

**Registered Office / Urse Plant**  
Finolex Industries Limited  
Gat No. 399, Village Urse, Tal.-Maval,  
Dist. Pune 410 506, Maharashtra, India  
CIN L40108PN1981PLC024153

Tel +91 2114 237251 / 237253  
Toll Free 1800 200 3466  
Fax +91 2114 237252  
Email [investors@finolexind.com](mailto:investors@finolexind.com)  
Web [finolexwater.com](http://finolexwater.com)



FIL: SEC: Annual Report: 34  
11th July, 2016

The Manager - Listing Department  
National Stock Exchange of India Limited  
Manager - Listing Department  
5, Exchange Plaza  
Bandra Kurla Complex  
Bandra (East),  
Mumbai 400051

The Manager - Listing Department  
BSE Limited  
Manager - Listing Department  
Registered Office: Floor 25  
P.J.Towers  
Dalal Street  
Mumbai 400 001

Dear sirs,

**Sub: Annual report of the Company for the year 2015-2016**

We refer to Regulation 34(2) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 and enclose herewith the copy of annual report of the Company for the year 2015-2016.

Please arrange to take the same on records.

Thanking you,

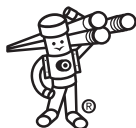
Yours truly,  
For Finolex Industries Limited

  
Umesh Gosavi  
GM (Legal) & Company Secretary

**Corporate Office**  
Finolex Industries Limited  
D-1 / 10, M.I.D.C.  
Chinchwad, Pune 411 019  
Maharashtra, India

Tel +91 20 27408200  
Fax +91 20 27489000  
Email [care@finolexwater.com](mailto:care@finolexwater.com)  
Web [finolexwater.com](http://finolexwater.com)





***FinOlex***  
***INDUSTRIES***

**35<sup>th</sup>  
Annual Report  
2015-16**

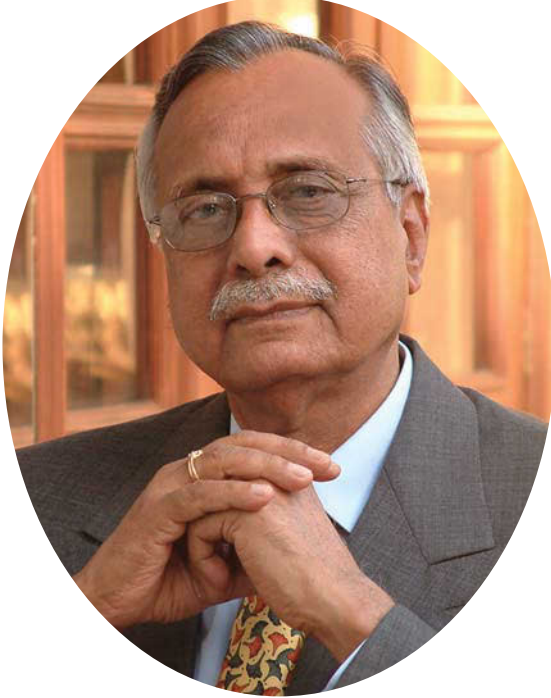


देहिनोऽस्मिन् यथा देहे कौमारं यौवनं जरा । तथा देहान्तरप्राप्तिर्धीरस्तत्र न मुह्यति ॥

भगवद् गीता अ. २.१३

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

*Bhagwad Gita, Ch. 2.13*



**Shri. Pralhad P. Chhabria**

(12.03.1930 - 05.05.2016)

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

## **Late Shri. Pralhad P Chhabria and Finolex**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## Chairman's Message



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

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

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

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

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

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

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

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



**Registered Office**

Gat No.399, Village Urse

Taluka Maval

District Pune 410 506.

Maharashtra

India

Tel.02114-237251

Fax:02114-237252

E-mail:investors@finolexind.com

CIN: L40108PN1981PLC024153

Website: www.finolexwater.com

**Bankers**

Bank of India

ICICI Bank Limited

Bank of Baroda

Citibank N.A.

Bank of Maharashtra

Corporation Bank

**Auditors**

M/s. P. G. Bhagwat

Chartered Accountants, Pune

**Investor Relations Centre**

D1/10, MIDC

Chinchwad

Pune 411 019.

Maharashtra

India

Tel.No.020-27408200/27408571

Fax No.020-27479000

E-mail:investors@finolexind.com

**Debenture Trustee**

Axis Trustee Services Ltd

Corporate Office:

Axis House, 2<sup>nd</sup> Floor,

Trustee Services Wadia International Centre,

Bombay Dyeing Mills Compound,

Pandurang Budhkar Marg, Worli,

Mumbai – 400 025

Contact No.: 022 – 4325 5215

Email: debenturetrustee@axistrustee.com

Website: www.axistrustee.com

**Solicitors & Advocates**

Crawford Bayley & Co., Mumbai

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

## BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

### Audit Committee

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

### Stakeholders' Relationship Committee

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

### Nomination and Remuneration Committee

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

### Corporate Social Responsibility Committee

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

### Risk Management Committee

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

## **Management Discussion and Analysis**

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

### ***Industry structure, overview and developments***

#### ***Indian Economy***

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

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

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

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

#### ***Agriculture Sector***

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

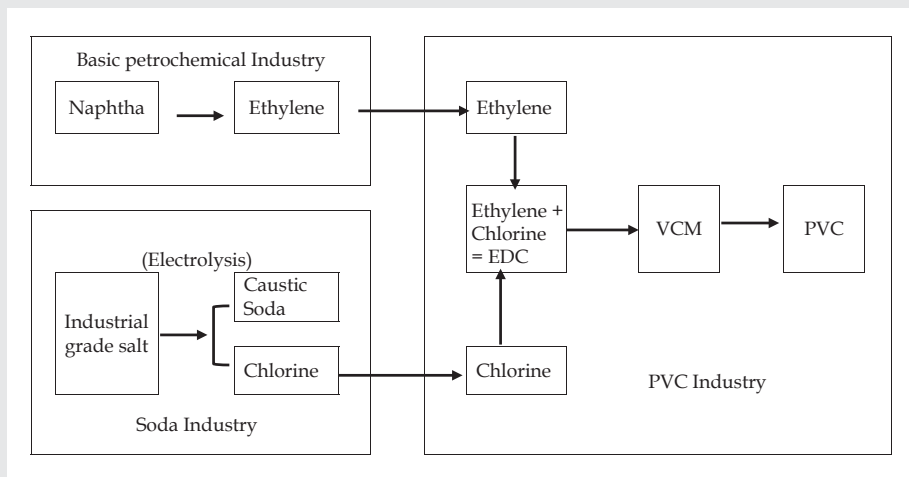
At 157.35 million hectares, India holds the second largest agricultural land in the world. Only 46% of the land is irrigated while 54% is still dependant on the monsoon. This is a huge opportunity the company is trying to capitalise on.

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

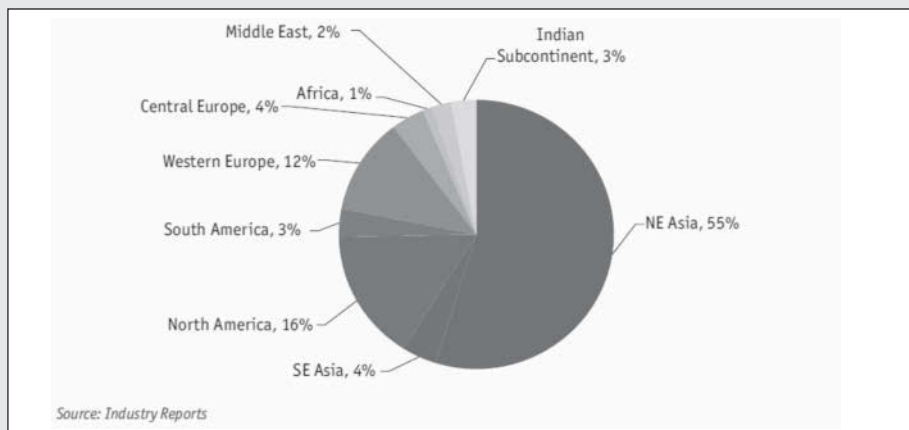
The 2016-17 budget witnessed a slew of measures brought in to improve agriculture and increase farmers' welfare. One such proposal was for 2.95 million hectares of land to be brought under irrigation. This would generate demand for PVC pipes and fittings, which would be of great benefit to your company.

#### ***PVC Resin***

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

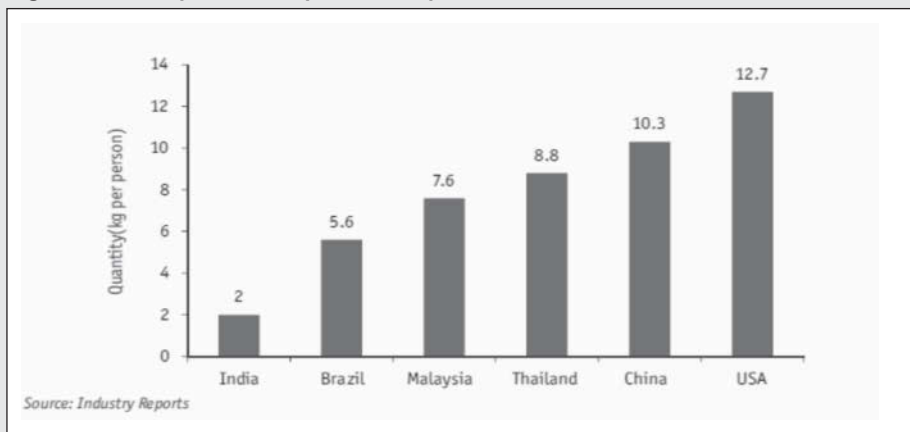
**Figure 1 – PVC value chain****Global Scenario**

In the last century, the industry grew at a substantial rate coupled with an increase in production capacity from a few thousand tons in the 1930s to 50 mn tons today.

**Figure 2 – Global PVC capacity break-up (%)**

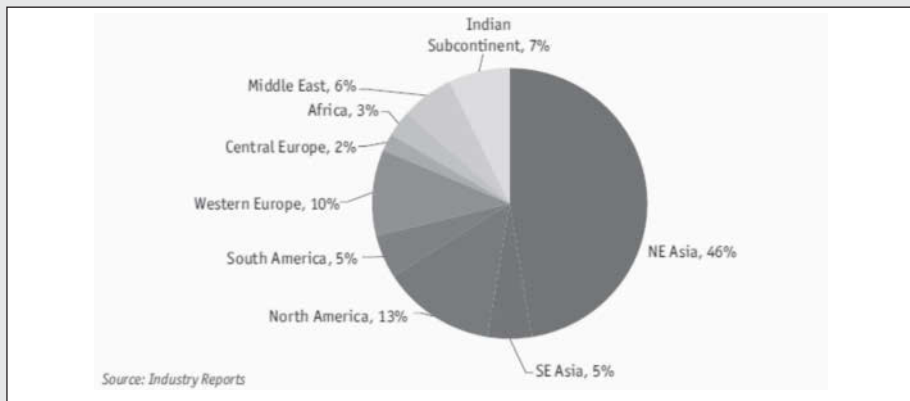
Growth in demand is expected to be concentrated in developing countries in Asia, Africa and Latin America. The per capita consumption in India of 2kg is low compared to 11.8kg per capita in the US and 10.3 kg per capita in China (ref to figure 3). The forecasts for the PVC industry are bright. The global market, currently at US\$ 56 billion, is expected to reach a revenue of US\$65 billion in 2019, with the average annual demand expected to increase by 3.9%.

**Figure 3 – Per capita consumption of Suspension PVC**



The global consumption of PVC in 2014 was estimated at 40 million tons. The region-wise break-up is given below.

**Figure 4 – Global PVC demand break-up**



### **Indian Scenario**

The PVC industry in India is valued at over Rs. 20,000 crores with five major producers and over 6,000 processors, employing tens of thousands of people, making consumer and industrial products.

Finolux Industries Ltd is one of the largest PVC resin producer in India with a capacity of 272,000 MTPA.

PVC is the third largest plastic in production and consumption globally. A key feature of PVC is that it can be combined with additives and fabricated into a wide variety of forms. These include pipes and fittings, profiles and tubes, windows and doors, sidings, wires and cables, films and sheets, toys and other moulded products and floorings.

In India, the main driver for PVC consumption is irrigation and construction. PVC pipes & fittings, which constituted only 14% of the total PVC consumption in 1975, has grown to over 70% now.

### **Raw Material**

43 % of PVC's content comes from oil, the balance 57% comes from salt, meaning that PVC is less dependent on fossil fuels compared to other materials. Crude oil prices went down from \$65/barrel in April'15 to \$35/barrel in March'16. While Crude oil prices went down 46% in the last one year, PVC prices decreased only 9% during the same period.

### **EDC**

Ethylene dichloride (EDC) is the main raw material for the production of PVC. While EDC is a derivative of crude, it follows its own demand supply equation.

The total traded EDC (Ethylene Di-chloride) demand is around 2.3 MT per annum. A high demand for caustic soda has led to establishing large Chlor Alkali projects, which can produce chlorine as a by-product. Chlorine is a hazardous chemical and cannot be transported, and hence it is used in making EDC. Additional EDC capacities are expected to come up over the next two years. This is expected to keep EDC prices low.

### **VCM**

Vinyl Chloride Monomer (VCM) is an intermediate in EDC to PVC chain and is also used as a feedstock for the production of PVC. The international demand and supply of VCM is very balanced. Generally international VCM prices follow the international PVC prices quite closely. Moving forward your company expects the availability of VCM to be adequate, and the delta between the VCM and the PVC price is expected to be stable.

### **PVC Pipes Market**

The major end users for PVC pipes and fittings in India are irrigation, water infrastructure, and housing. Due to the increasing demand from these sectors, the PVC pipes and fittings industry has been growing rapidly since the past several years and during the period from FY 2009 to FY 2016 the growth has been at a double digit rate. In terms of volume, the PVC pipes market is 1.8 million MT in India and highly fragmented with the presence of a large number of players in the unorganised sector. The ratio of organised and unorganised sector is around 60:40 and your company has a 25% market share in the organised sector. There has been a rapid shift from

unorganised to the organised sector in the last couple of years. This will further increase with the implementation of GST.

### ***Opportunities***

#### ***Agriculture segment***

The Government of India has launched various programs in the agriculture sector focusing on increasing irrigation, farmer's income, and production. These schemes and programs will give impetus to demand for pipes & fittings. The Union Budget 16-17 was focused on boosting the rural economy, announcing higher spending in the agri sector to boost demand. In a bid to double farmers' income in the next five years, the government has allocated INR 35,984 crore to the farming sector. The government, in FY17, has an all-time high target of INR 9 lakh crore for agri credit. Implementation of 89 irrigation projects under AIBP, which have been languishing, will be fast tracked. These projects require Rs.17,000 crore next year and Rs.86,500 crore over the next five years.

#### ***Government Schemes -***

##### ***'Pradhan Mantri Krishi Sinchai Yojana' (PMKSY)-***

Some of the objectives of the scheme

- Convergence of investments in irrigation
- Expand cultivable area under irrigation (Har Khet ko pani)
- Improve on-farm water use efficiency (Jal Sinchan),
- Sustainable water conservation practices(Jal Sanchay)
- Greater private investments in irrigation

PMKSY will be implemented in mission mode and 28.5 lakh hectares of land will be brought under irrigation under this scheme. This will create a demand for PVC pipes & fittings.

As per PMKSY, in Maharashtra, only 19% of the total sown area has irrigation facility against the national average of 46%. Maharashtra being the largest market, your company tends to benefit from this scheme.

#### ***Jalayukt Shivar***

The State Govt. declared a drought in Maharashtra in Oct'15. An estimated INR 1.35 tn will be needed in the next five years to fight the drought. The Maharashtra State Govt. has started "Jalayukta Shivar" which covers localised, smaller, & need-based water management programmes.

#### ***Sardar Sarovar Narmada Nigam***

The Gujarat State Government has increased the allocation to the irrigation sector from ~₹ 40 billion to ~₹ 90 billion under Sardar Sarovar Narmada irrigation project and allocated ~₹ 52 billion for other ongoing water resource schemes.

#### ***Organic farming***

To increase crop yields in rain fed areas, which account for nearly 54% of the country's arable land, organic farming is being promoted. Towards this end, the Government has launched two

important schemes. The first, the 'Parmparagat Krishi Vikas Yojana' which will bring 5 lakh acres of land under organic farming over a three year period. The second is the launch of a value chain based organic farming scheme called "Organic Value Chain Development in North East Region". The emphasis is on value addition, so that organic produce grown in these parts finds domestic and export markets.

### **Non Agriculture Segment**

The demand for PVC pipes and fittings in the Non Agri segment is expected to grow on account of the following schemes initiated by the Government.

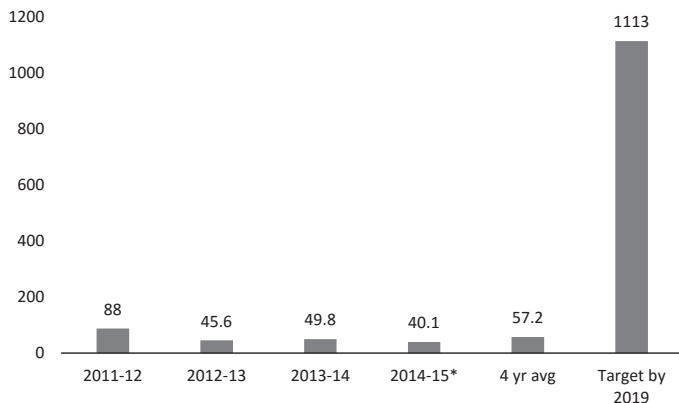
#### **Housing for all by 2022**

Housing for all by 2022 will provide 20 million houses in urban areas and 40 million houses in rural areas. The Government in the Union Budget 16-17 has launched various schemes to incentivise home buyers. While the real estate sector is seeing a downturn in urban areas, rural areas are still unaffected. As your company has a wide dealer network, we expect a good demand for PVC pipes & fittings.

#### **Swachh Bharat Mission**

Swachh Bharat Mission (SBM) is another flagship programme of the Government aimed to focus on improving sanitation facilities through the construction of individual household latrines (IHHL), cluster toilets and community toilets (especially via PPP mode). Solid and liquid waste management is also an important component of the programme. The government has also allocated a total of Rs 1,96,000 crore to SBM. Lack of sanitation and drinking water facility amongst ~13 crore households creates a huge opportunity for PVC pipes.

**Figure 5 : Number of toilets constructed each year for individual rural households**





***AMRUT: Atal mission for Rejuvenation of urban transport:***

The government has also launched its programme Atal Mission for Rejuvenation and Urban Transformation (AMRUT) to provide basic services to households and to build amenities in our cities. One of the purposes of AMRUT is to ensure that every household has access to a steady supply of tap water and sewerage facilities. The 'High Powered Expert Committee' has estimated that Rs 39.2 lakh crore is required for the creation of urban infrastructure, including Rs 8 lakh crore for services, such as water supply, sewerage, solid waste management and storm water drains.

***Goods and Services Tax (GST)***

GST, whenever implemented, would benefit the organised sector players of the PVC pipes and fittings industry. Currently, approximately 40% of the market share is held by the unorganised sector. With a single unified tax rate, the margins currently enjoyed by the unorganised sector, manufacturing inferior quality pipes and fittings will shrink to a great extent. This will make it difficult, if not impossible for the unorganised sector to survive. Our view is that once GST is introduced, the share of the unorganised sector could go down significantly benefitting your company.

***New Products***

Your company has launched new pipes and fittings in various sizes. The total number of SKU stands at more than 1200.

We are also looking at exploiting the brand equity and strong dealer network that your company has, by introducing new products in the area of water management. Your company is in talks with many companies around the world for various products.

***Strategy***

***Capacity Expansion:*** Your Company is on track with the capacity expansion plans. This year we have added 30,000MT capacity of pipes and fittings spread across three plants.

***Margin Improvement:***

Your Company has expanded its existing range of products during the year. The fittings segment is growing at over 20% p.a. and the company is on track to increase the share of fittings in total sales volume. With the increase in the share of fittings in total sales, the margins will also improve.

***New markets:*** Your Company is planning to increase its presence in relatively untapped markets like the north east. We have opened a warehouse in Cuttack, Odisha, in 2015 to be near the market. This warehouse has helped the company in cutting down transit time. Also, the warehouse has helped dealers to stock smaller quantities, thus saving their inventory cost.

***Branding:*** While PVC pipes and fittings are of a commodity nature, branding still plays a very important role. Your company commands a premium of 3-5% over its peers due to its brand equity. We strive to maintain this brand. In the previous year, ₹ 30 crore, more than 1% of sales was spent on advertisement and branding activities. In first of its kind activity, 60 plumber meetings were conducted, spread over 28 states which saw an overwhelming participation of over 3000+ plumbers. Your company is the sponsor to its home team in the Indian Premier League (IPL), Pune Rising Supergiant.

## Advertisement and Branding Activities



Social media campaign



Cultural event "Swarazankar" organized at Pune



Co-sponsor of "Our Marathon for breast cancer awareness" in Pune.



Kisan - 2015 in Moshi, Pune



Sponsor of Rising Pune Supergiants at IPL



Traditional festival celebration at Gujarat

**Cash-n-Carry:** We continue to follow the cash-n-carry business model to keep our balance sheet light. The company has negligible debtors as it receives cash up front.

**New Warehouses/Dealers:** The Company has added about 100 dealers across India, taking the total tally of dealers to over 700. Finolex products are now available at over 17,000 retail outlets across India.

### **Segment wise performance**

On a standalone basis the net revenue from operations stood at INR 24,528 mn in FY16 against INR 24,761 Mn in FY15. EBITDA margin was at 15.3% in FY16, an increase of 680 bps over the previous year. Margin expansion was due to lower raw material prices and increase in volumes. Profit after Tax was INR 2,336 mn in FY16 against INR 478 mn in FY15, registering a growth of 389%.

### **PVC Resin**

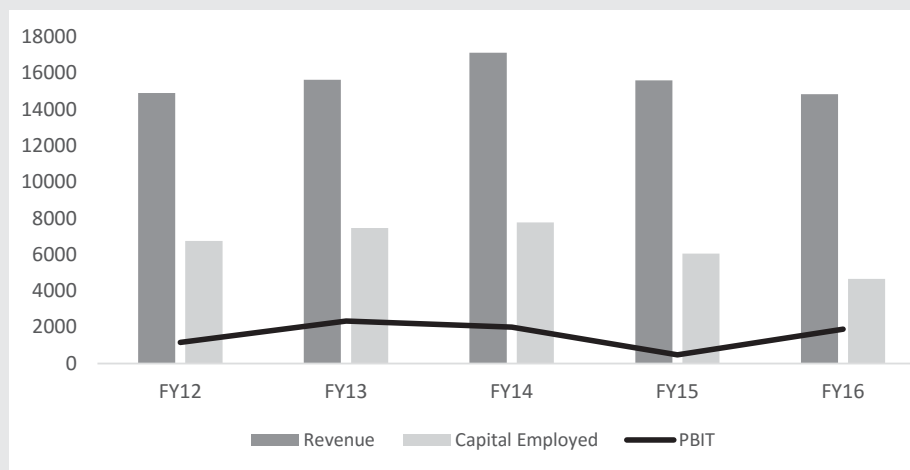
Your company has a PVC resin plant at Ratnagiri with an installed capacity of 272,000 MT PA. The resin plant was set up in 1994 which then made eminent business sense due to the high import duty on PVC resin and restricted availability. Today, the resin plant is a valuable asset to the company.

The advantage of backward integration that your Company enjoys is, a consistent supply of high quality PVC resin.

In FY16, the company produced 246,901 MT of resin (FY15 235,049 MT). The capacity utilisation in FY16 was 91% v/s 86% in FY15, an increase of 500bps. In FY16, your company sold 106,771 MT of resin (FY15 121,423 MT) in the market while rest was consumed in house. In terms of value, the revenue from the operations of resin division was INR 6,696 mn in FY16 against INR 7,792 mn in FY15. Your company is on track to increase the captive consumption of PVC resin by increasing the PVC pipes and fittings capacity.

Your company is on track to increase the captive consumption of PVC resin by increasing the capacity of PVC pipes and fittings.

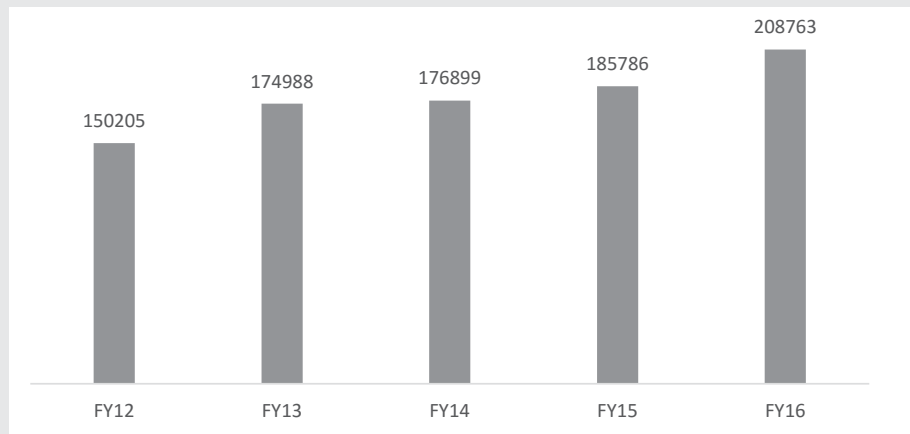
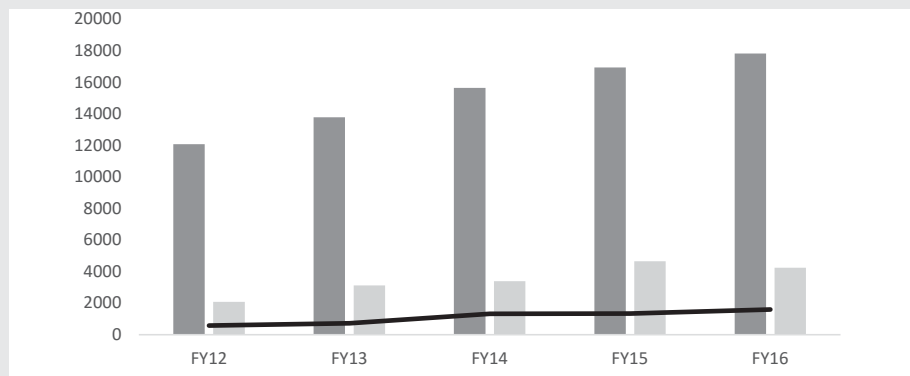
**Figure 6: Historical Segmental Revenue - Resin (Rs. In Million)**



### ***PVC Pipes and Fittings***

Your company has added a capacity of 30,000 MT during the year under review, taking total installed capacity to 280,000 MTPA. The total production stood at 207,163 MT at utilisation levels of 74%.

Your company sold 208,763 MT of pipes and fittings in FY16, a growth of 12.4% over FY15. In value terms the sales stood at INR 17,822 mn registering a growth of 5.2% over FY15.

**Figure 7: Pipes and Fittings sales volume (MT p.a.)****Figure 8: Historical segmental revenue - Pipes and Fittings (Rs. In Million)**

Out of total sales approx. 70% was to Agri sector and 30% was to Non Agri sector.

### ***Power segment***

Your company has set up a 43MW captive power plant at Ratnagiri in order to provide uninterrupted high quality power to its production facility there. Exclusive and better quality power has led to improved productivity at the plant. During FY16 the plant generated 1,88,788 MWh.

Finolex Plasson Industries Pvt. Ltd.

Finolex Plasson Industries Private Ltd. (FPIPL) is an associate company, established in 1992. Your company holds 46% while Finolex Group (excluding FIL) and Israel-based Plaschin Ltd. hold 20% and 34%, respectively. FPIPL is in the field of Micro Irrigation in India and has successfully executed irrigation systems in various parts of the country.

FPIPL offers a wide range of products and solutions in the field of Precise Irrigation and Intensive Agriculture Cultivation.

FPIPL's solutions include complete tailored Drip and Sprinkler Irrigation Systems and Turn- Key projects for all agriculture sectors such as Row Crops, Horticulture, Green Houses, Plantations, Orchards, Nurseries and more.

FPIPL's services include Survey, Planning and Design facilities for Drip, Mini & Micro Sprinklers, Foggers, Misters, Fertigation Equipments, HDPE Sprinkler Pipes etc. for various field crops, horticulture crops, plantations, landscape, Greenhouse and Poly-house Irrigation systems, etc.

### ***Risks and Threats:***

Your Company has a well-documented risk management policy. This policy is reviewed by the Management periodically and is appropriately modified wherever necessary. The volatile movements in exchange rates caused by major global developments undoubtedly have an impact on Indian companies. But for your Company, the foreign exchange exposures are naturally hedged by future earnings linked to foreign currency due to import parity pricing of PVC resin. The volatility of crude oil prices and its derivatives is another cause for concern. We continue to import our main raw materials, viz., EDC, ethylene, VCM, and coal. Based on the operations of the Company, new risks, if any, are identified, and appropriate steps are taken to mitigate them. The surplus cash generated during the course of business is sometimes invested with banks / mutual funds. The detailed guidelines for investment of the surplus amounts have been laid down and the Management reviews these regularly. Your Company continues to accord the highest priority for safety in all of its operations. All the manufacturing facilities and processes are subject to regular inspections. A Safety Audit is carried out regularly at the PVC resin plant at Ratnagiri, and preventive measures are taken to ensure high standards of safety are met. We are proud to announce that we have completed 7.10 million man-hours without any reportable accident at the PVC resin plant at Ratnagiri. Your Company has taken adequate insurance cover for all its plants as well as for third party liabilities.

### **Transparency in sharing information**

Transparency refers to sharing information and acting in an open manner. Processes, instructions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them. Your Company believes in total transparency in sharing information about its business operations with all its stakeholders. Your Company strives to provide maximum possible information in the Management Discussion and Analysis which is a part of the Annual Report.

### **Internal control systems**

The Company has put in place adequate internal control procedures, proportionate to the

nature of business and size of operations for smooth conduct of business. 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, monitor the performance of the internal audits. This is conducted on a periodical basis through audit plans, audit findings and promptness of issue resolution through follow-ups.

### **Internal Financial Controls**

The Companies Act, 2013 has made significant changes in the financial reporting requirements to bring it in line with international practices. The key requirements are entity level controls, financial reporting controls, operational controls and fraud prevention controls. The Company has in place all the required controls and the framework to identify key processes and evaluating control efficiency.

### **Human resources**

Your company's industrial relations continue to be harmonious. Long term wage agreement has been signed in the month of October 2015. In its sustained efforts on training and development, your company has implemented a structured leadership programme to develop potential leaders to take on larger responsibilities. Your Company, has an extensive training programme in place for all the employees to ensure development of their skill and knowledge and also application of the same in achieving company's overall goals. The employee strength of your Company currently stands at 1194.

### **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.

## Board of Directors' Report

To the Members,

Your directors have pleasure in presenting the thirty-fifth annual report together with the audited financial statements including consolidated financial statements for the year ended 31<sup>st</sup> March, 2016.

State of the Company's affairs:

### Financial Results

(₹ in lakhs)

	<b>Standalone 2015-16</b>	<b>Standalone 2014-15</b>	<b>Consolidated 2015-16</b>
Profit before depreciation & finance charges	<b>43,870.79</b>	20,982.58	<b>44,406.33</b>
Less:			
Finance charges	<b>4,464.34</b>	7,037.10	<b>4,464.34</b>
Profit before depreciation and taxation	<b>39,406.45</b>	13,945.48	<b>39,941.99</b>
Deductions for:			
(i) Depreciation	<b>5,057.36</b>	5,867.42	<b>5,057.36</b>
(ii) Provision for taxation	<b>10,989.68</b>	3,300.23	<b>10,989.68</b>
Profit after depreciation and taxation	<b>23,359.41</b>	4,777.83	<b>23,894.95</b>
Add:			
Surplus of Profit and Loss account of earlier year	<b>11,959.95</b>	12,688.83	<b>11,959.95</b>
Add:			
Excess Dividend Tax provision Increased	<b>3.00</b>	--	<b>3,00</b>
Add:			
Share of profit of associates for earlier years	-	--	<b>3,109.50</b>
Less:			
Depreciation as per Schedule II Note 7(b) of the Companies Act, 2013	--	2,028.57	--
Appropriations:			
(i) General reserve	<b>4,000.00</b>	500.00	<b>4,000.00</b>
(ii) Proposed dividend (including prior year adjustments)	<b>12,409.53</b>	2,481.91	<b>12,409.53</b>
(iii) Tax on dividend	<b>2,526.29</b>	496.23	<b>2,526.29</b>
Balance carried over to the Balance Sheet	<b>16,386.54</b>	11,959.95	<b>20,031.58</b>



## Operations

The operational performance is summarized below:

		<b>Standalone 2015-16</b>	<b>Standalone 2014-15</b>	<b>Consolidated 2015-16</b>
Income		<b>2,49,195.28</b>	2,49,638.51	<b>2,51,550.37</b>
Profit before tax		<b>34,349.09</b>	8,078.06	<b>34,884.63</b>
Profit after tax		<b>23,359.41</b>	4,777.83	<b>23,894.95</b>
<b>PVC Resin</b>				
Production	- in (MTs)	<b>2,46,901</b>	2,35,049	<b>2,46,901</b>
Sale	- in (MTs)	<b>1,06,771</b>	1,21,423	<b>1,06,771</b>
(excluding interdivisional):	- in ₹ lakhs	<b>66,957.31</b>	77,915.62	<b>66,957.31</b>
<b>PVC Pipes and Fittings</b>				
Production	- in (MTs)	<b>2,07,163</b>	1,85,679	<b>2,07,163</b>
Sale	- in (MTs)	<b>2,08,763</b>	1,85,786	<b>2,08,763</b>
	- in ₹ lakhs	<b>1,78,216.58</b>	1,69,381.76	<b>1,78,216.58</b>
<b>Power</b>				
Production	-in (MWh)	<b>1,88,788</b>	1,65,865	<b>1,88,788</b>

During the financial year, 30,000 MT p.a capacity was added to PVC pipes and fittings and, with this addition, the total capacity of PVC pipes and fittings stands at 2,80,000 MT p.a. The sales volumes for PVC pipes & fittings was 2,08,763 MT for the financial year ended 31<sup>st</sup> March, 2016 as against 1,85,786 MT for the financial year ended 31<sup>st</sup> March, 2015. Total income from operations was at ₹ 2,45,283.09 lakhs for financial year ended 31<sup>st</sup> March, 2016 against ₹ 2,47,614.93 lakhs for the financial year ended 31<sup>st</sup> March, 2015. Profit after tax was at ₹ 23,359.41 lakhs for the financial year ended 31<sup>st</sup> March, 2016 as against ₹ 4,777.83 lakhs for the financial year ended 31<sup>st</sup> March, 2015. During the year the Company reduced total debt by ₹ 42,555.70 lakhs.

## Dividend

Your directors have recommended dividend on equity shares @ 100% (₹ 10/- per equity share) which includes @ 25% (₹ 2.50 per share) as Special Dividend for the financial year 2015-2016 to pay homage to late Mr. P. P. Chhabria, Founder Promoter of the Company. The final dividend on equity shares including corporate dividend tax, if approved by the Members, will absorb ₹ 14,935.82 lakhs.

**Transfer to reserves**

Your directors have proposed to transfer an amount of ₹ 4,000.00 lakhs to the general reserves. An amount of ₹ 20,031.58 lakhs is proposed to be retained in the statement of profit and loss.

**Deposits**

Your Company has not accepted any deposits, described under Chapter V of the Companies Act, 2013. Hence, no details to report pursuant to Rules 8 (5) (v) and 8 (5) (vi) of the Companies (Accounts) Rules, 2014.

**Management discussion and analysis**

Pursuant to Regulation 34 (2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations"), a management discussion and analysis report forms a part of this annual report.

**Consolidation of financial statements**

As on end of the financial year, your Company does not have any subsidiary company. However, it does have two associate companies namely Finolex Plasson Industries Private Limited and Pawas Port Limited.

The consolidated financial statements as prepared pursuant to the provisions of section 129 of the Companies Act, 2013 and Schedule III of the Companies Act, 2013 are annexed and form part of this annual report.

**Revision in financial statements**

There has been no revision in the financial statements of the Company during the financial year 2015 – 2016.

**Subsidiary and Associate Companies**

As required under Rule 5 of the Companies (Accounts) Rules, 2014, Form AOC-1 of statement containing salient features of financial statements of the associate or joint venture companies is annexed and forms part of this annual report.

Pursuant to Rule 8(1) of the Companies (Accounts) Rules, 2014, the performance and financial position of the associate or joint venture companies included in the consolidated financial statements is annexed to and forms part of this annual report.

Further, it is reported pursuant to Rule 8(5) (iv) of the Companies (Accounts) Rules, 2014 that during the financial year 2015-16, Rajasthan Olive Cultivation Limited has ceased to be an associate company, in relation to the Company or joint venture company. Further, during the financial year 2015-16, no company has become an associate of the Company.

The Company has also formulated the policy on material subsidiaries in alignment with the provisions of Regulation 16(1) (c) of the Listing Regulations. As required under Regulation 46 (2) (h) of the Listing Regulations, the Material Subsidiary Policy has been displayed on the website of the Company [www.finolexwater.com](http://www.finolexwater.com) at the following link: <http://www.finolexwater.com/policies-code-of-conduct/>

Pursuant to Regulations 34(3) and 53(f) the related party disclosures as specified in Para A of Schedule V are as given below:

Sr. No.	In the accounts of	Disclosures of amounts at the year end and the maximum amount of loans/ advances/ Investments outstanding during the year.	
1	Holding Company	<ul style="list-style-type: none"> <li>• Loans and advances in the nature of loans to subsidiaries by name and amount.</li> <li>• Loans and advances in the nature of loans to associates by name and amount.</li> <li>• Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount.</li> </ul>	No Holding Company
2	Subsidiary	Same disclosures as applicable to the parent company in the accounts of subsidiary company.	No Subsidiary Company
3	Holding Company	Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.	No Holding Company

### Directors' Responsibility Statement

Pursuant to section 134(5) of the Companies Act, 2013, your directors, on the basis of information and documents made available to them, confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the profit of the Company for that period;
- c) the directors had taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the directors had prepared the annual accounts on a going concern basis;
- e) the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### Corporate governance

A separate statement of corporate governance in compliance with corporate governance requirements specified in regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 along with a compliance certificate obtained from M/s SVD & Associates, practicing company secretaries is annexed and forms part of this annual report.

**Material changes and commitments**

Your directors confirm that there are no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company and the date of this report.

**Contracts or arrangements with related parties**

The particulars of related party transactions are stated in the note no. 1.10 in financial statements, Annexures 2, 3 and 5(vi) of this report.

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business of the Company. There are no materially significant related party transactions made by the Company with its Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee for approval. Prior omnibus approval of the Audit Committee is obtained on a quarterly basis for the transactions which are of a foreseen and repetitive nature. The transactions entered into pursuant to the omnibus approval so granted are audited and a statement giving details of all related party transactions is placed before the Audit Committee for their approval on a quarterly basis. The statement is supported by a Certificate from the Chief Financial Officer.

The Company has developed a Related Party Transactions Manual, Standard Operating Procedures for the purpose of identifying and monitoring such transactions.

The Related Party Transactions Policy of the Company approved by the Board of Directors of the Company (the "Board") is displayed on website of the Company [www.finolexwater.com](http://www.finolexwater.com) at the following link:<http://www.finolexwater.com/policies-code-of-conduct/>.

**Risk management**

During the financial year 2014-2015, your directors have constituted a Risk Management Committee. The details of the Committee and its terms of reference are set out in the Corporate Governance Report forming a part of the Board of Director's Report.

The Company has a robust risk management framework to identify, evaluate business risks and opportunities. This framework seeks to create transparency, minimize adverse impact on the business objectives and enhance the Company's competitive advantage. The business risk framework defines the risk management approach across the enterprise at various levels including documentation and reporting. The framework has different risk models which help in identifying risks trend, exposure and potential impact analysis at a Company level as also separately for business segments. Risk management forms an integral part of the business planning and forecasting. The key business risks identified by the Company and its mitigation

plans are included in management discussion and analysis report.

### **Internal financial control**

Pursuant to Rule 8 (5)(viii) of the Companies (Accounts) Rules, 2014, the details in respect of adequacy of internal financial controls with reference to the financial statement are given below.

The Company has an internal control system which includes internal financial controls, the policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of business, including adherence to the Company's policies, the safeguarding of the assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and timely preparation of reliable financial information commensurate with the size, scale and complexity of its operations.

The scope and authority of the internal auditor are defined by the audit committee from time to time. To maintain its objectivity and independence, the internal auditor reports its observations to the audit committee of the Board. The internal auditor monitors and evaluates the efficacy and adequacy of the internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of the internal auditor, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Audit observations and corrective actions thereon are presented to the audit committee of the Board.

### **Directors and key managerial persons:**

Pursuant to Sections 149 (1) and 161 of the Companies Act, 2013 read with Rule 8 (5) of the Companies (Accounts) Rules, 2014, the following details relating to directors and key managerial persons are reported:

The Board of your Company is duly constituted with proper balance of executive directors, non-executive directors and independent directors.

### **Reappointment of directors:**

#### **Reappointment of Mr. Sanjay S. Math as Director of the Company**

Mr. Sanjay S. Math (DIN: 01874086) retires by rotation as Director at the ensuing annual general meeting and being eligible, offers himself for reappointment.

#### **Reappointment of Mr. Prakash P. Chhabria as Whole-time Director designated as Executive Chairman and Mr. Sanjay S. Math as Managing Director, who shall be Whole-time Director**

The Board at its meeting held on 21<sup>st</sup> October, 2011 had re-appointed Mr. Prakash P. Chhabria (DIN: 00016017) as Managing Director of the Company for a period of five years viz. 1<sup>st</sup> December, 2011 to 30<sup>th</sup> November, 2016. Further, the Board, at its meeting held on 20<sup>th</sup> June,

2012 has appointed Mr. Prakash P. Chhabria as Whole-time Director designated as Executive Chairman of the Company for the period from the close of business hours of 11<sup>th</sup> August, 2012 to 30<sup>th</sup> November, 2016.

The Board of Directors has appointed Mr. Sanjay S. Math (DIN: 01874086) as Whole-time Director designated as Director (Operations) for a period of five years from 4<sup>th</sup> February, 2012 to 3<sup>rd</sup> February, 2017.

The said appointments of Mr. Prakash P. Chhabria and Mr. Sanjay S. Math were approved by the Members at their thirty - first annual general meeting held on 11<sup>th</sup> August, 2012.

The Board of Directors at its meeting held on 21<sup>st</sup> May, 2016 has reappointed and fixed the remuneration on the recommendation of the Nomination and Remuneration Committee of:

1. Mr. Prakash P. Chhabria as Whole-time Director designated as Executive Chairman for a period of five years from 1<sup>st</sup> December, 2016.
2. Mr. Sanjay S. Math as Managing Director, who shall be Whole-time Director, for a period of five years from 1<sup>st</sup> December, 2016.

The resolutions for the appointments of Mr. Prakash P. Chhabria as Whole-time Director designated as Executive Chairman and Mr. Sanjay S. Math as Whole-time Director designated as Managing Director including payment of their remuneration are contained in the notice of the ensuing annual general meeting.

Mr. Prakash P. Chhabria, Executive Chairman, age 53 years is a Whole-time Director since March, 1992. Mr. Prakash P. Chhabria is B.Sc. in International Business from University of Evansville, USA has completed Advanced Management Programme from Wharton Business School, USA and has also completed an Executive Program from Stanford, USA. Mr. Prakash P. Chhabria is a well-known industrialist. He is a director on the Board of few public companies and private limited companies. Mr. Prakash P. Chhabria holds 1,70,749 equity shares of the Company.

Mr. Sanjay S. Math, age 60 years is B.E. (Chemicals), UDCT and PGDM, Mumbai. He is a member of American Institute of Chemical Engineering. He has to his credit 40 years of rich working experience in various projects and petrochemical plant operations. He has worked in reputed organizations like NOCIL, Bombay Dyeing, Rama Petrochemicals, Soudi Yanbu Petrochemicals, Essar Refinery etc. Mr. Math has earlier worked with the Company at Ratnagiri from December 2004 to July 2008 as Director (Manufacturing). Mr. Sanjay S. Math holds 3,000 equity shares of the Company.

The Board recommends the appointments as stated above and payment of remuneration.

### **Retirement of Director**

Mr. Saurabh S. Dhanorkar, Managing Director is to retire on 30<sup>th</sup> November, 2016 after 33 years of dedication to the Company. The Board of Directors at its meeting held on 21<sup>st</sup> May, 2016 has

considered and approved the retirement of Mr. Saurabh S. Dhanorkar, Managing Director and also Key Managerial Personnel with effect from the end of the current term of appointment i.e. 30<sup>th</sup> November, 2016. The Board appreciates the loyalty and commitment of Mr. Saurabh S. Dhanorkar to the Company.

### **Independent directors**

The Members approved the appointments of 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 as independent directors for a period of five years effective 20<sup>th</sup> September, 2014, who are not liable to retire by rotation. The terms and conditions of the appointment of independent directors are as per Schedule IV of the Companies Act, 2013. Pursuant to section 149(7) of the Companies Act, 2013, all independent directors have given declarations for the financial year 2016-2017 that they meet the criteria of independence as laid down under section 149 (6).

### **Key managerial personnel**

The Board has designated Mr. Saurabh S. Dhanorkar, Managing Director, Mr. Anil V. Whabi, Chief Financial Officer and Mr. Umesh M. Gosavi, Company Secretary as the Key Managerial Personnel of your Company for financial year 2015-16.

### **Training and familiarization programme for directors**

The Board members are provided with necessary documents/brochures, reports and internal policies to enable them to familiarize themselves with the Company's procedures and practices.

Periodic presentations are made at the Board and Board Committee Meetings on business and performance updates of the Company, global business environment, business strategy and risks involved.

Detailed presentations on the Company's business segments were made at the separate meetings of the independent directors held during the year.

Quarterly updates on relevant statutory changes and landmark judicial pronouncements encompassing important laws are regularly circulated to the Directors.

In compliance of the Regulation 25 (7) of the Listing Regulations, the Company has adopted the familiarization programme for independent directors with an aim to provide to the independent directors insight in their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc.

The details of the familiarization programme for independent directors are available on the website of the Company <http://www.finolexwater.com/wp-content/uploads/2015/07/File-5-Directors-familiarization-program1.pdf>.

**Policy on directors' appointment and remuneration**

The Nomination and Remuneration Committee of the Company is governed by a terms of reference. The Company's nomination and remuneration policy includes directors' appointment and remuneration including the criteria for determining qualifications, positive attributes, independence of a director and other details are furnished in Annexure 1.

**Annual evaluation by the Board of its own performance and that of its committees and individual directors**

The Company has devised a policy for performance evaluation of independent directors, Board, Committees and other individual Directors which include criteria such as qualification, positive attributes, area of expertise and number of directorship and memberships held in various committee in other companies by such person for performance evaluation of the non-executive directors and executive directors.

The nomination and remuneration policy, inter alia, giving details about the policy on directors' appointment and remuneration including the criteria for determining qualifications, positive attributes, independence and other details are included in the nomination and remuneration policy annexed herewith.

**Remuneration of Directors and key managerial personnel**

Pursuant to Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the details of remuneration of directors and key managerial personnel are as furnished in Annexure 2.

**Particulars of Employees**

Disclosure pertaining to remuneration and other details as required under section 197(12) of the Companies Act, 2013 read with rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are furnished in Annexure 3.

**Auditors and Auditor's Report:****Auditors**

Pursuant to section 139 of the Companies Act, 2013, M/s. P. G. Bhagwat, Chartered Accountants, Pune were appointed as auditors until the conclusion of the 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. M/s. P. G. Bhagwat has issued a certificate of eligibility pursuant to section 141 of the Companies Act, 2013. Your directors recommend the ratification of the appointment of M/s. P. G. Bhagwat, Chartered Accountants, Pune from the conclusion of the annual general meeting of the Company to be held in the year 2016 until the conclusion of annual general meeting to be held in the year 2017.



### **Appointment of cost auditors**

The Board at its meeting held on 21<sup>st</sup> May, 2016 has, on the recommendation of the Audit Committee, reappointed M/s. S. R. Bhargave & Co. as cost auditors for carrying out audit of cost accounting records of the Company for the financial year ending 31<sup>st</sup> March, 2017. Pursuant to the provisions of section 148 of the Companies Act, 2013 and rules made thereunder, the ratification by the Members is necessary for the payment of remuneration to cost auditors. Your directors recommend the same.

### **Secretarial audit report**

Pursuant to the provisions of section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. SVD & Associates, Company Secretaries in practice, Pune to undertake the secretarial audit of the Company. The secretarial audit report for the financial year 2015-16 is annexed herewith and marked as Annexure 4.

There is no qualification, reservation or adverse remark or disclaimer made by the company secretary in practice in his Secretarial Audit Report for the financial year 2015-16.

### **Disclosures:**

Pursuant to section 134(3) (a) to (q), there are certain items that are required to be reported by the Company in the Director's report. Your directors are pleased to furnish the required details as under:

### **Committees of directors and key managerial persons**

The details of the committee of the directors and key managerial persons pursuant to the Listing Regulations, and the Companies Act, 2013 are described in the corporate governance report of the annual report.

### **Audit Committee**

The Audit Committee has been duly constituted as required under the provisions of the Companies Act, 2013 and the Listing Regulations.

The details pertaining to the composition of the Audit Committee, required to be given pursuant to Section 177 (8) of the Companies Act, 2013, are given in the corporate governance report section of the annual report on page no.73. There are no instances of the Board not having accepted the recommendation of the Audit Committee during the financial year 2015-16.

### **Number of meetings of the Board**

During the year under review, five meetings of the Board of Directors were held. The details of the meetings are provided in the corporate governance report on page no. 73.

**Extract of Annual return**

Pursuant to section 134(3)(a) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014, the extract of annual return in the prescribed format MGT-9 is annexed herewith and marked as Annexure 5.

**Vigil mechanism / Whistle blower policy**

Pursuant to section 177(9) and (10) of the Companies Act, 2013 and Regulation 22 of the Listing Regulations, the Company has established a vigil mechanism named Whistle Blower Policy (the "WBP") to report genuine concerns to the Chairman of the Audit Committee. The WBP provides adequate safeguards against victimization of persons who use such mechanism and makes provision for direct access to the Chairman of the Audit Committee in exceptional cases as envisaged under the WBP. The details of the WBP are explained in the corporate governance report and also posted on the website of the Company. The Company affirms that no director or employee has been denied access to the Chairman of the Audit Committee and that no complaints were received during the year. Further, no complaint was received by the Chairman of the Audit Committee during the year.

**Sexual harassment policy**

The Company has in place a policy on prevention of sexual harassment of its employees at the workplace. In line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, an Internal Complaints Committee has been constituted by the Company to redress the complaints received regarding sexual harassment. Your directors state that during the year under review, there was no case filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

**Insider Trading**

In compliance with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015 and to preserve the confidentiality and prevent misuse of unpublished price sensitive information, the Company has adopted a Code of Conduct to Regulate, Monitor and Report Trading by Insiders ('Insider Trading Code') and a Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information ('Code of Fair Disclosure').

The Insider Trading Code is intended to prevent misuse of unpublished price sensitive information by insiders and connected persons and ensure that the Directors and specified persons of the Company and their dependents shall not derive any benefit or assist others to derive any benefit from access to and possession of price sensitive information about the Company which is not in the public domain, that is to say, insider information.

The Code of Fair Disclosure ensures that the affairs of the Company are managed in a fair, transparent and ethical manner keeping in view the needs and interest of all the stakeholders.

### **Particulars of loans, guarantees or investments**

Pursuant to section 186 of the Companies Act, 2013, the details, as applicable, of loans given, investments made or guarantees given are given in note nos. 12, 13 and 15 to the financial statements for the financial year 2015- 2016 on page nos. 113, 114 and 115 of the annual report.

It is clarified that the Company has no loans/advances and investments in its own shares.

### **Significant and material orders passed by the regulators or courts or tribunals**

Pursuant to Rule 8 (5) (vii) of the Companies (Accounts) Rules, 2014, it is reported that no significant and material orders have been passed by the regulators or courts or tribunals impacting the going concern status of the Company and the Company's operations in future.

### **Shares**

#### **Employee stock option scheme**

The paid-up equity share capital as on 31<sup>st</sup> March, 2016 was ₹12409.53 lakhs. During the year under review, your directors confirm that no shares were issued under the subsisting Finolex Industries Limited – Employee Stock Option Scheme/ Plan (ESOP) of the Company.

#### **Sweat equity shares and equity shares with differential voting rights**

Your directors confirm that neither sweat equity shares nor equity shares with differential voting rights have been issued by the Company during the year under review.

#### **The conservation of energy, technology absorption, foreign exchange earnings and outgo**

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. Your Company has put in place internationally acclaimed Environment Management System under ISO 14001 certification at Ratnagiri. Your Company in compliance with all applicable environmental regulations in respect of air, water, noise, hazardous waste, e-waste etc. to mitigate potential environment impact on society.

Your Company's manufacturing plants are well equipped with firefighting & safety equipment. In addition, your Company's PVC resin manufacturing plant at Ratnagiri has put in place a process for safety system with well-equipped firefighting facilities. The plant has its own fire tenders which are capable of performing fire and rescue services for all types of emergencies. Fire tenders are sent on fire calls in villages/communities nearby as well as for attending calls in Ratnagiri city and industries around Ratnagiri. To keep firefighting system up-to-date and alert, mock drills and fire drills are performed through-out the year as per "On site Emergency Management Plan" with participation of all key personnel in the factory premises. Demonstration drills are performed in 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".

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo required to be given under section 134(3) of the Companies Act, 2013 read with rule 8(3) of the Companies (Accounts) Rules, 2014 is annexed herewith and marked as Annexure 6.

### **Business responsibility statement**

Business Responsibility Report as stipulated under Regulation 34 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 has been hosted on the website of the Company [www.finolexwater.com](http://www.finolexwater.com) as is available to all the members, and should be deemed as contain in this annual report. A physical copy of the Business Responsibility Report will be made available on a request by any member in writing to the Company Secretary at the registered office of the Company. During the year under review, your Company continued its focus on various initiatives on environments, social and governance perspective and the details of the same are given below.

### **Prevention of Air Pollution**

Your Company has installed processes to comply with the requirement of 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 specification laid down by respective Pollution Control Boards.

### **Zero Effluent Discharge**

As a 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 of its treated effluent outside the plant premises partly by recycling it back in the system and by using the remaining for irrigation of tree plantation within the plant premises. The pipes and fittings manufacturing plant do not generate any effluent and are free from pollution. Ground water quality is monitored regularly by sampling and analysis of borewell water.

### **Effluent Treatment Plant**

The aqueous effluent generated during the PVC manufacturing processes undergoes various treatments in your Company's world class effluent treatment plants such as equalization, flocculation, floc separation, aeration activated sludge process, clarification, polishing using activated carbon filter etc. The treated effluent is checked regularly to ensure that it meets with Pollution Control Board specifications.

### **Effluent Recycle Plant**

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

### **Tree Plantation**

Remaining treated effluent fit for irrigation is used for growing trees planted in the plant premises. Your Company has planted and nurtured close to 50,000 trees of different varieties including fruit bearing trees such as mangoes, chikoo, cashew, coconut etc. within the PVC manufacturing plant and captive power plant premises. Tree Plantation activity is carried out annually during the week-long celebrations of World Environment Day commencing on 5<sup>th</sup> June every year.

### **Rain water harvesting**

Your Company has built two large reservoirs which help in collecting rain water from nearby land. Also, these reservoirs are filled by pumping water from a dam on nearby river. This dam has also helped in bringing up the ground water table in the nearby vicinity.

### **Corporate social responsibility**

Pursuant to section 135 of the Companies Act, 2013, during 2015, the Board has constituted Corporate Social Responsibility (CSR) Committee and also framed the corporate social responsibility policy. The details of CSR Committee are given in the corporate governance report section of this report.

The corporate social responsibility policy of the Company is displayed on website of the Company [www.finolexwater.com](http://www.finolexwater.com) at the following link: <http://www.finolexwater.com/policies-code-of-conduct/>.

As a responsible corporate citizen, your Company actively contributes to the social and economic development of the communities in and around its plants' locations. Your Company in association with Mukul Madhav Foundation ("MMF"), a charitable trust, has partnered in this journey for many years. Your Company has 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 and Urse 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.

The CSR activities carried out by your company through MMF is headed by Mrs. Ritu P. Chhabria, Director, a driving force in accomplishing the activities on day-to-day basis.

During the financial year 2015-16, your Company in association with MMF has incurred expenditure on various CSR activities aggregating to ₹352 lakhs against the mandatory CSR expenses of ₹317 lakhs.

While a detailed report on the CSR activities is annexed as Annexure 7. The details of the activities undertaken by your Company in association with MMF are circulated separately and is displayed on website of the Company [www.finolexwater.com](http://www.finolexwater.com).

**Cautionary statement**

Statements in the Board of Directors' Report and the Management Discussion & Analysis describing the Company's objectives, expectations or forecasts may be forward-looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

**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.

For and on behalf of the Board of Directors

**Prakash P. Chhabria**

Executive Chairman

DIN: 00016017

Place: Pune

Date: 21<sup>st</sup> May, 2016

## Annexure 1 to Directors' report

### NOMINATION AND REMUNERATION POLICY

#### 1. PREAMBLE

- 1.1 Finolex Industries Limited (the 'Company') recognizes the importance of attracting, retaining and motivating personnel of high caliber and talent for the purpose of ensuring efficiency and high standard in the conduct of its affairs and achievement of its goals besides securing the confidence of the shareholders in the sound management of the Company. For the purpose of attaining these ends, the Company has constituted a Nomination and Remuneration Committee which is entrusted with the task of devising a transparent reasonable and fair policy of remuneration for its directors, key managerial personnel and other employees.
- 1.2 The Companies Act, 2013 *vide* sub-section (3) of section 178, the Companies (Meetings of Board and its Powers) Rules, 2014 and Clause 49 of the Listing Agreement as amended and relevant Regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 by the Securities and Exchange Board of India *vide* Master Circular dated April 17, 2014 makes it mandatory for the Board of Directors of every listed company to constitute a Nomination and Remuneration Committee.
- 1.3 The objective of the Nomination and Remuneration Committee is to assist the Board of Directors of the Company and its controlled entities in fulfilling its responsibilities to shareholders by :
  - 1.3.1. Considering the requirement of skill sets on the Board, eminent people having an independent standing in their respective field/profession and who can effectively contribute to the Company's business and policy decisions are considered by the Nomination and Remuneration Committee, for appointment, as Independent Directors on the Board. The Committee, inter alia, considers qualification, positive attributes, area of expertise and number of Directorships and memberships held in various committees of other companies by such persons. The Board considers the Committee's recommendation and takes appropriate decision.
  - 1.3.2. ensuring that the Board of Directors is comprised of individuals who are best able to discharge the responsibilities of directors in consonance with the Companies Act, 2013 and the norms of corporate governance; and
  - 1.3.3. ensuring that the nomination processes and remuneration policies are equitable and transparent.
- 1.4 The responsibilities of the Committee include :
  - 1.4.1 formulating a criteria for determining qualifications, positive attributes and independence of a director;
  - 1.4.2 recommending to the Board of Directors a policy or recommendation, relating to the appointment and remuneration for the directors, key managerial personnel and other employees which includes one level below key managerial personnel;

- 1.4.3 formulating a criteria/ recommendation for evaluation of performance of independent directors and the Board of Directors and on the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director;
  - 1.4.4 devising a policy/ recommendation on Board diversity; and
  - 1.4.5 identifying persons who are qualified to become directors and who may be appointed as part of the 'senior management' or core management team of the Company in accordance with the criteria laid down, and recommending to the Board of Directors the appointment and removal of such personnel.
- 1.5 This Nomination and Remuneration Policy has been formulated with a view to :
- 1.5.1 Consider selection, appointment of directors including independent directors, key managerial personnel and one level below key managerial personnel in compliance of the provisions of the Companies Act, 2013, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, devise a transparent system of determining the appropriate level of remuneration throughout all levels of employees and teams in the Company;
  - 1.5.2 encourage personnel to perform to their highest level;
  - 1.5.3 provide consistency in remuneration throughout the Company; and
  - 1.5.4 offer incentives on the premise of aligning the performance of the business with the performance of key employees and teams within the Company.
- 1.6 The Nomination and Remuneration Policy elucidates the types of remuneration to be offered by the Company and factors to be considered by the Board of Directors of the Company, Nomination and Remuneration Committee and management of the Company.

## 2. DEFINITIONS

Some of the key terms used in the Nomination and Remuneration Policy are as under :

- 2.1 **'Board'** means the Board of Directors of Finolux Industries Limited or the Company.
- 2.2 **'Committee'** means the Nomination and Remuneration Committee constituted by the Board of Directors of the Company in accordance with section 178 of the Companies Act, 2013.
- 2.3 **'Director'** means a director appointed on the Board of the Company including executive; non-executive; and independent directors.
- 2.4 **'Employee'** means every employee of the Company (whether working in India or abroad), including the directors in the employment of the Company.
- 2.5 **'Key managerial personnel'** includes managing director, or chief executive officer or manager and in their absence, a whole-time director; company secretary; and chief financial officer.
- 2.6 **'Member'** means a director of the Company appointed as member of the Committee.
- 2.7 **'Nomination and Remuneration Policy'** shall mean the policy of remuneration of directors, key managerial personnel and other employees of the Company formulated by the Nomination and Remuneration Committee.



- 2.8 **‘One Level below KMP or Senior management’** means the personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management who are one level below the executive directors commonly known as the functional heads.

### **3. NOMINATION AND REMUNERATION COMMITTEE**

- 3.1 The Committee shall be formed by the Board of the Company. It shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors. The Board of the Company shall nominate directors as members of the Committee from time to time.
- 3.2 The Chairman of the Committee shall be an independent director but shall not be the Chairperson of the Company. He shall be present at the Annual General Meeting, to answer the shareholders' queries and may determine as to who should answer the queries.
- 3.3 The presently nominated members of the Committee are nominated by the Board of Director.  
The Board will nominate Directors on the Committee, from time to time.
- 3.4 In respect of the policy on Board Diversity, the Committee shall ensure that the Board has requisite number of independent, executive and other category of Directors as prescribed in the Companies Act, 2013, Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended may be applicable from time to time.

### **4. LETTER OF ENGAGEMENT OR CONTRACT OF EMPLOYMENT**

- 4.1 Non-executive directors shall enter into a letter of engagement with the Company, the terms and conditions of which shall be approved by the Board. The letter of engagement shall set forth the terms and conditions of the engagement, the performance expectations for the position, the remuneration package, the availability of the latter being contingent upon fulfillment of certain expectations of the Company measured by benchmarks of performance.
- 4.2 Executive directors, key managerial personnel and senior management employees shall enter into a contract/ employment contract or acceptance of appointment/ increment letter ("contract of employment") with the Company clearly setting out the terms and conditions of the remuneration package for such person. The contract of employment shall set out the expectations for the performance, the key performance indicators, measures and criteria for assessment or evaluation of performance.
- 4.3 The Committee and the Board must approve the contracts of employment for the senior management and directors.
- 4.4 The Board shall disclose the terms and conditions of any contract of employment in accordance with the law and the employment rules, as applicable from time to time.

### **5. REMUNERATION STRUCTURE**

- 5.1 Remuneration to Executive Directors, Key Managerial Personnel and Senior Management  
The Board shall, in consultation with the Committee approve and finalize the forms of

remuneration to be offered to executive and non executive directors, key managerial personnel, senior management and other employees. The remuneration package shall be composed of amounts that are fixed and variable and the endeavor of the Board and the Committee shall be to strike a balance between the fixed and variable components and thereby promote sustainable value for the Company and its shareholders over time.

#### 5.1.1 Fixed Remuneration

The contract of employment entered into by the executive directors, key managerial personnel and senior management employees with the Company shall demarcate a fixed gross annual salary or base salary payable to the employee. The fixed remuneration or salary shall be determined according to complexities of the position and role of the employee, the relevant laws and regulations, conditions prevalent in the labour market and the scale of the business relating to the position. The fixed remuneration will reflect the core performance requirements and expectations of the Company.

#### 5.1.2 Performance based remuneration or incentive or Ex-gratia bonus based payments

The performance or incentive or Ex-gratia bonus based payments shall form part of the variable component of the salary payable to the employee. In addition to the fixed remuneration, the Company shall implement a system of bonuses and incentives reflecting short and long term performance objectives appropriate to the working of the Company and designed to lay emphasis on the direct relationship between performance and remuneration. Performance based remuneration shall be proportionate to and contingent upon the attainment of specific performance targets by employees in the Company. Incentive-based payments take into account factors such as performance of the employee, his conduct, responsibilities, position and role and shall be calculated as a percentage of the fixed remuneration.

#### 5.1.3 Severance Fees or Termination Benefits

Each contract of employment entered into by the executive directors, key managerial personnel and senior management employees with the Company shall demarcate in advance the entitlement to payment upon termination of employment for each employee or shall part of employee's service contract or appointment letter. Making of such payments shall be approved by the Board and the Committee and shall be in consonance with the Nomination and Remuneration Policy of the Company.

#### 5.1.4 Employee Benefits

The Company shall comply with all legal and industrial obligations in determining the benefits available with employees, namely short-term benefits such as salaries, social security contributions, bonuses, post-employment benefits such as gratuity, other long-term employee benefits.

## 5.2 REMUNERATION TO NON-EXECUTIVE DIRECTORS

The Nomination and Remuneration Committee and/ or Board of Directors shall carry

out performance review of each of the Director atleast once a year. According to the performance of each Director, the Company shall pay remuneration to non-executive directors in such a manner so as to attract and maintain high quality members on the Board. Non-executive directors shall receive a fixed remuneration, for their service. Non-executive directors shall not be entitled to any performance-based incentives, bonus payments or retirement benefits. Board of Directors shall be authorised to decide any other mode of remuneration, as may be agreed upon by resolution passed by the Board at the meeting.

## **6. DISCLOSURE**

- 6.1 The Nomination and Remuneration Policy shall be disclosed in the Board's report of the Company prepared in accordance with sub-section (3) of section 134 of the Companies Act, 2013.
- 6.2 Payments to non-executive directors shall be either disclosed in the Annual Report of the Company and/ or put up on the website of the Company and reference drawn thereto in the Annual Report as per mandatory requirement or decided by the Key Managerial person from time to time.

Further, the number of shares and convertible instruments held by non-executive directors shall be disclosed by the Company in its Annual Report.

- 6.3 With regard to payment of remuneration, the section on the corporate governance of the Annual Report of the Company shall contain the following disclosures, namely :
  - 6.3.1 All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc;
  - 6.3.2 Details of fixed component and performance linked incentives, along with the performance criteria;
  - 6.3.3 Service contracts, notice period, severance fees; and
  - 6.3.4 Stock option details, if any - and whether issued at a discount as well as the period over which accrued and over which exercisable.

## **7. REVIEW AND IMPLEMENTATION**

- 7.1 The Key Managerial Person shall conduct an evaluation of performance for all employees on an annual basis to monitor and review, and if necessary, revise the appropriateness of each remuneration package.
- 7.2 The remuneration package payable to the employees of the Company shall be approved by the Committee or Board, as may be applicable from time to time.
- 7.3 The Committee shall be responsible for monitoring the implementation of the policy, conducting a review of the same from time to time and advising the Board on the mode of revision of the policy such as inclusion of long-term incentives that would contribute towards creating a sustainable value for shareholders of the Company.

Any amendment in the Act, Rules, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 will be applicable from the date of the notification. This policy will be deemed to be amended from such date. Chairman of the Committee shall be authorised to amend the policy from time to time.

**Annexure 2 to Directors' report**

The information required under section 197(12) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rule, 2014 are given below:

- i) The percentage increase in remuneration of each director, chief financial officer, company secretary or manager, if any, in the financial year 2015-16, the ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year 2015-16 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under:

Sr. No.	Name of Director/KMP and Designation Remuneration of Director/KMP for Financial year 2015-16	Remuneration of Director/ KMP for Financial year 2015-16	% increase/ (decrease) in Remuneration in the Financial Year 2015-16*	Ratio of remuneration of each Director/ to median remuneration of employees (times)	Comparison of the remuneration of the KMP against the performance of the Company
1	Mr. Prakash P. Chhabria Executive Chairman	95,670,743	156%	242.83	Profit before tax increased by 325.21% and Profit After Tax increased by 388.91% in financial year 2015-16.
2	Mr. Saurabh S. Dhanorkar Managing Director (KMP)	22,566,199	70%	57.28	
3	Mr. Sanjay S. Math Director- Operations	18,093,834	82%	45.92	
4	Mr. Sanjay K. Asher Non- Executive Director	980,000	139%	2.49	-
5	Mr. Kanaiyalal N. Atmaramani Non- Executive Director	1,140,000	115%	2.89	-
6	Mrs. Ritu P. Chhabria Non- Executive Director	940,000	100%	2.39	-
7	Mr. Dara N. Damania Non- Executive Director	1,140,000	65%	2.89	-
8	Mr. Shrikrishna N. Inamdar Non- Executive Director	1,440,000	53%	3.65	-
9	Mr. Prabhakar D. Karandikar Non- Executive Director	1,320,000	39%	3.35	-
10	Dr. Sunil U. Pathak Non- Executive Director	1,460,000	68%	3.71	-

11	Mr. Anil V. Whabi Chief Financial Officer (KMP)	7,957,462	4%	20.20	Profit Before Tax increased by 325.21% and Profit After Tax increased by 388.91% in financial year 2015-16.
12	Mr. Umesh M Gosavi Company Secretary (KMP)	3,049,559	6%	7.74	

#### # Based on annualised remuneration

- ii) The median remuneration of employees of the Company during the financial year 2015-16 was ₹ 3,93,987 per annum.
- iii) In the financial year 2015-16, there was an increase of 4.11 % in the median remuneration of employees.
- iv) There were 1194 permanent employees on the rolls of the Company as on 31<sup>st</sup> March, 2016;
- v) Relationship between average increase in remuneration and company performance: The Profit before Tax for the financial year 2015-16 Increased by 325.21% whereas the increase in median remuneration was 4.11%. The remuneration increase is in line with the market trend in the industry. Performance pay is linked to organization performance in addition to individual performance.
- vi) Comparison of the remuneration of the key managerial personnel against the performance of the Company: Profit Before Tax increased by 325.21% and Profit After Tax increased by 388.91% in financial year 2015-16. Remuneration of the KMP increased by 80.01%.
- vii)
  - a) Variations in the market capitalisation of the Company: The market capitalization as on 31<sup>st</sup> March, 2016 was ₹ 452,079.47 lakhs (₹ 363,661.51 lakhs as on 31<sup>st</sup> March, 2015).
  - b) Price Earnings Ratio of the Company was 19.36 as at 31<sup>st</sup> March, 2016 and was 73.67 as at 31<sup>st</sup> March, 2015.
  - c) Percentage increase over/ decrease in the market quotations of the shares of the Company as compared to the rate at which the Company came out with the last public offer in the year:  
  
The Company has come out with public offer in 1992. An amount of ₹ 40 in the said last public offer would be worth ₹ 364.30 as on 31<sup>st</sup> March, 2016 indicating a compounded annual growth rate of 9.23%. This is excluding the dividend accrued and paid thereon.
- viii) Average percentile increase made in the salaries of employees other than the managerial personnel in the last financial year 2015-16 was 13.87%, whereas the increase in the managerial remuneration for the same financial year was 80.01%.
- ix) The key parameters for any variable component of remuneration availed by the directors are considered by the Board of Directors based on the recommendations of the Nomination

and Remuneration Committee as per nomination and remuneration policy for directors, key managerial personnel.

- x) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the financial year 2015-16: Not applicable.
- xi) It is hereby affirmed that the remuneration paid is as per the Nomination and Remuneration Policy for directors and key managerial personnel.

### Annexure 3 to Directors' report

Information as per Rule 5(2) of Chapter XIII, the Companies (Appointment and Remuneration of Managerial Personnel) Rule, 2014.

Sr. No.	Name	Designation/ Nature of Duties	Qualifications	Age (yrs.)	Total Experience	Date of Commencement of Employment	Gross remuneration Paid ₹	Last employment held by such employee before joining the Company	% of equity shares held by the employee	Whether Employee is relative of any director if yes, give name of such director
1	Mr. Prakash P. Chhabria	Executive Chairman	B.Sc. (Intl. Business) USA	53	31	13.03.1992	95,670,743	Finolux Cables Limited	0.137	Mrs. Ritu P. Chhabria
2	Mr. Saurabh S. Dhanorkar	Managing Director	B.Com. (Hons), FCA	60	37	14.06.1983	22,566,199	Kirloskar Brothers Ltd	0.004	No
3	Mr. Sanjay S. Math	Director (Operations)	B.E.(Chem.), DMS	61	41	13.12.2011	18,093,834	I.G. Petrochemicals Ltd	0.002	No
4	Mr. Anil V. Whabi	President Finance & CFO	B.Sc., ACA	56	32	11.08.2014	7,957,462	Kotkar Energy Dynamics Pvt. Ltd.	-	No
5	Mr. Nitin Kulkarni	President Sales & Marketing	B.Com., MBA	49	28	19.12.2014	7,084,310	Hindware HSIL Ltd.	-	No
6	Mr. Diptesh Patel *	Chief Information Officer	B.Sc., MSM	44	21	07.11.2015	3,479,242	JSW Steel Ltd.	-	No

#### Note:

\* Employee joined during the financial year 2015-16.

- The above Employment are permanent in nature and contractual.
- During the financial year 2015-16 no employee received remuneration in excess of Whole-time Directors.

Annexure 4 to Directors' report

**SVD & ASSOCIATES  
COMPANY SECRETARIES**

4<sup>th</sup> Floor, Vedwati Apartments, Shivajinagar, Pune 411005  
Telephone: 020 6900 0666, email: deulkarcs@gmail.com

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**Form No. MR-3  
SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> March, 2016

[Pursuant to section 204 (1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

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To,  
The Members,  
Finolex Industries Limited  
Gat No. 399, Village Urse,  
Taluka Maval, District - Pune-410506

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Finolex Industries Limited** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31<sup>st</sup> March, 2016** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder (in so far as they are made applicable);
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (not applicable to the company during the audit period);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') :-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (upto 14<sup>th</sup> May, 2015) and Securities and Exchange Board of India (Prohibition of

Insider Trading) Regulations, 2015 (effective from 15<sup>th</sup> May, 2015);

- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (not applicable to the Company during the Audit Period);
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (not applicable to the Company during the Audit Period);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 – The in-house Investor Services Centre of the Company, registered with SEBI as a Category II Share Transfer Agent, provides share registration and related services.
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (not applicable to the Company during the Audit Period); and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (not applicable to the Company during the Audit Period).
- vi) The specific laws applicable to the Company:-
- a) Indian Boiler Act, 1923;
  - b) Petroleum Act, 1934 and Petroleum Rules, 2002

We have also examined compliance with the applicable clauses and regulations of the following:

- (i) Secretarial Standards issued by 'The Institute of Company Secretaries of India' effective from 1<sup>st</sup> July, 2015;
- (ii) The Listing Agreements entered into by the Company with Stock Exchange(s) till 30<sup>th</sup> November, 2015; and the provision of sub regulation (4) of the Regulation 23 and Regulation 31A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, applicable from 2<sup>nd</sup> September, 2015; and
- (iii) The Listing Agreement entered into by the Company with Stock Exchange(s) pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 effective from 1<sup>st</sup> December, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

#### **We further report that:**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for



meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, there are no specific events / actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

**For SVD & Associates**  
Company Secretaries

S. V. Deulkar  
Partner

FCS No. 1321  
C.P. No: 965

Place: Pune  
Date: 21<sup>st</sup> May, 2016

Note: This report is to be read with letter of even date by the Secretarial Auditors, which is annexed as Annexure A and forms an integral part of this report.

**‘ANNEXURE A’**

**SVD & ASSOCIATES  
COMPANY SECRETARIES**

4<sup>th</sup> Floor, Vedwati Apartments, Shivajinagar, Pune 411005  
Telephone: 020 6900 0666, email: deulkarcs@gmail.com

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To,  
The Members,  
Finolex Industries Limited  
Gat No. 399, Village Urse,  
Taluka Maval, District Pune-410506

Our Secretarial Audit Report of even date is to be read along with this letter.

**Management's Responsibility**

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

**Auditor's Responsibility**

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events, etc.

**Disclaimer**

5. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For SVD & Associates**  
Company Secretaries

S. V. Deulkar  
Partner

FCS No. 1321  
C.P. No: 965

Place: Pune  
Date: 21<sup>st</sup> May, 2016

## Annexure 5 to Directors' report

## Form MGT-9

## EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31<sup>st</sup> March, 2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I REGISTRATION AND OTHER DETAILS:**

- i) CIN: L40108PN1981PLC024153
- ii) Registration Date : 28<sup>th</sup> March, 1981
- iii) Name of the Company : Finolex Industries Limited
- iv) Category / Sub-Category of the Company : Public Limited Company
- v) Address of the Registered office and contact details : Gat No.399, Village Urse, Taluka Maval, District Pune 410 506, Maharashtra State. Tel No.02114-237251 Fax No.02114-237252 E-mail: investors@finolexind.com
- vi) Whether listed company Yes / No : Yes
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any  
Finolex Industries Limited, In-House Share Transfer Agent (STA) ,Investor Relations Centre, D 1/10 MIDC, Chinchwad, Pune 411019. Tel no. 020-27408200, Fax No.020-27479000, E-mail : investors@finolexind.com, Website: www.finolexwater.com

**II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	PVC	20131	26.86
2	PVC PIPES & FITTINGS	22209	71.67

**III PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -**

Sl. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1	Finolex Plasson Industries Private Limited Gat No. 399 Urse Tal-Maval Dist-Pune, 410506 Maharashtra	U41000PN1992PTC 067896	Associate	46.35	2(6)
2	Pawas Port Limited D 1/10, MIDC. Chinchwad, Pune 411 019, Maharashtra	U45203PN2007PLC 130990	Associate	49.99	2(6)

**IV Shareholding Pattern (Equity Share Capital Breakup as percentage of Total Equity)****(i) Category-wise Share Holding**

Category of Shareholders	No. of Shares held at the beginning of the year i.e. on 1 <sup>st</sup> April, 2015				No. of Shares held at the end of the year i.e. on 31 <sup>st</sup> March, 2016				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/ HUF	1376249	0	1376249	1.11	1376249	0	1376249	1.11	0.00
b) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt (s)	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corp.	63737448	0	63737448	51.36	63737448	0	63737448	51.36	0.00
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Any Other....	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (A) (1):-</b>	65113697	0	65113697	52.47	65113697	0	65113697	52.47	0.00
<b>(2) Foreign</b>									
a) NRIs - Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corp.	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other....	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (A) (2):-</b>	0	0	0	0.00	0	0	0	0.00	0.00
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	65113697	0	65113697	52.47	65113697	0	65113697	52.47	0.00

<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	5808857	8878	5817735	4.69	7666036	8878	7674914	6.18	1.49
b) Banks / FI	22736	3251	25987	0.02	32518	3251	35769	0.03	0.01
c) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	0	450	450	0.00	0	400	400	0.00	0.00
g) FIs	5946233	700	5946933	4.79	6399736	700	6400436	5.16	-4.37
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (B) (1):-</b>	<b>11777826</b>	<b>13279</b>	<b>11791105</b>	<b>9.50</b>	<b>14098290</b>	<b>13229</b>	<b>14111519</b>	<b>11.37</b>	<b>1.87</b>
<b>2. Non-Institutions</b>									
<b>a) Bodies Corp.</b>									
i) Indian	6603202	51194	6654396	5.36	6137704	50944	6188648	4.99	0.37
ii) Overseas	0	400	400	0.00	0	400	400	0.00	0.00
<b>b) Individuals</b>									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	15072681	9494701	24567382	19.80	13948923	9143978	23092901	18.61	1.19
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	14396017	52490	14448507	11.64	13593092	35500	13628592	10.98	0.66
<b>c) Others (specify)</b>									
Clearing member	45799	0	45799	0.04	60642	0	60642	0.05	0.01
Corporate Body - Margin Account	149839	0	149839	0.12	0	0	0	0.00	0.00

Corporate Body - Broker	72612	0	72612	0.06	0	0	0	0.00	0.00
Corporate Body - Central Government	0	0	0	0.00	0	0	0	0.00	0.00
Corporate Body CM/ TM client Beneficiary Account	47550	0	47550	0.04	0	0	0	0.00	0.00
Corporate Body CM/TM client Margin Account	22126	0	22126	0.02	0	0	0	0.00	0.00
Corporate Margin Account	0	0	0	0.00	0	0	0	0.00	0.00
Individual CM/ TM Client Beneficiary Account	0	0	0	0.00	0	0	0	0.00	0.00
NRI	432283	210575	642858	0.52	414667	207388	622055	0.50	-0.02
Limited Liability Partnership	40683	0	40683	0.03					
Trustees	65827	0	65827	0.05	1400	0	1400	0.00	-0.05
Alternate Investment Funds	0	0	0	0.00	842927	0	842927	0.68	0.68
/Finolux Industries Limited Employees Welfare Trust	0	432600	432600	0.35	0	432600	432600	0.35	0.00
Sub-total (B) (2):-	36948619	10241960	47190579	38.03	34999355	9870810	44870165	36.16	-1.87
Total Public Shareholding (B)=(B)(1)+(B)(2)	48726445	10255239	58981684	47.53	49097645	9884039	58981684	47.53	0.00
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	0	0	0	0.00	0	0	0	0	0.00
Grand Total (A+B+C)	113840142	10255239	124095381	100.00	114211342	9884039	124095381	100.00	0.00

## (ii) Shareholding of Promoters

SI No.	Shareholder's Name	Shareholding at the beginning of the year i.e.1 <sup>st</sup> April, 2015			Share holding at the end of the year i.e. 31 <sup>st</sup> March, 2016			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	AMIT KATARA	18782	0.02	0	18782	0.02	0.00	0.00
2	AMIT KATARA	950	0.00	0	950	0.00	0.00	0.00
3	AMRITA KATARA	22125	0.02	0	22125	0.02	0.00	0.00
4	AMRITA MUKESH KATARA	950	0.00	0	950	0.00	0.00	0.00
5	AMIT KATARA	5400	0.00	0	5400	0.00	0.00	0.00
6	KATARA AMRITA MUKESH	3500	0.00	0	3500	0.00	0.00	0.00
7	KATARA ARUNA MUKESH	146720	0.12	0	146720	0.12	0.00	0.00
8	KATARA ARUNA MUKESH	111000	0.00	0	111000	0.00	0.00	0.00
9	KATARA MUKESH DOLUMAL	23030	0.02	0	23030	0.02	0.00	0.00
10	KATARA MUKESH DOLUMAL	3500	0.00	0	3500	0.00	0.00	0.00
11	AMIT KATARA	15500	0.01	0	15500	0.01	0.00	0.00
12	AMRITA KATARA	15500	0.01	0	15500	0.01	0.00	0.00
13	DEEPAK KISHAN CHHABRIA	80921	0.07	0	80921	0.07	0.00	0.00
14	KAVITA SANJAY RAHEJA	37002	0.03	0	37002	0.03	0.00	0.00
15	KAVITA SANJAY RAHEJA	55877	0.05	0	55877	0.05	0.00	0.00
16	KISHAN PARSRAM CHHABRIA	170342	0.14	0	170342	0.14	0.00	0.00
17	KISHAN PARSRAM CHHABRIA	200	0.00	0	200	0.00	0.00	0.00
18	PRIYA VIJAY CHHABRIA	60200	0.05	0	60200	0.05	0.00	0.00
19	RISHI VIJAY CHHABRIA	1350	0.00	0	1350	0.00	0.00	0.00
20	SUNITA KISHAN CHHABRIA	153592	0.12	0	153592	0.12	0.00	0.00
21	VIJAY KISHAN CHHABRIA	200	0.00	0	200	0.00	0.00	0.00
22	VIJAY KISHAN CHHABRIA	106150	0.09	0	106150	0.09	0.00	0.00
23	VINI DEEPAK CHHABRIA	26400	0.02	0	26400	0.02	0.00	0.00
24	GAYATRI PRAKASH CHHABRIA	74825	0.06	0	74825	0.06	0.00	0.00
25	HANSIKA HIYA PRAKASH CHHABRIA	66975	0.05	0	66975	0.05	0.00	0.00
26	PRAKASH PRALHAD CHHABRIA	170549	0.14	0	170549	0.14	0.00	0.00
27	PRAKASH PRALHAD CHHABRIA	200	0.00	0	200	0.00	0.00	0.00
28	PRALHAD PARSRAM CHHABRIA	59	0.00	0	59	0.00	0.00	0.00
29	RITU PRAKASH CHHABRIA	4450	0.00	0	4450	0.00	0.00	0.00
30	ORBIT ELECTRICALS PRIVATE LIMITED	23330901	18.80	0	23330901	18.80	0.00	0.00
31	KATARA DENTAL PVT. LTD.	213950	0.17	0	213950	0.17	0.00	0.00
32	FINOLEX CABLES LIMITED	39432597	31.78	0	39432597	31.78	0.00	0.00
33	FINOLEX CABLES LIMITED	760000	0.61	0	760000	0.61	0.00	0.00
	At the end of the year (or on the date of separation, if separated during the year)	65113697	52.47	0	65113697	52.47	0.00	0.00

## (ii) Change in Promoters' Shareholding (please specify if there is no change)

SI No.	Name of Promoters	Shareholding		Date	Increase/ Decrease in Share holding	Reason	Cumulative Shareholding during the year (01-04-2015 to 31-03-2016)	
		No of Shares at the beginning /end of the year	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	At the beginning of the year	65113697	52.47	0	0	0	0	0
2	Datewise increase/decrease in promoters shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonds/sweat equity etc.)	No change in promoters' shareholding during the year						
3	At the end of the year	65113697	52.47	0	0	0	65113697	52.47

## (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters)

SI No.	Name of shareholder	Shareholding		Date	Increase/ (Decrease) in Share holding	Reason for increase/ decrease	Cumulative Shareholding during the year (01-04-2015 to 31-03-2016)	
		No of Shares at the beginning /end of the year	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	Anuj Anantrai Sheth	4681002	3.77	1-Apr-15	0	No change	0	0
		4681002	3.77	31-Mar-16	0		4681002	3.77
2	Franklin India Smaller Companies Fund	1527252	1.23	1-Apr-15	0	No change	0	0
		1527252	1.23	31-Mar-16	0	0	1527252	1.23
3	DSP Blackrock MICRO Cap Fund	941175	0.76	1-Apr-15	0	0	0	0
				1-May-15	56181	Transfer	997356	0.80
				8-May-15	236	Transfer	997592	0.80
				15-May-15	32897	Transfer	1030489	0.83
				12-Jun-15	7371	Transfer	1037860	0.84
				10-Jul-15	11044	Transfer	1048904	0.85
				17-Jul-15	24176	Transfer	1073080	0.86
				24-Jul-15	100221	Transfer	1173301	0.95
				21-Aug-15	10522	Transfer	1183823	0.95
				28-Aug-15	15719	Transfer	1199542	0.97
				4-Sep-15	3543	Transfer	1203085	0.97
				18-Sep-15	4756	Transfer	1207841	0.97
				25-Sep-15	8436	Transfer	1216277	0.98
				23-Oct-15	212159	Transfer	1428436	1.15
				11-Dec-15	20095	Transfer	1448531	1.17



				18-Dec-15	41249	Transfer	1489780	1.20
				25-Dec-15	15090	Transfer	1504870	1.21
				31-Dec-15	1315	Transfer	1506185	1.21
		1506185	1.21	31-Mar-16			1506185	1.21
4	Hiten Anantrai Sheth	1500000	1.21	1-Apr-15		No change		
		1500000	1.21	31-Mar-16			1500000	1.21
5	Gagandeep Credit Capitals Pvt.Ltd	1389500	1.12	1-Apr-15		No change		
		1389500	1.12	31-Mar-16			1389500	1.12
6	Kuroto Fund LP	219766	1.12	1-Apr-15				
				10-Apr-15	61352	Transfer	281118	0.23
				17-Apr-15	20648	Transfer	301766	0.24
				24-Apr-15	8618	Transfer	310384	0.25
				1-May-15	606325	Transfer	916709	0.74
				8-May-15	5003	Transfer	921712	0.74
				15-May-15	254000	Transfer	1175712	0.95
				22-May-15	70962	Transfer	1246674	1.00
				29-May-15	111000	Transfer	1357674	1.09
				5-Jun-15	427400	Transfer	1785074	1.44
				26-Feb-16	-356400	Transfer	1428674	1.15
				25-Mar-16	-12401	Transfer	1416273	1.14
		1382318	1.11	31-Mar-16	-33955	Transfer	1382318	1.11
7	Warburg Value Fund	1282996	1.03	1-Apr-15				
				11-Mar-16	-11086	Transfer	1271910	1.02
				18-Mar-16	-71910	Transfer	1200000	0.97
		1200000	0.97	31-Mar-16			1200000	0.97
8	Finolux Auto Private Limited	1184658	0.95	1-Apr-15		No change		
		1184658	0.95	31-Mar-16			1184658	0.95
9	Prescient Securities Limited	1188198	0.96	1-Apr-15				
				4-Mar-16	-138198	Transfer	1050000	0.85
		1050000	0.85	31-Mar-16			1050000	0.85
10	DSP Blackrock Emerging Stars Fund	0	0.00	1-Apr-15				
				31-Dec-15	23104		23104	0.02
				8-Jan-16	19187		42291	0.03
				15-Jan-16	168327		210618	0.17
				22-Jan-16	19103		229721	0.19
				29-Jan-16	193630		423351	0.34
				5-Feb-16	55134		478485	0.39
				12-Feb-16	70057		548542	0.44
				19-Feb-16	70381		618923	0.50
				26-Feb-16	96746		715669	0.58
				4-Mar-16	79433		795102	0.64
				11-Mar-16	47825		842927	0.68
		842927	0.68	31-Mar-16			842927	0.68
11	Zafar Ahmadullah	704732	0.57	1-Apr-15		No change		
		704732	0.57	31-Mar-15			704732	0.57
12	Shivani T.Trivedi	672674	0.54	1-Apr-15				
				1-May-15	-255104	Transfer	417570	0.34
				22-May-15	-417000	Transfer	570	0.00
				29-May-15	10202	Transfer	10772	0.01

				17-Jul-15	-10000	Transfer	772	0.00
				23-Oct-15	30569	Transfer	31341	0.03
				30-Oct-15	34783	Transfer	66124	0.05
				6-Nov-15	92896	Transfer	159020	0.13
				13-Nov-15	10500	Transfer	169520	0.14
				20-Nov-15	100	Transfer	169620	0.14
		169620	0.14	31-Mar-16			169620	0.14

## (v) Shareholding of Directors and Key Managerial Personnel:

Sl No.	Name of Director/ KMP	Shareholding			Increase/ Decrease in Share holding	Reason for increase/ decrease	Cumulative Shareholding during the year (01-04-2015 to 31-03-2016)	
		No of Shares at the beginning / end of the year	% of total shares of the Company	Date			No. of Shares	% of total shares of the Company
1	Mr.Prakash P.Chhabria Executive Chairman	170549	0.137	1-Apr-15		No transaction		
		170549	0.137	31-Mar-16			170549	0.137
2	Mr.Sanjay K.Asher Director	0	0	1-Apr-15	0	No shares held	0	0
		0	0	31-Mar-16	0		0	0
3	Mr.Kanaivalal N. Atmaramani Director	0	0	1-Apr-15	0	No shares held	0	0
		0	0	31-Mar-16	0		0	0
4	Mrs. Ritu P. Chhabria Director	4450	0.004	1-Apr-15		No transaction		
		4450	0.004	31-Mar-16			4450	0.004
5	Mr.Dara N.Damania Director	900	0.001	1-Apr-15		No transaction		
		900	0.001	31-Mar-16	0		900	0.001
6	Mr.Saurabh S.Dhanorkar Managing Director	5381	0.004	1-Apr-15		No transaction		
		5381	0.004	31-Mar-16	0		5381	0.004
7	Mr. Shrikrishna N. Inamdar Director	2000	0.002	1-Apr-15		No transaction		
		2000	0.002	31-Mar-16	0		2000	0.002
8	Mr.Prabhakar D.Karandikar Director	0	0	1-Apr-15	0	No shares held	0	0
		0	0	31-Mar-16	0		0	0
9	Mr.Sanjay S.Math Director (Operations)	3000	0.002	1-Apr-15		No transaction		
		3000	0.002	31-Mar-16	0		3000	0.002
10	Mr.Sunil U.Pathak Director	300	0.000	1-Apr-15		No transaction		
		300	0.000	31-Mar-16	0		300	0.000
11	Mr.Anil V. Whabi President (Finance) and Chief Financial Officer	0	0	1-Apr-15	0	No shares held	0	0
		0	0	31-Mar-16	0		0	0
12	Mr. Umesh M. Gosavi General Manager (Legal) and Company Secretary	0	0	1-Apr-15	0	No shares held	0	0
		0	0	31-Mar-16	0		0	0

**V. INDEBTEDNESS**

Indebtedness of the Company including interest outstanding/accrued but not due for payment (₹ in lakhs)				
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	61,590.14	2,115.80	Nil	63,705.94
ii) Interest due but not paid	Nil	Nil	Nil	Nil
iii) Interest accrued but not due	469.50	Nil	Nil	469.50
<b>Total (i+ii+iii)</b>	<b>62,059.64</b>	<b>2,115.80</b>	<b>Nil</b>	<b>64,175.44</b>
Change in Indebtedness during the financial year 2015-16				
• Addition	69,694.94	Nil	Nil	69,694.94
• Reduction	(110,289.55)	(2,115.80)	Nil	(112,405.35)
<b>Net Change</b>	<b>(40,594.61)</b>	<b>(2,115.80)</b>	<b>Nil</b>	<b>(42,710.41)</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	21,171.20	Nil	Nil	21,171.20
ii) Interest due but not paid	Nil	Nil	Nil	Nil
iii) Interest accrued but not due	293.83	Nil	Nil	293.83
<b>Total (i+ii+iii)</b>	<b>21,465.03</b>	<b>Nil</b>	<b>Nil</b>	<b>21,465.03</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

₹

Sr. No.	Particulars of Remuneration	Mr.Prakash P. Chhabria, Executive Chairman	Mr.Saurabh S.Dhanorkar, Managing Director	Mr.Sanjay S.Math, Director (Operations)	Total Amount
1	Gross salary				
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	9,714,600	4,851,000	3,330,432	17,896,032
(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	7,965,929	4,278,471	4,203,556	16,447,956
(c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	74,900,000	12,500,000	10,000,000	97,400,000
	- as % of profit	2.19%	0.37%	0.29%	2.85%
	- others, specify	-	-	-	-
5	Others, please specify- Retirement benefits	3,090,214	936,728	559,846	4,586,788
	Total (A)	95,670,743	22,566,199	18,093,834	136,330,776
	Ceiling as per the Act: ₹ 3,419.95 lakhs( being 10% of the net profit of the Company as per Section 198 of the Companies Act, 2013.				

**B. Remuneration to other directors:**

₹

Sr. No.	Particulars of Remuneration								Total Amount
		Mr.Sanjay K.Asher	Mr.Kanaiyalal N. Atmaramani	Mrs.Ritu P.Chhabria	Mr.Dara N.Damania	Mr.Shrikrishna N.Inamdar	Mr. Prabhakar D. Karandikar	Dr.Sunil U.Pathak	
1	Independent Directors								
	• Fee for attending board / committee meetings	280,000	440,000	-	440,000	440,000	620,000	760,000	29,80,000
	• Commission	700,000	700,000	-	700,000	1,000,000	700,000	700,000	45,00,000
	• Others, please specify			-					
	<b>Total (1)</b>	<b>980,000</b>	<b>1,140,000</b>	<b>-</b>	<b>1,140,000</b>	<b>1,440,000</b>	<b>1,320,000</b>	<b>1,460,000</b>	<b>74,80,000</b>
2	Other Non-Executive Directors (Non-Independent)								
	• Fee for attending board / committee meetings	-	-	240,000	-	-	-	-	240,000
	• Commission	-	-	700,000	-	-	-	-	700,000
	• Others, please specify- Retirement benefits	-	-		-	-	-	-	
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>940,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>940,000</b>
	<b>Total (B)=(1+2)</b>	<b>980,000</b>	<b>1,140,000</b>	<b>940,000</b>	<b>1,140,000</b>	<b>1,440,000</b>	<b>1,320,000</b>	<b>1,460,000</b>	<b>8,420,000</b>
	Total Managerial Remuneration (A+B)								144,750,776
	Overall Ceiling as per the Act	Ceiling as per the Act: ₹ 3,761.95 lakhs (being 11% of the net profit of the Company as per Section 198 of the Companies Act, 2013).							

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD**

₹

Sr. No.	Particulars of Remuneration	Name of Key Managerial Personnel		
		Mr. Anil V. Whabi, CFO	Mr. Umesh M. Gosavi, Company Secretary	Total
1	Gross salary			
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2,496,000	834,000	3,330,000
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	5,040,684	1,948,164	6,988,848
	c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify Retirement benefits	420,778	267,395	688,173
	<b>Total</b>	<b>7,957,462</b>	<b>3,049,559</b>	<b>11,007,021</b>

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

No instances of penalties/Punishment/Compounding of offence or Other officers in default											
	Type	Section of the Companies Act		Brief Description		Details of Penalty / Punishment/ Compounding fees imposed		Authority [RD / NCLT/ Court]		Appeal made, if any (give Details)	
	A: Company										
	Penalty	-	-	-	-	-	-	-	-	-	-
	Punishment	-	-	-	-	-	-	-	-	-	-
	Compounding	-	-	-	-	-	-	-	-	-	-
	B: Directors										
	Penalty	-	-	-	-	-	-	-	-	-	-
	Punishment	-	-	-	-	-	-	-	-	-	-
	Compounding	-	-	-	-	-	-	-	-	-	-
	C. Other Officers in default										
	Penalty	-	-	-	-	-	-	-	-	-	-
	Punishment	-	-	-	-	-	-	-	-	-	-
	Compounding	-	-	-	-	-	-	-	-	-	-

**ANNEXURE 6 TO DIRECTORS' REPORT 2015-16**

The particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Rule 8 of the Company (Accounts) Rules, 2014 are given below:

**(A) Conservation of energy-****(i) the steps taken or impact on conservation of energy:**

VCM, PVC and CPP Plant

- A multistage centrifugal pump taking suction from an atmospheric pressure DM water tank was replaced with a new pump taking suction from a high pressure DM water network has saved 11 kw/hr.
- Direct heat recovery system of hot effluent water of poly reactors for air heating was getting fouled due to turbidity. It was converted to indirect system wherein DM water is heated with the effluent in a PHE and heated DM water is used in an air heating coil in a closed circulated system. This has resulted in steam saving of 0.8 ton per hour.
- A high capacity treated water pump P-9617 was replaced with a small capacity pump for normal operation to pump out small volumes in normal case has saved 43 KWH.
- All 3 sea water pumps in RO unit (P-3401-A/B/C) were required to run for pumping clarified water to filter stream in sea water desalination (RO) unit due to lower discharge pressure. These pumps are modified by changing to higher size impeller and installing higher rating motor. Now only 2 pumps are required for normal operation as per design. This has resulted in saving of 456 KWH per day of power and also resulted

in standby availability.

- Surplus steam at atmospheric pressure was being vented is now used in waste water stripper in VCM plant achieving steam reduction of 0.8 ton per hour.
- In the employee canteen, 76 numbers of fluorescent tube lights units (40 x 2 watt each) were replaced with 38 number of 20 watt LED tube lights to save 3 KWH units per day.

**(ii) the steps taken by the Company for utilizing alternate sources of energy:**

The Company decided to install a pellet making machine to convert garden garbage into compressed pellets for using in stoves in canteen. This is expected to partially replace LPG used in canteen.

**(iii) the capital investment on energy conservation equipment**

- Indirect heat recovery scheme of Poly reactor effluent by preheating DM water to use in air heating coils will be implemented for other 2 production lines.
- In ETF, existing high capacity cooling water pumps cater the demand during reliquefaction system which runs only 10% of time. Hence a low capacity pump to run during normal demand is being installed for power saving. Expected power saving to the tune of 25 kw/ hour.

Presently DM water from Off sites is pumped to CPP with multistage pumps of the existing system. As the head requirement for this duty is less, it is proposed either to modify existing pumps with less number of stages or to install a new low head pump for required duty so as to save power consumption.

Impact of the measures at ii) and iii) above for reduction of energy consumption and consequent impact on the cost of production of goods.

Resulted in reduction in consumption of energy and cost of production of goods.

## **Technology absorption**

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

**1. Specific areas in which R&D has been conducted.:**

- Change from crape paper bags to poly-coated paper bags of better tear resistance for EPVC bagging has reduced in improved customer acceptance.
- Vaccumizing E-1420 shell side has resulted in higher condensation of process gases and has helped in maintaining better process control at end of run condition of plant.
- Sea water was taken to both compartments of storage tank in CPP and pumped to cooling tower with suction from both compartments. Now inlet line to RHS compartment is kept closed by providing a valve and the valve in suction line from LHS too is kept closed so that water now overflows from LHS compartment to RHS compartment

thereby increasing the sand settling time and reducing turbidity from 6 NTU to 1 NTU.

- MS fusion welded studs on bed coils of Boiler No 2 are replaced with SS 304 fusion welded in May 2015 to increase the bed coil life and prolong the boiler shutdown for coil repairs. This is based on the experience with similar change in boiler No1 bed coils in Sept 2013.
- An organic waste converter of 50 kg per day capacity is installed for converting canteen food waste to good quality manure. This has resulted in reduction of odor nuisance of canteen food waste and improved overall environmental performance.
- Up gradation of PVC cooling tower by providing additional high surface area fills in the available space has lowered down approach to wet bulb temperature. This has resulted in lower cooling water supply temperature and improved PVC reaction batch time.
- Up gradation of two cells of VCM cooling tower with GI structure replacing old timber wood structure has resulted in higher durability and also stoppage of wood in repair works. This will be done for remaining two cells in coming years.
- PVC sampling system in SPVC drying sections is modified to recycle the flushing PVC resin to avoid resin wastage. This has resulted in recovering approximately 3.6 TPA PVC back to product stream of prime quality.

(ii) the benefits derived like product improvement, cost reduction, product development or import substitution

- Improvement in reaction efficiencies
- Improvement in on stream time
- Conservation of base material
- Environmental protection and effluent quality improvement

### **Future plans**

- It is planned to install an acoustic enclosure at one of the three Aerzen air blowers for PVC conveying and is expected to reduce the noise level from 105 dB to 90 dB.
- Reduction of Chloro acetaldehyde (CAA) impurity in furnace EDC is presently done in a batch operation. The same will be converted to a continuous process for better operational control.
- A Pellet making system comprised of coarse and fine shredders, a screw conveyor feeder, a pelletizer and a cyclone dust controller will be installed to convert garden garbage into compressed pellets which will be used for preparing food in employee canteen by using specially made stoves. This is in line with company's policy of opting for renewable energy sources wherever possible.

- It is planned to install S type drift eliminators in one of 4 cells of CPP sea water cooling tower to reduce drift losses from 0.05% to 0.001% of circulating sea water and reduction in splash of sea water to nearby structure. It is expected to reduce the structure corrosion rate. Based on performance, S type drift eliminators will be installed one by one in the remaining three cells.
- CPP coal transfer tower T4 in coal handling system supporting the coal transfer belt will be covered with PVC sheets in north end to avoid sea water corrosion. This is based on the experience with similar covering for coal transfer tower T3 during Dec 2014.
- A volute system will be installed to concentrate phosphate sludge in effluent recycle plant to improve sludge handling process.
- It is proposed to recycle high TDS effluent water by installing a full-fledged recycle plant consisting of chemical treatment, filtration, ultrafiltration and reverse osmosis. This will help the company to achieve zero effluent discharge (ZLD) norms.

(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-

- the details of technology imported;
- the year of import;
- whether the technology been fully absorbed;
- if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and

No technology imported during last three years.

(iv) the expenditure incurred on Research and Development.

- Capital
- Recurring
- Total
- 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.

(B) Foreign exchange earnings and Outgo-

The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows are stated in the financial statements note no. 1.7 & 1.9 on page no.123.



## Annexure 7 to Directors' report

## Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2015-16

1	A brief outline of the Company's CSR Policy including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programs and the composition of CSR Committee.	Please refer Directors' Report and weblink mentioned therein
2	Average net profit of the Company for last three financial years (₹ in lakhs)	15,861.89
3	Prescribed CSR expenditure (₹ in lakhs) (two percent of the amount mentioned in item 2 above)	317.24
4	Details of CSR spent during the financial year:	
	Total amount spent for the financial year (₹ in lakhs)	352.83
	Amount unspent, if any (₹ in lakhs)	Nil
	Manner in which the amount spent during the financial year	

## Details of expenditure on CSR activities during the financial year 2015-16

Sr. No.	CSR Project or activity company can undertake as per Schedule VII of the Companies Act, 2013	Sector in which the project is covered (Clause no. of Schedule VII to the Companies Act, 2013, as amended)	Project or programs (1) Local area or other (2) Specify the state and district where projects or programs undertaken	Amount outlay (budget) project or programs wise ₹ in lakhs	Amount spent on project or programs (1) Direct expenditure (2) Over-heads ₹ in lakhs	Cumulative expenditure upto the reporting period i.e. 2015-16 ₹ in lakhs	Amount spent : Direct or through implementing agency (modalities of execution of project or programs)
1	2	3	4	5	6	7	8
1	Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water	(i)	Ratnagiri, Pune- Maharashtra, Masar- Gujarat	135.00	145.52	215.38	Direct/ Implementing Agency Mukul Madhav Foundation
2	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and differently abled and livelihood enhancement projects	(ii)	Ratnagiri, Pune- Maharashtra, Masar- Gujarat	30.00	42.93	108.37	Direct/ Implementing Agency Mukul Madhav Foundation

1	2	3	4	5	6	7	8
3	Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation and natural resources and maintaining quality of soil, air and water	(iv)	Ratnagiri, Pune- Maharashtra, Masar- Gujarat	12.00	25.60	25.60	Direct/ Implimenting Agency Mukul Madhav Foundation
4	Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports	(vii)	Ratnagiri, Pune- Maharashtra, Masar- Gujarat	3.00	2.29	4.47	Direct/ Implimenting Agency Mukul Madhav Foundation
5	Rural development project	(x)	Ratnagiri, Pune- Maharashtra, Masar- Gujarat	12.24	11.50	52.37	Direct/ Implimenting Agency Mukul Madhav Foundation
6	Donation to NGO engaged in CSR activities	Qualified projects/ programs under (i) to (x)	Maharashtra and Gujarat State	125.00	125.00	330.00	Direct/ Implimenting Agency Mukul Madhav Foundation
			Grand total	317.24	352.83	736.19	

### Responsibility statement

The Responsibility Statement of the Corporate Social Responsibility Committee of the Board of Directors of the Company is reproduced below :

The implementation and monitoring of the Corporate Social Responsibility (CSR) Policy, is in compliance with the CSR objectives and policy of the Company.

Saurabh S. Dhanorkar  
Managing Director  
DIN: 00011322  
Member- CSR Committee

Prakash P. Chhabria  
Executive Chairman  
DIN: 00016017  
Chairman, CSR Committee

Place: Pune  
Date: 21<sup>st</sup> May, 2016

**SVD & ASSOCIATES  
COMPANY SECRETARIES**

4<sup>th</sup> Floor, Vedwati Apartments, Shivajinagar, Pune 411005  
Telephone: 020 6900 0666, email: deulkarcs@gmail.com

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**PRACTICING COMPANY SECRETARY'S CERTIFICATE**

To  
The Members of Finolex Industries Limited

We have examined the compliance of conditions of corporate governance by Finolex Industries Limited (hereinafter referred "the Company"), for the year ended on 31<sup>st</sup> March, 2016 as stipulated in Clause 49 of the Listing Agreement ('Listing Agreement') of the Company with the stock exchanges for the period 1<sup>st</sup> April, 2015 to 30<sup>th</sup> November, 2015 and as per relevant provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosures requirements) Regulations, 2015 ('Listing Regulations') for the period 1<sup>st</sup> December, 2015 to 31<sup>st</sup> March, 2016.

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/Listing Regulations, as applicable.

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

For **SVD & Associates**  
Company Secretaries

S. V. Deulkar  
Partner

Place: Pune  
Date: 21<sup>st</sup> May, 2016

F.C.S. 1321  
C.P. No. 965

## Corporate governance

### Compliance report for the year 2015-2016

#### 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 the Board.
- Adequate representation of promoter, executive and independent and woman 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 ("the Board") and Board procedure:

##### Composition and category of directors

The Board consists of 10 directors. The Company has an optimum combination of three executive, one woman non-executive and non-independent director and six non-executive independent directors.

The Board is represented by three executive directors. Mr. Prakash P. Chhabria is Executive Chairman from the promoter group of the Company. Mr. Saurabh S. Dhanorkar is Managing Director and Mr. Sanjay S. Math is Director (Operations) in the category of the Executive Directors.

Mrs. Ritu P. Chhabria is woman (non-executive and non-independent) director from the promoter group.

The Board is represented by six non-executive 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.

The details of attendance of directors at meetings of the Board, other committees of the Board, annual general meeting held during the financial year 2015-2016, committee positions held in the various committees of the Company and outside directorships and committee positions held by the directors are given in Table 1

Table 1

	Mr. Prakash P. Chhabria	Mr. Sanjay K. Asher	Mr. Kanaiyalal N. Atmaramani	Mrs. Ritu P. Chhabria	Mr. Dara N. Damania	Mr. Saurabh S. Dhanorkar	Mr. Shrikrishna N. Inamdar	Mr. Prabhakar D. Karandikar	Mr. Sanjay S. Math	Dr. Sunil U. Pathak
	Executive Chairman (Whole-time Director)	Independent Director	Independent Director	Non-independent Non-Executive Director	Independent Director	Managing Director (Whole-time Director)	Independent Director	Independent Director	Director (Operations) (Whole-time director)	Independent Director
<b>Board Meetings attendance during the year 2015-2016</b>										
Attendance	5	5	5	5	5	5	5	5	5	5
<b>Attendance at thirty fourth annual general meeting held on 29<sup>th</sup> August, 2015</b>										
AGM attended	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Committee Positions held attendance during the financial year 2015-2016 in Finolex Industries Limited</b>										
<b>Audit Committee</b>										
Membership	Not member	Not member	Member	Not member	Member	Not member	Chairman & Member	Member	Not member	Member
Attendance	NA	NA	4	NA	4	NA	4	4	NA	4
<b>Stakeholders' Relationship Committee</b>										
Membership	Member	Not member	Chairman & Member	Not member	Member	Not member	Member	Member	Not member	Member
Attendance	4	NA	4	NA	4	NA	4	4	NA	4
<b>Nomination and Remuneration Committee</b>										
Membership	Not member	Member	Member	Not member	Member	Not member	Chairman & Member	Member	Not member	Member
Attendance	NA	4	4	NA	4	NA	4	4	NA	4
<b>Corporate Social Responsibility Committee</b>										
Membership	Chairman & Member	Not member	Not member	Member	Not member	Member	Not member	Not member	Not member	Member
Attendance	4	NA	NA	2	NA	4	NA	NA	NA	4
<b>Risk Management Committee</b>										
Membership	Chairman & Member	Not member	Not member	Not member	Not member	Member	Not member	Not member	Not member	Member
Attendance	1	NA	NA	NA	NA	1	NA	NA	NA	1
<b>Finance Committee</b>										
Membership	Chairman & Member	Member	Not member	Not member	Not member	Member	Not member	Not member	Not member	Not member
Attendance										
No meeting held during the financial year 2015-2016										
<b>Share Transfer Committee</b>										
Membership	Chairman & Member	Not member	Not member	Not member	Not member	Member	Not member	Member	Not member	Member
Attendance	17	NA	NA	NA	NA	18	NA	9	NA	11
<b>Directorships in other companies</b>										
Chairman	Nil	Nil	Nil	Nil	Nil	Nil	Nil	1	Nil	Nil
Member	6	19	2	Nil	6	1	7	8	Nil	1
<b>Committee Positions held in other companies</b>										
Chairman	Nil	4	Nil	Nil	1	Nil	2	1	Nil	Nil
Member	Nil	6	4	Nil	4	Nil	2	3	Nil	Nil
No of shares of ₹ 10 each held of the Company	170749	0	0	4450	900	5381	2000	0	3000	300

\* Outside directorships include directorships in public and private limited companies.

\* None of the Independent Directors on the Board is serving as an Independent Director in more than seven listed companies.

- \* The necessary disclosures regarding Committee positions have been made by all the Directors. As required under Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the disclosure includes membership/chairmanship of audit committee and stakeholder relationship committee (listed and unlisted public companies).
- \* The composition of the Board of Directors is in accordance with the Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### **No. of Board Meetings held during the year**

During 2015-2016, the Board of Directors met 5 (five) times viz. 28<sup>th</sup> May, 2015, 7<sup>th</sup> August, 2015, 29<sup>th</sup> August, 2015, 6<sup>th</sup> November, 2015 and 13<sup>th</sup> February, 2016. The time gap between two meetings was not more than 120 days.

### **Disclosure of relationships between directors inter-se**

None of the directors are relatives of each other except Mr. Prakash P. Chhabria, Executive Chairman and Mrs. Ritu P. Chhabria, Woman, non-executive director are related to each other as husband and wife.

### **No of shares and convertible instruments held by non-executive directors**

The Company does not have any convertible instruments.

The details of shares held by the executive and non-executive directors are given in Table 1.

### **Weblink where details of familiarization programmes imparted to independent directors is disclosed**

<http://www.finolexwater.com/wp-content/uploads/2015/07/File-5-Directors-familiarization-program1.pdf>

### **Audit committee:**

#### **Composition, members' name and chairperson**

- As on 31<sup>st</sup> March, 2016, the Audit Committee (the "Committee") consisted of 5 (five) independent directors viz. Mr. Shrikrishna N. Inamdar (Chairman of the Committee), Mr. Kaniyalal N. Atmaramani, Mr. Dara N. Damania, 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:**

During 2015-16, the Audit Committee met 4 (four) times viz. 28<sup>th</sup> April, 2015, 7<sup>th</sup> August, 2015, 6<sup>th</sup> November, 2015 and 13<sup>th</sup> February, 2016.

The details of the attendance of the directors at the Audit Committee meetings during the year are given in Table 1.

Mr. Umesh M. Gosavi, Company Secretary of the Company acts as secretary to the committee.

#### **Brief description of terms of reference:**

Terms of reference and other requirements of the Audit Committee pursuant to the provisions of section 177 of the Companies Act, 2013 and Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as under:

- Recommendation for appointment, remuneration and terms of appointment of auditors of the Company.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Review and monitor the auditor's independence and performance and effectiveness of audit process.
- Examination and review of the quarterly and annual financial statement and auditors' report thereon before submission to the Board.
- Approval or any subsequent modification of transactions of the Company with related parties.
- Scrutiny of inter-corporate loans and investments.
- Valuation of undertakings or assets of the Company, wherever it is necessary.
- Evaluation of internal financial controls and risk management systems.
- Monitoring the end use of funds raised through public offers and related matters.
- Investigate into any matter as referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to the information contained in the records of the Company.
- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgement by the management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliance with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Qualifications in the draft audit report.
- Reviewing, with the management, the statement of uses / application of funds raised through

an issue (public issue, rights issue, preferential issue etc.) the statement of funds utilized for the purposes other than those stated in the offer document/prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

- Reviewing with the management, performance of statutory and internal auditors adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, members (in case of non-payment of declared dividend) and creditors.
- To review the functioning of the Whistle Blower mechanism.
- Approval of appointment of Chief Financial Officer (the “CFO”) (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background etc. of the candidate.
- Carrying out any other function as may be delegated to it by the Board.

## **Nomination and Remuneration committee**

### **Composition, name of members and Chairperson:**

The Board at its meeting held on 27<sup>th</sup> October, 2012 has constituted a Remuneration Committee. The Board at its meeting held on 12<sup>th</sup> May, 2014 renamed the Remuneration Committee as Nomination and Remuneration Committee.

The six independent directors namely Mr. Sanjay K. Asher, Mr. Kanaivalal 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 Nomination and Remuneration Committee.

### **Brief description of terms of reference**

The terms of reference of Nomination and Remuneration Committee cover all the areas mentioned in section 178 of the Companies Act, 2013 and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part D of Schedule II thereto.

The objective of the Nomination and Remuneration Committee is to assist the Board of the Company and its controlled entities in fulfilling its responsibilities to members by:



- considering the requirement of skill sets by the Board, eminent people having an independent standing in their respective field/profession and who can effectively contribute to the Company's business and policy decisions are considered by the Human Resources, Nomination and Remuneration Committee for appointment as Independent Directors on the Board. The Committee inter alia, considers qualification, positive attributes, area of expertise and number of Directorships and Memberships held in various committees of other companies by such persons. The Board considers the Committee's recommendation and takes appropriate decision.
- ensuring that the Board of Directors is comprised of individuals who are the best able to discharge the responsibilities of directors in consonance with the Companies Act, 2013 and the norms of corporate governance; and
- ensuring that the nomination process and remuneration policies are equitable and transparent.
- The responsibilities of the Committee include:
  - formulating a criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy relating to the appointment and remuneration for the directors, key managerial personnel and other employees.
  - formulating a criteria for evaluation of performance of Independent Directors and the Board of Directors.
  - devising a policy on diversity of Board of Directors
  - identifying persons who are qualified to become directors and who may be appointed as part of the 'senior management of the Company in accordance with the criteria laid down, and recommend to the Board the appointment and removal of such personnel.
  - recommending extension or continuation of the term of appointment of the Independent Directors based on evaluation of their performance.

### **Meetings and attendance during the year**

During the year, four meetings of the Nomination and Remuneration Committee were held on 28<sup>th</sup> May, 2015, 7<sup>th</sup> August, 2015, 6<sup>th</sup> November, 2015 and 13<sup>th</sup> February, 2016. The attendance details are given in Table 1.

### **Nomination and Remuneration Policy**

The nomination and remuneration policy of the Company on recommendation by the Nomination and Remuneration Committee was approved by the Board and the same is in place. The same is annexed as Annexure 1 of the Directors' report and given on website of the Company at [www.finolexwater.com](http://www.finolexwater.com) at like <http://www.finolexwater.com/policies-code-of-conduct>.

### **Remuneration of Directors**

None of the non-executive directors has any pecuniary relationship or transaction vis-à-vis the Company. Mr. Prakash P. Chhabria, Executive Chairman and Mrs. Ritu P. Chhabria, Woman non-executive director are related to each other as husband and wife.

Criteria of making payment to non-executive directors.

The criteria of making payment to non-executive directors are given on website of the Company at link: [http://www.finoluxwater.com/wp-content/uploads/2015/08/FIL-Policies-Master-document\\_revised.pdf](http://www.finoluxwater.com/wp-content/uploads/2015/08/FIL-Policies-Master-document_revised.pdf)

Details of remuneration paid to the executive directors for the financial year 2015-2016 are given below:

Particulars	Mr. Prakash P. Chhabria, Executive Chairman	Mr. Saurabh S. Dhanorkar, Managing Director	Mr. Sanjay S. Math, Director – Operations
Salary and Allowances	1,57,37,609	81,59,271	68,67,902
Contribution to PF	11,65,752	5,82,120	3,99,652
Superannuation / Special allowance	14,57,190	1,21,275	-
Gratuity fund	4,67,272	2,33,333	1,60,194
Performance incentive/ Bonus	19,42,920	9,70,200	6,66,086
Sub-total	2,07,70,743	1,00,66,199	80,93,834
Commission payable	7,49,00,000	1,25,00,000	1,00,00,000
Total	9,56,70,743	2,25,66,199	1,80,93,834
Notice Period	6 months	3 months	3 months
Service contract	Five years	Five years	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	7,00,000	2,80,000	Nil
2	Mr. Kanaiyalal N. Atmaramani	7,00,000	4,40,000	Nil
3	Mrs. Ritu P. Chhabria	7,00,000	2,40,000	4450
4	Mr. Dara N. Damania	7,00,000	4,40,000	900
5	Mr. Shrikrishna N. Inamdar	10,00,000	4,40,000	2,000
6	Mr. Prabhakar D. Karandikar	7,00,000	6,20,000	Nil
7	Dr. Sunil U. Pathak	7,00,000	7,60,000	300

The non-executive directors are not getting any remuneration from the Company except the sitting fees and commission not exceeding ₹ 10.00 lakhs per annum as approved by the Board from time to time. All independent directors are expert in their respective fields and their services are beneficial to the Company.

No stock options were issued during the financial year 2015-2016.

**Stakeholder Relationship Committee:****Composition, members' names and chairperson:**

Pursuant to the provisions of section 178 of the Companies Act, 2013 and Regulation 20 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part D of Schedule II thereto, the Stakeholders' Relationship Committee is constituted as under:

As on 31<sup>st</sup> March, 2016, the Stakeholders' Relationship Committee consisted 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.

Mr. Umesh M. Gosavi, Company Secretary is the compliance officer of the Company.

**Brief description of terms of reference**

The terms of reference of the Stakeholders' Relationship Committee shall be as follows:

- To resolve grievances of the stakeholders in relation to transfer of shares, non-receipt of annual report and non receipt of declared dividends etc.
- To review and note certificate received from Practising Company Secretary in compliance of Regulation 40 (9) to (11) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- To review half yearly report of the in-house Share Transfer Agent in terms of SEBI circular No.CIR/MIRSD/7/2012 dated 5<sup>th</sup> July, 2012.
- To review and note the status of Investor Complaints.
- To review and note the status of unclaimed dividend.
- To take necessary actions on the matters delegated by the Board from time to time.

During 2015-16, the Stakeholder Relationship Committee met 4 (four) times viz. 28<sup>th</sup> May, 2015, 7<sup>th</sup> August, 2015, 6<sup>th</sup> November, 2015 and 13<sup>th</sup> February, 2016. The attendance for the same is given in Table 1.

**Details of shareholders' complaints**

No. of complaints received during the financial year 2015-16	No. of complaints resolved to the satisfaction of complainants	No. of pending complaints at the end of financial year i.e. as on 31 <sup>st</sup> March, 2016
22	22	0

## **Risk Management Committee**

### **Composition, members' names and chairperson**

The Board at its meeting held on 26<sup>th</sup> July, 2014 has constituted the Risk Management Committee. As on 31<sup>st</sup> March, 2016, the Risk Management Committee consisted of three directors viz. Mr. Prakash P. Chhabria (Chairman of the Committee), Mr. Saurabh S. Dhanorkar and Dr. Sunil U. Pathak.

Pursuant to Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company is not included in top 100 listed entities determined on the basis of market capitalization on BSE and NSE as at the end of the financial year on 31<sup>st</sup> March, 2016.

### **Meetings and attendance during the year:**

During 2015-16, the Risk Management Committee met 1 (one) time viz. on 6<sup>th</sup> November, 2015.

The details of attendance of Risk Management Committee meeting by the directors during the year is given in Table 1.

### **Brief description of terms of reference**

Terms of reference of the Risk Management Committee shall be as follows:

- The Risk Management Committee (RMC) shall have at least three directors or members of the Committee.
- RMC shall review the Risk Management plan and policy at its meeting and inform the Board about the risk assessment and minimization procedure.
- The Board may delegate monitoring and reviewing of the risk management plan and such other functions as it deem fit to RMC and/or the Executive Chairman and or Managing Director as may be necessary for effective implementation of the Risk Management Plan/Policy.
- To take necessary actions on the matters delegated by the Board from time to time.

## **Corporate Social Responsibility (CSR) Committee**

### **Composition, members names and chairperson**

As required under section 135 of the Companies Act, 2013, the Company has constituted the Corporate Social Responsibility Committee.

As on 31<sup>st</sup> March, 2016, the Corporate Social Responsibility Committee consisted of four directors viz. Mr. Prakash P. Chhabria (Chairman of the Committee), Mrs. Ritu P. Chhabria (appointed on 7<sup>th</sup> August 2015), Mr. Saurabh S. Dhanorkar and Dr. Sunil U. Pathak.

### **Meetings and attendance during the year:**

During 2015-16, the Corporate Social Responsibility Committee met (four) times viz. on 28<sup>th</sup> May, 2015, 7<sup>th</sup> August, 2015, 6<sup>th</sup> November, 2015 and 13<sup>th</sup> February, 2016.

The details of attendance of Corporate Social Responsibility meeting by the directors during the year is given in Table 1.

#### **Brief description of terms of reference**

Terms of reference of the Corporate Social Responsibility Committee shall be as follows:

- a) Formulate and recommend to the Board a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013 (the "Act") as amended.
- b) Recommend the amount of expenditure to be incurred on the activities referred to in above.
- c) Monitor the Corporate Social Responsibility Policy of the Company from time to time.
- d) Monitor and ensure that the surplus arising out of CSR projects or programs or activities shall not form part of the business profits of a Company.
- e) Ensure that all the income generated by way of CSR activities is credited back to the CSR corpus.
- f) Review and comply with the requirements of the provisions of the Act and rules made under and periodical disclosure requirements.

#### **Share Transfer Committee**

##### **Composition, members' names and chairperson**

As on 31<sup>st</sup> March, 2016, the Share Transfer Committee consisted of four directors viz. Mr. Prakash P. Chhabria (Chairman of the Committee), Mr. Saurabh S. Dhanorkar, Mr. Prabhakar D. Karandikar and Dr. Sunil U. Pathak.

#### **Brief description of terms of reference**

- Consider and approve the transfer and transmission of securities i.e. shares, debentures and other security documents.
- Consider and approve issue of duplicate share certificates.
- Consider and approve split, consolidation of share/debenture certificate and issue fresh share certificates and debenture certificates.
- Consider any other assignment as directed by the Board.
- Consider and approve dematerialization and rematerialization of securities.
- To take necessary actions on the matters delegated by the Board from time to time.

During 2015-16, the Share Transfer Committee met (twenty) times. The details of attendance of Share Transfer Committee meetings by the directors during the year is given in Table 1.

## Finance Committee

### Composition, members' names and chairperson

As on 31<sup>st</sup> March, 2016, the Finance Committee consisted of four directors viz. Mr. Prakash P. Chhabria (Chairman of the Committee), Mr. Saurabh S. Dhanorkar, Mr. Sanjay K. Asher and Dr. Sunil U. Pathak.

### Brief description of terms of reference

- To consider and review various financial proposals for the financial investments, borrowings and give recommendation to Audit Committee/ Board; and
- To take necessary actions on the matters delegated by the Board from time to time.

No meeting of the Finance Committee was held during the year 2015-2016.

### Independent Directors Meeting

The Independent Directors had a meeting on 13<sup>th</sup> February, 2016 without the attendance of Non-Independent Directors and the members of the Management. All the Independent Directors were present at such meeting. At the Meeting, they –

- a. Reviewed the performance of Non-Independent Directors and the Board as a whole.
- b. Reviewed the performance of the Chairperson of the Company, taking into account the views of the Managing Director and Executive Directors.
- c. Assessed the quality, quantity and timeliness of flow of information between the Company's Management and the Board that is necessary for the Board effectively and reasonably perform their duties.

The Independent Directors hold an unanimous opinion that the Executive Directors are senior business managers with vast experiences in their business. Their knowledge and experience was found extremely useful for the Company. Independent Directors are highly knowledgeable both on products and the regions of Company's operations and found them to be very competent, experienced, engaging, committed and participative. They have demonstrated their good listening skills and have been found to be logical, cogent, convincing and good observant.

The level of engagement amongst the Directors is very high. The Board has diversity of experience and each member has sound domain knowledge in their respective fields. The Directors have a well-co-ordinated, harmonious working relationship. All Directors are professional, they add value, contribute to the high quality of discussions at meetings, with a view to continually probing avenues for sustainable growth. The Chairperson provides effective leadership to the Board encourages active engagement, participation and discussion by all Members and communicates effectively. He is seen to be meticulous, caring and well prepared for the Meetings. He is an active listener and provides meaningful contribution to the development of strategy.

The information provided by the Company's Management is complete, of high quality and furnished with full disclosures in a professional and timely manner.

## **Code of Conduct and Ethics**

The Company's Code of Conduct provides guidelines to be followed by all Members of the Board of Directors and Senior Management to ensure the highest standards of professional conduct. Members of the Board of Directors and Senior Management have affirmed compliance with the Code of Conduct and Ethics for the year ended 31<sup>st</sup> March, 2016 on behalf of themselves and to the extent of they are aware, on behalf of all employees reporting to them. The said Code can be viewed on the Company's website at the following link: <http://www.finolexwater.com/wp-content/uploads/2015/08/Code-of-Conduct-Finolex-Industries-Limited.pdf>. A declaration signed by the Managing Director of the Company to this effect is given below:

### **Declaration regarding compliance by Board members and Senior Management Personnel with the Company's Code of Conduct**

As required by Clause 49 II (E) (2) of the erstwhile listing agreement with the Stock Exchanges and Regulation 34(3) read with Para D of the Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby declare that the Company has adopted a Code of Conduct and Ethics for all Board Members and Senior Management of the Company. The Code is available on the Company's website.

I further declare that the Company has in respect of the financial year ended 31<sup>st</sup> March, 2016, received from all the Board Members and Senior Management Personnel of the Company, an affirmation of compliance with the Code, as applicable to them.

Place: Pune  
Date: 9<sup>th</sup> May, 2016

For Finolex Industries Limited  
Saurabh S. Dhanorkar  
Managing Director  
DIN: 00011322

## **Equity Shares lying in the Suspense Account**

In compliance with Para F of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the information relating to the equity shares lying in the suspense account, the Company confirms that no shares of the Company are lying in Suspense Account.

## **Related Party Disclosures**

Pursuant to Regulation 53 (f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Related Party Disclosure is given in note no. 1.10 of notes to accounts on page no.124 of annual report.

There were no materially significant related party transactions with the Company's Promoters, Directors, Management or their relatives, which could have had a potential conflict with the interest of the Company. The Company does not have any subsidiary but has associate companies. Transactions with related parties are entered into by the Company in the normal course of

business and on arm's length. The details of transactions are periodically placed before the Audit Committee for review and approval. Members may refer to the notes to the accounts for details of related party transactions.

The Board of Directors of the Company has, on the recommendation of the Audit Committee, adopted a policy to regulate transaction between the Company and its Related Parties, in compliance with the applicable provisions of the Companies Act, 2013, the Rules framed thereunder including the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the erstwhile Listing Agreement. The Related Party Transactions Policy has been placed on the Company's website at [www.finolexwater.com/policies](http://www.finolexwater.com/policies)

## **Disclosures relating to**

### **1) Accounting Treatment**

The Company has complied with all applicable Accounting Standards in the preparation of financial statements pursuant to amended schedule III of the Companies Act, 2013. There are no audit qualifications in the Company's financial statements for the year under review

### **2) Compliance with Regulations of capital market**

The Company has complied with the requirements of the Regulatory Authorities on Capital Markets. Neither has there been any instances of non-compliance by the Company on any matters related to the capital markets, nor has any penalty or strictures been imposed on the Company by the Regulatory Authorities or any statutory authority, on any matter related to capital markets, during last three years.

### **3) Whistle Blower Policy**

In line with the best Corporate Governance practices, the Company has put in place a system through which the Directors, employees and business associates may report concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct and Ethics without fear of reprisal. The Company has put in place a process by which employees and business associates have direct access to the Audit Committee Chairperson, Managing Director, Chairperson of the Board and Compliance Officer.

The Whistle-blower Policy is placed on the notice board of the Company and on its website at [www.finolexwater.com/policies](http://www.finolexwater.com/policies).

No person has been denied access to the Chairman or member of audit committee.

### **4) Chief Financial Officer and Managing Director's certificate**

The Chief Financial Officer and Managing Director have furnished a compliance certificate of the Board of Directors under Regulation 17(8) (read with Part B of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### **5) Policy for determining 'material' subsidiaries**

Pursuant to Regulation 16 (1) (c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has formulated a policy on material subsidiaries. The policy is available on website of the Company at a link: [http://www.finolexwater.com/wp-content/uploads/2015/08/FIL-Policies-Master-document\\_revised.pdf](http://www.finolexwater.com/wp-content/uploads/2015/08/FIL-Policies-Master-document_revised.pdf)



**6) Disclosure of commodity price risks and commodity hedging activities****Commodity price risk and hedging**

For Pipes and PVC industry, the prices and costs are linked to and dependent on:

- a. same underlying commodity (crude oil) and
- b. demand supply for each component in value chain

Due to strong interdependence, any major change in price of one input or output, the prices of rest of the components in value chain are affected albeit with a lag of some time. Due to this margins are only temporarily affected whether positively or negatively, until the prices reach equilibrium. Generally, over a period of year, the impact of price movements gets compensated and results in normal margins. Hence, the commodity price movements are a temporary risk which does not need to be hedged.

**Foreign exchange risk and hedging**

PVC pricing is on import parity and the import parity value of sales of the Company approximately equates the USD payables on a six monthly rolling basis due to which a natural hedge exists and hence the Company does not generally need to resort to hedging by way of forward contracts, options, etc.

**7) Compliance or otherwise of any requirement of Corporate Governance Report**

The Company has complied with the requirements of the Corporate Governance and has made disclosures to the extent required and applicable to it, as stipulated in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. These are the following:

- The discretionary requirements of unmodified opinion(s) in audit report, separate posts of chairperson and chief executive officer, reporting of internal auditor directly to the audit committee of Para E of Schedule II have been adopted.
- Sub-para 2 to 10 of Para C of Schedule V;
- Regulations 17 to 27; and
- Regulation 46(2) (b) to (j)

**Practicing Company Secretary's Corporate Governance Certificate**

The Company has obtained a certificate from practicing Company Secretary confirming compliance of the conditions of Corporate Governance as stipulated in Para E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Clause 49 of the erstwhile Listing Agreement. The Certificate is annexed to this Report.

**General body meetings****a) The location and time where last three annual general meetings were held**

Year	2012-2013	2013-2014	2014-2015
Date of AGM	14/9/2013	20/9/2014	29/8/2015
Time	11.30 a.m.	11.00 a.m.	11.00 a.m.

Place of AGM	Training Centre of Finollex Cables Limited, Urse, Taluk Maval, Dist. Pune - 410506	Kirloskar Institute of Advanced Management Studies, Gat No.356 & 357, Near Tata Foundry Maval Village, Dhamane, Taluka Maval, District Pune 410 506.	Kirloskar Institute of Advanced Management Studies, Gat No.356 & 357, Near Tata Foundry Maval Village, Dhamane, Taluka Maval, District Pune 410 506.
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**b) The details of special resolutions passed in the previous three annual general meetings**

	Date of AGM		Item of special resolution
1	14.9.2013		No special resolution was passed.
2	20.9.2014	1	To obtain approval for creation of any kind of mortgage(s), hypothecation(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.
		2	To obtain approval for borrowing 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.
		3	To obtain approval 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.
		4	To obtain approval for 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 Whole-time Directors of the Company.
3	29.8.2015		To accord consent to the Board for making offers or invitations to subscribe to secured Non-convertible Debentures on private placement basis in one or more tranches during a period of one year from the date of passing the resolution within the overall borrowing limits of the Company.

All resolutions were passed by majority.

**c) Any Special resolution passed last year through postal Ballot – Details of voting pattern**

No special resolution was passed during the year under review through postal ballot.

**d Person who conducted the postal ballot – details of voting pattern**

No postal ballot was conducted during the year under review.

**e) Whether any special resolution is proposed to be conducted through postal ballot:**

No special resolution is proposed to be conducted through postal ballot.

**f) Procedure for postal ballot**

No special resolution is proposed through postal ballot, hence the details of procedure are not given.

**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.finolexwater.com](http://www.finolexwater.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 are available on website of the Company.
- The Management Discussion and Analysis Report is forming a part of annual report. Detailed report is given on page no. 8.

**10. General shareholder information**

a	Annual general meeting date, time and venue	Date: 11 <sup>th</sup> August, 2016 Time: 10.00 a.m. Venue: Kiroskar Institute of Advanced Management Studies, Gat No. 356 & 357, Near Tata Foundry Maval, Village Dhamane, Taluka Maval, District Pune 410 506.
b	Financial year	Announcement of quarterly results of 2016-17 & 14 <sup>th</sup> February, 2017 and 30 <sup>th</sup> May, 2017 and annual general meeting by end of September, 2017.
c	Dividend Payment date	17 <sup>th</sup> August, 2016
d	Book closure period	From 30 <sup>th</sup> July, 2016 to 11 <sup>th</sup> August, 2016 (both days inclusive)

e	The name and address of each stock exchange(s) at which the Company's securities are listed and a confirmation about payment of the listing of fees	Equity Shares and NCDs: National Stock Exchange of India Limited Listing Department 5, Exchange Plaza Bandra-Kurla Complex Bandra (East), Mumbai 400051  The Company has paid all due listing fees.	Equity Shares: BSE Limited Listing Department Registered Office: Floor 25 P.J.Towers Dalal Street Mumbai 400 001																																																																								
f	Stock Code:	BSE: Equity- 500940/FINOLEXIND NSE : Equity- FINPIPE NSE : NCDS- FIN16																																																																									
g	Market Price data of Equity Shares- High, low during each month in last financial year 2015-2016	<table><tr><th>Month</th><th colspan="2">BSE</th><th colspan="2">NSE</th></tr><tr><th></th><th>High ₹</th><th>Low ₹</th><th>High ₹</th><th>Low ₹</th></tr><tr><td>Apr-15</td><td>312.00</td><td>269.20</td><td>312.20</td><td>269.95</td></tr><tr><td>May-15</td><td>298.70</td><td>247.70</td><td>299.00</td><td>247.00</td></tr><tr><td>Jun-15</td><td>292.70</td><td>250.30</td><td>293.20</td><td>251.10</td></tr><tr><td>Jul-15</td><td>292.85</td><td>256.00</td><td>292.90</td><td>253.80</td></tr><tr><td>Aug-15</td><td>309.40</td><td>245.10</td><td>309.00</td><td>250.00</td></tr><tr><td>Sep-15</td><td>270.50</td><td>247.95</td><td>269.95</td><td>248.00</td></tr><tr><td>Oct-15</td><td>333.70</td><td>258.50</td><td>334.10</td><td>245.60</td></tr><tr><td>Nov-15</td><td>333.90</td><td>277.25</td><td>334.00</td><td>277.00</td></tr><tr><td>Dec-15</td><td>308.00</td><td>282.70</td><td>309.90</td><td>284.00</td></tr><tr><td>Jan-16</td><td>319.00</td><td>259.50</td><td>319.50</td><td>260.40</td></tr><tr><td>Feb-16</td><td>323.60</td><td>273.60</td><td>324.00</td><td>272.50</td></tr><tr><td>Mar-16</td><td>383.60</td><td>307.00</td><td>384.00</td><td>308.00</td></tr></table>				Month	BSE		NSE			High ₹	Low ₹	High ₹	Low ₹	Apr-15	312.00	269.20	312.20	269.95	May-15	298.70	247.70	299.00	247.00	Jun-15	292.70	250.30	293.20	251.10	Jul-15	292.85	256.00	292.90	253.80	Aug-15	309.40	245.10	309.00	250.00	Sep-15	270.50	247.95	269.95	248.00	Oct-15	333.70	258.50	334.10	245.60	Nov-15	333.90	277.25	334.00	277.00	Dec-15	308.00	282.70	309.90	284.00	Jan-16	319.00	259.50	319.50	260.40	Feb-16	323.60	273.60	324.00	272.50	Mar-16	383.60	307.00	384.00	308.00
Month	BSE		NSE																																																																								
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Mar-16	383.60	307.00	384.00	308.00																																																																							
h	Performance in comparison broad based indices such as BSE Sensex, CRISIL Index etc.																																																																										
<p>Monthly high/low price of Company's equity shares on BSE</p>		<p>Monthly high/low price of S&amp;P BSE Sensex</p>																																																																									

i	In case the securities are suspended from trading, the directors report shall explain the reasons thereof.	No such case.				
j	Registrar to an issue and share transfer agent	In-House Share Transfer Agent (STA) Registered with SEBI SEBI Registration no. INR000001765 Investor Relations Centre D 1/10, MIDC, Chinchwad, Pune 411019				
k	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.				
l	Distribution of shareholding	Category	Total Investor	% of B	Total Shares	% of D
		A	B	C	D	E
		1-500	116732	94.74	16531865	13.32
		501-1000	4392	3.52	3230333	2.60
		1001-2000	1252	1.00	1801790	1.45
		2001-3000	315	0.25	796179	0.64
		3001-4000	136	0.11	487776	0.39
		4001-5000	95	0.08	448745	0.36
		5001-10000	155	0.12	1135566	0.92
		Above 10000	221	0.18	99663127	80.31
		TOTAL	123298	100.00	124095381	100.00
m	Dematerialization of shares and liquidity	Depository/Physical		No of shares		% of total shares
		NSDL		100565582		81.04
		CDSL		13645760		11.00
		Physical		9884039		7.96
		Total		124095381		100.00
Shares are regularly traded on BSE and NSE.						
n	Outstanding GDR,ADR or warrants or convertible instruments, conversion date and likely impact on equity	No such issue made by the Company.				
o	Commodity price risk or foreign exchange risk and hedging activities	The details are included in this report on page no. 84.				

p	Plant locations	<u>PVC, PVC Pipes and Power Plants:</u> Ranpar – Pawas Road District Ratnagiri 415 616 Maharashtra State <u>PVC Pipes and Fittings Plants:</u> 1. Gat No.399, Urse, Taluka Maval, District – Pune 410 506 Maharashtra State 2. D 1/10 MIDC, Chinchwad, Pune 411019 Maharashtra State <u>PVC Pipes Plant:</u> Village Masar, Taluka Padra, District Vadodara 391 421 Gujarat State
q	Address for correspondence	Investor Relations Center D 1/10 MIDC, Chinchwad, Pune 411 019, Maharashtra State, India.

# 11. Other disclosures:

	Disclosure required	
a	disclosures on materially significant related party transactions that may have potential conflict with the interests of listed entity at large	No such transactions
b	details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years	No such cases
c	details of establishment of vigil mechanism, whistle blower policy, and affirmation that no personnel has been denied access to the audit committee	Vigil mechanism, whistle blower policy are in place. No personnel has been denied access to the audit committee
d	details of compliance with mandatory requirements and adoption of the non-mandatory requirements	<p>The Company has complied with the applicable mandatory requirements of the erstwhile clause 49 of the listing agreement and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.</p> <p>The Company has adopted following non-mandatory requirements as specified in Part E of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.</p> <ol style="list-style-type: none"> <li>Company is having Executive Chairman.</li> <li>During the 2015-2016, there was no audit qualification in the Auditors' Report on the Company's Financial Statement.</li> <li>The Chairman and Managing Director of the Company are different persons.</li> </ol> <p>The internal auditor is permanent invitee to the audit committee and regularly attends the meetings of the Committee.</p>

e	weblink where policy for determining 'material' subsidiaries is disclosed	<a href="http://www.finolexwater.com/wp-content/uploads/2015/08/FIL-Policies-Master-document_revised.pdf">http://www.finolexwater.com/wp-content/uploads/2015/08/FIL-Policies-Master-document_revised.pdf</a>
f	weblink where policy on dealing with related party transactions	<a href="http://www.finolexwater.com/wp-content/uploads/2015/08/FIL-Policies-Master-document_revised.pdf">http://www.finolexwater.com/wp-content/uploads/2015/08/FIL-Policies-Master-document_revised.pdf</a>
g	disclosure of commodity price risks and commodity hedging activities	The details included in this report on page no. 84.

**11. Non-compliance of any requirement of corporate governance report of sub-para (2) to (10) of Part C of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:**

No such non-compliance.

# Independent auditors' Report

## TO THE MEMBERS OF FINOLEX INDUSTRIES LIMITED

### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **Finolex Industries Limited** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

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



## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at 31<sup>st</sup> March, 2016 and its profit and its 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, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – refer note 1.2 to the standalone financial statements.
    - ii. The Company did not have any long term contracts including derivative contracts, having any material foreseeable losses.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For M/s P.G.BHAGWAT  
Chartered Accountants  
Firm's Registration No.: 101118W  
Abhijeet Bhagwat  
Partner  
Membership No.: 136835

Pune  
21<sup>st</sup> May, 2016

## Annexure A

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 are being physically verified by the management at regular intervals based on the programme of verification which in our opinion is reasonable. Part of the major fixed assets has been verified by the management in the current year and discrepancies noticed on such physical verification were not material and the same have been properly dealt with in the books of account.
- (c) The title deeds of immovable properties are held in the name of the company.
- (ii) Physical verification of inventory has been conducted by the management during the current year. In our opinion, the interval of such verification is reasonable. Discrepancies noticed on physical verification were not material and the same have been properly dealt with in the books of account.
- (iii) The company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 in the current year. Accordingly, clause (iii) (a), (b) and (c) are not applicable to the Company.
- (iv) According to the information and explanations provided to us, in respect of loans, investments, guarantees, and security; provisions of section 185 and 186 of the Companies Act, 2013 have been complied with.
- (v) According to information and explanation provided to us, the Company has not accepted deposits, hence the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under, are not applicable to it. According to information and explanation provided to us, no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.
- (vi) 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 sub-section (l) of section 148 of the Companies Act, 2013 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.
- (vii) (a) The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities. According to the information and explanation provided to us, no undisputed amounts payable in respect of statutory dues were in arrears as at 31<sup>st</sup> March, 2016, for a period more than six months from the date they became payable.

- (b) According to the information and explanation provided to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax or cess which have not been deposited on account of any dispute except those 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	CESTAT
Customs Act, 1962	Customs Duty	1,170.55	2013-14	Commissioner (Appeals)
Central Excise Act, 1944	Excise Duty	181.62	1998-99, 2005-06, 2010-11, 2012-13, 2013-14	CESTAT
Central Excise Act, 1944	Excise Duty	20.82	2012-13	Additional Commissioner
		12.42	2005-06, 2008-09, 2011-12, 2012-13	Assistant Commissioner (Appeals)
		3,303.05	2007-08, 2011-12	Commissioner
		5.38	2006-07	Deputy Commissioner
		45.01	2008-09	Joint 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	642.72	2001-02, 2006-07, 2008-09, 2010-11	Commissioner
		101.40	2007-08	Deputy Commissioner
		24.72	2008-09, 2009-10	Joint Commissioner
Finance Act, 1994	Service Tax	489.12	2005-06	High Court
MVAT	VAT	326.55	2005-06	Bombay Tribunal

- (viii) Based on our audit procedures and according to the information and explanation provided to us, the Company has not defaulted in repayment of dues to a financial institution, bank, government or dues of debenture holders.
- (ix) According to information and explanation provided to us, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) in the current year. According to the information and explanations given to us, term loans availed

- by the company were, prima facie; applied for the purpose for which the loans were obtained.
- (x) Based upon the audit procedures performed by us and according to the information and explanations provided to us by the management, no fraud by the Company or any fraud on the Company by its officers or employees has been noticed or reported to us during the year.
  - (xi) According to the information and explanation provided to us, the managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
  - (xii) The Company is not a Nidhi Company and accordingly, Clause (xii) of the Order is not applicable to the Company.
  - (xiii) According to the information and explanation provided to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 wherever applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
  - (xiv) According to the information and explanation provided to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
  - (xv) According to the information and explanation provided to us, the Company has not entered into any non-cash transactions with directors or persons connected with him.
  - (xvi) According to the information and explanation provided to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For M/s P.G.BHAGWAT  
Chartered Accountants  
Firm's Registration No.: 101118W  
Abhijeet Bhagwat  
Partner  
Membership No.: 136835

Place: Pune  
Date: 21<sup>st</sup> May, 2016

## **Annexure B**

To the Independent Auditors' Report of even date on the standalone financial statements of Finolex Industries Limited

Report on the Internal Financial Controls

Under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Finolex Industries Limited ("the Company") as of 31<sup>st</sup> March, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For M/s **P.G.BHAGWAT**

Chartered Accountants

Firm's Registration No.: 101118W

Abhijeet Bhagwat

Partner

Membership No.: 136835

Pune

21<sup>st</sup> May, 2016

## Balance Sheet as at 31<sup>st</sup> March, 2016

		₹ in lakhs	
Particulars	Note No.	As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
<b>A EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
(a) Share Capital	2	12,409.54	12,409.54
(b) Reserves & Surplus	3	83,371.84	66,330.45
<b>Sub-total - Shareholders' funds</b>		<b>95,781.38</b>	<b>78,739.99</b>
<b>2 Non-Current Liabilities</b>			
(a) Long-term borrowings	4	-	18,365.80
(b) Deferred tax liabilities (net)	5	11,800.68	11,077.75
(c) Other long-term liabilities	6	39.21	39.01
(d) Long-term provisions	7	1,121.70	864.12
<b>Sub-total - Non-current liabilities</b>		<b>12,961.59</b>	<b>30,346.68</b>
<b>3 Current liabilities</b>			
(a) Short-term borrowings	8	11,171.20	40,340.14
(b) Trade payables			
(i) Total outstanding dues of micro enterprises and small enterprises	1.4	60.22	25.19
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		24,258.53	19,974.91
(c) Other current liabilities	9	22,670.24	13,417.16
(d) Short-term provisions	10	15,045.24	3,070.66
<b>Sub-total - Current liabilities</b>		<b>73,205.43</b>	<b>76,828.06</b>
<b>TOTAL - EQUITY AND LIABILITIES</b>		<b>181,948.40</b>	<b>185,914.73</b>
<b>B ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Fixed assets	11		
(i) Tangible assets		84,697.96	86,485.32
(ii) Intangible assets		266.62	291.24
(iii) Capital work-in-progress		661.56	1,039.74
(b) Non-current investments	12	12,038.19	12,461.09
(c) Deferred tax assets (net)		-	-
(d) Long-term loans and advances	13	7,686.98	5,880.50
(e) Other non-current assets	14	-	-
<b>Sub-total - Non-current assets</b>		<b>105,351.31</b>	<b>106,157.89</b>
<b>2 Current assets</b>			
(a) Current investments	15	16,765.05	5,505.00
(b) Inventories	16	44,722.23	55,865.10
(c) Trade receivables	17	1,762.92	4,870.44
(d) Cash and bank balances	18	1,041.18	1,230.02
(e) Short-term loans and advances	19	12,305.71	12,286.28
<b>Sub-total - Current assets</b>		<b>76,597.09</b>	<b>79,756.84</b>
<b>TOTAL - ASSETS</b>		<b>181,948.40</b>	<b>185,914.73</b>

Notes to the financial statements form an integral part of the balance sheet

As per our report of even date

For M/s P. G. Bhagwat

Chartered Accountants

FRN 101118W

Abhijeet Bhagwat

Partner

M. No. 136835

Anil V. Whabi

Chief Financial Officer

Umesh M. Gosavi

Company Secretary

Prakash P. Chhabria

Sanjay K. Asher

Kanaiyalal N. Atmaramani

Ritu P. Chhabria

Dara N. Damania

Saurabh S. Dhanorkar

Shrikrishna N. Inamdar

Prabhakar D. Karandikar

Sanjay S. Math

Dr. Sunil U. Pathak

Executive Chairman

Managing Director

Director (Operations)

DIN: 00016017

DIN: 00008221

DIN: 00129768

DIN: 00062144

DIN: 00403834

DIN: 00011322

DIN: 00025180

DIN: 02142050

DIN: 01874086

DIN: 00049315

Pune: 21<sup>st</sup> May, 2016Pune: 21<sup>st</sup> May, 2016

Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2016

		₹ in lakhs	
Particulars	Note No.	2015-16	2014-2015
Income			
I Revenue from operations (Gross)	20	281,404.03	282,709.60
Less : Excise Duty		(36,120.94)	(35,094.67)
II Other income	21	3,912.19	2,023.58
III Total Revenue (I + II)		249,195.28	249,638.51
IV Expenses			
Cost of materials consumed	22	161,384.81	177,907.48
Changes in inventories of finished goods, work-in progress and stock-in-trade	23	3,337.79	5,384.92
Employee benefits expense	24	9,340.38	7,396.87
Other expenses	25	33,709.30	35,817.07
Finance costs	26	4,464.34	7,037.10
Depreciation and amortization expense		5,057.36	5,867.42
Total expenses		217,293.98	239,410.86
V Profit before exceptional and extraordinary items and tax (III - IV)		31,901.30	10,227.65
VI Exceptional items	1.13	(2,447.79)	2,149.59
VII Profit before extraordinary items and tax (V - VI)		34,349.09	8,078.06
VIII Extraordinary Items		-	-
IX Profit before tax (VII - VIII)		34,349.09	8,078.06
X Tax expense:			
Current tax		10,266.76	1,810.44
Deferred tax		722.92	1,489.79
		10,989.68	3,300.23
XI Profit/(Loss) for the year from continuing operations (IX - X)		23,359.41	4,777.83
XII Profit/(Loss) from discontinuing operations		-	-
XIII Tax expense of discontinuing operations		-	-
XIV Profit/(Loss) from discontinuing operations (after tax) (XII - XIII)		-	-
XV Profit/(Loss) for the year (XI + XIV)		23,359.41	4,777.83
XVI Earning per equity share (nominal value of share ₹ 10 each)	1.12		
Basic		18.82	3.85
Diluted		18.82	3.85

Notes to the financial statements form an integral part of the statement of profit and loss

As per our report of even date

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

Prakash P. Chhabria

Executive Chairman

DIN: 00016017

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

Managing Director

Director (Operations)

DIN: 00008221  
DIN: 00129768  
DIN: 00062144  
DIN: 00403834  
DIN: 00011322  
DIN: 00025180  
DIN: 02142050  
DIN: 01874086  
DIN: 00049315

Abhijeet Bhagwat  
Partner  
M. No. 136835

Anil V. Whabi  
Chief Financial Officer

Umesh M. Gosavi  
Company Secretary

Pune: 21<sup>st</sup> May, 2016

Pune: 21<sup>st</sup> May, 2016



## Cash Flow Statement for the year ended 31<sup>st</sup> March, 2016

		₹ in lakhs	
	Particulars	2015-16	2014-15
A	Cash flow from Operating Activities:		
	<b>Net Profit before Tax</b>	<b>34,349.09</b>	<b>8,078.06</b>
	<b>Adjustments for :</b>		
	Depreciation	5,057.36	5,867.42
	Provision for diminution in value of investments	-	279.31
	Provision for doubtful deposits	-	128.30
	Debit balances written off	99.67	513.41
	Profit on sale of investments (net)	(1,563.99)	(900.68)
	(Profit) / Loss on sale of assets (net)	255.11	79.98
	Dividend income	(492.66)	(425.00)
	Interest income	(639.33)	(56.81)
	Interest expenses	4,210.61	5,726.11
	Effect of exchange differences on translation of assets and liabilities	(496.73)	549.95
	Difference of Sales tax loan and net present value	(1,056.68)	-
	CSR expenditure	352.83	383.36
	<b>Operating profit before working capital changes</b>	<b>40,075.28</b>	<b>20,223.39</b>
	<b>Adjustments for :</b>		
	Trade and other receivables	2,611.85	3,588.86
	Inventories	11,142.89	(5,270.48)
	Trade and other payables	9,229.61	6,595.70
	Cash generated from operations	63,059.63	25,137.49
	Less:		
	Taxes paid ( net of refund )	(6,626.58)	(3,917.38)
	<b>Net cash from operating Activities (A)</b>	<b>56,433.05</b>	<b>21,220.11</b>
B	Cash flow from investing activities:		
	Purchase of fixed assets/ capital expenditure	(3261.13)	(3121.34)
	Sale of fixed assets	138.82	52.49
	(Purchase)/Sale of Investments ( net )	(9,273.15)	4,800.67
	Interest received	639.33	56.81
	Dividend received	492.66	425.00
	Capital subsidy received	3,544.69	-
	<b>Net cash used in investing activities (B)</b>	<b>(7,718.78)</b>	<b>2,213.63</b>
C	Cash flow from financing activities:		
	Repayment of long term borrowings	(12,309.13)	(5,750.00)
	Short term loans movement	(28,949.43)	(2,567.68)

	₹ in lakhs	
Particulars	2015-16	2014-15
Interest paid	(4,386.28)	(5,789.21)
Dividend and corporate dividend tax paid	(2,905.44)	(9,794.95)
Dividend paid for earlier years	-	(10.41)
<b>Net cash from financing activities (C)</b>	<b>(48,550.28)</b>	<b>(23,912.25)</b>
<b>A+B+C</b>	<b>163.99</b>	<b>(478.51)</b>
CSR expenditure	(352.83)	(383.36)
	(188.84)	(861.87)
Opening balance of cash and cash equivalents	1,230.02	2,091.89
Closing balance of cash and cash equivalents	1,041.18	1,230.02
Refer Note 18		

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

Prakash P. Chhabria

Executive Chairman

DIN: 00016017

Sanjay K. Asher  
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DIN: 00011322  
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Director (Operations)

DIN: 01874086  
DIN: 00049315

Pune: 21<sup>st</sup> May, 2016

Pune: 21<sup>st</sup> May, 2016

## Notes to 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 specified under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provision of the Companies Act, 2013. 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 inventories comprises of cost 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 on fixed assets has been provided in a manner that amortizes the cost of the assets over their estimated useful lives on straight line method as per the useful life prescribed under Schedule- II to the Companies Act, 2013 except in the case of Captive Power Plant where the management, based on a technical evaluation, have estimated the life to be 25 years which is lower than the life prescribed in Schedule – II

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) Accounting for Government Grants**

Government grants available to the enterprise are considered for inclusion in accounts:

(i) where there is reasonable assurance that the enterprise will comply with the conditions attached to them; and (ii) where such benefits have been earned by the enterprise and it is reasonably certain that the ultimate collection will be made.

Government grants in the nature of promoters' contribution, i.e., they are given with reference to the total investment in undertaking or by way of contribution towards its total capital outlay and no repayment is ordinarily expected in respect thereof are treated as capital reserve.

Government grants related to revenue are recognised on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate. Such grants are shown separately under 'other income'.

**x) 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.

**xi) 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.

**xii) 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 intersegment 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.

**xiii) Accounting for leases:**

Assets taken on lease where significant portion of risk and rewards incidental to the ownership are not transferred are treated as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Statement on straight line basis over the lease term.

**xiv) 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.

**xv) 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.

**xvi) Intangible assets:**

Intangible Assets are amortised over the useful life of the assets on Straight Line Method over a period of 6 years.

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.

**xvii) 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.

**xviii) 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.

**xix) 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.

## Notes to the financial statements

	₹ in lakhs	
	As at 31 <sup>st</sup> March 16	As at 31 <sup>st</sup> March 15
<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	8,500.00	8,500.00
	<u>23,500.00</u>	<u>23,500.00</u>
Issued, subscribed and fully paid up:		
124,095,381 (124,095,381) Equity shares of ₹ 10 each fully paid	12,409.54	12,409.54
	<u>12,409.54</u>	<u>12,409.54</u>

### Reconciliation of the shares outstanding at the beginning and at the end of the reporting period:

	As At 31 <sup>st</sup> March 2016		As At 31 <sup>st</sup> March 2015	
	No.	₹ in lakhs	No.	₹ in lakhs
At the beginning of the period	124,095,381	12,409.54	124,095,381	12,409.54
Outstanding at the end of the period	<u>124,095,381</u>	<u>12,409.54</u>	<u>124,095,381</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. For year ended March 31, 2016, the amount of per share dividend recognised as distributed to equity shareholders was ₹ 10 (March 31, 2015 ₹ 2)

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.

	As At 31 <sup>st</sup> March 2016		As At 31 <sup>st</sup> March 2015	
Details of shareholders holding more than 5% shares in the company:	No.	% of holding	No.	% of holding
Equity shares of ₹ 10 each fully paid				
Finolux Cables Ltd.	40,192,597	32.39%	40,192,597	32.39%
Orbit Electricals Private Limited	23,330,901	18.80%	23,330,901	18.80%



## Notes to the financial statements

	₹ in lakhs	
	As at 31 <sup>st</sup> March 16	As at 31 <sup>st</sup> March 15
<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
	<u>15,126.81</u>	<u>15,126.81</u>
<b>General reserve</b>		
As per last balance sheet	27,950.22	27,450.22
Add : transferred from surplus	4,000.00	500.00
	<u>31,950.22</u>	<u>27,950.22</u>
<b>Debenture redemption reserve</b>		
As per last balance sheet	7,500.00	7,500.00
	<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
	<u>1,215.00</u>	<u>1,215.00</u>
<b>Capital Subsidy Reserve</b>		
As per last balance sheet	-	-
Add: Claim for the period (Refer Note 1.16 a)	8,614.80	-
	<u>8,614.80</u>	<u>-</u>
<b>Surplus in the statement of profit and loss</b>		
Surplus at the beginning of the year	11,959.95	12,688.83
Add: Excess Dividend tax provision reversed	3.00	-
Less: As per Schedule II Note 7(b) of Companies Act, 2013 (Refer Note 1.14)	-	2,028.57
Profit for the year	23,359.41	4,777.83
<b>Less: Appropriations</b>		
- General reserve	4,000.00	500.00
- Proposed dividend	12,409.53	2,481.91
- Tax on dividend	2,526.29	496.23
Net surplus in statement of profit & loss	<u>16,386.54</u>	<u>11,959.95</u>
<b>Grand total</b>	<u>83,371.84</u>	<u>66,330.45</u>

## Notes to the financial statements

	₹ in lakhs	
	As at 31 <sup>st</sup> March 16	As at 31 <sup>st</sup> March 15
<b>Note 4 - Long-Term Borrowings</b>		
<b>Debentures</b>		
Secured		
Nil (1000) 10.90% Secured redeemable non-convertible debentures of ₹ 1,000,000 each	-	10,000.00
Refer Note no.1.1 for terms of redemption and nature of security		
<b>Term Loans</b>		
Secured		
From Banks	-	6,250.00
<b>Deferred payment liabilities</b>		
Unsecured		
Sales Tax deferral loan (Refer Note 1.16 b)	-	2,115.80
Deferred sales tax loan is interest free and payable from March 2020.		
	-	18,365.80
<b>Note 5 - Deferred tax (assets)/ liabilities (net)</b>		
<b>Deferred tax liabilities</b>		
On depreciation	12,488.58	11,662.70
<b>Deferred tax assets</b>		
On provision for employee benefits	(687.90)	(584.95)
<b>Net</b>	<b>11,800.68</b>	<b>11,077.75</b>
<b>Note 6 - Other long-term liabilities</b>		
Trade and security deposits	39.21	39.01
	<b>39.21</b>	<b>39.01</b>
<b>Note 7 - Long-term provisions</b>		
Leave encashment (Refer Note 1.11)	552.56	366.48
Gratuity (Refer Note 1.5)	569.14	497.64
	<b>1,121.70</b>	<b>864.12</b>

## Notes to the financial statements

	₹ in lakhs	
	As at 31 <sup>st</sup> March 16	As at 31 <sup>st</sup> March 15
<b>Note 8 - Short-term borrowings</b>		
Secured		
<b>Loans repayable on demand:</b>		
Acceptances from banks	11,131.71	29,909.28
Working capital borrowings from banks	39.49	18.53
(Refer Note 1.1)		
<b>Other loans:</b>		
Foreign currency short term loan from bank	-	10,412.33
	<u>11,171.20</u>	<u>40,340.14</u>
<b>Note 9 - Other current liabilities</b>		
<b>Current maturities of long term debts</b>		
Debentures		
1000 (Nil) 10.90% Secured redeemable non-convertible debentures of ₹ 1,000,000 each.	10,000.00	-
Term loans from banks	-	5,000.00
Interest accrued but not due on loans	293.83	469.49
Unclaimed dividend	879.87	807.17
<b>Other payables</b>		
Advances from customers	4,048.63	2,361.29
Salary and reimbursement	1,866.78	1,215.13
Statutory dues	4,182.21	2,835.93
Provision for expenses	1,398.92	728.15
	<u>22,670.24</u>	<u>13,417.16</u>
<b>Note 10 - Short-term provisions</b>		
Proposed dividend	12,409.53	2,481.91
Tax on dividend	2,526.29	496.23
Leave encashment (Refer Note 1.11)	43.53	34.11
Gratuity (Refer Note 1.5)	65.89	58.41
	<u>15,045.24</u>	<u>3,070.66</u>

(a) (i) Tangibles

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

\* Refer Note 1.14

## Notes to the financial statements

	₹ in lakhs			
	As at 31 <sup>st</sup> March 16 No. of Shares	As at 31 <sup>st</sup> March 15 No. of Shares	As at 31 <sup>st</sup> March 16	As at 31 <sup>st</sup> March 15
<b>Note 12 - Non - Current Investments</b>				
Non-trade-Long term ( At Cost )				
<b>Quoted and Listed</b>				
<b><u>Other Companies</u></b>				
Equity Shares of ₹ 2 each fully paid-up in Finolex Cables Ltd	22,187,075	22,187,075	10,260.02	10,260.02
Equity Shares of ₹ 2 each fully paid-up in Gulf Oil Corporation Ltd.	9,900	9,900	1.21	1.21
Equity Shares of ₹ 10 each fully paid-up in Gold Crest Finance Ltd.	12,400	12,400	4.96	4.96
(Aggregate market value of Quoted Investments ₹ 62,320.23 lakhs (Previous year ₹ 63,195.74 lakhs))				
			10,266.19	10,266.19
<b>Unquoted</b>				
<b><u>Associate Companies</u></b>				
Equity Shares of ₹ 10 each fully paid-up in Finolex Plasson Industries Private Ltd.	4,635,000	4,635,000	749.77	749.77
Equity Shares of ₹ 1000 each fully paid-up in Rajsthan Olive Cultivation Ltd.	-	7,500	-	75.00
Equity Shares of ₹ 10 each fully paid-up in Pawas Port Ltd.	49,994	49,994	5.00	5.00
<b><u>Others Companies</u></b>				
Equity Shares of ₹ 10 each fully paid-up in I2IT Private Limited	-	61,000,000	-	330.69
(Net off diminution in value of ₹ NIL (Previous year ₹ 279.31 lakhs))				
Equity Shares of ₹ 10 each fully paid-up in Finolex Infrastructure Ltd.	5,343,404	5,343,404	534.34	534.34
Units of ₹ 100000 each fully paid-up in Peninsula Realty Fund	483	500	482.79	500.00
Equity Shares of ₹ 10 each fully paid-up in The Saraswat Co-op Bank Ltd	1,000	1,000	0.10	0.10
Sub total			1,772.00	2,194.90
Total			12,038.19	12,461.09

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

## Notes to the financial statements

	₹ in lakhs	
	As at 31 <sup>st</sup> March 16	As at 31 <sup>st</sup> March 15
<b>Note 13 - Long-term loans and advances</b>		
Unsecured - considered good		
Security deposits	656.20	642.76
Capital advances	633.92	102.75
<b>Other loans and advances</b>		
Unsecured - considered good		
Claims Receivable :		
Under Package Scheme of Incentives	5,070.11	-
Other	62.22	60.92
Prepaid expenses	87.14	62.64
Advance tax (Net off provision)	708.02	4,370.19
Other deposits and advances		
Unsecured - considered good	469.37	641.24
Doubtful	569.76	213.24
	<u>1,039.13</u>	<u>854.48</u>
Less : Provision for doubtful deposits & advances	<u>(569.76)</u>	<u>(213.24)</u>
	<u>469.37</u>	<u>641.24</u>
	<u><b>7,686.98</b></u>	<u><b>5,880.50</b></u>
<b>Note 14 - Other non-current assets</b>		
Long term trade receivables		
Unsecured - considered doubtful	12.96	12.96
Less: provision for doubtful receivables	(12.96)	(12.96)
	<u>-</u>	<u>-</u>

## Notes to the financial statements

₹ in lakhs				
	As at 31 <sup>st</sup> March 16 No. of Units	As at 31 <sup>st</sup> March 15 No. of Units	As at 31 <sup>st</sup> March 16	As at 31 <sup>st</sup> March 15
<b>Note 15 - Current Investments</b>				
<b>Quoted but not listed - Mutual Fund (MF) Units of ₹ 100 each</b>				
Birla MF - BSL Cash Plus - Growth	-	534,643	-	1,200.00
ICICI Prudential Liquid Fund - Direct Plan - Growth	1,205,314	-	2,700.00	-
<b>Quoted but not listed - Mutual Fund (MF) Units of ₹ 1000 each</b>				
Axis MF - Axis Liquid Fund -Growth	246,696	-	4,100.00	-
Templeton MF - Templeton India Treasury Mgt A/c - Super Inst - Growth	-	57,482	-	1,200.00
DSPBR Liquidity Fund - Growth	-	54,991	-	1,100.00
Reliance MF-Reliance Liquid Fund-Treasury Plan Growth	126,062	-	4,614.52	-
SBI Premier Liquid Fund - Direct Plan - Growth	225,390	-	5,350.53	-
<b>Quoted and listed - Secured Redeemable index Linked NCD of ₹ 100000 each</b>				
Citi Financial Consumer Finance India Limited	-	2,005	-	2,005.00
<b>Aggregate value of Quoted Investments</b>			<b>16,765.05</b>	<b>5,505.00</b>

(Aggregate market value of Quoted Investments ₹ 16,870.89 lakhs(Previous Year ₹ 5,559.51 lakhs))

(Refer note 1 (x) for basis valuation)

## Notes to the financial statements

	₹ in lakhs	
	As at 31 <sup>st</sup> March 16	As at 31 <sup>st</sup> March 15
<b>Note 16 - Inventories</b>		
Raw materials *	23,605.39	31,886.30
Work-in-progress	3,746.79	3,703.34
Finished goods	12,861.30	16,242.54
Stores and spares	4,357.74	3,856.58
Packing material	151.01	176.34
* Includes goods in transit ₹ 5,473.37 lakhs (previous year ₹ 7,549.44 lakhs)		
(Refer Note 1 (iii) for basis of valuation)	<u>44,722.23</u>	<u>55,865.10</u>
<b>Note 17- Trade receivables</b>		
Trade receivables outstanding for a period exceeding six months from due date of payment:		
Unsecured - Considered good	190.00	168.11
Trade receivables outstanding for a period less than six months from due date of payment:		
Unsecured - Considered good	1,572.92	4,702.33
	<u>1,762.92</u>	<u>4,870.44</u>
<b>Note 18 - Cash and bank Balances</b>		
<b>Cash and cash equivalents</b>		
Cash on hand	24.56	32.94
Balances with banks in current accounts	136.76	389.91
Balances with banks for unpaid dividend	879.86	807.17
	<u>1,041.18</u>	<u>1,230.02</u>
<b>Note 19 - Short term loans and advances</b>		
<b>Others</b>		
Unsecured - Considered good		
Advances to employees	22.86	16.08
Advances to suppliers and others	1,059.47	1,083.91
Prepaid expenses	269.67	264.92
Advance tax (net off provision)	1,781.04	1,759.05
Claims Receivable		
- Excise, Service Tax, Customs	4,394.47	4,557.21
- VAT and Sales Tax	4,778.20	4,605.11
	<u>12,305.71</u>	<u>12,286.28</u>



## Notes to the financial statements

	₹ in lakhs	
	2015-16	2014-15
<b>Note 20 - Revenue from operations</b>		
Sale of manufactured goods	279,154.21	280,265.64
Other operating revenues	2,249.82	2,443.96
Revenue from Operations (Gross)	281,404.03	282,709.60
Less: Excise duty	36,120.94	35,094.67
Net	245,283.09	247,614.93
<b>Details of Goods sold</b>		
<b>Finished Goods</b>		
PVC	65,892.04	76,803.27
PVC pipes and fittings	175,796.82	163,953.44
Power (excluding captive)	31.69	317.55
Others	3,562.54	6,540.67
	245,283.09	247,614.93
<b>Note 21 - Other Income</b>		
<b>Interest earned on</b>		
Overdues from customers	45.78	54.52
Bank Deposits	72.74	-
Others	520.81	2.29
<b>Dividend Received</b>		
From Long Term Investments	492.66	425.00
<b>Net gain on sale of current investments</b>	1,564.00	900.67
<b>Profit on Sale of Assets</b>	4.50	4.54
<b>Other non-operating income</b>		
Sales tax deferral loan (Refer Note 1.16 b)	1,056.68	-
Others	155.02	636.56
	3,912.19	2,023.58

## Notes to the financial statements

	₹ in lakhs	
	2015-16	2014-15
<b>Note 22 - Cost of materials consumed</b>		
Cost of Raw material consumed	159,049.02	175,594.33
Packing material consumed	2,335.79	2,313.15
	<u>161,384.81</u>	<u>177,907.48</u>
<b>Details of raw material consumed</b>		
EDC	22,414.35	31,622.19
Ethylene	27,603.09	30,028.15
VCM	44,654.18	49,059.85
Coal	6,966.09	6,368.69
PVC (excluding captive)	17,469.60	29,839.94
Others	39,941.71	28,675.51
	<u>159,049.02</u>	<u>175,594.33</u>
<b>Note 23 - Change in inventories of finished goods, work in progress &amp; stock in trade</b>	3,337.79	5,384.92
<b>Inventories at the end of the year</b>		
Work in progress	3,746.79	3,703.34
Finished goods	12,861.30	16,242.54
	<u>16,608.09</u>	<u>19,945.88</u>
<b>Inventories at the beginning of the year</b>		
Work in progress	3,703.34	3,312.92
Finished goods	16,242.54	22,017.88
	<u>19,945.88</u>	<u>25,330.80</u>
<b>Details of inventory</b>		
<b>(a) Raw material</b>		
EDC	4,695.92	9,427.02
Ethylene	10,181.95	15,272.31
VCM	3,022.71	202.85
Coal	1,347.10	2,352.68
PVC (excluding captive, including GIT)	1,312.85	892.49
Others	3,044.86	3,738.95
	<u>23,605.39</u>	<u>31,886.30</u>
<b>(b) Work-in-progress</b>		
PVC	515.48	578.18
VCM	213.28	256.94
PVC compound	2,894.22	2,838.32
Others	123.81	29.90
	<u>3,746.79</u>	<u>3,703.34</u>
<b>(c) Finished goods</b>		
PVC	2,236.44	3,792.90
PVC pipes & fittings	9,869.28	12,041.64
Others	755.58	408.00
	<u>12,861.30</u>	<u>16,242.54</u>

## Notes to the financial statements

	₹ in lakhs	
	2015-16	2014-15
<b>Note 24 - Employee benefits expense</b>		
Salaries, Wages, Bonus and Commission	7,879.33	6,137.34
Contribution to provident fund and other funds (Refer Note 1.5)	500.39	358.31
Staff welfare expenses	960.66	901.22
<b>Total</b>	<b>9,340.38</b>	<b>7,396.87</b>
<b>Note 25 - Other expenses</b>		
Power and fuel	8,716.79	11,253.10
Stores and spares consumed	4,190.26	3,696.16
Other manufacturing expenses	7,804.85	7,017.73
Rent	265.60	226.54
Rates and taxes	780.73	1,097.22
Insurance	431.60	462.70
Repairs & maintenance (Buildings)	726.77	960.22
Repairs & maintenance (Plant & machinery)	1,356.37	1,692.07
Repairs & maintenance (Others)	319.15	312.11
Communication expenses	212.29	176.81
Travelling and conveyance	940.73	1,044.54
Directors sitting fees	32.76	26.40
Auditor's remuneration :		
-Statutory audit fees	25.50	22.00
-Limited review fees	6.00	4.50
-Tax audit fees	5.00	5.00
-Certification	1.96	3.20
-Out Of pocket expenses	0.81	0.69
Advertisement, publicity and sales promotion	3,039.81	2,436.51
Commission on sales	341.36	398.58
Freight outward & other selling expenses	1,256.86	1,441.05
Donations (Refer Note 1.15)	15.57	285.21
Loss on sale of assets	259.61	84.52
Provision for diminution in value of non-current investment	-	279.31
Legal and professional fees	1,029.52	1,027.59
Corporate social responsibility (Refer Note 1.17)	352.83	383.36
Provision for doubtful deposits	-	128.30
Security expenses	503.98	495.16
		₹ in lakhs

	2015-16	2014-15
Foreign exchange loss (net)	287.52	228.09
Miscellaneous Expenses	805.07	628.40
<b>Total</b>	<b>33,709.30</b>	<b>35,817.07</b>
<b>Note 26 - Finance costs</b>		
Interest expense	2,069.39	3,911.15
Other borrowing costs	253.73	250.59
Premium on forward exchange contracts	18.13	1,814.96
Applicable net loss on foreign currency transactions and translations	2,123.09	1,060.40
<b>Total</b>	<b>4,464.34</b>	<b>7,037.10</b>

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

#### **Terms of debenture**

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

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

##### **Debentures**

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 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, situated 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.

##### **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 by deposit of title deeds in respect of immoveable properties falling within the battery limit of the site of the Company's plant for manufacture of PVC Resin, situated 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.

		Amount (₹ In lakhs) 2015-16	Amount (₹ In lakhs) 2014-15
1.2	<b>Contingent liabilities and commitments:</b>		
	i) 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	10.17
	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	502.06	930.29
	c) Excise/Customs/Service Tax in respect of which either show cause notice is received or the Company/Department is in appeal	6,322.90	6,322.90
	d) Sales Tax matters in respect of which either show cause notice is received or the Company/Department is in appeal	326.55	8,122.91
	e) Amounts claimed by banks in respect of derivative transactions which are under dispute not acknowledged as debt is USD 20,821,480/- (USD 20,821,480/-) 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.	13,794.95	13,022.56
	ii) Commitments:		
	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)	3,471.22	104.89
1.3	<b>A. Details of derivative instruments outstanding as at the balance sheet date</b>	<b>Nil</b>	<b>Nil</b>
	<b>B. The Company has not hedged the following foreign currency exposures:</b>		
	(i) Borrowings grouped under :-		
	(a) Secured Loans -USD 168.30 lakhs (645.69 lakhs)	11,150.80	40,355.06
	(ii) (a) Trade Payables -USD 311.27 lakhs (182.39 lakhs)	20,623.12	11,399.09
	(b) Trade Payables -EURO 0.0019 lakhs ( 0.0019 lakhs)	0.14	0.13
	The foreign currency exposure of ₹ 31,773.92 lakhs (₹ 41,228.40 lakhs) included above, which are not hedged by derivative instruments, are naturally hedged by future earnings linked to foreign currency due to import parity of PVC resin.		
1.4	<b>Details relating to Micro, Small and Medium Enterprises</b>		
	Principal amount	60.22	25.19
	Interest due on above and unpaid interest	-	-
	Interest paid	-	-
	Payment made beyond appointment day	-	-
	Interest due and payable for the period of delay	-	-
	Interest accrued and remaining unpaid	-	-
	Amount of further interest remaining due and payable in succeeding years		
	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.		

1.5 Disclosure as per Accounting Standard 15 (Revised)

Amount of ₹ 500.39 lakhs (₹ 358.31.lakhs) is recognised as an expense and included in "Employees benefits expense" (Note 24) 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).

	Amount (₹ In lakhs)	Amount (₹ In lakhs)
Particulars	As at 31.03.16	As at 31.03.15
<b>a) Statement showing changes in the present value of the obligation</b>		
Present value of obligation at the beginning of the year	871.55	826.18
Interest cost	67.78	63.55
Current service cost	63.27	58.59
Benefits paid	(48.64)	(63.72)
Actuarial (gain)/ loss on obligation	30.05	(13.05)
<b>Present value of obligation as at the end of the year</b>	<b>984.01</b>	<b>871.55</b>
<b>b) Statement showing changes in the fair value of planned assets</b>		
Fair value of plan assets at the beginning of the year	315.50	296.29
Expected return on plan assets	25.88	23.45
Contributions	64.68	57.41
Benefits paid	(48.64)	(63.72)
Actuarial gain/ (loss) plan assets	(8.44)	2.07
<b>Fair value of plan assets at the end of the year</b>	<b>348.98</b>	<b>315.50</b>
<b>c) Amount to be recognised in the Balance Sheet</b>		
Present value of obligation	984.01	871.55
Fair value of plan assets	(348.98)	(315.50)
Liability/(asset)	635.03	556.05
Unrecognised past service cost	-	-
<b>Liability/(asset) recognised in the Balance Sheet</b>	<b>635.03</b>	<b>556.05</b>
<b>d) Expenses recognised in the Statement of Profit &amp; Loss Account</b>		
Current service cost	63.27	58.59
Interest cost	67.78	63.55
Expected return on plan assets	(25.88)	(23.45)
Net actuarial gain/(loss) recognised in the year	38.48	(15.12)
Past service cost	-	-
<b>Expenses recognised in the Statement of Profit &amp; Loss</b>	<b>143.65</b>	<b>83.57</b>
<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 as per Indian assured lives mortality (2006-08) ultimate		
Future salary increases	6% p.a.	6% p.a.
Disability	Nil	Nil
Attrition	1% p.a.	1% p.a.
Retirement	58 years	58 years

The company expects to contribute ₹ 75.82 lakhs in the financial year 2016-17 towards funding of the gratuity plan

<b>Basis used to determine the overall expected return:</b>		
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.		
	<b>Amount (₹ In lakhs) 2015-16</b>	<b>Amount (₹ In lakhs) 2014-15</b>
<b>Particulars</b>	<b>Percentage</b>	<b>Percentage</b>
Central Government Securities	24.16	23.86
State Government Securities	22.24	16.14
Other Approved Securities (Government Guaranteed Securities)	-	1.21
Bonds and Debentures	26.36	39.32
Fixed Deposits	27.07	14.20
Equity Shares	0.17	4.67
Money Market Instruments	-	0.02
Mutual Fund	-	0.58
<b>Grand Total</b>	<b>100.00</b>	<b>100.00</b>
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.		
<b>General descriptions of defined plans:</b>		
<b>Gratuity Plan:</b>		
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	<b>CIF Value of Imports:</b>	
	Raw materials *	116,333.72 153,209.07
	Stores, spares and components	162.41 227.80
	Capital goods	121.53 92.43
	* Inclusive of high seas purchases	
1.7	<b>Earnings in foreign currencies:</b>	
	F.O.B value of goods exported	16.23 -
1.8	<b>Consumption of Raw Materials:</b>	
	<b>Imported</b>	134,030.10 155,277.47
		84.27% 88.43%
	<b>Indigenous</b>	25,018.92 20,316.86
		15.73% 11.57%
	<b>Total</b>	159,049.02 175,594.33
1.9	<b>Expenditure in Foreign Currency:</b>	
	Interest	301.90 450.20
	Subscription	22.51 34.79
	Travelling expenses	45.13 17.88
	Legal and Professional fees	71.35 21.36
	Sales promotion and others	85.06 -



1.10	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>		
	Name of the related Party	<b>Nature of relationship</b>	
	1. Pawas Port Limited	Substantial interest (Associate)	
	<b>B) Names of related parties with whom transactions have been entered into</b>		
	Mr. Prakash P. Chhabria - Executive Chairman	Key management personnel	
	Mr. Saurabh S. Dhanorkar - Managing Director	Key management personnel	
	Mr. Sanjay S Math - Director Operations	Key management personnel	
	Finolex Cables Limited holding 32.39 % in the Company	Associate Company	
	Finolex Plasson Industries Private Limited	Associate Company	
	Finprop Advisory Services Limited	Enterprises over which key management personnel or their relatives exercise significant influence	
	Magnum Machine Technologies Limited		
	<b>C) Transactions with Related Parties</b>	<b>Amount (₹ In lakhs) 2015-16</b>	<b>Amount (₹ In lakhs) 2014-15</b>
	<b>Nature of Transactions</b>		
	<b>I. Sales, Services and other income</b>		
	<b>Sale of goods</b>		
	Finolex Plasson Industries Private Limited	2,765.79	3,148.81
	<b>Reimbursement received of expenditure incurred</b>		
	Finolex Cables Limited	4.28	124.94
	<b>Dividend Received</b>		
	Finolex Cables Limited	399.37	354.99
	Finolex Plasson Industries Private Limited	92.70	69.53
	<b>II. Purchase of Material / Assets</b>		
	<b>Purchase of Raw Material and Components</b>		
	Finolex Cables Limited	-	24.14
	Finolex Plasson Industries Private Limited	0.95	1.25
	Magnum Machine Technologies Limited	20.96	55.54
	<b>Purchase of Fixed Assets</b>		
	Finolex Cables Limited	-	5.27
	Magnum Machine Technologies Limited	76.61	342.84
	<b>III. Expenses</b>		
	<b>Remuneration of Key Management Personnel</b>		
	Mr. Prakash P.Chhabria	956.42	373.86
	Mr. Saurabh S. Dhanorkar	225.37	133.10
	Mr. Sanjay S. Math	180.65	99.21

C) Transactions with Related Parties		Amount (₹ In lakhs) 2015-16	Amount (₹ In lakhs) 2014-15
<b>Services received</b>			
Finprop Advisory Services Limited		-	14.23
Finolex Plasson Industries Private Limited		8.87	-
<b>Rent</b>			
Finolex Cables Limited		3.42	70.28
<b>Reimbursement of Expenses Paid</b>			
Finprop Advisory Services Limited		-	0.36
<b>Dividend Paid</b>			
Finolex Cables Limited		803.85	2,813.48
<b>Amounts Outstanding</b>			
<b>Due to</b>			
Finolex Cables Limited		0.04	0.04
Finolex Plasson Industries Private Limited		16.08	20.85
<b>Due from</b>			
Finolex Cables Limited		21.91	20.81

1.11	Movement of Provision for Leave Encashment	(₹ In lakhs) 2015-16	(₹ In lakhs) 2014-15
	<b>Particulars</b>		
	Carrying amount at the beginning of the year	400.59	331.39
	Provision made during the year	276.10	262.79
	Amount used during the year	80.60	193.59
	Unused amounts reversed during the year	-	-
	Carrying amount at the end of the year	596.09	400.59

1.12	Earning per share		
	<b>Basic</b>		
	a) Profit for the year	34,349.09	8,078.06
	b) Less: Attributable tax thereto	10,989.68	3,300.23
	c) Profit after tax	23,359.41	4,777.83
	Weighted average number of equity shares used as denominator	124,095,381	124,095,381
	Basic earning per share of nominal value of ₹ 10/- each	18.82	3.85
	Note: There are no potential shares that have a dilutive effect on the EPS		

1.13	Electricity duty exemption amounting to ₹ 2,447.79 lakhs for earlier periods, although it is another form of subsidy, is accounted in the Statement of Profit and Loss and disclosed as an exceptional item. Exceptional item for the previous year includes settlement of claim against derivative and write off of insurance claim on aircraft.		
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1.14	Effective from 1 <sup>st</sup> April, 2014 the company had charged depreciation based on the revised useful life of the assets as per the requirements of Schedule II of the Companies Act, 2013 and in certain cases on the basis of technical evaluation. Consequently, depreciation charged was lower by ₹ 477.28 lakhs for the previous year. Further, carrying value of the assets whose useful life was already exhausted as on 1 <sup>st</sup> April, 2014, amounting to ₹ 3,073.12 lakhs and deferred tax credit of ₹ 1,044.55 lakhs thereon has been recognised in the opening balance of Retained Earnings.		
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1.15	Particulars	Amount (₹ in lakhs) 2015-16	Amount (₹ in lakhs) 2014-15
	Donations include political contributions of ₹ 2 lakhs (₹ 280 lakhs) paid to following political parties:		
	Bharatiya Janata Party	2.00	155.00
	Maharashtra Pradesh Nationalist Congress Party	-	50.00
	Shivsena	-	75.00
1.16	<p>a) In terms of eligibility certificate and sanction letter received under Package Scheme of Incentives from Government of Maharashtra during the year, Industrial Promotion Subsidy of ₹ 8,614.80 lakhs in respect of the Company's plant located at Ratnagiri, is accounted for as capital subsidy under Reserves and Surplus in the Balance Sheet.</p> <p>b) The Company during the current year has paid off its sales tax deferral loan of ₹ 2,115.80 lakhs at the net present value of ₹ 1,059.12 lakhs and has taken the balance amount of ₹ 1,056.68 lakhs to the Statement of Profit and Loss under the heading other non operating income.</p>		
1.17	<p>CSR Expenditure:</p> <p>a) Amount required to be spent by the Company during the year is ₹ 317.24 lakhs.</p> <p>b) Amount spent by the Company during the year is ₹ 352.83 lakhs.</p>		
1.18	<p>Segment Reporting:</p> <p>Primary Segment</p> <p>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 &amp; fittings and Power.</p> <p>The above business segments have been identified considering :</p> <p>i) The nature of the products</p> <p>ii) The related risks and returns</p> <p>iii) The internal financial reporting systems</p> <p>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 "Net unallocable (expenditure)/income". 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 "Other than segment".</p>		

[illegible]

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

Abhijeet Bhagwat  
Partner  
M. No. 136835

Pune: 21<sup>st</sup> May, 2016

Prakash P. Chhabria	Executive Chairman	DIN: 00016017
Sanjay K. Asher		DIN: 00088221
Kanayalal N. Almaramani		DIN: 00129768
Ritu P. Chhabria		DIN: 00062144
Dara N. Damania		DIN: 00403834
Saurabh S. Dhanorkar	Managing Director	DIN: 00011322
Shikshima N. Inamdar		DIN: 00025180
Prabakar D. Karandikar		DIN: 02142050
Sanjay S. Math	Director (Operations)	DIN: 01874086
Dr. Sunil U. Pathak		DIN: 00049315

Pune: 21<sup>st</sup> May, 2016

## Independent auditors' Report

### TO THE MEMBERS OF FINOLEX INDUSTRIES LIMITED

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Finolex Industries Limited** (hereinafter referred to as "the Holding Company") and its associate, comprising of the Consolidated Balance Sheet as at 31<sup>st</sup> March, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

#### Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Holding Company including its associate, in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the Holding Company and its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Holding Company and its associate and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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, of the consolidated state of affairs of the Holding Company and its associate as at 31<sup>st</sup> March, 2016 and their consolidated profit and their consolidated cash flows for the year ended on that date.

### **Other Matters**

The consolidated financial statements include the Holding Company Company's share of net profit of Rs. 628.24 lakhs for the year ended 31<sup>st</sup> March, 2016, in respect of its associate, whose financials statements have not been audited by. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid associate, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the

consolidated financial statements.

- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors of the Holding Company as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its associate company incorporated in India, none of the directors of the Holding Company companies and associate company incorporated in India is disqualified as on 31<sup>st</sup> March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and its associate and the operating effectiveness of such controls, refer to our separate Report in "Annexure I".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Holding Company and its associate – Refer Note 1.1 to the consolidated financial statements.
  - ii. The Holding Company and its associate did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its associate company incorporated in India.

For M/s **P.G.BHAGWAT**

Chartered Accountants

Firm's Registration No.: 101118W

Abhijeet Bhagwat

Partner

Membership No.: 136835

Pune  
21<sup>st</sup> May, 2016

## Annexure I

To the Independent Auditors' Report of even date on the consolidated financial statements of Finolex Industries Limited

### Report on the Internal Financial Controls

#### Under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31<sup>st</sup> March, 2016, we have audited the internal financial controls over financial reporting of **Finolex Industries Limited** (hereinafter referred to as "the Holding Company") and its associate, which are companies incorporated in India, as of that date.

#### Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the of the Holding company and its associate, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Holding Company and its associate's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the



assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company and its associate's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Holding Company and its associate, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March, 2016 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

### **Other Matters**

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating

effectiveness of the internal financial controls over financial reporting insofar as it relates the associate company, which is a company incorporated in India, is based on the corresponding reports of the auditors of the company incorporated in India.

Place: Pune  
Date: 21<sup>st</sup> May, 2016

For M/s P.G.BHAGWAT  
Chartered Accountants  
Firm's Registration No.: 101118W  
Abhijeet Bhagwat  
Partner  
Membership No.: 136835

Consolidated Balance Sheet as at 31<sup>st</sup> March, 2016

		₹ in lakhs	
Particulars		Note No.	As at 31 <sup>st</sup> March 2016
<b>A</b>	<b>EQUITY AND LIABILITIES</b>		
<b>1</b>	<b>Shareholders' Funds</b>		
	(a) Share Capital	2	12,409.54
	(b) Reserves & Surplus	3	87,016.88
	<b>Sub-total - Shareholders' funds</b>		<b>99,426.42</b>
<b>2</b>	<b>Non-Current Liabilities</b>		
	(a) Long-term borrowings		-
	(b) Deferred tax liabilities (net)	4	11,800.68
	(c) Other long-term liabilities	5	39.21
	(d) Long-term provisions	6	1,121.70
	<b>Sub-total - Non-current liabilities</b>		<b>12,961.59</b>
<b>3</b>	<b>Current liabilities</b>		
	(a) Short-term borrowings	7	11,171.20
	(b) Trade payables		
	(i) Total outstanding dues of micro enterprises and small enterprises		60.22
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		24,258.53
	(c) Other current liabilities	8	22,670.24
	(d) Short-term provisions	9	15,045.24
	<b>Sub-total - Current liabilities</b>		<b>73,205.43</b>
	<b>TOTAL - EQUITY AND LIABILITIES</b>		<b>185,593.44</b>
<b>B</b>	<b>ASSETS</b>		
<b>1</b>	<b>Non-current assets</b>		
	(a) Fixed assets	10	
	(i) Tangible assets		84,697.96
	(ii) Intangible assets		266.62
	(iii) Capital work-in-progress		661.56
	(b) Non-current investments	11	15,683.23
	(c) Deferred tax assets (net)		-
	(d) Long-term loans and advances	12	7,686.98
	(e) Other non-current assets	13	-
	<b>Sub-total - Non-current assets</b>		<b>108,996.35</b>
<b>2</b>	<b>Current assets</b>		
	(a) Current investments	14	16,765.05
	(b) Inventories	15	44,722.23
	(c) Trade receivables	16	1,762.92
	(d) Cash and bank balances	17	1,041.18
	(e) Short-term loans and advances	18	12,305.71
	<b>Sub-total - Current assets</b>		<b>76,597.09</b>
	<b>TOTAL - ASSETS</b>		<b>185,593.44</b>

Notes to the financial statements form an integral part of the consolidated balance sheet

1

As per our report of even date

For M/s P. G. Bhagwat  
Chartered Accountants  
FRN 101118WPrakash P. Chhabria  
Sanjay K. Asher  
Kanaivalal N. Atmaramani  
Ritu P. Chhabria  
Dara N. Damania

Executive Chairman DIN: 00016017

Abhijeet Bhagwat  
Partner  
M. No. 136835Anil V. Whabi  
Chief Financial Officer  
Umesh M. Gosavi  
Company SecretarySaurabh S. Dhanorkar  
Shrikrishna N. Inamdar  
Prabhakar D. Karandikar  
Sanjay S. Math  
Dr. Sunil U. Pathak  
Managing Director  
Director (Operations)DIN: 00008221  
DIN: 00129768  
DIN: 00062144  
DIN: 00403834  
DIN: 00011322  
DIN: 00025180  
DIN: 02142050  
DIN: 01874086  
DIN: 00049315Pune: 21<sup>st</sup> May, 2016Pune: 21<sup>st</sup> May, 2016

**Consolidated Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2016**

		₹ in lakhs
Particulars	Note No.	2015-16
Income		
I Revenue from operations (Gross)	19	281,404.03
Less : Excise Duty		(36,120.94)
II Other income	20	3,819.49
III Total Revenue (I + II)		249,102.58
IV Expenses		
Cost of materials consumed	21	161,384.81
Changes in inventories of finished goods, work-in progress and stock-in-trade	22	3,337.79
Employee benefits expense	23	9,340.38
Other expenses	24	33,709.30
Finance costs	25	4,464.34
Depreciation and amortization expense		5,057.36
Total expenses		217,293.98
V Profit before exceptional and extraordinary items and tax (III - IV)		31,808.60
VI Exceptional items	1.6	(2,447.79)
VII Profit before extraordinary items and tax (V - VI)		34,256.39
VIII Extraordinary Items		-
IX Profit before tax (VII - VIII)		34,256.39
X Tax expense:		
Current tax		10,266.76
Deferred tax		722.92
		10,989.68
XI Profit/(Loss) for the year from continuing operations (IX - X)		23,266.71
XII Profit/(Loss) from discontinuing operations		-
XIII Tax expense of discontinuing operations		-
XIV Profit/(Loss) from discontinuing operations (after tax) (XII - XIII)		-
XV Share of profit/(loss) of Associate		628.24
XVI Profit/(Loss) for the year (XI + XIV)		23,894.95
XVII Earning per equity share (nominal value of share ₹ 10 each)	1.4	
Basic		19.26
Diluted		19.26

Notes to the financial statements form an integral part of the consolidated statement of profit and loss

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

Prakash P. Chhabria

Executive Chairman

DIN: 00016017

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

DIN: 00008221  
DIN: 00129768  
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DIN: 00403834  
DIN: 00011322  
DIN: 00025180  
DIN: 02142050  
DIN: 01874086  
DIN: 00049315

Abhijeet Bhagwat  
Partner  
M. No. 136835

Anil V. Whabi  
Chief Financial Officer  
  
Umesh M. Gosavi  
Company Secretary

Managing Director

Director (Operations)

Pune: 21<sup>st</sup> May, 2016

Pune: 21<sup>st</sup> May, 2016

## Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March, 2016

		₹ in lakhs
Particulars		2015-16
<b>A</b>	<b>Cash flow from Operating Activities:</b>	
	<b>Net Profit before Tax including share of profit of associate</b>	<b>34,884.63</b>
	<b>Adjustments for :</b>	
	Depreciation	5,057.36
	Debit balances written off	99.67
	Profit on sale of investments (net)	(1,563.99)
	(Profit) / Loss on sale of assets (net)	255.11
	Dividend income	(399.97)
	Interest income	(639.33)
	Interest expenses	4,210.61
	Effect of exchange differences on translation of assets and liabilities	(496.73)
	Difference of Sales tax loan and net present value	(1,056.68)
	CSR expenditure	352.83
	<b>Operating profit before working capital changes</b>	<b>40,703.51</b>
	<b>Adjustments for :</b>	
	Trade and other receivables	2,611.85
	Inventories	11,142.89
	Trade and other payables	9,229.61
	Cash generated from operations	63,687.86
	Less:	
	Taxes paid ( net of refund )	(6,626.58)
	<b>Net cash from operating Activities (A)</b>	<b>57,061.28</b>
<b>B</b>	<b>Cash flow from investing activities:</b>	
	Purchase of fixed assets/ capital expenditure	(3,261.13)
	Sale of fixed assets	138.82
	(Purchase)/Sale of Investments ( net )	(9,808.69)
	Interest received	639.33
	Dividend received	399.97
	Capital subsidy received	3,544.69
	<b>Net cash used in investing activities (B)</b>	<b>(8,347.01)</b>
<b>C</b>	<b>Cash flow from financing activities:</b>	
	Repayment of long term borrowings	(12,309.13)
	Short term loans movement	(28,949.43)
	Interest paid	(4,386.28)
	Dividend and corporate dividend tax paid	(2,905.44)
	<b>Net cash from financing activities (C)</b>	<b>(48,550.28)</b>

	₹ in lakhs
Particulars	2015-16
<b>A+B+C</b>	<b>163.99</b>
CSR expenditure	<u>(352.83)</u>
	<b>(188.84)</b>
Opening balance of cash and cash equivalents	<b>1,230.02</b>
Closing balance of cash and cash equivalents	<b>1,041.18</b>
Refer Note 17	

Note: 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.

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

Prakash P. Chhabria

Executive Chairman

DIN: 00016017

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

Managing Director

Director (Operations)

DIN: 00008221  
DIN: 00129768  
DIN: 00062144  
DIN: 00403834  
DIN: 00011322  
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DIN: 02142050  
DIN: 01874086  
DIN: 00049315

Abhijeet Bhagwat  
Partner  
M. No. 136835

Anil V. Whabi  
Chief Financial Officer

Umesh M. Gosavi  
Company Secretary

Pune: 21<sup>st</sup> May, 2016

Pune: 21<sup>st</sup> May, 2016

## Notes to the consolidated financial statements

### Note 1) Significant Accounting Policies:

#### Principles of consolidation:

The consolidated financial statements relate to Finolex Industries Limited (FIL) and its associate Finolex Plasson Industries Private Limited (FPIL).

Investment in Associate Company has been accounted under the equity method as per Accounting Standard (AS) 23 "Accounting for Investments in Associates in Consolidated Financial Statements", whereby the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the Company's share of net assets of the Associate company.

The excess of cost to the Company of its investment in the Associate entity is set off against the adjusted carrying amount of the investment. Distributions received from the Associate Company reduce the carrying amount of the investment.

The consolidated statement of profit and loss reflects the Company's share of the results of the operations of the Associate Company.

Unrealised profits and losses resulting from transactions between the Associate and the Company are eliminated to the extent of Company's interest in the associate.

The name of associate, country of incorporation, proportion of ownership interest and reporting date considered in the Consolidated Financial Statements are as per the table mentioned below:

Name of the Company	Country of Incorporation	Proportion of Ownership Interest of FIL	Reporting Date
Finolex Plasson Industries Pvt. Ltd.	India	46.35%	31 <sup>st</sup> March 2016

#### Significant Accounting Policies:

Accounting policies of Finolex Industries Limited are set out in Note 1: significant accounting policies of the company.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements except those specified below.

Significant Accounting Policies other than those adopted by Finolex Industries Limited:

#### i) Valuation of inventories:

Raw materials and components, stores and spares are valued at lower of cost or net realizable value. Cost is determined on First In First Out (FIFO) basis.

#### ii) Revenue recognition:

Income from services is recognized when the services are rendered or when the contracted milestone is achieved.

iii) **Intangible assets:**

Intangible assets are amortised over their estimated useful life on straight line method as follows:

Technical Know how- 10 Years

The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

iv) **Provisions:**

Provision for warranty obligations is based on technical evaluation and past Experience or trend.



## Notes to the consolidated financial statements

	₹ in lakhs
	As at 31 <sup>st</sup> March 16
<b>Note 2 - Share Capital</b>	
Authorised:	
150,000,000 (150,000,000) Equity Shares of ₹ 10 each	15,000.00
Unclassified share capital	8,500.00
	<u>23,500.00</u>
Issued, subscribed and fully paid up:	
124,095,381 (124,095,381) Equity shares of ₹ 10 each fully paid	12,409.54
	<u>12,409.54</u>

### Reconciliation of the shares outstanding at the beginning and at the end of the reporting period:

	As At 31 <sup>st</sup> March 2016	
	No.	₹ in lakhs
At the beginning of the period	124,095,381	12,409.54
Outstanding at the end of the period	<u>124,095,381</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.

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.

	As At 31 <sup>st</sup> March 2016	
	No.	% of holding
<b>Details of shareholders holding more than 5% shares in the company:</b>		
Equity shares of ₹ 10 each fully paid		
Finolex Cables Ltd.	40,192,597	32.39%
Orbit Electricals Private Limited	23,330,901	18.80%

## Notes to the consolidated financial statements

	₹ in lakhs
	As at 31 <sup>st</sup> March 16
<b>Note 3 - Reserves and Surplus</b>	
<b>Capital reserve</b>	
As per last balance sheet	60.54
	<u>60.54</u>
<b>Share capital buyback reserve</b>	
As per last balance sheet	2,517.93
	<u>2,517.93</u>
<b>Share premium</b>	
As per last balance sheet	15,126.81
	<u>15,126.81</u>
<b>General reserve</b>	
As per last balance sheet	27,950.22
Add : transferred from surplus	4,000.00
	<u>31,950.22</u>
<b>Debenture redemption reserve</b>	
As per last balance sheet	7,500.00
	<u>7,500.00</u>
<b>Contingency reserve</b>	
As per last balance sheet	1,215.00
	<u>1,215.00</u>
<b>Capital Subsidy Reserve</b>	
As per last balance sheet	-
Add: Claim for the period (Refer Note 1.7 a)	8,614.80
	<u>8,614.80</u>
<b>Surplus in the statement of profit and loss</b>	
Surplus at the beginning of the year	11,959.95
Add: Excess Dividend tax provision reversed	3.00
Share of profit of associate (Refer Note 1.8)	3,109.50
Profit for the year	23,894.95
<b>Less: Appropriations</b>	
-General reserve	4,000.00
-Proposed dividend	12,409.53
-Tax on dividend	2,526.29
Net surplus in statement of profit & loss	<u>20,031.58</u>
<b>Grand total</b>	<u><u>87,016.88</u></u>

## Notes to the consolidated financial statements

	₹ in lakhs
	As at 31 <sup>st</sup> March 16
<b>Note 4 - Deferred tax (assets)/ liabilities (net)</b>	
<b>Deferred tax liabilities</b>	
On depreciation	12,488.58
<b>Deferred tax assets</b>	
On provision for employee benefits	(687.90)
<b>Net</b>	<u>11,800.68</u>
<b>Note 5 - Other long-term liabilities</b>	
Trade and security deposits	39.21
	<u>39.21</u>
<b>Note 6 - Long-term provisions</b>	
Leave encashment	552.56
Gratuity	569.14
	<u>1,121.70</u>

## Notes to the consolidated financial statements

₹ in lakhs

As at  
31<sup>st</sup> March 16

### Note 7 - Short-term borrowings

Secured

#### Loans repayable on demand:

Acceptances from banks	11,131.71
Working capital borrowings from banks	39.49
	<u>11,171.20</u>

### Note 8 - Other current liabilities

#### Current maturities of long term debts

Debentures

1000 (Nil) 10.90% Secured redeemable non-convertible debentures of ₹ 1,000,000 each.	10,000.00
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Interest accrued but not due on loans	293.83
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Unclaimed dividend	879.87
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#### Other payables

Advances from customers	4,048.63
Salary and reimbursement	1,866.78
Statutory dues	4,182.21
Provision for expenses	1,398.92
	<u>22,670.24</u>

### Note 9 - Short-term provisions

Proposed dividend	12,409.53
Tax on dividend	2,526.29
Leave encashment	43.53
Gratuity	65.89
	<u>15,045.24</u>

# Notes to the consolidated financial statements

Note 10 - Fixed Assets

## (a) (i) Tangibles

Particulars	Gross block as on 01.04.2015	Additions	Deductions	Gross Block as on 31.03.2016	Depreciation			Net block
					Bal as on 01.04.2015	For the year	Transfer to Retained earnings *	
Free hold land	6,738.61	39.73	-	6,778.34	-	-	-	6,778.34
Lease hold land	100.70	-	-	100.70	24.39	0.75	-	25.14
Building	21,245.83	218.34	36.47	21,427.70	6,000.79	625.71	16.88	6,609.62
Plant and machinery	188,928.12	2,798.28	313.49	161,412.91	95,368.13	4,169.42	157.68	99,379.87
Office equipments	279.04	59.52	119.31	219.25	135.26	57.17	82.64	109.79
Furniture & fixtures	1,119.38	18.84	0.45	1,137.77	784.52	64.21	0.34	848.39
Vehicles	599.23	470.49	294.30	775.42	212.50	81.36	112.54	181.32
Total	189,010.91	3,605.20	764.02	191,852.09	102,525.59	4,998.62	370.08	84,697.96

## (a) (ii) Intangibles

Particulars	Gross block as on 01.04.2015	Additions	Deductions	Gross Block as on 31.03.2016	Depreciation			Net block
					Bal as on 01.04.2015	For the year	Transfer to Retained earnings *	
Computer software	382.72	34.12	-	416.84	91.48	58.74	-	150.22
Total	382.72	34.12	-	416.84	91.48	58.74	-	150.22

## (a) (iii) Capital work-in-progress

Capital work-in-progress	661.56							
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Note: Opening balances of assets have been regrouped wherever necessary.

## Notes to the consolidated financial statements

	₹ in lakhs	
	As at	As at
	31 <sup>st</sup> March 16	31 <sup>st</sup> March 16
	No. of units	
<b>Note 11 - Non - Current Investments</b>		
Non-trade-Long term ( At Cost )		
<b>Quoted and Listed</b>		
<b><u>Other Companies</u></b>		
Equity Shares of ₹ 2 each fully paid-up in Finolux Cables Ltd	22,187,075	10,260.02
Equity Shares of ₹ 2 each fully paid-up in Gulf Oil Corporation Ltd.	9,900	1.21
Equity Shares of ₹ 10 each fully paid-up in Gold Crest Finance Ltd.	12,400	4.96
(Aggregate market value of Quoted Investments ₹ 62,320.23 lakhs)		
		<u>10,266.19</u>
<b>Unquoted</b>		
<b><u>Associate Companies</u></b>		
Equity Shares of ₹ 10 each fully paid-up in Finolux Plasson Industries Private Ltd. - At cost	4,635,000	389.84
Add: Accumalated income from associate for previous years (Refer Note 1.8)		3,469.43
Less: Dividend received during the year		(92.70)
Add: Share in current year's profit of associate		628.24
<b>Value of investment in associate</b>		<u>4,394.81</u>
Equity Shares of ₹ 10 each fully paid-up in Pawas Port Ltd.	49,994	5.00
<b><u>Others Companies</u></b>		
Equity Shares of ₹ 10 each fully paid-up in Finolux Infrastructure Ltd.	5,343,404	534.34
Units of ₹ 100000 each fully paid-up in Peninsula Realty Fund	483	482.79
Equity Shares of ₹ 10 each fully paid-up in The Saraswat Co-op Bank Ltd	1,000	0.10
Sub total		<u>5,417.04</u>
Total		<u>15,683.23</u>

## Notes to the consolidated financial statements

	₹ in lakhs
	As at 31 <sup>st</sup> March 16
<b>Note 12 - Long-term loans and advances</b>	
Unsecured - considered good	
Security deposits	656.20
Capital advances	633.92
<b>Other loans and advances</b>	
Unsecured - considered good	
Claims Receivable :	
Under Package Scheme of Incentives	5,070.11
Other	62.22
Prepaid expenses	87.14
Advance tax (Net off provision)	708.02
Other deposits and advances	
Unsecured - considered good	469.37
Doubtful	569.76
	1,039.13
Less : Provision for doubtful deposits & advances	(569.76)
	469.37
	7,686.98
<b>Note 13 - Other non-current assets</b>	
Long term trade receivables	
Unsecured - considered doubtful	12.96
Less: provision for doubtful receivables	(12.96)
	-

## Notes to the consolidated financial statements

	₹ in lakhs	
	As at 31 <sup>st</sup> March 16 No. of units	As at 31 <sup>st</sup> March 16
<b>Note 14 - Current Investments</b>		
<b>Quoted but not listed - Mutual Fund (MF) Units of ₹ 100 each</b>		
ICICI Prudential Liquid Fund - Direct Plan - Growth	1,205,314	2,700.00
<b>Quoted but not listed - Mutual Fund (MF) Units of ₹ 1000 each</b>		
Axis MF - Axis Liquid Fund -Growth	246,696	4,100.00
Reliance MF-Reliance Liquid Fund-Treasury Plan Growth	126,062	4,614.52
SBI Premier Liquid Fund - Direct Plan - Growth	225,390	5,350.53
Aggregate value of Quoted Investments		<u>16,765.05</u>

(Aggregate market value of Quoted Investments ₹ 16,870.89 lakhs)



## Notes to the consolidated financial statements

	₹ in lakhs
	As at 31 <sup>st</sup> March 16 Consolidated
<b>Note 15 - Inventories</b>	
Raw materials *	23,605.39
Work-in-progress	3,746.79
Finished goods	12,861.30
Stores and spares	4,357.74
Packing material	151.01
* Includes goods in transit ₹ 5,473.37 lakhs	
	<u>44,722.23</u>
<b>Note 16- Trade receivables</b>	
Trade receivables outstanding for a period exceeding six months from due date of payment:	
Unsecured - Considered good	190.00
Trade receivables outstanding for a period less than six months from due date of payment:	
Unsecured - Considered good	1,572.92
	<u>1,762.92</u>
<b>Note 17 - Cash and bank Balances</b>	
<b>Cash and cash equivalents</b>	
Cash on hand	24.56
Balances with banks in current accounts	136.76
Balances with banks for unpaid dividend	879.86
	<u>1,041.18</u>
<b>Note 18 - Short term loans and advances</b>	
<b>Others</b>	
Unsecured - Considered good	
Advances to employees	22.86
Advances to suppliers and others	1,059.47
Prepaid expenses	269.67
Advance tax (net off provision)	1,781.04
Claims Receivable	
- Excise, Service Tax, Customs	4,394.47
- VAT and Sales Tax	4,778.20
	<u>12,305.71</u>

## Notes to the consolidated financial statements

	₹ in lakhs
	2015-16
<b>Note 19 - Revenue from operations</b>	
Sale of manufactured goods	279,154.21
Other operating revenues	2,249.82
Revenue from Operations (Gross)	281,404.03
Less: Excise duty	(36,120.94)
Net	245,283.09
<b>Details of Goods sold</b>	
<b>Finished Goods</b>	
PVC	65,892.04
PVC pipes and fittings	175,796.82
Power (excluding captive)	31.69
Others	3,562.54
	245,283.09
<b>Note 20 - Other Income</b>	
<b>Interest earned on</b>	
Overdues from customers	45.78
Bank Deposits	72.74
Others	520.81
<b>Dividend Received</b>	
From Long Term Investments	399.96
<b>Net gain on sale of current investments</b>	1,564.00
<b>Profit on Sale of Assets</b>	4.50
<b>Other non-operating income</b>	
Sales tax deferral loan (Refer Note 1.7 b)	1,056.68
Others	155.02
	3,819.49

## Notes to the consolidated financial statements

	₹ in lakhs
	2015-16
<b>Note 21 - Cost of materials consumed</b>	
Cost of Raw material consumed	159,049.02
Packing material consumed	2,335.79
	<u>161,384.81</u>
<b>Details of raw material consumed</b>	
EDC	22,414.35
Ethylene	27,603.09
VCM	44,654.18
Coal	6,966.09
PVC (excluding captive)	17,469.60
Others	39,941.71
	<u>159,049.02</u>
 <b>Note 22 - Change in inventories of finished goods, work in progress &amp; stock in trade</b>	 3,337.79
<b>Inventories at the end of the year</b>	
Work in progress	3,746.79
Finished goods	12,861.30
	<u>16,608.09</u>
<b>Inventories at the beginning of the year</b>	
Work in progress	3,703.34
Finished goods	16,242.54
	<u>19,945.88</u>
<b>Details of inventory</b>	
<b>(a) Raw material</b>	
EDC	4,695.92
Ethylene	10,181.95
VCM	3,022.71
Coal	1,347.10
PVC (excluding captive, including GIT)	1,312.85
Others	3,044.86
	<u>23,605.39</u>
<b>(b) Work-in-progress</b>	
PVC	515.48
VCM	213.28
PVC compound	2,894.22
Others	123.81
	<u>3,746.79</u>
<b>(c) Finished goods</b>	
PVC	2,236.44
PVC pipes & fittings	9,869.28
Others	755.58
	<u>12,861.30</u>

## Notes to the consolidated financial statements

	₹ in lakhs
	2015-16
<b>Note 23 - Employee benefits expense</b>	
Salaries, Wages, Bonus and Commission	7,879.33
Contribution to provident fund and other funds	500.39
Staff welfare expenses	960.66
<b>Total</b>	<b>9,340.38</b>
<b>Note 24 - Other expenses</b>	
Power and fuel	8,716.79
Stores and spares consumed	4,190.26
Other manufacturing expenses	7,804.85
Rent	265.60
Rates and taxes	780.73
Insurance	431.60
Repairs & maintenance (Buildings)	726.77
Repairs & maintenance (Plant & machinery)	1,356.37
Repairs & maintenance (Others)	319.15
Communication expenses	212.29
Travelling and conveyance	940.73
Directors sitting fees	32.76
Auditor's remuneration :	
-Statutory audit fees	25.50
-Limited review fees	6.00
-Tax audit fees	5.00
-Certification	1.96
-Out Of pocket expenses	0.81
Advertisement, publicity and sales promotion	3,039.81
Commission on sales	341.36
Freight outward & other selling expenses	1,256.86
Donations	15.57
Loss on sale of assets	259.61
Legal and professional fees	1,029.52
Corporate social responsibility (Refer Note 1.5)	352.83

## Notes to the consolidated financial statements

	₹ in lakhs
	2015-16
Security expenses	503.98
Foreign exchange loss (net)	287.52
Miscellaneous Expenses	805.07
<b>Total</b>	<b>33,709.30</b>
Note 25 - Finance costs	
Interest expense	2,069.39
Other borrowing costs	253.73
Premium on forward exchange contracts	18.13
Applicable net loss on foreign currency transactions and translations	2,123.09
<b>Total</b>	<b>4,464.34</b>

		Amount (₹ In lakhs) 2015-16
1.1	Contingent liabilities and commitments:	
	<b>i) Claims against the Company not acknowledged as debt:</b>	
	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
	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	502.06
	c) Excise/Customs/Service Tax in respect of which either show cause notice is received or the Company/Department is in appeal	6,322.90
	d) Sales Tax matters in respect of which either show cause notice is received or the Company/Department is in appeal:-	
	Finolex Industries Limited	326.55
	Finolex Plasson Industries Private Limited	872.91
	e) Amounts claimed by banks in respect of derivative transactions which are under dispute not acknowledged as debt is USD 20,821,480/-  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.	13,794.95
	f) Claims against associate not acknowledged as debt.	68.85
	h) Guarantees issued by the banks on Associate's behalf.	2,156.66
	<b>ii) Commitments:</b>	
	a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net off capital advances):-	
	Finolex Industries Limited	3,471.22
	Finolex Plasson Industries Private Limited	322.72
1.2	<b>A. Details of derivative instruments outstanding as at the balance sheet date</b>	<b>Nil</b>
	<b>B. The Company has not hedged the following foreign currency exposures:</b>	
	(i) Borrowings grouped under :-	
	a) Secured Loans -	
	Finolex Industries Limited-USD 168.30 lakhs	11,150.80
	(ii) (a) Trade Payables -	
	Finolex Industries Limited-USD 311.27 lakhs	20,623.12
	Finolex Plasson Industries Private Limited-USD 0.0026 lakhs	0.02
	(b) Trade Payables	
	Finolex Industries Limited-EURO 0.0019 lakhs	0.14
	Finolex Plasson Industries Private Limited-EURO 0.26 lakhs	19.55
	The foreign currency exposure of ₹ 31,773.92 lakhs out of ₹ 31,793.63 lakhs relating to Finolex Industries Limited included above, which are not hedged by derivative instruments, are naturally hedged by future earnings linked to foreign currency due to import parity of PVC resin.	

1.3	Related Party Disclosures	Amount (₹ In lakhs) 2015-16
Disclosures as required by Accounting Standard 18 "Related Party Disclosures" are given below:		
A) Names of related parties and nature of relationship where control exists		
Name of the related Party		Nature of relationship
1. Pawas Port Limited		Substantial interest (Associate)
B) Names of related parties with whom transactions have been entered into		
Mr. Prakash P. Chhabria - Executive Chairman		Key Managerial Person of Finolex Industries Limited
Mr. Saurabh S. Dhanorkar - Managing Director		
Mr. Sanjay S Math - Director Operations		
Mr. K. P. Chhabria		Key Managerial Person of Finolex Plasson Industries Private Limited
Mr. V. K. Chhabria		
Mr. M. S. Moorthy (Upto 11.01.2016)		
Finolex Cables Limited holding 32.39 % in the Company		Associate Company of Finolex Industries Limited
Plasson Limited, Israel		Associates of entities having significant influence on Finolex Plasson Industries Private Limited
Motay Limited (Upto 29.09.2015)		
Rajasthan Olive Cultivation Limited *		Partner in Joint Venture with Finolex Plasson Industries Private Limited
Finprop Advisory Services Limited		Enterprises over which key management personnel or their relatives exercise significant influence
Magnum Machine Technologies Limited		
Kaya Software Private Ltd		
International Institute of Information Technology		
I2IT Private limited		
C) Transactions with Related Parties		
Nature of Transactions		Amount (₹ In lakhs) 2015-16
I. Sales, Services and other income		
Reimbursement received of expenditure incurred		
Finolex Cables Limited		4.28
Dividend Received		
Finolex Cables Limited		399.37
II. Purchase of Material / Assets		
Purchase of Raw Material and Components		
Magnum Machine Technologies Limited		20.96
Plasson Ltd., Israel		8.53
Purchase of Fixed Assets		
Magnum Machine Technologies Limited		76.61
III. Expenses		
Remuneration of Key Management Personnel		
Mr. Prakash.P. Chhabria		956.92

Nature of Transactions		Amount (₹ In lakhs) 2015-16
Mr. Saurabh S. Dhanorkar		225.37
Mr. Sanjay S Math		180.65
Mr. K.P. Chhabria		0.50
Mr. V.K. Chhabria		128.88
Mr. M.S. Moorthy		33.64
<b>Rent</b>		
Finolex Cables Limited		3.42
Kaya Software Private Limited		9.89
I2IT Private Limited		9.97
<b>Dividend Paid</b>		
Finolex Cables Limited		823.85
Plaschin Ltd., Israel		67.30
<b>Others</b>		
International Institute of Information Technology		6.40
I2IT Private Limited		0.67
<b>Amounts Outstanding</b>		
<b>Due to</b>		
Finolex Cables Limited		0.04
<b>Due from</b>		
Finolex Cables Limited		21.91
* The Board of Directors of the Associate Company have given consent/approval for the Associate Company to exit from M/s Rajasthan Olive Cultivation Ltd ("ROCL") at such time as may be deemed appropriate by the Associate Company. The terms and conditions for the Associate Company exiting ROCL when finalized will be placed before a meeting of the Board of Associate Company for due noting and record. Pending finalization of terms and conditions no effect of the proposed exit has been given in the financial statements for the year ended 31 <sup>st</sup> March, 2016.		
1.4	<b>Earning per share</b>	
	<b>Basic</b>	
	a) Profit for the year including Share in Associate's profit	34,884.63
	b) Less: Attributable tax thereto	10,989.68
	c) Profit after tax	23,894.95
	Weighted average number of equity shares used as denominator	124,095,381
	Basic earning per share of nominal value of ₹ 10/- each	19.26
	Note: There are no potential shares that have a dilutive effect on the EPS	
1.5	<b>CSR expenditure</b>	
	a) Amount required to be spent during the year:	
	i) Finolex Industries Ltd. - ₹ 317.24 lakhs.	
	ii) Finolex Plasson Industries Pvt. Ltd. - ₹ 35.38 lakhs.	
	b) Amount spent during the year:	
	i) Finolex Industries Ltd. - ₹ 352.83 lakhs.	
	ii) Finolex Plasson Industries Pvt. Ltd. - Nil.	



1.6	Electricity duty exemption amounting to ₹ 2,447.79 lakhs for earlier periods, although it is another form of subsidy, is accounted in the Statement of Profit and Loss and disclosed as an exceptional item. Exceptional item for the previous year includes settlement of claim against derivative and write off of insurance claim on aircraft.
1.7	<p>a) In terms of eligibility certificate and sanction letter received under Package Scheme of Incentives from Government of Maharashtra during the year, Industrial Promotion Subsidy of ₹ 8,614.80 lakhs in respect of the Company's plant located at Ratnagiri, is accounted for as capital subsidy under Reserves and Surplus in the Balance Sheet.</p> <p>b) The Company during the current year has paid off its sales tax deferral loan of ₹ 2,115.80 lakhs at the net present value of ₹ 1,059.12 lakhs and has taken the balance amount of ₹ 1,056.68 lakhs to the Statement of Profit and Loss under the heading other non operating income.</p>
1.8	<p>As per the provisions of section 129 (3) of the Companies Act, 2013, the Company has prepared consolidated financials statements for the first time in the current year and as such previous figures have not been disclosed.</p> <p>Share in accumulated income of associate net off dividend received of ₹ 3,469.93 lakhs and Goodwill of ₹ 359.93 lakhs on acquisitions of share pertaining to earlier years is adjusted in retained earnings.</p> <p>The Management has not consolidated Pawas Port Limited in which the Company holds 49.99 % (₹ 5 lakhs) which has not started its operations yet and does not have any material impact to the consolidated financials statements.</p>
1.9	<p><b>Segment Reporting:</b></p> <p><b>Primary Segment</b></p> <p>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 &amp; fittings and Power.</p> <p>The above business segments have been identified considering :</p> <ol style="list-style-type: none"> <li>The nature of the products</li> <li>The related risks and returns</li> <li>The internal financial reporting systems</li> </ol> <p>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 "Net unallocable (expenditure)/income". 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 "Other than segment".</p>

₹ in Lakhs

	Description	PVC	Pipes & Fittings	Power	Other than Segment	Total
A.	Primary Segment Information					
	Segment revenue (net of excise duty)	66,957.31	178,216.58	109.21	-	245,283.09
	a) External sales	81,395.94	-	13,838.54	-	-
	b) Inter-segment sales	148,353.25	178,216.58	13,947.75	-	245,283.09
	Total revenue	18,871.16	15,965.79	2,763.39	-	37,600.34
	Segment result					(4,464.34)
	Interest					1,748.63
	Net unallocable (expenditure) / income					34,884.63
	Profit before tax					10,266.76
	Provision for current tax					722.92
	Provision for deferred tax					-
	Short / (Excess) provision of earlier years					23,894.95
	Profit after tax	69,900.08	49,184.92	25,735.30	91,465.38	236,285.68
	Segment assets	23,171.32	6,683.46	853.91	73,202.15	103,910.84
	Segment liabilities	145.13	3,099.37	11.34	383.48	3,639.32
	Capital expenditure	1,213.26	2,204.18	1,534.89	105.03	5,057.36
	Depreciation					
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.					

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

Prakash P. Chhabria  
Sanjay K. Asher  
Kanyavala N. Atmaramani  
Ritu P. Chhabria  
Dara N. Damania  
Saurabh S. Dhanorkar  
Shrikishna N. Inamdar  
Prabhakar D. Karandikar  
Sanjay S. Math  
Dr. Sunil U. Pathak

Executive Chairman  
Managing Director  
Director (Operations)

DIN: 00016017  
DIN: 00008221  
DIN: 00129768  
DIN: 00062144  
DIN: 00403834  
DIN: 00011322  
DIN: 00025180  
DIN: 02142050  
DIN: 01874086  
DIN: 00049315

Abhijeet Bhagwat  
Partner  
M. No. 136835

Umesh M. Gosavi  
Company Secretary

Pune: 21<sup>st</sup> May, 2016

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

(Information in respect of each subsidiary to be presented with amounts in ₹ in lakhs)

Notes: The following information shall be furnished at the end of the statement:

## Part "B": Associates and Joint Ventures

₹ in Lakhs

1. Names of associates or joint ventures which are yet to commence operations: Pawas Port Limited

Pune: 21<sup>st</sup> May, 2016

## NOTICE

NOTICE is hereby given that the thirty-fifth annual general meeting of the Members of Finolex Industries Limited will be held on Thursday, 11<sup>th</sup> August, 2016 at 10.00 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 financial statement (including the consolidated financial statements) of the Company for the financial year ended 31<sup>st</sup> March, 2016 together with the reports of the directors and the auditors.
2. To declare final dividend on equity shares for the financial year ended 31<sup>st</sup> March, 2016.
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 consider, and, if thought fit, to pass the following resolution as an ordinary resolution:

**"RESOLVED THAT** pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013, as amended, read with Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014, as amended, and further based on the recommendation of the Audit Committee and the Board of Directors (the "Board"), the Company hereby ratifies the appointment of M/s. P. G. Bhagwat, Chartered Accountants (Firm Registration No.101118W) as the Statutory Auditors of the Company to hold office from the conclusion of this annual general meeting until the conclusion of the annual general meeting of the Company to be held in the financial year 2017-18 on such remuneration and reimbursement of out of pocket expenses as may be mutually agreed between the Board and the Statutory Auditors plus service tax and the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary, relevant, usual and/ or expedient for implementing and giving effect to this resolution."

### Special business:

5. To ratify the remuneration payable to the Cost Auditors for the financial year ending 31<sup>st</sup> March, 2017 and to consider, and, if thought fit, to pass 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, as amended, and the Companies (Audit and Auditors) Rules, 2014, as amended, the approval of the Board of Directors (the "Board") based on the recommendation of the Audit Committee and subject to guidelines and approvals of the Central Government as may be applicable, the appointment of M/s. S. R. Bhargave & Co., Cost Accountants to audit the cost records of the Company for the financial year ended 31<sup>st</sup> March, 2017 be and is hereby ratified at a consolidated remuneration of ₹ 4,00,000/- (Rupees four lakhs only) plus service tax, as applicable and out of pocket expenses payable to M/s. S. R. Bhargave & Co., Cost Accountants.

**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 this resolution and for matters connected therewith or incidental thereto”.

6. To consider, and, if thought fit, to pass 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, as amended, read with the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended, the Companies (Share Capital and Debentures) Rules, 2014, as amended, and in accordance with the provisions of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and SEBI (Listing Obligations and Disclosures Requirements) Regulations 2015, the Rules, Regulations, Guidelines and Circulars thereunder, as issued and amended from time to time and the provisions of the Articles of Association of the Company, the approval of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (the “Board”) for making offer(s) or invitation(s) to subscribe to secured Non-Convertible Debentures (“NCDs”) on a private placement basis in one or more tranches during a period of one year from the date of passing of this resolution 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 this resolution including determining the terms and conditions of the NCDs.”

7. To consider, and, if thought fit, to pass the following resolution as an ordinary resolution:

**“RESOLVED THAT** pursuant to the recommendation of the Nomination and Remuneration Committee, the approval of the Board of Directors (the “Board”) and pursuant to the provisions of sections 196, 197 and other applicable provisions of the Companies Act, 2013, as amended, and the relevant Rules made thereunder, as amended read with Schedule V of the Companies Act, 2013, as amended,, approval of the Members be and is hereby accorded to reappoint Mr. Prakash P. Chhabria, as the Whole-time Director designated as Executive Chairman (DIN 00016017), from 1<sup>st</sup> December, 2016 to 30<sup>th</sup> November, 2021 subject to the approval of the Central Government as may be required and on the terms and conditions as specified in the Explanatory Statement pursuant to section 102(1) of the Companies Act, 2013 annexed to this notice.

**RESOLVED FURTHER THAT** the draft Agreement(s) which is/are placed before this meeting be and is/are hereby specifically approved with liberty to the Board and/or Nomination and Remuneration Committee of the Company to alter and vary the terms and conditions of the same in accordance with the applicable provisions of the Companies Act, 2013 and / or any schedules thereto.

**RESOLVED FURTHER THAT** the remuneration as mentioned in the draft Agreement(s) from time to time shall be the minimum remuneration by way of basic salary and/ or variable pay and other allowances not exceeding the limits specified under Section II of Part II of Schedule V of the Companies Act, 2013, as amended, or such other limits as may be prescribed by the Government from time to time as minimum remuneration payable to Mr. Prakash P. Chhabria in case of inadequate profits or no profits in any financial year during

the currency of his tenure as the Whole-time Director, designated as Executive Chairman as may be required.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to enhance, alter or vary from time to time the scope and quantum of remuneration, perquisites, benefits and amenities payable during the tenure of the appointment of Mr. Prakash P. Chhabria, provided that any revision in the quantum of remuneration payable to him shall not exceed the statutory limits specified under section 197 read with Schedule V of the Companies Act, 2013 as amended, and shall be subject to such approvals, sanctions, or permissions, as may be required for such revision in the remuneration.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters, and things as may be necessary, usual or expedient to give effect to the above resolution”.

8. To consider, and, if thought fit, to pass the following resolution as an ordinary resolution:

**“RESOLVED THAT** pursuant to the recommendation of the Nomination and Remuneration Committee, the approval of the Board of Directors (the “Board”) and pursuant to the provisions of section 196,197 and other applicable provisions of the Companies Act, 2013, as amended, and the Rules made thereunder, as amended read with Schedule V of the Companies Act, 2013, as amended, approval of the Members be and is hereby accorded to appoint Mr. Sanjay S. Math as Managing Director (DIN 01874086), who shall be the Whole-time Director from 1<sup>st</sup> December, 2016 to 30<sup>th</sup> November, 2021 subject to the approval of the Central Government as may be required and on the terms and conditions as specified in the Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 annexed to this notice.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to vary the existing terms of appointment in such a manner that the terms of appointment of Mr. Sanjay S. Math, Whole-time Director designated as Director (Operations) shall stand terminated on 30<sup>th</sup> November, 2016.

**RESOLVED FURTHER THAT** the draft Agreement(s) which is/are placed before this meeting be and are hereby specifically approved with liberty to the Board and/or Nomination and Remuneration Committee of the Company to alter and vary the terms and conditions of the same.

**RESOLVED FURTHER THAT** the remuneration as mentioned in the draft Agreement(s) from time to time shall be the minimum remuneration by way of basic salary and/ or variable pay, and other allowances not exceeding the limits specified under Section II of Part II of Schedule V of the Companies Act, 2013, as amended, or any such other limits as may be prescribed by the Government from time to time as minimum remuneration payable to Mr. Sanjay S. Math in case of inadequate profits or no profits in any financial year during the currency of his tenure as Managing Director, the Whole-time Director, as may be required.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to enhance, alter or vary from time to time the scope and quantum of remuneration, perquisites, benefits and amenities payable during the tenure of the appointment of Mr. Sanjay S. Math, provided that any revision in the quantum of remuneration payable to him shall not exceed the statutory

limits specified under section 197 read with Schedule V of the Companies Act, 2013, as amended, and shall be subject to such approvals, sanctions, or permissions, as may be required for such revision in the remuneration.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters, and things as may be necessary, usual or expedient to give effect to the above resolution.”

By Order of the Board of Directors  
For Finolex Industries Limited

Place: Pune  
Date: 21<sup>st</sup> May, 2016

**Umesh M. Gosavi**  
Company Secretary

## NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE “MEETING”) IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF 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 person can act as proxy on behalf of Members not exceeding fifty (50) and holding in aggregate not more than ten (10) percent of the total paid-up share capital of the Company.

A proxy form is enclosed herewith.

The register of the proxy will be available for inspection at the registered office of the Company on all working days except Saturday, Sunday and Public Holidays during business hours i.e. 10.00 a.m. to 3.00 p.m.) of the Company.

2. The Explanatory Statement pursuant to section 102 (1) of the Companies Act, 2013, in respect of special businesses under Item Nos. 5 (five) to 8 (eight) is annexed hereto.
3. The register of members and the share transfer books of the Company will remain closed from 30<sup>th</sup> July, 2016 to 11<sup>th</sup> August, 2016, both days inclusive for the purpose of the payment of dividend for the financial year ended 31<sup>st</sup> March 2016.
4. Dividend, if declared at the Meeting, will be credited / dispatched between 17<sup>th</sup> August, 2016 to 26<sup>th</sup> August, 2016 to those Members whose names appear on the register of members of the Company as on 11<sup>th</sup> August, 2016 or on the register of beneficial owners maintained by the depositories as at the close of their business hours on 29<sup>th</sup> July, 2016.
5. Voting through electronic means:
  - (a) In compliance with provisions of section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, as substituted vide Notification F. No. 01/34/2013-CL-V-Part-II dated March 19, 2015 enacting the Companies (Management and Administration) Amendment Rules, 2015, the Company is pleased to provide Members, the facility to exercise their right to vote on resolutions proposed to be passed at the 35<sup>th</sup> Meeting by electronic means and the business may be transacted through e-voting services provided by Central Depository Services (India) Limited ('CDSL').

Members may cast their votes using an electronic voting system from a place other than the venue of the Meeting ('remote e-voting').

The Members who have cast their vote by remote e-voting may also attend the Meeting but shall not be entitled to cast their vote again.

In terms of the Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are requested to cast their votes through e-voting as explained above. Further pursuant to the said Regulations, the Members who do not



have access to e-voting facility may also cast their vote by returning the enclosed ballot form on or before 5.00 p.m. of 10<sup>th</sup> August, 2016 to the scrutinizer (fill in the enclosed Ballot Form and post it to the Scrutinizer at the investors' grievance address mentioned in this annual report) or polling paper at the Meeting. Instructions for casting votes by ballot can be found on the ballot form.

Members who have not exercised their voting rights either through e-voting or ballot may exercise their voting right at the Meeting in a manner provided in the Companies Act, 2013.

- b) The instructions for Members voting electronically are as under:
- (i) The voting period begins on Monday, 8<sup>th</sup> August, 2016 at 9.30 a.m. and ends on Wednesday, 10<sup>th</sup> August, 2016 at 5.00 p.m. During this period, Members of the Company holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 4<sup>th</sup> August, 2016 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
  - (ii) Members who have already voted prior to the Meeting date would not be entitled to vote at the Meeting venue.
  - (iii) The Members should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
  - (iv) Click on Shareholders.
  - (v) 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. Members holding multiple folios are requested to get their holdings consolidated.
  - (vi) Next enter the Image Verification as displayed and Click on Login.
  - (vii) 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.
  - (viii) 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	<p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat Members as well as physical Members)</p> <ul style="list-style-type: none"> <li>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 sequence number in the PAN field.</li> <li>In case the sequence 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 sequence number 1 then enter RA00000001 in the PAN field.</li> </ul>

Dividend Bank Details	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.
<b>OR</b> Date of Birth (DOB)	<ul style="list-style-type: none"> <li>If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).</li> </ul>

- (ix) After entering these details appropriately, click on "SUBMIT" tab.
- (x) 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.
- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN of FINOLEX INDUSTRIES LIMITED. on which you choose to vote.
- (xiii) 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.
- (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xv) 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.
- (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xviii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xix) **Note for Non – Individual Members and Custodians**
  - Non-Individual Members (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, a 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 linked in the login 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 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.
- (xx) 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).
- (c) Mr. Sridhar G. Mudaliar, Partner, SVD & Associates, Company Secretaries, has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The Scrutinizer shall, immediately after the conclusion of the e-voting period, unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make, not later than three (3) days of conclusion of the Meeting, a consolidated Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company or a person authorized by him in writing who shall countersign the same.

The results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.finolexwater.com](http://www.finolexwater.com) and on the website of CDSL immediately after the result is declared by the Chairman and communicated to the National Stock Exchange of India Limited & BSE Limited.

6. The details of the Whole-time Directors proposed to be re-appointed as required under Regulation 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2016 are given in the explanatory statement which forms part of this notice.

The details of Mr. Sanjay S. Math (DIN 01874086), who is proposed to be re-appointed as director liable to retire by rotation, are given in Item no. 8 of the Explanatory Statement attached hereto.

7. 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.

8. 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.
9. 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.
10. Members desirous of obtaining any information concerning the accounts and operations of the Company for the financial year ended 31<sup>st</sup> March, 2016 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> July, 2016 so that the requested information may be made available.
11. Please ensure that copies of PAN card(s) of all transferees/legal heirs while lodging requests for share transfer/transmission of shares are enclosed. In the absence of such PAN card copies, the Company cannot give effect to the requests for transfer/transmission/ name deletion etc.
12. Members are requested to note that pursuant to the provisions of section 124 and other applicable provisions of the Companies Act, 2013, as amended, and rules made thereunder, as amended. The dividend remaining unclaimed / unpaid for the period of seven (7) 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. Members are also requested to furnish Bank Account No., name of the Bank, Branch, IFSC Code and Place with PIN Code No. where the account is maintained to prevent fraudulent encashment of dividend warrants.
13. Members are requested to bring their copies of the annual reports and the attendance slips duly filled-in to the Meeting. Members holding shares in demat form are requested to bring their Client ID and Depository Participant (DP) ID numbers for easy identification for attendance at the Meeting.
14. Pursuant to the provisions of Rule 18 of the Companies (Management and Administration) Rules, 2014 that a Company can send annual report by electronic mail (e-mail address) to the Members as per the records of the Company or as provided by depositories. As such, Members holding shares in physical form are advised to forward their e-mail addresses to the Company for registration at e-mail address [investors@finolexind.com](mailto:investors@finolexind.com) and Members holding shares in dematerialized form are requested register or update their e-mail addresses with the concerned depository participants to enable the Company to send the soft copy of the annual report by e-mail. It is also clarified that in case any Member desires to get a hard copy of annual report, the same would be sent to the Member 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.
15. All documents referred to in the notice and explanatory statement annexed thereto will be available for inspection at the Company's registered office during normal business hours on working days except Saturday, Sunday and Public Holidays during business hours i.e. 10.00 a.m. to 3.00 p.m.) of the Company upto the date of the Meeting.

16. The Company has in house share transfer activity situated at the address mentioned in the Investor Relations Center.
17. Route map showing directions to the venue of the Meeting is given on page 184.

**Explanatory Statement pursuant to section 102 of the Companies Act, 2013 (the “Act”) sets out material facts relating to the business mentioned at Item nos. 5 to 8 of the accompanying notice dated 21<sup>st</sup> May, 2016.**

#### **Item No. 5**

In terms of the provisions of section 148 of the Companies Act, 2013 (the “Act”) the Board of Directors (the “Board”) at its meeting held on 21<sup>st</sup> May, 2016 has, on the recommendation of the Audit Committee, approved the appointment of M/s. S. R. Bhargave & Co., Cost Auditor, for the audit of cost records maintained by the Company as per the requirements of the Act and Rules made thereunder for the financial year ending 31<sup>st</sup> March, 2017. 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, 2017 is ₹ 4,00,000 and reimbursement of out of pocket expenses at actuals plus service tax, as applicable.

M/s. S. R. Bhargave & Co. have submitted a letter regarding their eligibility for appointment as Cost Auditors.

As per rule 14 of the Companies (Audit and Auditors) Rules, 2014, the remuneration of M/s. S. R. Bhargave & Co., Cost Auditor shall be ratified by the Members. Hence, this resolution is put for consideration of the Members.

None of the directors or key managerial personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item no. 5, except as Members of the Company.

#### **Item No. 6**

Pursuant to the provisions of section 42 of the Act read with the Companies (Prospectus and Allotment of Securities) Rules, 2014 and the Companies (Share Capital and Debentures) Rules, 2014, (hereinafter collectively referred to as the “Rules”), the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and SEBI (Listing Obligations and Disclosures Requirements) Regulations 2015, a company offering or making an invitation to subscribe to secured Non-Convertible Debentures (“NCDs”) on a private placement basis is required to obtain the prior approval of the Members by way of a special resolution. Such an approval by way of special resolution can be obtained once a year for all the offers and invitations for such NCDs during the year.

NCDs issued on private placement basis are a significant source of borrowings for the Company. The secured borrowings of the Company as on 31<sup>st</sup> March, 2016 aggregate to ₹ 21,171.20 lakhs (approximately), of which, NCDs aggregate to approximately ₹ 10,000.00 lakhs.

The approval of the Members is being sought by way of a special resolution under sections 42 and 71 of the Act read with the Rules made thereunder to enable the Company to offer or invite subscription for secured 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. 6, within the overall borrowing limits of the Company, as approved by the Members from time to time.

The Board recommends the resolution set out at Item no. 6 for approval of the Members.

None of the directors or key managerial personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item no. 6.

#### **Item No. 7**

Mr. Prakash P. Chhabria, Whole-time Director designated as Executive Chairman was appointed at the Annual General Meeting held on 11<sup>th</sup> August, 2012 from 11<sup>th</sup> August, 2012 till the expiry of the term of his office on 30<sup>th</sup> November, 2016.

The Board of Directors (the "Board"), on the recommendation of the Nomination and Remuneration Committee, at a meeting held on 21<sup>st</sup> May, 2016 considered reappointment of Mr. Prakash P. Chhabria, Whole-time Director designated as Executive Chairman for a period of five (5) years from 1<sup>st</sup> December, 2016 to 30<sup>th</sup> November, 2021 on the terms and conditions including remuneration to be paid including in case of inadequate profits or no profits in the manner set out in the draft Agreement to be entered into by the Company with Mr. Prakash P. Chhabria subject to necessary approvals, sanctions, or permissions.

The main terms and conditions of the draft Agreement to be entered into by the Company with Mr. Prakash P. Chhabria are as under:

#### **A. Period of appointment as Whole-time Director designated as Executive Chairman**

From 1<sup>st</sup> December, 2016 to 30<sup>th</sup> November, 2021.

#### **B. Remuneration**

The Company shall pay to Mr. Prakash P. Chhabria in consideration of his duties a basic salary as under in the scale of ₹ 8.00 lakhs to ₹ 25.00 lakhs per month with annual increment as may be decided by the Board and/ or Nomination and Remuneration Committee within the abovementioned scale:

Basic salary for the period beginning on 1<sup>st</sup> December, 2016: ₹.8,97,560/- per month.

#### **C. Commission**

Commission as such percentage of the net profits of the Company computed in the manner laid down under section 198 of the Act or such amount as the Board may determine subject to a minimum commission being equivalent to the annual salary.

#### **D. Perquisite and Allowances**

In addition to the Salary and Commission as stated above, Mr. Prakash P. Chhabria shall be entitled to the following allowances / perquisites as per policy.

- i. Housing- Rent free furnished accommodation. In case no accommodation is provided by the Company, Mr. Prakash P. Chhabria shall be paid 30% of basic salary as House

Rent Allowance

- ii. Soft furnishing allowance.
- iii. Reimbursement of gas, electricity and water charges.
- iv. Bonus/Ex-gratia as announced by the Company.
- v. Medical allowance including reimbursement as per the rules of the Company.
- vi. Club fees: Subject to a maximum of two clubs including admission and life membership fees.
- vii. Leave with full pay and all allowances as per the rules of the Company, but not exceeding one month's leave for eleven (11) months' service and in addition two weeks leave every third year.
- viii. Encashment of leave at the end of the tenure as per the rules of the Company.
- ix. Leave Travel Concession: For self and members of his family as per the rules of the Company.
- x. Personal Accident Insurance as per the rules of the Company.
- xi. Company's contribution to provident fund, superannuation fund, special allowance and gratuity fund or payment in lieu of the said benefits as per the rules of the Company.
- xii. Free use of motor car with driver provided by the Company for business purposes and the Company paying for all expenses including running, maintenance expenses whatsoever incurred in respect thereof.
- xiii. Telephone: Free landline facility at residence and mobile phone facility that is to say all charges including rentals, call and internet charges etc. shall be paid by the company in full. Personal long distance calls to be billed by the Company to Mr. Prakash P. Chhabria.
- xiv. Retirement and other benefits, as per rules of the Company.

**E. Minimum Remuneration**

- i. In the event of inadequate profits or no profits in any financial year during the tenure of the Agreement, the salary mentioned in paragraph B and allowances/ perquisites mentioned in D above, shall be the minimum remuneration payable to Mr. Prakash P. Chhabria subject to necessary approvals and other applicable provisions of the Act.

**F. Other terms and conditions**

- i. Mr. Prakash P. Chhabria shall have the substantial powers of management of the affairs of the Company and shall exercise and perform such powers and duties as the Board from time to time determines.

- ii. Mr. Prakash P. Chhabria is entrusted with substantial powers of management and shall work under the superintendence, control and direction of the Board. He shall have the powers of general conduct and management of business and affairs of the Company except in the matters which may be specifically required to be done by the Board either by the Act or by the Articles of Association of the Company.
- iii. During his employment with the Company, Mr. Prakash P. Chhabria shall devote such time and attention to the business and affairs of the Company as may be necessary and shall use his best endeavors to promote its interest and welfare.
- iv. Mr. Prakash P. Chhabria shall also be entitled to reimbursement of entertainment or other business promotion expenses actually incurred in the course of business of the Company.
- v. Mr. Prakash P. Chhabria, so long as he functions as Whole-time Director designated as Executive Chairman, shall not be paid any sitting fees for attending the meetings of the Board or of any Committees thereof.
- vi. Mr. Prakash P. Chhabria shall not, so long as he functions as Whole-time Director designated as Executive Chairman, become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company without prior approval of the Central Government or such authority as authorised under the law.
- vii. Either party shall be entitled to determine the Agreement by giving to the other advance notice of six (6) months or by giving in cash the basic salary for six (6) months in lieu of the notice.

The aforesaid may be treated as details of the terms and conditions of the reappointment and remuneration, including revision thereof, payable to Mr. Prakash P. Chhabria as Whole-time Director designated as Executive Chairman of the Company pursuant to Section 196 of the Act.

The additional information on Whole-time Director recommended for reappointment required under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is given in the page no.169 of this report.

The Board recommends the resolution set out at Item no.7 for approval of the Members.

None of the directors except Mr. Prakash P. Chhabria and Mrs. Ritu P. Chhabria or key managerial personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item no. 7.

## Item No. 8

Mr. Sanjay S. Math, Whole-time Director designated as Director (Operations) was appointed at the Annual General Meeting held on 11<sup>th</sup> August, 2012 from 4<sup>th</sup> February, 2012 till the expiry of the term of the office on 3<sup>rd</sup> February, 2017.



The Board, on the recommendation of the Nomination and Remuneration Committee, at a meeting held on 21<sup>st</sup> May, 2016 considered reappointment of Mr. Sanjay S. Math, Managing Director who shall be Whole-time Director for a period of five (5) years with effect from 1<sup>st</sup> December, 2016 on the terms and conditions including remuneration to be paid including in case of inadequate profits or no profits in the manner set out in the draft Agreement to be entered into by the Company with Mr. Sanjay S. Math subject to necessary approvals, sanctions, or permissions.

The Board, in pursuance of powers conferred on it under clause 3 of the Agreement dated 4<sup>th</sup> February, 2012 formerly executed by the Company with Mr. Sanjay Math, has also proposed to terminate the current terms of appointment of Mr. Sanjay S. Math, Whole-time Director designated as Director (Operations) on 30<sup>th</sup> November, 2016 instead of 3<sup>rd</sup> February, 2017.

The main terms and conditions of the draft Agreement to be entered into by the Company with Mr. Sanjay S. Math are as under:

**A. Period of appointment as Managing Director (Whole-time Director)**

From 1<sup>st</sup> December, 2016 to 30<sup>th</sup> November, 2021.

**B. Remuneration**

The Company shall pay to Mr. Sanjay S. Math in consideration of his duties a basic salary as under in the scale of ₹ 3.00 lakhs to ₹ 10.00 lakhs per month with annual increment as may be decided by the Board and/ or Nomination and Remuneration Committee within abovementioned scale:

Basic salary for the period beginning on 1<sup>st</sup> December, 2016 ₹ 3,05,940/- per month.

**C. Commission**

Commission as such percentage of the net profits of the Company computed in the manner laid down under section 198 of the Act or such amount as the Board may determine subject to a minimum commission being equivalent to the annual salary.

**D. Perquisite and Allowances**

In addition to the Salary and Commission as stated above, Mr. Sanjay S. Math shall be entitled to the following allowances / perquisites as per policy.

- i. House Rent Allowance- 30% of basic salary per month.
- ii. Soft furnishing allowance.
- iii. Reimbursement of gas, electricity and water charges or compensatory allowance.
- iv. Conveyance allowance as per rules of the Company
- v. Bonus/Ex-gratia/Performance Incentive as announced by the Company as per rules.
- vi. Medical allowance including reimbursement as per the rules of the Company.
- vii. Club fees: Subject to a maximum of two club including admission and life membership

fees.

- viii. Leave with full pay and all allowances as per the rules of the Company.
- ix. Yearly encashment of leave during the tenure of employment as per the rules of the Company.
- x. Leave Travel Concession as per the rules of the Company.
- xi. Personal Accident Insurance as per the rules of the Company.
- xii. Company's contribution to provident fund, superannuation fund and gratuity fund or payment in lieu of the said benefits as per the rules of the Company.
- xiii. Provision of motor car as per rules of the Company.
- xiv. Reimbursement of driver salary as per policy of the Company.
- xv. Telephone: Free landline facility at residence and mobile phone facility that is to say all charges including rentals, call and internet charges etc. shall be paid by the company in full. Personal long distance calls to be billed by the Company to Mr. Sanjay S. Math
- xvi. Retirement and other benefits, as per rules of the Company.

#### **E. Minimum Remuneration**

- i. In the event of inadequate profits or no profits in any financial year during the tenure of the Agreement, the salary mentioned in paragraph B and allowances/ perquisites mentioned in D above, shall be the minimum remuneration payable to Mr. Sanjay S. Math subject to necessary approvals and other applicable provisions of the Act.

#### **F. Other terms and conditions**

- i. Mr. Sanjay S. Math will be entrusted with substantial powers of management and shall work under the superintendence, control and direction of the Board. He shall have the powers of general conduct and management of business and affairs of the Company except in the matters which may be specifically required to be done by the Board either by the Act or by the Articles of Association of the Company.
- ii. During his employment with the Company, Mr. Sanjay S. Math shall devote such time and attention to the business and affairs of the Company as may be necessary and shall use his best endeavors to promote its interest and welfare.
- iii. Mr. Sanjay S. Math, so long as he functions as Managing Director shall not be paid any sitting fees for attending the meetings of the Board or of any Committees thereof.
- iv. Mr. Sanjay S. Math would be ceased to be director, ipso facto, on the employment with the Company getting terminated.
- v. Either party shall be entitled to determine the Agreement by giving to the other advance notice of three (3) months or by giving in cash/ cheque the basic salary for three (3)

months in lieu of the notice.

The aforesaid may be treated as details of the terms and conditions of the reappointment and remuneration, including revision thereof, payable to Mr. Sanjay S. Math as Managing Director of the Company pursuant to Section 196 of the Act.

The additional information on Managing Director recommended for reappointment required under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is given in the page no.170 of this report.

The Board recommends the resolution set out at Item no.8 for approval of the Members.

None of the directors except Mr. Sanjay S. Math or key managerial personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item no. 8.

By Order of the Board of Directors  
For Finolex Industries Limited

Place : Pune  
Date : 21<sup>st</sup> May, 2016

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

Additional information on directors recommended for reappointment required under Regulation 36 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.



**Mr. Prakash P. Chhabria**

**(a) A brief resume of the director**

Mr. Prakash P. Chhabria, Executive Chairman, age 53 years is a Whole-time Director since March, 1992. Mr. Prakash P. Chhabria is B.Sc. in International Business from University of Evansville, USA and has completed Advanced Management Programme from Wharton Business School, USA. Mr. Prakash P. Chhabria is a well-known industrialist.

**(b) Nature of his expertise in specific functional areas**

Expert in international business and general management.

**(c) Disclosure of relationships between directors inter-se**

Mr. Prakash P. Chhabria is part of promoters' group and related to Mrs. Ritu P. Chhabria, Non-Executive, Non-Independent Director of the Company.

**(d) Names of listed entities in which the person also holds the directorship and the membership of Committees of the board**

Mr. Prakash P. Chhabria does not hold directorship of any other listed entities. The details of the committee positions held by him in this Company are given on page no.72.

**(e) Shareholding in the Company.**

Mr. Prakash P. Chhabria holds 1,70,749 equity shares of the Company.



**Mr. Sanjay S. Math**

**(a) A brief resume of the director**

Mr. Sanjay S. Math age 60 years is B.E. (Chemicals), UDCT and PGDM, Mumbai. He is a member of American Institute of Chemical Engineering. He has to his credit 40 years of rich working experience in various projects and petrochemical plant operations. He has worked in reputed organizations like NOCIL, Bombay Dyeing, Rama Petrochemicals, Saudi Yanbu Petrochemicals, Essar Refinery etc. Mr. Math has earlier worked with the Company at Ratnagiri from December 2004 to July 2008 as Director (Manufacturing).

**(b) Nature of his expertise in specific functional areas**

Expertise in Chemical and Petrochemical field and general business administration.

**(c) Disclosure of relationships between directors inter-se**

None of the directors are related to Mr. Sanjay S. Math.

**(d) Names of listed entities in which the person also holds the directorship and the membership of Committees of the board**

Mr. Sanjay S. Math does not hold any directorship except in this Company and also he does not hold any membership of the Committee of the Board in any listed company.

**(e) Shareholding in the Company.**

Mr. Sanjay S. Math holds 3,000 equity shares of the Company.

By Order of the Board of Directors  
For Finolex Industries Limited

Place : Pune  
Date : 21<sup>st</sup> May, 2016

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

## Five Year Financial Highlights

(₹ in lakhs)

	2015/16 Consolidated	2015/16	2014/15	2013/14	2012/13	2011/12
<b>PROFIT AND LOSS ACCOUNT DATA</b>						
Gross Revenue	2,85,223.52	2,85,316.22	2,84,733.18	2,83,033.11	2,46,679.52	2,35,240.36
Materials and manufacturing cost (including excise duty)	2,21,555.44	2,21,555.44	2,40,354.06	2,21,614.56	1,89,783.07	1,93,266.37
Personnel expenses	9,340.38	9,340.38	7,396.87	7,171.24	7,191.05	5,640.78
Administration and selling expenses	10,549.61	10,549.61	15,999.67	17,194.77	20,103.21	11,611.66
Finance charges	4,464.34	4,464.34	7,037.10	6,637.17	5,144.89	7,496.07
Depreciation	5,057.36	5,057.36	5,867.42	6,229.18	5,441.64	7,551.28
(Loss) / Profit before tax	34,256.39	34,349.09	8,078.06	24,186.19	19,015.64	9,674.21
Share of profit of Associate	628.24	-	-	-	-	-
Taxation	10,989.68	10,989.68	3,300.23	7,171.53	5,401.95	2,159.08
(Loss) / Profit after tax	23,894.95	23,359.41	4,777.83	17,014.66	13,613.69	7,515.13
Dividend (including tax on dividend if applicable)	14,935.82	14,935.82	2,978.14	10,162.97	7,932.65	4,326.80
<b>BALANCE SHEET DATA</b>						
Share capital	12,409.54	12,409.54	12,409.54	12,409.54	12,408.68	12,408.68
Reserves and surplus	87,016.88	83,371.84	66,330.45	66,559.33	59,707.59	53,802.24
Net worth	99,426.42	95,781.38	78,739.99	78,968.87	72,116.27	66,210.92
Deferred tax (net)	11,800.68	11,800.68	11,077.75	10,632.53	9,363.58	8,985.55
Long term Loans	-	-	18,365.80	23,220.87	13,970.87	18,956.07
Short term Loans	11,171.20	11,171.20	40,340.14	42,371.22	57,092.20	82,288.35
<b>Total liabilities</b>	<b>1,22,398.30</b>	<b>1,18,753.26</b>	<b>1,48,523.68</b>	<b>1,55,193.49</b>	<b>1,52,542.92</b>	<b>1,76,440.89</b>
Gross block	1,92,268.92	1,92,268.92	1,89,393.63	1,84,996.56	1,77,099.66	1,62,553.92
Net block (including CWIP)	85,626.14	85,626.14	87,816.30	93,768.00	93,013.17	86,937.35
Investments	15,683.23	12,038.18	12,461.09	12,740.40	12,740.40	12,208.56
Net current assets	21,088.93	21,088.94	48,246.29	48,685.09	46,789.35	77,294.98
<b>Total assets</b>	<b>1,22,398.30</b>	<b>1,18,753.26</b>	<b>1,48,523.68</b>	<b>1,55,193.49</b>	<b>1,52,542.92</b>	<b>1,76,440.89</b>
<b>KEY RATIOS</b>						
Return on net worth (%)	24.03	24.39	6.07	21.55	18.88	11.35
Earnings per share (₹)	19.26	18.82	3.85	13.71	10.97	6.06
Long term debt to equity	-	-	0.23	0.29	0.19	0.29
Dividend payout (%)	62.51	63.94	62.33	59.73	58.27	57.57
Interest coverage	8.81	8.69	2.15	4.64	4.70	2.29
Book value per share	80.12	77.18	63.45	63.64	58.11	53.35

Note: As a result of change in the Schedule VI format, the figures of the financial years 2011-12 and 2012-13, pertaining to Long & short term loans, investments and net current assets are not comparable with the other financial years.

## NOTES

This image shows a full page of blank, lined paper. It features approximately 20 evenly spaced horizontal grey lines across its entire width, providing a guide for handwriting or typing. The paper itself is white, and there are no margins, text, or other markings present.

**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.finolexwater.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-fifth annual general meeting of the Company, to be held on the Thursday, 11<sup>th</sup> August, 2016 at 10.00 a.m. at Kiroloskar 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	To receive, consider and adopt the audited financial statements (including the consolidated financial statements) of the Company for the financial year ended 31 <sup>st</sup> March, 2016 together with the reports of the directors' and the auditors'
2	To declare final dividend on equity shares for the financial year ended 31 <sup>st</sup> March, 2016.
3	To appoint a director in place of Mr. Sanjay S.Math (DIN 01874086), who retires by rotation and, being eligible, offers himself for re-appointment.
4	To ratifies the appointment of M/s. P. G. Bhagwat, Chartered Accountants (Firm Registration No.101118W), as the Statutory Auditors of the Company to hold office from the conclusion of this annual general meeting until the conclusion of the annual general meeting to be held in the financial year 2017-18 on such remuneration as may be mutually agreed between the Board of Directors (the "Board") and the Statutory Auditors
<b>Special business</b>	
5	To ratify a consolidated remuneration of ₹ 4,00,000/- plus service tax, as applicable and out of pocket expenses payable to M/s. S. R. Bhargave & Co., Cost Accountants who have been appointed by the Board of Directors of the Company for the audit of the cost records of the Company for the financial year ending 31 <sup>st</sup> March, 2017.
6	To give approval for making offer(s) or invitation(s) to subscribe to secured Non-Convertible Debentures ("NCD") on a private placement basis in one or more tranches during a period of one year from the date of passing of this resolution within the overall borrowing limits of the Company, as approved by the members, from time to time.
7	To give approval for re-appointment of Mr. Prakash P. Chhabria (DIN 00016017) as Whole-time Director designated as Executive Chairman and remuneration payable to him with effect from 1 <sup>st</sup> December, 2016.
8	To give approval for re-appointment of Mr. Sanjay S. Math (DIN 01874086) as Managing Director who shall be Whole-time Director and remuneration payable to him with effect from 1 <sup>st</sup> December, 2016.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Affix  
Revenue  
Stamp of  
fifteen  
paise

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 35<sup>th</sup> annual general meeting.

**FINOLEX INDUSTRIES LIMITED**

Registered Office : Gat No.399, Urse, Taluka Maval,  
District Pune 410 506, Maharashtra, India  
CIN :L40108PN1981PLC024153  
Tel No.02114-237251, Fax No.02114-237252  
E-mail: investors@finolexind.com  
Website: www.finolexwater.com

**BALLOT FORM**

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-fifth annual general meeting of the Company to be held on Thursday, 11<sup>th</sup> August, 2016 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)
1	To receive, consider and adopt the audited financial statements (including the consolidated financial statements) of the Company for the financial year ended 31 <sup>st</sup> March, 2016 together with the reports of the directors' and the auditors'.			
2	To declare final dividend on equity shares for the financial year ended 31 <sup>st</sup> March, 2016.			
3	To appoint a director in place of Mr. Sanjay S.Math (DIN 01874086), who retires by rotation and, being eligible, offers himself for re-appointment.			
4	To ratifies the appointment of M/s. P. G. Bhagwat, Chartered Accountants (Firm Registration No.101118W), as the Statutory Auditors of the Company to hold office from the conclusion of this annual general meeting until the conclusion of the annual general meeting to be held in the financial year 2017-18 on such remuneration as may be mutually agreed between the Board of Directors (the "Board") and the Statutory Auditors.			
	<b>Special Business</b>			
5	To ratify a consolidated remuneration of ₹ 4,00,000/- plus service tax, as applicable and out of pocket expenses payable to M/s. S. R. Bhargave & Co., Cost Accountants who have been appointed by the Board of Directors of the Company for the audit of the cost records of the Company for the financial year ending 31 <sup>st</sup> March, 2017.			

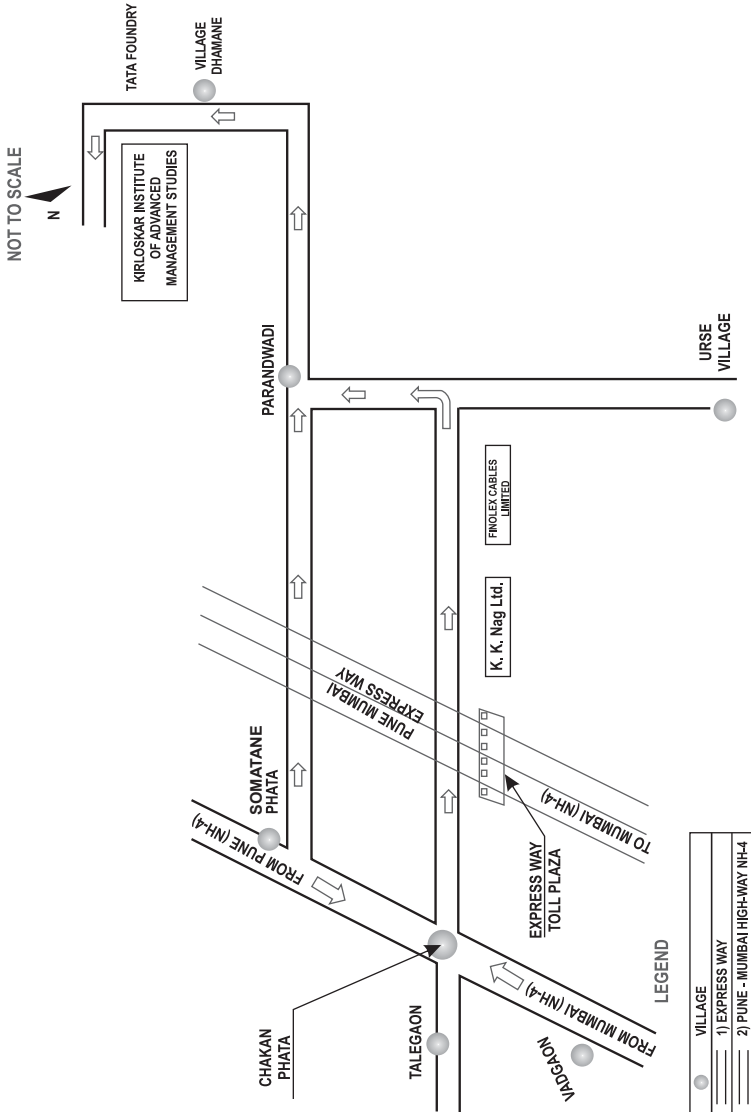
6	To give approval for making offer(s) or invitation(s) to subscribe to secured Non-Convertible Debentures ("NCD") on a private placement basis in one or more tranches during a period of one year from the date of passing of this resolution within the overall borrowing limits of the Company, as approved by the members, from time to time.			
7	To give approval for re-appointment of Mr. Prakash P. Chhabria (DIN 00016017) as Whole-time Director designated as Executive Chairman and remuneration payable to him with effect from 1 <sup>st</sup> December, 2016.			
8	To give approval for re-appointment of Mr. Sanjay S. Math (DIN 01874086) as Managing Director who shall be Whole-time Director and remuneration payable to him with effect from 1 <sup>st</sup> December, 2016.			

Place:	
Date :	
Signature of shareholder	

- Members may fill up the ballot form and submit the same in a sealed envelope to the Scrutinizer, Mr. Sridhar G. Mudaliar, Partner, SVD & Associates, Company Secretaries, at Finolex Industries Limited, D 1/10, MIDC, Chinchwad, Pune 411019 so as to reach by 5.00 p.m. on Wednesday, 10<sup>th</sup> August, 2016. Ballot form received thereafter will strictly be treated as if not received.
- The Company will not be responsible if the envelope containing the ballot form is lost in transit.
- 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.
- 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.
- There will be only one ballot form for every Folio/DP ID Client ID irrespective of the number of joint members.
- 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.
- 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.
- For the resolutions, explanatory statement and instructions for e-voting procedure please refer notice of the 35<sup>th</sup> annual general meeting of the Company.



ROAD MAP FOR KIRLOSKAR INSTITUTE OF ADVANCED MANAGEMENT STUDIES



## Our CSR initiatives with Mukul Madhav Foundation (2015-16)



M.S.Dhoni at the Fund Raiser for many causes organized by Mukul Madhav Foundation



Finolex Pipes along with Prashanti Cancer Care Mission organized biannual mammography camps in Ratnagiri and Our Marathon for breast cancer awareness in Pune



MMF donated wheelchairs and Cerebral Palsy chairs to children affected by Cerebral Palsy in Satara



Finolex Industries Ltd and Mukul Madhav Foundation invited the Rising Pune Super Giants to meet the children at KEM hospital



Sankranti at Girdhar Vidyalaya and Prathmik Gujarati school in Masar, Gujarat



Finolex Industries and Mukul Madhav Foundation won the Global CSR Excellence & Leadership Award for outstanding contribution in the field of "SUPPORT & IMPROVEMENT" IN THE QUALITY OF EDUCATION and the India CSR Community Initiative Awards 2015 for Best Innovative CSR Practices in Education at Ratnagiri



Mukul Madhav Vidyalaya – A school with a difference completes 6 years



The 10th successful pediatric cardiac camp in association with Healing Little Hearts and Ruby Hall Clinic  
Free Medical Health Check up camps conducted by Mukul Madhav Foundation in schools of Pune

If undelivered please return to:



**FinOlex**  
**INDUSTRIES**

Finolex Industries Limited

D-1/10, MIDC, Chinchwad, Pune – 411 019. Maharashtra, India. Tel : +91-20-2740 8200

E-mail: [investors@finolexind.com](mailto:investors@finolexind.com) Website: [www.finolexwater.com](http://www.finolexwater.com)