or interested in these resolutions to the extent of the remuneration by way of commission that may be received by them.

By Order of the Board of Directors  
For Finolex Industries Limited

**Umesh M. Gosavi**  
General Manager (Legal) &  
Company Secretary

Pune  
12<sup>th</sup> May, 2014

## Five Year financial highlights

(₹ In lakhs)

PROFIT AND LOSS ACCOUNT DATA	2013/14	2012/13	2011/12	2010/11	2009/10
Gross Revenue	2,83,033.11	2,46,679.52	2,35,240.36	2,22,101.07	1,61,194.15
Materials and manufacturing cost (including excise duty)	2,21,614.56	1,89,783.09	1,93,266.37	1,80,381.79	1,14,831.18
Personnel expenses	7,171.24	7,191.05	5,640.78	5,053.35	4,137.84
Administration and selling expenses	17,194.77	20,103.21	11,611.66	11,761.48	14,000.40
Finance charges	6,637.17	5,144.89	7,496.07	5,966.28	4,660.66
Depreciation	6,229.18	5,441.64	7,551.28	7,442.91	6,167.41
(Loss)/Profit before tax	24,186.19	19,015.64	9,674.21	11,495.26	17,396.66
Taxation	7,171.53	5,401.95	2,159.08	3,878.16	4,164.28
(Loss)/Profit after tax	17,014.66	13,613.69	7,515.13	7,617.10	13,232.38
Dividend (including tax on dividend if applicable)	10,162.97	7,932.65	4,326.80	4,354.00	4,354.00
<b>BALANCE SHEET DATA</b>					
Share capital	12,409.54	12,408.68	12,408.68	12,404.48	12,401.10
Reserves and surplus	66,559.33	59,707.59	53,802.24	49,626.98	46,367.26
Net worth	78,968.87	72,116.27	66,210.92	62,031.46	58,768.36
Deferred tax ( net )	10,632.53	9,363.58	8,985.55	8,006.99	7,345.40
Long term Loans	23,220.87	13,970.87	18,956.07	19,543.80	18,452.48
Short term Loans	42,371.22	57,092.20	82,288.35	53,914.23	64,898.22
<b>Total liabilities</b>	<b>1,55,193.49</b>	<b>1,52,542.92</b>	<b>1,76,440.89</b>	<b>1,43,496.48</b>	<b>1,49,464.46</b>
Gross block	1,84,996.56	1,77,099.66	1,62,553.92	1,56,372.54	1,53,334.73
Net block (including CWIP)	93,768.00	93,013.17	86,937.35	86,464.52	90,201.51
Investments	12,740.40	12,740.40	12,208.56	12,208.56	32,638.07
Net current assets	48,685.09	46,789.35	77,294.98	44,823.40	26,624.88
<b>Total assets</b>	<b>1,55,193.49</b>	<b>1,52,542.92</b>	<b>1,76,440.89</b>	<b>1,43,496.48</b>	<b>1,49,464.46</b>
<b>KEY RATIOS</b>					
Return on net worth ( % )	21.55	18.88	11.35	12.28	22.52
Earnings per share ( ₹ )	13.71	10.97	6.06	6.14	10.67
Long term debt to equity	0.29	0.19	0.29	0.30	0.31
Dividend payout ( % )	59.73	58.27	57.57	57.16	32.90
Interest coverage	4.64	4.70	2.29	2.93	4.73
Book value per share	63.64	58.11	53.35	50.00	47.37

Note: As a result of change in the Schedule VI format, the figures of the financial years 2011-12 and 2010-11 pertaining to Long & short term loans, investments and net current assets are not comparable with the other financial years.

**FINOLEX INDUSTRIES LIMITED**

Registered Office: Gat No.399, Urse, Taluka Maval,  
District Pune - 410 506, Maharashtra, India.  
CIN : L40108PN1981PLC024153  
Website: www.finolex.com

**33<sup>rd</sup> ANNUAL GENERAL MEETING - 20<sup>th</sup> September, 2014**

**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   
(in block letters)

No. of shares

Proxy's Name (in block letters)

I hereby record my presence at the 33<sup>rd</sup> Annual General Meeting held at Kirloskar Institute of Advanced Management Studies, Gat No. 356 & 357, Near Tata Foundry Maval, Village Dhamane, Taluka Maval, District Pune, 410506 on 20<sup>th</sup> September, 2014 at 11.00 a.m.

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

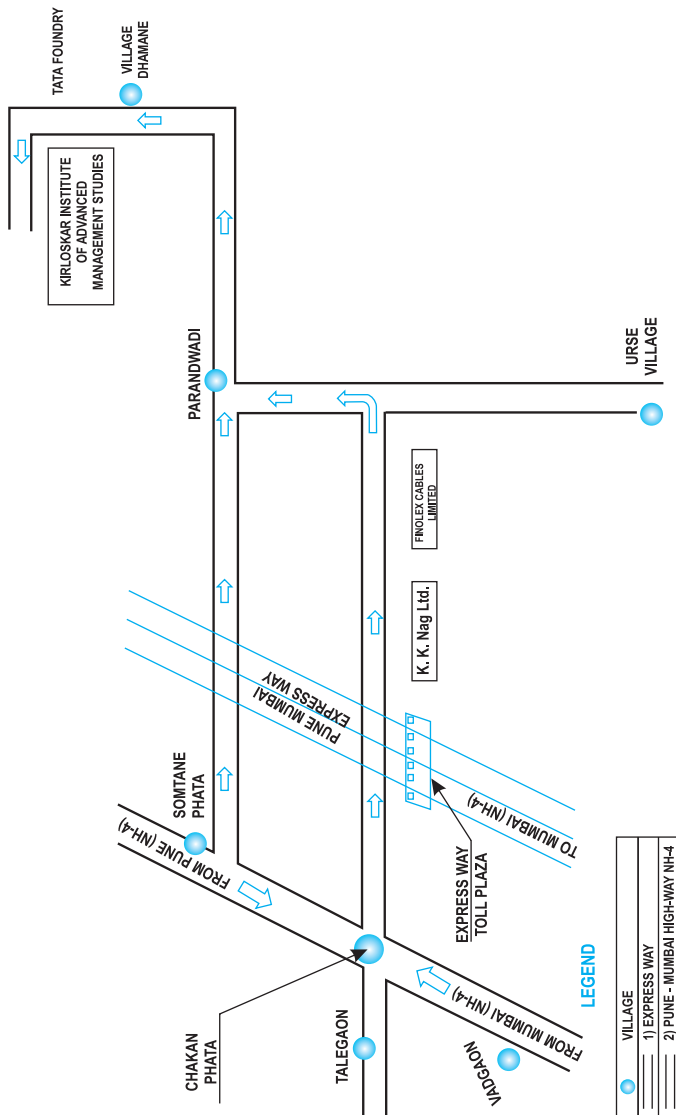
- Notes: 1) Interested joint members may obtain attendance slips from the Registered Office of the Company.  
2) Members/joint members/proxies are requested to bring the attendance slips with them. Duplicate slips will not be issued at the entrance of the meeting hall.





ROAD MAP FOR KIRLOSKAR INSTITUTE OF ADVANCED MANAGEMENT STUDIES

NOT TO SCALE







Inauguration of Finolex Women's Well Being Clinics



Speech delivered on Women's Day



Independence day celebration in School at Masar



Health Camp for students



Prashanti's Mammography Mobile Van



Sewing Machines



Mukul Madhav Foundation School Building



Women participants at Health Check up Camp inauguration



Donation of washrooms in school at Masar

Regd. Post / Speed Post / Courier

If undelivered please return to :

**Finolex**  
**Industries Limited**

D1/10, M.I.D.C., Chinchwad, Pune - 411019, Maharashtra, India. Tel. +91-20-27408200.  
E-mail: [investors@finolexind.com](mailto:investors@finolexind.com)

# FINOLEX INDUSTRIES LIMITED

Form No. MGT-11

## PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

**CIN:** L40108PN1981PLC024153

**Name of the Company:** FINOLEX INDUSTRIES LIMITED

**Registered office:** Gat No.399, Urse, Taluka Maval, District Pune 410506.

Tel No.02114-237251 Fax No.02114-237252.Email: investors @finolexind.com. Website: www.finolex.com

Name of the member(s) :	
Registered address:	
E-mail Id:	
Folio No./DPID & Client Id:	

I/We, being the member(s) of \_\_\_\_\_ shares of the above named Company, hereby appoint:

1	Name :	
	Address:	
	E-mail address:	or failing him
2	Name :	
	Address:	
	E-mail address:	or failing him
3	Name :	
	Address:	
	E-mail address:	or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the thirty-third annual general meeting of the Company, to be held on the Saturday, 20<sup>th</sup> September, 2014 at 11.00 a.m.at Kirloskar Institute of Advanced Management Studies, Gat No.356 & 357, Near Tata Foundry Maval, Village Dhamane, Taluka Maval, District Pune 410 506 and at any adjournment thereof in respect of such resolutions as are indicated below:

	<b>Ordinary business</b>
1	Adoption of financial statements for the financial year ended 31 <sup>st</sup> March, 2014 and the Board of Directors' and Auditors' Reports thereon.
2	To declare dividend on equity shares for the financial year ended 31 <sup>st</sup> March, 2014.
3	Appointment of Mr. Sanjay S. Math, who retires by rotation and being eligible offers himself for reappointment.
4	Appointment of M/s P.G.Bhagwat, Chartered Accountants, Pune as statutory auditors of the Company and fixing their remuneration.

## FINOLEX INDUSTRIES LIMITED

<b>Special business</b>	
5	Approve the remuneration payable to M/s. S.R.Bhargve & Co., cost auditor for the financial year ending 31 <sup>st</sup> March, 2015.
6	Appointment of Mr. Sanjay K.Asher as independent director, for a period of five years with effect from the date of 33 <sup>rd</sup> annual general meeting of the Company.
7	Appointment of Mr. Kanaiyalal N. Atmaramani as independent director, for a period of five years with effect from the date of 33 <sup>rd</sup> annual general meeting of the Company.
8	Appointment of Mr. Dara N. Damania as independent director, for a period of five years with effect from the date of 33 <sup>rd</sup> annual general meeting of the Company.
9	Appointment of Mr. Shrikrishna N. Inamdar as independent director, for a period of five years with effect from the date of 33 <sup>rd</sup> annual general meeting of the Company.
10	Appointment of Mr. Prabhakar D. Karandikar as independent director, for a period of five years with effect from the date of 33 <sup>rd</sup> annual general meeting of the Company.
11	Appointment of Dr. Sunil U. Pathak as independent director, for a period of five years with effect from the date of 33 <sup>rd</sup> annual general meeting of the Company.
12	Authority for creation of charges/mortgages etc. on movable and/or immovable properties of the Company, wherever situate, both present and future, as set out in the resolution.
13	Authority for borrowing monies in excess of paid up capital and free reserves of the Company, as set out in the resolution.
14	Approval to offer or invite subscriptions for secured/unsecured redeemable non-convertible debentures, in one or more series/tranches, as set out in the resolution.
15	Approve for the payment of remuneration by way of commission to independent directors, as set out in the resolution.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Affix  
Revenue  
Stamp of ₹1

Signature of shareholder

Signature of Proxy

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
2. For the resolutions, explanatory statement and notes please refer notice of 33<sup>rd</sup> annual general meeting.

**FINOLEX INDUSTRIES LIMITED**

CIN: L40108PN1981PLC024153

Registered Office: Gat No.399, Village Urse, Taluka Maval, District Pune 410506.

Tel No.02114-237251 Fax No.02114-237252 Email: investors @finolexind.com

Website : www.finolex.com

## Ballot Form

Pursuant to clause 35(B) of the listing agreement.

1. Name  
Registered Address of  
the sole/first named shareholder
2. Name of the joint shareholder(s), if any
3. Registered Folio/DPID & Client Id No.
4. No of shares held

I/We hereby exercise my/our vote in respect of the resolutions to be passed for the business stated in the notice of thirty-third annual general meeting of the Company to be held on Saturday, 20<sup>th</sup> September, 2014 by sending my /our assent or dissent to the said resolution(s) by placing the (√) marks at the appropriate box below:

Item No.	Description	No of equity shares held	I/we assent to the resolution (For)	I/we dissent to the resolution (Against)
	<b>Ordinary business</b>			
1.	Adoption of financial statements for the financial year ended 31 <sup>st</sup> March, 2014 and the Board of Directors' and Auditors' Reports thereon.			
2.	To declare dividend on equity shares for the financial year ended 31 <sup>st</sup> March, 2014.			
3.	Appointment of Mr.Sanjay S.Math, who retires by rotation and being eligible offers himself for reappointment.			
4.	Appointment of M/s P.G.Bhagwat, Chartered Accountants, Pune as statutory auditors of the Company and fixing their remuneration.			
	<b>Special business</b>			
5.	Approve the remuneration payable to M/s. S.R.Bhargve & Co., cost auditor for the financial year ending 31 <sup>st</sup> March, 2015.			
6.	Appointment of Mr.Sanjay K. Asher as independent director, for a period of five years with effect from the date of 33 <sup>rd</sup> annual general meeting of the Company.			
7.	Appointment of Mr. Kanaiyalal N. Atmaramani as independent director, for a period of five years with effect from the date of 33 <sup>rd</sup> annual general meeting of the Company.			



8.	Appointment of Mr.Dara N. Damania as independent director, for a period of five years with effect from the date of 33 <sup>rd</sup> annual general meeting of the Company.			
9.	Appointment of Mr. Shrikrishna N. Inamdar as independent director, for a period of five years with effect from the date of 33 <sup>rd</sup> annual general meeting of the Company.			
10.	Appointment of Mr. Prabhakar D. Karandikar as independent director, for a period of five years with effect from the date of 33 <sup>rd</sup> annual general meeting of the Company.			
11.	Appointment of Dr.Sunil U. Pathak as independent director, for a period of five years with effect from the date of 33 <sup>rd</sup> annual general meeting of the Company.			
12.	Authority for creation of charges/mortgages etc. on movable and/or immovable properties of the Company, wherever situate, both present and future, as set out in the resolution.			
13.	Authority for borrowing monies in excess of paid up capital and free reserves of the Company, as set out in the resolution.			
14.	Approval to offer or invite subscriptions for secured/unsecured redeemable non-convertible debentures, in one or more series/tranches, as set out in the resolution.			
15.	Approve for the payment of remuneration by way of commission to independent directors, as set out in the resolution.			

Place: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of shareholder

### INSTRUCTIONS

1. Members may fill up the ballot form and submit the same in a sealed envelope to the Scrutinizer, Mr. S.V.Deulkar, Practising Company Secretary at Finolex Industries Limited, D 1/10, MIDC, Chinchwad, Pune 411019 so as to reach by 6.00 p.m. on 16<sup>th</sup> September, 2014. Ballot form received thereafter will strictly be treated as if not received.
2. The Company will not be responsible if the envelope containing the ballot form is lost in transit.
3. Unsigned, incomplete or incorrectly ticked forms are liable to be rejected and the decision of the Scrutinizer on the validity of the forms will be final.
4. In the event member casts his votes through both the processes i.e. e-voting and ballot form, the votes in the electronic system would be considered and the ballot form would be ignored.
5. There will be only one ballot form for every Folio/DPID Client ID irrespective of the number of joint members.
6. In case of joint holders, the ballot form should be signed by the first named shareholder and in his/her absence by the next named shareholders.
7. Where the ballot form has been signed by an authorized representative of the body corporate/Trust/Society, etc. a certified copy of the relevant authorization/Board resolution to vote should accompany the ballot form.
8. For the resolutions, explanatory statement and instructions for e-voting procedure please refer notice of the 33<sup>rd</sup> annual general meeting of the Company.