

# Corporate Governance

## Compliance Report for the year 2016-17

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

The Company has always strived 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.
- An optimum combination of promoter, executive, 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 was represented by four executive directors. Mr. Prakash P. Chhabria is Executive Chairman from the promoter group of the Company. Mr. Saurabh S. Dhanorkar was Managing Director (upto 30th November, 2016), Mr. Sanjay S. Math was whole-time Director designated as Director - Operations upto 30th November 2016 and is a Managing Director with effect from 1st December, 2016 and Mr. Anil V. Whabi, is Director – Finance with effect from 26th August, 2016 in the category of the executive directors.

The appointment of Mrs. Ritu P. Chhabria, as the woman director ensures compliance with corporate governance norms.

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 the directors' attendance at the meetings of the Board, other committees of the Board, the annual general meeting held during the financial year 2016-2017, 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.

	<b>Mr. Prakash P. Chhabria</b>	<b>Mr. Sanjay K. Asher</b>	<b>Mr. Kanaiyalal N. Atmaramani</b>	<b>Mrs. Ritu P. Chhabria</b>	<b>Mr. Dara N. Damania</b>	<b>Mr. Anil V. Whabi</b>	<b>Mr. Shrikrishna N. Inamdar</b>	<b>Mr. Prabhakar D. Karandikar</b>	<b>Mr. Sanjay S. Math</b>	<b>Dr. Sunil U. Pathak</b>	<b>Mr. Saurabh S. Dhanorkar</b>
	Executive Chairman (Whole-time Director)	Independent Director	Independent Director	Non-independent Non-Executive Director	Independent Director	Director - Finance (Whole-time Director)*	Independent Director	Independent Director	Managing Director*	Independent Director	Managing Director*
<b>Board Meetings attendance during the year 2016-2017</b>											
Attendance	5	5	4	5	4	2	5	5	5	4	3
<b>Attendance at thirty fifth annual general meeting held on 11th August, 2016</b>											
A G M attended	Yes	Yes	No	Yes	Yes	NA	Yes	Yes	Yes	Yes	Yes
<b>Committee Positions held attendance during the financial year 2016-17 in Finolex Industries Limited</b>											
<b>Audit Committee</b>											
Membership	Not Member	Not Member	Member	Not Member	Member	Not Member	Member	Member	Not Member	Member	Not Member
Attendance	NA	NA	4	NA	3	NA	4	4	NA	3	NA
<b>Stakeholders' Relationship Committee</b>											
Membership	Member	Not Member	Member	Not Member	Member	Not Member	Member	Member	Not Member	Member	NA
Attendance	4	NA	4	NA	3	NA	4	4	NA	3	
<b>Nomination and Remuneration Committee</b>											
Membership	Not Member	Member	Member	Not Member	Member	Not Member	Member	Member	Not Member	Member	Not Member
Attendance	NA	4	4	NA	3	NA	4	4	NA	3	NA
<b>Corporate Social Responsibility Committee</b>											
Membership	Member	Not Member	Not Member	Member	Not Member	Not Member	Not Member	Not Member	Not Member	Member	Member
Attendance	4	NA	NA	4	NA	NA	NA	NA	2	3	2
<b>Risk Management Committee</b>											
Membership	Member	Not Member	Not Member	Not Member	Not Member	Member	Not Member	Not Member	Member	Member	Member
Attendance	No meeting was held during the financial year 2016-2017										
<b>Finance Committee</b>											
Membership	Member	Member	Not Member	Not Member	Not Member	Member	Not Member	Not Member	Member	Member	Member
Attendance	No meeting was held during the financial year 2016-2017										
<b>Share Transfer Committee</b>											
Membership	Member	Not Member	Not Member	Not Member	Not Member	Member	Not Member	Member	Member	Member	Member
Attendance	21	NA	NA	NA	NA	14	NA	10	9	12	10
<b>Directorships in other companies</b>											
Chairman	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Director	6	18	2	Nil	6	1	5	9	Nil	1	1
<b>Committee position in other companies</b>											
Chairman	Nil	4	Nil	Nil	5	Nil	2	1	Nil	Nil	Nil
Member	Nil	17	4	Nil	13	Nil	5	12	Nil	Nil	Nil
No. of shares of ₹10 each held of the Company	170749	0	0	4450	900	Nil	2000	Nil	3000	300	5381

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

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

\* Mr. Saurabh S. Dhanorkar, Managing Director retired from the services of the Company with effect from the close of business hours of 30th November, 2016.

\* Mr. Sanjay S. Math who was Director (Operations) has been appointed as the Managing Director of the Company with effect from 1st December, 2016.

\* Mr. Anil V. Whabi who was President – Finance & CFO has been appointed as Whole-time Director designated as Director – Finance & CFO of the Company with effect from 26th August, 2016.

\* 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 Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

During 2016-2017, five Board meetings were held viz. 21st May, 2016, 11th August, 2016, 26th August, 2016, 8th December, 2016 and 4th February, 2017. 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, they are related to each other by marriage.

### 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.

### Web link 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 31st March, 2017, the Audit Committee (the "Committee") consisted of 5 (five) independent directors viz. Mr. Shrikrishna N. Inamdar (Chairman of the Committee), Mr. Kanaiyalal 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 2016-17, the Audit Committee met 4 (four) times viz. 20th May, 2016, 26th August, 2016, 8th December, 2016 and 4th February, 2017.

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

Mr. Umesh M. Gosavi who was the Company Secretary resigned from the services of the Company with effect from the close of business hours of 19th August, 2016 and in his place, Ms. Vidya Shembekar was appointed as General Manager (Legal) & Company Secretary of the Company with

effect from 8th December, 2016. Ms. Vidya Shembekar 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, performance and effectiveness of the audit process.
- Examination and review of the quarterly and annual financial statement and the 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 any matter the Board has referred. For this purpose, it will have the 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 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 a public issue, rights issue or preferential issue etc.

- Reviewing the statement of funds utilized for the purposes other than those stated in the offer document/prospectus / notice.
- Reviewing the report submitted by the monitoring agency and 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, the performance of the statutory and internal auditors, the adequacy of the internal control systems.
- Reviewing the adequacy of the 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 the 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 the audit as well as a 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 the 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 six independent directors namely Mr. Sanjay K. Asher, Mr. Kanaiyalal N. Atmaramani, Mr. Dara N. Damania, Mr. Shrikrishna N. Inamdar (Chairman of the Committee), Mr. Prabhakar D. Karandikar and Dr. Sunil U. Pathak are the members of the Nomination and Remuneration Committee.

### Brief description of terms of reference

The terms of reference of the 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 skill sets required by the Board, and to ensure that such people contribute to the decisions and policies that will eventually define the company. The Committee also considers qualifications, positive attributes, areas of expertise and the number of Directorships and Memberships held in various committees of other companies by such persons. The Board considers

the Committee's recommendation and takes the appropriate decision.

- ensuing that the Board of Directors is comprised of individuals who are best able to discharge the responsibilities of the 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 the Independent Directors and the Board of Directors.
  - devising a policy that ensures the Board consists of diverse individuals
  - 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 terms 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 21st May, 2016, 26th August, 2016, 8th December, 2016 and 4th February, 2017. 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. It is given on the Company's website at [www.finolexwater.com](http://www.finolexwater.com) at link <http://www.finolexwater.com/policies-code-of-conduct>.

### **Remuneration of Directors**

None of the non-executive directors have 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 by marriage.

### **Criteria of making payment to non-executive directors.**

The criteria of making payment to Non-executive Directors is given on the Company's website at the following 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)

Details of remuneration paid to the Executive Directors for the financial year 2016-2017 are given below:

<b>Particulars</b>	<b>Mr. Prakash P. Chhabria, Executive Chairman (₹)</b>	<b>Mr. Sanjay S. Math, Managing Director (w.e.f. 1.12.2016) (₹)</b>	<b>Mr. Anil V. Whabi, KMP, Director Finance (w.e.f. 26.08.2016) (₹)</b>	<b>Mr. Saurabh S. Dhanorkar Managing Director (upto 30.11.2016) (₹)</b>
Salary and Allowance	2,14,35,467	85,47,290	77,20,239	80,67,843
Contribution of PF	12,92,485	4,40,555	3,38,016	4,32,711
Superannuation/Special allowance	--	--	--	--
Gratuity fund	3,88,584	1,33,217	1,35,012	1,94,040
Performance incentive/Bonus	21,54,144	7,34,256	5,61,360	7,21,183
Total	25,270,680	98,55,318	87,54,627	94,15,777
Commission payable	9,00,00,000	1,60,00,000	40,00,000	1,00,00,000
Notice period	6 months	3 months	3 months	3 months
Service Contract	Five years	Five years	Five years	Retired on 30.11.2016

The details of remuneration paid / to be paid to the Non-executive Directors and the number of shares held by them are given below:

<b>Sr. No.</b>	<b>Name</b>	<b>Remuneration (₹)</b>		<b>Shares held</b>
		<b>Commission (₹ in lakh)</b>	<b>Sitting fees (₹ in lakh)</b>	
1.	Mr. Sanjay K. Asher	15.00	2.80	Nil
2.	Mr. Kanaiyalal N. Atmaramani	15.00	4.00	Nil
3.	Mrs. Ritu P. Chhabria	15.00	2.80	4450
4.	Mr. Dara N. Damania	15.00	3.40	900
5.	Mr. Shrikrishna N. Inamdar	20.00	4.40	2,000
6.	Mr. Prabhakar D. Karandikar	15.00	6.40	Nil
7.	Dr. Sunil U. Pathak	15.00	6.40	300

The Non-executive Directors are not getting any remuneration from the Company except the sitting fees and commission as approved by the Board from time to time. All Independent Directors are experts in their respective fields and their services are beneficial to the Company.

No stock options were issued during the financial year 2016-2017.

### Stakeholders' 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 31st March, 2017, 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.

Ms. Vidya Shembekar, Company Secretary is the compliance officer of the Company.

#### Brief description of the 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 that the certificate has been received from the Practicing

Company Secretary in compliance of Regulation 40 (9) to (11) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

- To review the half yearly report of the in-house Share Transfer Agent in terms of SEBI circular No.CIR/MIRSD/7/2012 dated 5th July, 2012.
- To review and note the status of Investor Complaints.
- To review and note the status of unclaimed dividends.
- To take necessary action on the matters delegated by the Board from time to time.

During 2016-17, four (4) meetings of the Stakeholders' Relationship Committee were held viz. 21st May, 2016, 26th August, 2016, 8th December, 2016 and 4th February, 2017. The attendance for the same is given in Table 1.

#### Details of shareholders' complaints

No. of complaints received during the financial year 2016-17	No. of complaints resolved to the satisfaction of the complainants	No. of pending complaints at the end of the financial year i.e. on 31st March, 2017
17	17	0

### Risk Management Committee

#### Composition, members' names and chairperson

The Board at its meeting held on 26th July, 2014 has constituted the Risk Management Committee. As on 31st March, 2017, the Risk Management Committee consisted of four directors viz. Mr. Prakash P. Chhabria (Chairman of the Committee), Mr. Sanjay S. Math, Mr. Anil Whabi 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 the BSE and NSE as at the end of the financial year on 31st March, 2017.

### **Brief description of the Terms of Reference**

The Terms of Reference of the Risk Management Committee shall be as follows:

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

### **Meeting and Attendance**

No meeting of the Risk Management Committee was held during the year 2016-17.

### **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 31st March, 2017, the Corporate Social Responsibility Committee consisted

of four directors viz. Mr. Prakash P. Chhabria (Chairman of the Committee), Mrs. Ritu Chhabria, Mr. Sanjay S. Math (w.e.f. 1st September, 2016) and Dr. Sunil U. Pathak.

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

During 2016-17, four (4) meeting of the Corporate Social Responsibility Committee were held viz. on 21st May, 2016, 26th August, 2016, 8th December, 2016 and 4th February, 2017.

The details of attendance of the Corporate Social Responsibility Committee meetings 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 there under and periodical disclosure requirements.

## Share Transfer Committee

### Composition, members' names and chairperson

As on 31st March, 2017, the Share Transfer Committee consisted of five directors viz. Mr. Prakash P. Chhabria (Chairman of the Committee), Mr. Sanjay S. Math (w.e.f. 1st September, 2016), Mr. Anil V. Whabi (w.e.f. 1st September, 2016), Mr. Prabhakar D. Karandikar and Dr. Sunil U. Pathak.

### Brief description of the Terms of Reference

- Consider and approve the transfer and transmission of securities i.e. shares, debentures and other security documents.
- Consider and approve the issue of duplicate share certificates.
- Consider and approve split, consolidation of share/debenture certificates 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 2016-17, twenty four (24) meetings of the Share Transfer Committee were held. The details of attendance of the Share Transfer Committee meetings by the Directors during the year is given in Table 1

## Finance Committee

### Composition, members' names and chairperson

As on 31st March, 2017, the Finance Committee consisted of five directors viz. Mr. Prakash P. Chhabria (Chairman of the Committee), Mr. Sanjay S. Math (wef 1st September, 2016), Mr. Anil Whabi (wef 1st September, 2016), Mr. Sanjay K. Asher and Dr. Sunil U. Pathak.

### Brief description of the Terms of Reference

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

### Meetings and Attendance

No meeting of the Finance Committee was held during the year 2016-2017.

### Independent Directors' Meeting

The Independent Directors had a meeting on 4th February, 2017 without the attendance of the Non-Independent Directors and members of the Management. All the Independent Directors were present at the meeting except Dr. Sunil U. Pathak. At the Meeting, they –

- a. Reviewed the performance of the 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 the flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

The Independent Directors held a unanimous opinion that the Executive Directors are senior business managers with vast experience in their respective field. Their knowledge and experience was found to be extremely useful for the Company. The Independent Directors are highly knowledgeable both on products and the regions of the Company's operations and were found 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 highly observant.

The level of engagement amongst the Directors is very high. The Board has a 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 probe 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 31st March, 2017 on behalf of themselves and to the best of their knowledge, on behalf of all the 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 the Board members and Senior Management Personnel with the Company's Code of Conduct

As required under 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 31st March, 2017, received from all the Board Members and Senior Management Personnel of the Company, an affirmation of compliance with the Code, as applicable to them.

For Finolex Industries Limited  
Sanjay S. Math

Place: Pune

Managing Director

Date: 5th May, 2017

DIN: 01874086

## 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 of the Company confirms that no shares of the Company are lying in the 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. 40 of notes to accounts on page no. 167 of the 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 at an arm's length basis. The details of the 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 transactions 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. The Related Party Transactions policy has been uploaded 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 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. There are no instances of non-compliance by the Company on any matters related to capital markets. No penalty or strictures been imposed on the Company by the Regulatory Authorities or any statutory authority, on any matter related to capital markets, during the 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 has been displayed on the Company's notice board and is also uploaded on the Company's website at [www.finolexwater.com/policies](http://www.finolexwater.com/policies).

No person has been denied access to the Chairman or members of the Audit Committee.

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

The Managing Director and Chief Financial Officer have furnished a compliance certificate to 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 the Company's website: [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 the pipes and PVC industry, the price and costs are linked to and are dependent on:

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

Due to strong interdependence, any major change in the price of one input or output, affects the price of the rest of the components in the value chain, albeit with a short time lag. Due to this, margins are only temporarily affected whether positively or negatively, until the

price reaches an equilibrium. Generally, over a period of one year, the impact of this price movement gets compensated, and results in normal margins. Hence, the commodity price movements are a temporary risk which do 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 payable on a six monthly rolling basis due to which a natural hedge exists. 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 the Corporate Governance Report**

The Company has complied with the requirements of 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. They are listed below:

- The discretionary requirements of modified opinion(s) in the audit report, separate posts of the Chairperson and the Chief Executive Officer, reporting of the internal auditor directly to the Audit Committee of Para E of Schedule II have been adopted.
- Sub-paras 2 to 10 of Para C of Schedule V;
- Regulations 17 to 27; and
- Regulation 46(2) (b) to (j)

## 8) Practicing Company Secretary's Corporate Governance Certificate

The Company has obtained a certificate from M/s.SVD & Associates, 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. The Certificate is annexed to this Report.

## 9) General body meetings:

### a) The location and time where the last three Annual General Meetings were held

Year	2013-2014	2014-2015	2015- 2016
Date of AGM	20/9/2014	29/8/2015	11/8/2016
Time	11.00 a.m.	11.00 a.m.	10.00 a.m.
Place of AGM	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.	Kirloskar Institute of Advanced Management Studies, Gat No.356 & 357, Near Tata Foundry, Maval, Village Dhamane, Taluka Maval, District Pune 410 506.

**b) The details of special resolutions passed in the previous three Annual General Meetings**

	<b>Date of AGM</b>	<b>Item of special resolution</b>
1	20.9.2014	1 To obtain approval for the 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 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.
2	29.8.2015	To accord consent to the Board for making offers or invitations to subscribe to secured Non-convertible Debentures on a private placement basis in one or more tranches during a period of one year from the date of passing of the resolution within the overall borrowing limits of the Company.
3	11.8.2016	To accord consent to the Board for making offers or invitations to subscribe to secured Non-convertible Debentures on a private placement basis in one or more tranches during a period of one year from the date of passing of 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 conducted during the year under review.

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

No special resolution was proposed through a postal ballot.

**f) Procedure for postal ballot**

No special resolution is proposed through the postal ballot.

**Means of communication:**

- The quarterly results were published during the year under review in leading national and regional newspapers.
- The quarterly results are uploaded on the Company's website [www.finolexwater.com](http://www.finolexwater.com) and on the BSE and NSE websites.
- The official news releases of the Company are displayed on the BSE and NSE websites.
- Presentations made to institutional investors or analysts are available on the Company's website.
- The Management Discussion and Analysis Report is forming part of the Annual Report.

**10) General shareholder information:**

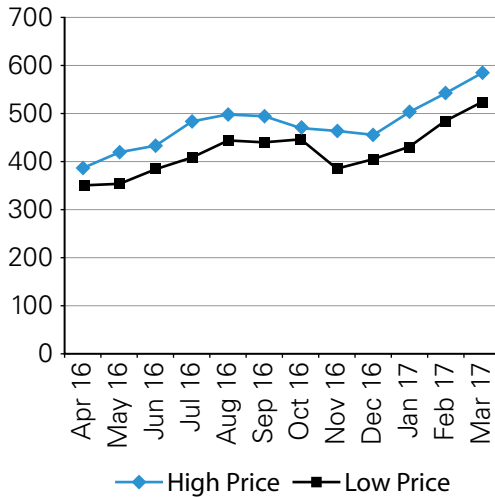
a	Annual General Meeting date, time and venue	Date: 11th August, 2017 Time: 11.00 a.m. Venue: Kirloskar Institute of Advanced Management Studies, Gat No. 356 & 357, Near Tata Foundry Maval, Village Dhamane, Taluka Maval, District Pune 410 506.
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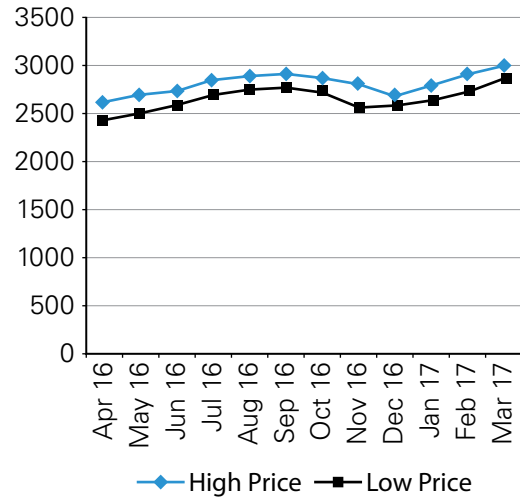
b	Financial year	Announcement of quarterly results of 2017-18 & Annual General Meeting	Quarterly results by 14th August, 2017, 14th November, 2017, 14th February, 2018 and 30th May, 2018 and Annual General Meeting by the end of September, 2018.																																																																						
c	Dividend Payment date	21st August, 2017																																																																							
d	Book closure period	From Saturday, 29th July, 2017 to Friday, 11th August, 2017 (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 National Stock Exchange of India Limited 5, Exchange Plaza Bandra-Kurla Complex Bandra (East), Mumbai 400051	Equity Shares: BSE Limited Floor 25, P. J. Towers Dalal Street Mumbai 400 001																																																																						
		The Company has paid all due listing fees.																																																																							
f	Stock Code:	BSE: Equity- 500940/FINOLEXIND NSE : Equity- FINPIPE																																																																							
g	Market Price data of Equity Shares- High, low during each month in the last financial year 2016-2017	<table border="1"> <thead> <tr> <th rowspan="2">Month</th> <th colspan="2">BSE</th> <th colspan="2">NSE</th> </tr> <tr> <th>High ₹</th> <th>Low ₹</th> <th>High ₹</th> <th>Low ₹</th> </tr> </thead> <tbody> <tr> <td>Apr-16</td> <td>387.00</td> <td>351.00</td> <td>386.5</td> <td>351.00</td> </tr> <tr> <td>May-16</td> <td>420.00</td> <td>355.00</td> <td>422.00</td> <td>355.25</td> </tr> <tr> <td>Jun-16</td> <td>432.50</td> <td>385.95</td> <td>432.80</td> <td>387.00</td> </tr> <tr> <td>Jul-16</td> <td>483.85</td> <td>410.00</td> <td>484.00</td> <td>427.15</td> </tr> <tr> <td>Aug-16</td> <td>497.50</td> <td>444.50</td> <td>497.50</td> <td>441.20</td> </tr> <tr> <td>Sep-16</td> <td>495.00</td> <td>440.00</td> <td>487.00</td> <td>444.00</td> </tr> <tr> <td>Oct-16</td> <td>470.95</td> <td>446.50</td> <td>472.00</td> <td>443.25</td> </tr> <tr> <td>Nov-16</td> <td>463.00</td> <td>385.00</td> <td>487.10</td> <td>381.00</td> </tr> <tr> <td>Dec-16</td> <td>456.00</td> <td>405.00</td> <td>457.00</td> <td>411.00</td> </tr> <tr> <td>Jan-17</td> <td>504.00</td> <td>430.70</td> <td>503.90</td> <td>430.10</td> </tr> <tr> <td>Feb-17</td> <td>540.90</td> <td>483.20</td> <td>545.00</td> <td>483.00</td> </tr> <tr> <td>Mar-17</td> <td>583.50</td> <td>525.00</td> <td>582.40</td> <td>527.65</td> </tr> </tbody> </table>			Month	BSE		NSE		High ₹	Low ₹	High ₹	Low ₹	Apr-16	387.00	351.00	386.5	351.00	May-16	420.00	355.00	422.00	355.25	Jun-16	432.50	385.95	432.80	387.00	Jul-16	483.85	410.00	484.00	427.15	Aug-16	497.50	444.50	497.50	441.20	Sep-16	495.00	440.00	487.00	444.00	Oct-16	470.95	446.50	472.00	443.25	Nov-16	463.00	385.00	487.10	381.00	Dec-16	456.00	405.00	457.00	411.00	Jan-17	504.00	430.70	503.90	430.10	Feb-17	540.90	483.20	545.00	483.00	Mar-17	583.50	525.00	582.40	527.65
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h Performance in comparison with broad based indices such as BSE Sensex, CRISIL Index etc.

Monthly high/low price of Company's equity shares on BSE



Monthly high/low price of S&P BSE Sensex



i In case the securities are suspended from trading, the directors report shall explain the reasons thereof.

Not Applicable

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 411 019

k Share transfer system

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

l Distribution shareholding of

Category	Total investor	% of total B	Total Shares	% of total D
A	B	C	D	E
1-500	116245	94.74	16063468	12.94
501-1000	4287	3.49	3149167	2.54
1001-2000	1267	1.03	1811171	1.46
2001-3000	307	0.25	774426	0.62
3001-4000	127	0.10	447994	0.36
4001-5000	87	0.07	408888	0.33
5001-10000	142	0.12	1035705	0.83
ABOVE 10000	247	0.20	100404562	80.92
<b>TOTAL</b>	<b>122709</b>	<b>100.00</b>	<b>124095381</b>	<b>100.00</b>

m	Dematerialization of shares and liquidity	Depository / Physical	No of shares	% of total shares
		NSDL	62435787	50.31
		CDSL	52154759	42.03
		Physical	9504835	7.66
		<b>Total</b>	<b>124095381</b>	<b>100.00</b>
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. 95		
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 the listed entity at large
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
c	Details of establishment of vigil mechanism, whistle blower policy, and affirmation that no personnel has been denied access to the audit committee
d	Details of compliance with mandatory requirements and adoption of the non-mandatory requirements

No such transactions

No such cases

Vigil mechanism and the whistle blower policy are in place. No personnel has been denied access to the Audit Committee

The Company has complied with the applicable mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Company has adopted following non-mandatory requirements as specified in Part E or Schedule II of the SEBI (Listing Obligation & Disclosure requirements) Regulation, 2015.

a. The Company has an Executive Chairman.

b. During 2016-17, there was no audit qualification in the Auditors' Report on the Company's Financial Statement.

c. The Chairman and Managing Director of the Company are different persons.

The internal auditor is a permanent invitee to the Audit Committee and regularly attends the meetings of the Audit Committee.

<b>Disclosure required</b>		
e	Web link 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	Web link where policy on dealing with related party transactions 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>
g	Disclosure of commodity price risks and commodity hedging activities	The details included in this report.

**12. Non-compliance of any requirement of the Corporate Governance Report of sub-paras (2) to (10) of Part C of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:**

N/A