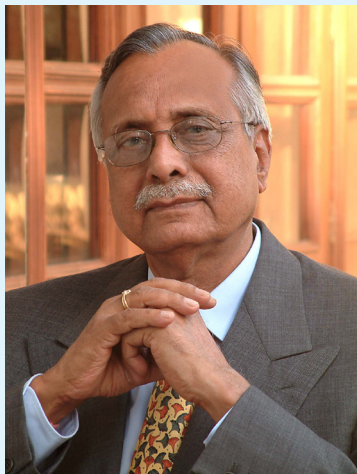


# Chairman's Message



*Dear Stakeholders,*

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

*There has been a good growth in all sectors of the economy during the year in India as compared to the other countries of the world. Your Company has registered significant growth on all fronts. The PVC Pipes and Fittings division has performed well both in terms of volume and value addition. The Company has reported healthy operational profit for the year. The foreign exchange rates and commodity prices have been range bound during the year and less volatile.*

*The Government of India has projected GDP growth rate of 8% plus for the year 2010-11. The agricultural sector is also expected to show a good improvement. Your Company's products are largely sold in the rural market. The government has taken initiative in announcing progressive schemes for development and the demand is expected to be buoyant.*

*The power plant has been commissioned and is expected to be fully operational during 2010-11.*

*I am confident that with your support the Company shall continue to march forward in the coming years.*

*P. P. Chhabria*  
*Chairman*

## BOARD OF DIRECTORS

**Mr. P. P. Chhabria**

*Non-executive Chairman*

**Mr. K. N. Atmaramani**

*Independent Director*

**Mr. Proshanto Banerjee**

*Independent Director*

*(Resigned effective 25th April, 2010)*

**Mr. M. G. Bhide**

*Independent Director*

*(Resigned effective 15th June, 2010)*

**Mr. S. N. Inamdar**

*Independent Director*

**Dr. Vijay P. Bhatkar**

*Independent Director*

**Dr. Sunil U. Pathak**

*Independent Director*

**Mr. P. D. Karandikar**

*Independent Director*

**Mr. K. P. Chhabria**

*Executive Vice Chairman*

**Mr. Prakash P. Chhabria**

*Managing Director*

**Mr. S. S. Dhanorkar**

*Asst. Managing Director &*

*Chief Operating Officer*

**Mr. P. Subramaniam**

*Asst. Managing Director &*

*Chief Financial Officer*

**Mr. J. S. Arora**

*Director (Operations)*

*(Resigned effective 1st January, 2010)*

### Company Secretary

Mr. Anil Atre

### Bankers

Bank of India

ICICI Bank Limited

Bank of Baroda

Citibank N.A.

Bank of Maharashtra

The Bank of Nova Scotia

Corporation Bank

The Royal Bank of Scotland

### Auditors

B. K. Khare & Co.,  
Chartered Accountants

### Solicitors & Advocates

Crawford Bayley & Co., Mumbai

### Investor Relations Centre

P-14, Rajiv Gandhi Infotech Park,  
MIDC, Phase-I

Hinjewadi, Pune 411 057

Maharashtra.

India.

Tel. No. 020 - 2740 8200

Fax No. 020 - 2293 2939

E-mail - investors@finolexind.com

### Registered Office

Gat No.399, Urse,

Taluka Maval,

District Pune 410 506.

Maharashtra, India.

Tel. No. 02114-237251

Fax No. 02114-237252

E-mail - investors@finolexind.com

# Management Discussion and Analysis

## Introduction

The year under review has seen your Company registering significant growth on all fronts.

## Financial Review

The Company has two divisions, i.e., Poly Vinyl Chloride [PVC] and PVC Pipes & Fittings. The operating profit for both the divisions has been sharply higher as compared to the previous year.

## Global Economy and Effect on the Company

The extreme volatility experienced in the global markets during 2008-09 moderated to some extent during the year under review. However, uncertainty still looms large on the global business horizon. The developed economies of USA and Europe have pumped in trillions of dollars to stabilize their economies. The long term effects of these measures are yet to be seen. Volatility in commodity prices and foreign exchange rates is the order of the day. Though there are emerging signs of recovery, these are still not strong enough to instil confidence in the system as a whole. The economic crisis has hit countries like Greece and Iceland very badly and there is speculation about some other countries also facing similar crises.

A delayed and sub-normal monsoon added to the overall uncertainty prevailing in the Indian economy at the beginning of the year under review. Despite this the Indian economy posted a remarkable recovery. The GDP growth tentatively assessed at over 6% is one of the highest in the world. The rural economy in India is fast growing giving an impetus to the demand for various products. Your Company's products, i.e., PVC and PVC Pipes & Fittings are mainly sold in the rural markets. This segment has seen volume growth of more than 20% during the year under review.

## Industry Outlook

### PVC Resin Business

The domestic demand for PVC Resin grew by almost 25% during the year under review. This is on the background of a net shortage which had been prevailing in the Indian market for the past few years. The total imports of PVC Resin into India grew to almost 800,000 MT, and it is expected that this shortage will only grow in the years to come.

The International prices of PVC Resin increased from around USD 800/MT at the beginning of the year under review to over USD 1,000/MT by the end of the year. Despite a corresponding increase in the raw material prices, your Company was able to improve its margins because of its ability to pass on the cost increases to the market fairly quickly.

### PVC Pipes Business

The demand for PVC Pipes has been very strong during the year under review. The bulk of your Company's PVC Pipes production is sold in the rural markets for Agriculture and Irrigation. Given your Company's vast network spread across the length and breadth of the country, your Company has been able to reach even the remotest villages where the demand for PVC Pipes exists. Despite the slow-down in the Building Construction Industry, your Company was able to post a strong growth of almost 35% in the sale of Plumbing and Sanitation Pipes. This is entirely due to the strong brand equity enjoyed by your Company.

Your Company has successfully completed the expansion of PVC Pipes manufacturing capacity from 100,000 MT p.a. to 140,000 MT p.a. The full capacity will be available during 2010-11. Considering the strong demand for its products, your Company is now contemplating further increase in PVC Pipes capacity at a new location.

### Risks and Concerns

Your Company has a well documented Risk Management Policy. This policy is reviewed periodically by the Management and appropriately modified wherever necessary. Based on the operations of the Company, new risks, if any, are identified and steps taken to mitigate the same. Company is further working on strengthening the Risk Management Policy. Your Company continues to import its main raw materials, viz., EDC, Ethylene and VCM. None of these raw materials are traded in futures market and there is no opportunity to hedge the price risk. The Company is also exposed to foreign exchange risks and interest rate risks on its imports. The Company makes use of hedge/derivatives products to manage these risks.

The surplus cash generated during the course of business is invested with banks/mutual funds from time to time. The detailed guidelines for investment of such surplus have been laid down and these are reviewed regularly by the Management.

Your Company continues to accord highest priority for safety in all of its operations. All the manufacturing facilities and processes are subject to regular inspections. A Safety Audit is carried out meticulously at the PVC resin plant at Ratnagiri and preventive measures are taken to ensure high standards of safety. Your Company has completed 12.6 million man-hours without any reportable accident at its PVC resin plant at Ratnagiri.

Your Company has taken adequate insurance cover for all its plants as well as for third party liabilities.

### Transparency in Sharing Information

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

### Internal Control Systems

The Company has instituted adequate internal control procedure commensurate with the nature of its business and the size of its operations for the smooth conduct of its businesses.

Internal audit is conducted at regular intervals at all the plants and covers the key areas of operations. It is an independent, objective and assurance function responsible for evaluating and improving the effectiveness of risk management, control, and governance processes.

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

### Human Resources

Your Company's industrial relations continued to be harmonious during the year under review. Your Company conducts regular in-house training programs for employees at all levels. Employees are also sent for selected external training programmes especially with a view to aid leadership development. The employee strength of your Company is currently 1029.

### Cautionary statement

Estimates and expectations stated in this Management Discussion and Analysis may be "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 and price conditions in the domestic and international markets, changes in the Government regulations, tax laws, other statutes and other incidental factors.

## Directors' Report

To the Members,

Your directors have pleasure in presenting their twenty-ninth annual report and audited accounts for the year ended 31st March, 2010.

### Financial Results

		(Rs. in lakhs)
	2009-2010	2008-2009
Profit/(Loss) before depreciation & finance charges	28224.73	4615.85
Finance charges	4660.66	4682.66
Profit/(Loss) before depreciation	23564.07	(66.81)
Deductions for:		
i) Depreciation	6167.41	5832.25
ii) Provision for taxation	4164.28	(2109.64)
Profit/(Loss) after depreciation and taxation	13232.38	(3789.42)
Add:		
Surplus of profit and loss account of earlier year	3551.06	6292.48
Transfer from Debenture Redemption Reserve	Nil	2500.00
Appropriations:		
(i) General reserve	2000.00	Nil
(ii) Debenture redemption reserve	2000.00	Nil
(iii) Proposed dividend	3721.00	1241.00
(iv) Tax on dividend	633.00	211.00
(v) Balance carried over to the balance sheet	8429.44	3551.06

### Operations

The operational performance is summarised below:

	2009-2010	2008-2009
Income	165047.00	173500.25
Profit/(Loss) before tax	17396.66	(5899.06)
Profit/(Loss) after tax	13232.38	(3789.42)

### PVC Resin

Production	- in (MTs)	249867	247214
Sale (excluding interdivisional):			
	- in MTs	138819	191978
		64547.06	86202.36

### PVC Pipes and Fittings

Production	- in (MTs)	114520	91191
Sale:	- in (MTs)	112789	94358
		72004.20	56651.18

### **Dividend**

Your directors have recommended dividend on equity shares @ 30% (Rupees 3 per equity share) for the financial year ended 31st March, 2010. The proposed dividend (including corporate dividend tax) will absorb Rs. 4,354 lakhs.

### **Finance**

The interest and finance charges for the year were Rs. 4,660.66 lakhs as against Rs. 4,682.66 lakhs for the previous year.

### **Corporate Governance**

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

### **Employee Stock Option Scheme**

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

### **Power Project**

The Company's 43 MW power plant is operational. The Company has started to supply power to Maharashtra State Electricity Distribution Company Limited through its grid.

### **National Energy Conservation Award, 2009**

Government of India, Ministry of Power, has conferred on PVC manufacturing plant, Ratnagiri, the National Energy Conservation Award, 2009 in petrochemical sector. The award recognizes the Company's efforts and the effective steps taken by it in substantial energy conservation by implementing various energy conservation schemes.

### **Certificate of Appreciation**

Government of India, Ministry of Finance, Department of Revenue, Commissionerate of Customs, Pune has awarded a certificate in appreciation of the valuable contribution made by the Company relating to Import of Cargo through the Commissionerate of Customs, Pune during the year 2009-10.

### **Setting up Gas-based Power Plant at Chinchwad, Pune**

The project is under detailed study for determination of long term certainty for supply of inputs. The viability and sustainability of the project would largely depend upon positive outcome of the study which in turn would decide the way forward.

### **Risk Management Framework Review**

Your Company has put in place a well designed Risk Management Policy. The policy has adequately systematized risks identification, assessment, monitoring and controlling processes and the same are working fine.

Notwithstanding above, the Management desires to further strengthen the framework by improving present practices of risk assessment, monitoring and controlling by implementing latest techniques in monitoring and governance. With this end in mind, the Company has appointed a professional firm, to evaluate current risk management practices of the Company and suggest overall changes and improvements to achieve structured risk governance.

### **Alteration to Articles of Association**

Your company proposes to alter Article No.121(3) to provide for maximum sum that may be paid to a member of the Board of Directors or a committee thereof for attending meetings and Article No.141 of the Articles of Association of the Company in respect of appointment of Chairman, Executive Chairman, Managing Director and the Executive Directors of the Company and powers and responsibilities to be vested in them. Consequently, Article No.121(1), 121(2), 131,142, 143, 148 and 159 are also proposed to be suitably amended. The item for approval of shareholders to the above referred amendments to Articles of Association is forming part of the notice. The directors recommend shareholders' approval for the same.

### **Fixed Deposits**

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

### **Directors' Responsibility Statement**

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

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the profit of the Company for the year ended on that date;
- (iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the directors have prepared the annual accounts on a going concern basis.

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

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo required to be given pursuant to section 217(1)(e) of the Companies Act, 1956

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

### Directors

#### i. Resignation of Mr. J. S. Arora

Mr. J. S. Arora, Director – Operations, PVC manufacturing plant, Ratnagiri resigned as a Director of the Company effective 1<sup>st</sup> January, 2010. The Directors place on record their sincere appreciation of the services rendered by Mr. J. S. Arora during his tenure as a director of the Company.

#### ii. Resignation of Mr. Proshanto Banerjee

Mr. Proshanto Banerjee, non-executive independent director resigned as a Director of the Company effective 25<sup>th</sup> April, 2010. The Directors place on record their sincere appreciation of the services rendered by Mr. Proshanto Banerjee during his tenure as a director of the Company.

#### iii. Retirement of directors

Mr. S. N. Inamdar, Mr. K. N. Atmaramani and Mr. M. G. Bhide retire by rotation at the twenty-ninth annual general meeting of the Company and being eligible, offer themselves for reappointment.

### Auditors

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

### Particulars of Employees

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

### Corporate social responsibility

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



## Social welfare

Condition of acute shortage of water continues in Ratnagiri District. This year, Company assisted water supply schemes for Tervankarwadi, Waingani, Palkarwadi and Kolambe villages around Company's plants at Ratnagiri.

Company's Stitching Training Centre which was started last year is well established and more and more ladies from the adjoining villages are participating and learning tailoring. Company's encouragement to Mahila Bachat Gat ("Gat") from Ranpar by purchasing their products has given confidence to the Gat and its business is growing. Gat has also introduced newer products.

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

Last year, the Company with the help of Mukul Madhav Foundation had donated computers and other hardware to Lakshmi Keshav Madhyamik Vidyalaya, Fansop to create its own computer laboratory. During the year, school has established its laboratory in a newly constructed building. The laboratory has been named as "Mukul Madhav Kaksha". The laboratory has proved to be boon to school children.

During the year, Swami Swarupanand High School, Pawas were in need of additional four class rooms for its junior college of commerce. This being the first junior college in the Pawas-Ranpar area, your Company decided to give handsome donation to enable the school to construct a floor consisting of four class rooms and office space to cater to the urgent need of classrooms. The newly constructed floor would be called as "Finolex Kaksha".

In addition to the usual arrangement for lectures on health, hygiene, nutrition by Company's Medical Officer, the distribution of note books, footweares to the needy students was arranged by the Company through Mukul Madhav Foundation. In addition, participative demonstration of scientific experiments, slide shows, screening of education films on science, etc., was arranged through Vijnan Vahini, a mobile science laboratory, operated by retired scientists, professors, experts, etc., from Pune. The objective of promoting scientific temper and enthusiasm, curiosity and quest of knowledge in the students from several areas was aptly fulfilled. There was overwhelming response to the activity since students got opportunity to carryout experiments with their own hands as against observing with folded hands the teacher carrying out experiments routinely.

## Education

Your Company had declared to open an English medium school to cater to the need of the society especially of those who are residing in the Ranpar-Golap, Kolambe area.

Construction of school building on the Pawas-Ranpar Road has started.

Finolex Academy of Management and Technology ("FAMT"), at Ratnagiri was promoted by Hope Foundation, Pune, to cater to the technical education needs of rural area aspirants. The Academy, affiliated to the University of Mumbai, is providing high quality education in the fields of engineering and information technology. After introduction of new disciplines, viz., Chemical and E&TC the total strength of the students enrolled in the FAMT has reached to more than sixteen-hundred students.

During the year FAMT and the International Institute of Information Technology (I<sup>2</sup>IT) a renowned international institute imparting education in information technology from Pune had jointly arranged a National Level Conference on 'Advances in Heat and Mass Transfer'. The Participants included IITians, Principals, Professors and Lecturers from various colleges in India. In all thirty research papers on varied topics including energy conservation, productivity growth, thermal pollution control, etc., were presented and were well received by the participants.

### Healthcare

Your Company and Mukul Madhav Foundation conduct health check-up camps twice a year in the schools located at Fansop, Pawas and Mainganewadi. More than 1,700 students are benefited in the camps. As a follow-up activity, Mukul Madhav Foundation arranges for free of cost medical treatment including eye/ear operations wherever required with all expenses paid by the Foundation. Distribution of spectacles, hearing aids, etc., is also done free of cost to the students.

In addition to school-children, this year health check-up camps were arranged for fishermen from Ratnagiri during rainy season when the fishing trawlers are shored. These camps have immensely benefited the fishermen.

Company renders monetary help to needy and deserving individuals from the society for availing medical treatments including surgery, hospitalisation, etc.

### Acknowledgements

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

For and on behalf of the Board of Directors

Pune  
24<sup>th</sup> April, 2010

**P. P. Chhabria**  
*Chairman*

## ANNEXURE TO DIRECTORS' REPORT 2009-2010

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

### A. CONSERVATION OF ENERGY

#### a) Energy Conservation measures taken:

- Cooling water header to ethylene heater system in ETF was increased from 4" to 6" diameter to reduce pressure drop thereby reducing cooling water pump current.
- Tanker loading done strictly in day shift to put off lights in the tanker loading gantry thereby saving of energy.
- Low-pressure steam of cracker quench overhead condenser line up to VCM stripper reboiler to avoid/minimize steam venting.

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

- To recover the energy of hot condensate return for heating boiler feed water at CPP, one plate heat exchanger will be installed. This will give considerable saving in energy.
- Use of flash steam in SPVC plant for degassing vessel heating purpose. It will give good saving in steam consumption.

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

- Resulted in reduction in energy consumption.

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

#### Form A (PVC Plant)

#### A. Power and fuel consumption:

Sr. No.	Description	Units	2009-2010	2008-2009
1.	<b>Electricity</b>			
	Purchased units for			
	PVC resin Plant	lakhs kWh	1,496.68	1,266.43
	Total amount	In Rs.lakhs	7,571.89	5,949.57
	Average rate/unit	Rs./kWh	5.06	4.70
2.	<b>Furnace oil (LSHS)</b>			
	Quantity	Metric Tons	13,885.278	14,969.601
	Total price	In Rs. lakhs	3,161.48	3,869.01
	Average rate/unit	In Rs./M.T.	22,768.58	25,845.78

Sr. No.	Description	Units	2009-2010	2008-2009
3.	<b>HSD/SKO/Naphtha</b>			
	Quantity	Metric Tons	9,069.189	9,586.777
	Total price	In Rs. lakhs	3038.19	3671.58
	Average rate/unit	In Rs./M.T.	33,500.13	38,298.39
4.	<b>LPG</b>			
	Quantity	Metric Tons	558.087	509.986
	Total price	In Rs. lakhs	215.01	244.48
	Average rate/unit	In Rs./M.T.	38,526.25	47,938.57

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

Sr. No.	Description	Units / Per Ton	2009-2010	2008-2009
1	Electricity	kWh	500	512
2	a) Furnace oil (LSHS)	M.T.	0.0556	0.0605
	b) HSD/SKO/Naphtha	M.T.	0.0688	0.0338
	c) LPG	M.T.	0.0043	0.0021

#### B. TECHNOLOGY ABSORPTION:

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

##### FORM - B

Form for disclosure of particulars with respect to absorption.

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

- Specific areas in which R&D efforts have been put in by Company are:
  - Optimization of specific consumptions of various catalysts/chemicals and on-stream factor to achieve the best level.
  - Cracker coils replacement job done giving steady high through put and ensuring reliability.
  - Modification in PVC old reactors' cooling water circulation to forced circulation in close loop for improvement in batch reaction time and maintaining good velocity of cooling water in jacket so as to avoid fouling.
- Benefits derived as a result of the above R&D:
  - Improvement in reaction efficiencies.
  - Improvement in on stream time.

3. Future plans of action:

- Optimization of space velocity in oxy reactor to reduce catalyst carry over which will reduce the catalyst cost/ MT of VCM produced.
- Reduce oxy vent gas by using clean process gas (Ethylene or O<sub>2</sub>) instead of N<sub>2</sub> for HCl line purge and Compressor seal gas for reducing ethylene vent loss.

4. Expenditure on R&D:

- a) Capital
- b) Recurring
- c) Total
- d) Total R&D expenditure as a percentage of total turnover

} The development work is carried out by the concerned departments on an ongoing basis. The expenses and the cost of assets are grouped under the respective heads.

### Technology Absorption, Adaptation and Innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

- Continuous efforts are made with an objective to achieve productivity, reduction in raw material, power and steam consumptions, reduction in product wastage and downtime for maintenance and curtailment of maintenance cost.

2. Benefit derived as a result of the above efforts:

- Conservation of base material
- Environmental protection and effluent quality improvement

3. Imported Technology:

- Technology imported: VCM & PVC technologies from Uhde GmbH, Germany.
- Has technology been fully absorbed: Yes

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(f) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans:

- Due to better realisation in the domestic market and in order to meet the local demand, the Company did not pursue exports during the year under review.

(g) (a) Total foreign exchange used : Rs. 89,834.16 lakhs

(b) Total foreign exchange earned : Rs. Nils

## Auditor's Certificate on Corporate Governance

To

The Members of Finolex Industries Limited,

We have examined the compliance of conditions of corporate governance by Finolex Industries Limited for the year ended 31st March, 2010 as stipulated in Clause 49 of the Listing Agreements of the Company with stock exchanges.

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

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

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

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

Place : Pune

Dated : 24th April, 2010

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

Chartered Accountants

**U. B. Joshi**

Partner

Membership No. 044097

Firm Reg. No. 105102W

# Corporate Governance

## Compliance Report for the year 2009-2010

### 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 directors on the Board.
- Accountability for performance.
- Monitoring of executive performance by the Board.
- Compliance of laws.
- Transparent and timely disclosure of financial management information.

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

- i. The Board comprises of eight non-executive directors and four executive directors (effective 1<sup>st</sup> January 2010). Out of eight non-executive directors, seven are independent.
- ii. During 2009-2010, the Board of Directors met 6 (six) times, viz., on 14<sup>th</sup> April, 2009, 27<sup>th</sup> June, 2009, 27<sup>th</sup> July, 2009, 28<sup>th</sup> August, 2009, 13<sup>th</sup> October, 2009 and 14<sup>th</sup> January, 2010. The time-gap between two meetings was less than four months.
- iii. The information as required under Annexure IA to clause 49 was made available to the Board in all its meetings.
- iv. None of the directors on the Board was a member of more than 10 committees or chairman of more than 5 committees across all the companies in which he is a director. The necessary disclosures regarding committee positions have been made by the directors.
- v. The details of attendance of each of the directors at the Board (BM), Audit Committee (ACM), Investors Grievance Committee (IGCM) meetings and last Annual General Meeting (AGM) held during the financial year 2009-2010, and details of number of outside directorships and committee positions held by each of the directors are given in Table 1 below:

Table 1

Sr. No.	Name of Director	Attendance at Board, Committee Meetings & AGM (during 2009-2010)				Outside Directorships*		Committee Positions**	
		No. of BMs	No. of ACMs	No. of ICGMs	AGM	Member	Chairman	Member	Chairman
1	Mr. P. P. Chhabria	6	NA	4	Yes	13	10	3	2
2	Mr. K. N. Atmaramani	6	4	4	Yes	1	Nil	3	Nil
3	Mr. Proshanto Banerjee#	6	4	4	Yes	1	Nil	2	Nil
4	Mr. M. G. Bhide	4	2	2	Yes	8	Nil	6	3
5	Mr. S. N. Inamdar	6	4	4	Yes	10	Nil	6	4
6	Dr. Vijay P. Bhatkar	5	N.A.	N.A.	Yes	3	Nil	Nil	Nil
7	Dr. Sunil U. Pathak***	6	3	3	Yes	8	Nil	Nil	Nil
8	Mr. P. D. Karandikar****	4	NA	NA	No	4	Nil	Nil	Nil
9	Mr. K. P. Chhabria	6	NA	4	Yes	14	1	1	Nil
10	Mr. Prakash P. Chhabria	6	NA	NA	Yes	33	4	Nil	Nil
11	Mr. S. S. Dhanorkar	6	NA	NA	Yes	2	Nil	Nil	Nil
12	Mr. P. Subramaniam	6	NA	NA	Yes	1	Nil	Nil	Nil
13	Mr. J. S. Arora*****	2	NA	NA	No	NA	NA	NA	NA

\* Outside directorships include directorships in Private Limited Companies.

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

\*\*\* Dr. Sunil U. Pathak was co-opted on the Audit Committee and Investor Grievance Committee as member by the Board at its meeting held on 27<sup>th</sup> June, 2009.

\*\*\*\* Mr. P. D. Karandikar was co-opted as additional director on 27<sup>th</sup> June, 2009 and he was appointed as director at 28<sup>th</sup> Annual General Meeting held on 28<sup>th</sup> August, 2009.

\*\*\*\*\* Mr. J. S. Arora ceased to be a director of the Company effective 1<sup>st</sup> January, 2010 since resigned as director.

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

vi. The three independent directors Mr. S. N. Inamdar, Mr. K. N. Atmaramani and Mr. M. G. Bhide retire by rotation at the twenty-ninth annual general meeting of the Company and being eligible, offer themselves for reappointment.



**vii. Brief resume of the directors being reappointed, nature of their expertise in specific functional areas and names of companies in which they hold directorships, memberships of the committees of the Board and the details of shares held in the Company are furnished hereunder:**

Mr. S. N. Inamdar, age 65 years, a director of the Company since 22<sup>nd</sup> March, 1989, is an eminent Advocate of repute practising on income tax side. Mr. Inamdar is director of the following companies, viz., Kirloskar Ferrous Industries Limited (also chairman of its audit and remuneration committees), Kirloskar Brothers Limited (also chairman of its audit committee and member of its remuneration committee), Sudarshan Chemical Industries Limited (also member of its audit, finance and remuneration committees), Force Motors Limited (also chairman of its remuneration committee), Ugar Sugar Works Limited (also chairman of its audit and remuneration committees), Kulkarni Power Tools Limited, Sakal Papers Limited, Man Force Trucks Pvt. Limited, Kirloskar Proprietary Limited and Finolex Infrastructure Limited.

Shares held: 2000

Mr. K. N. Atmaramani, age 72 years, is a director of the Company since 27<sup>th</sup> July, 2002. Mr. Atmaramani is also a director of IL&FS Securities Services Limited. He held various high ranking positions in the investment and finance fields. He was associated with UTI in various capacities for a period of seventeen years including Executive Trustee. Subsequently, he was with Tata Mutual Fund and retired as its Managing Director in February, 2002.

Shares held: Nil

Mr. M. G. Bhide, age 71 years, a director of the Company since 21<sup>st</sup> August, 2000. Mr. M. G. Bhide is also a director of Mahindra Shubhlabh Services Ltd., J. P. Morgan Securities India Private Ltd., SBI Global Factors Ltd., IOT Infrastructure & Energy Services Ltd., Asset Reconstruction Company (India) Ltd., Mahindra & Mahindra Financial Services Limited, J. P. Morgan Mutual Fund India Pvt. Limited and Talwalkars Better Value Fitness Limited. Mr. Bhide is the former Chairman and Managing Director of Bank of India. Mr. Bhide was associated with State Bank of India earlier, where he was Managing Director and Group Executive (National Banking Division). He served with SBI as Deputy Managing Director and Chief Credit Officer as well. Mr. Bhide was a member of the Technical Advisory Committee on Money and Government Securities Market set-up by the Reserve Bank of India.

Shares held: Nil

**3. Code of conduct:**

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

The Board members and Senior Management team personnel have affirmed compliance with the code. The declaration dated 24<sup>th</sup> April, 2010 received from Mr. Prakash P. Chhabria, Managing Director in this regard is given below:

**“I hereby declare that all Board members of the Company and Senior Management personnel have affirmed compliance with the Code of Conduct for applicable period of the financial year 2009-2010.”**

**4. Audit Committee:**

- Brief description of terms of reference:
  - 1) Oversight of Company's financial reporting process and the disclosure of its financial information.
  - 2) Recommending the appointment/removal of external auditors and their remuneration and remuneration of wholetime directors.
  - 3) Reviewing financial statements, adequacy of internal control systems and internal audit function, financial and risk management policies.
  - 4) Pre-audit and post-audit discussions with external auditors on nature and scope of audit-and areas of concern, if any, respectively.
- Composition, members' names and chairperson:

As on 31st March, 2010, Audit Committee was consisting of 5 independent directors, viz., Mr. S. N. Inamdar (Chairman), Mr. K. N. Atmaramani, Mr. M. G. Bhide, Mr. Proshanto Banerjee and Dr. Sunil Pathak.
- All members of the Audit Committee are financially literate and have accounting or related financial management expertise.
- Required information for review was placed before the Audit Committee meetings held during the year.
- Meetings and attendance during the year: Details given in Table 1.
- Mr. Anil Atre, AVP (Legal & Admin.) & Company Secretary of the Company acts as Secretary to the Audit Committee.

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

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

Details of remuneration paid to the executive directors for the financial year 2009-2010 are given below:

**Table 2**

Particulars	Mr. K. P. Chhabria, Executive Vice Chairman	Mr. Prakash P. Chhabria, Managing Director	Mr. S. S. Dhanorkar, Asst. Managing Director & COO	Mr. P. Subramaniam, Asst. Managing Director & CFO	Mr. J. S. Arora, Director (Operations) (up to 31.12. 2009)
Salary and Allowances (Rs.)	86,38,416	77,41,710	48,12,113	43,29,126	33,81,392
Contribution to PF, Superannuation and Gratuity Funds (Rs.)	16,74,000	14,88,000	7,55,532	6,17,148	2,26,739
Bonus (Rs.)	10,80,000	9,60,000	4,87,440	3,98,160	2,76,298
Commission payable (Rs.)	NIL	NIL	NA	NA	NA
Notice Period	6 months	6 months	3 months	3 months	NA
Service contract	Five years	Five years	Five years	Four years	NA

Note: The amounts paid to Mr. J. S. Arora represent the remuneration drawn as whole-time director for the period from 1<sup>st</sup> April, 2009 to 31<sup>st</sup> December, 2009.

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

**Table 3**

Sr. No.	Name	Remuneration (Rs.)		Shares held
		Commission	Sitting fees	
1	Mr. P. P. Chhabria	1,00,000	2,80,000	1,70,427
2	Mr. K. N. Atmaramani	1,00,000	1,40,000	Nil
3	Mr. Proshanto Banerjee	1,00,000	1,40,000	Nil
4	Mr. M. G. Bhide	1,00,000	1,10,000	Nil
5	Mr. S. N. Inamdar	2,00,000	1,80,000	2,000
6	Dr. Vijay P. Bhatkar	1,00,000	50,000	Nil
7	Dr. Sunil U. Pathak	1,00,000	1,60,000	Nil
8	Mr. P. D. Karandikar	1,00,000	80,000	Nil

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

## 6. Investors' Grievance Committee:

As on 31st March, 2010, the Investors' Grievance Committee was comprising of seven directors, viz., Mr. P. P. Chhabria (non-executive director) the chairman of the committee, Mr. K. N. Atmaramani, Mr. M. G. Bhide, Mr. S. N. Inamdar, Mr. Proshanto Banerjee, Dr. Sunil Pathak and Mr. K. P. Chhabria.

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

During the year, the Company received 8 shareholders' complaints and 7 of them were resolved. One complaint was pending as on 31st March, 2010.

## 7. General Body Meetings:

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

Year	2006-2007	2007-2008	2008-2009
Date of AGM and time	22/06/2007 at 11.30 a.m.	18/08/2008 at 11.30 a.m.	28/8/2009 at 11.30 a.m.
Place of AGM	Acharya Atre Rangmandir, Sant Tukaram Nagar, Pimpri, Pune-411 018	Disha Hall, Parandwadi, Taluka Maval, Dist. Pune-410 506	Training Centre of Finolex Cables Limited Urse, Taluka Maval, Dist. Pune-410 506

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

Sr. No.	Date of AGM	Item of special resolution
1	22.06.2007	1 Payment and distribution of a sum not exceeding 1% of the net profits of Company by way of commission to the directors who are neither in the wholtime employment nor managing director of the company.
		2 To obtain consent to shift the registered office of the Company from D1/10, MIDC, Chinchwad, Pune 411 019 to Village Urse, Taluka Maval, District Pune 410 506. This special resolution was put through postal ballot.
2	18.08.2008	1 To obtain consent for amendment of existing Article 114 of the Articles of Association.
		2 To obtain consent for increasing the number of directors from twelve to fifteen.
		3 To obtain consent for re-designation of Mr. K. P. Chhabria as Executive Vice Chairman with revised remuneration.
		4 To obtain consent for reappointment of Mr. K. P. Chhabria as Executive Vice Chairman of the company for a further period of five years.
3	28.8.2009	1 To obtain consent for alteration of the Clause III (C)(57) of the Objects Clause of the Memorandum of Association of the Company.
		2 To obtain consent for commencing and carrying of the business and activity as mentioned in the amended Clause III (C) (57) of the Objects Clause of the Memorandum of Association of the Company.

- iii. Any special resolution passed last year through postal ballot. Details of voting pattern:

Resolution for obtaining consent from the shareholders for alteration of Clause III (C)(57) of the Objects Clause of the Memorandum of Association of the Company was obtained through postal ballot. 99.98% votes were cast in favour of the resolution and 0.02% votes were cast against the resolution; and Resolution for obtaining consent from the shareholders for commencement of business as per amended Clause III (C) (57) of the Objects Clause of the Memorandum of Association of the Company was obtained through postal ballot. 99.99% votes were cast in favour of the resolution and 0.01% votes were cast against the resolution.

- iv. Whether any special resolution is proposed to be conducted through postal ballot:

No special resolution is proposed through postal ballot.

## **8. Disclosures:**

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

Regarding non-mandatory requirements:

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

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

- The quarterly results were published during the year under review in leading national and regional newspapers such as The Economic Times, Financial Express and Loksatta.
- The quarterly results are displayed on [www.finolex.com](http://www.finolex.com) and on websites of BSE, NSE and SEBI.

- The official news releases of the Company are displayed on the websites of BSE and NSE.
- The Management Discussion and Analysis Report is forming part of annual report. Detailed report is given on pages 3 to 5.

### 10. General Shareholder Information:

#### a. Annual General Meeting:

- Day, date & time : Friday, 13th August, 2010 at 10.30 a.m.
- Venue : "Training Centre", Finolex Cables Limited  
At & post Urse, Taluka Maval,  
District Pune 410 506

#### b. Financial Calendar (Tentative) : April, 2010 to March, 2011

Table 4

Announcement of quarterly results of 2010-2011 & annual general meeting	Quarterly results by 14th August, 2010, 14th November, 2010, 14th February, 2011 and 30th May, 2011 and annual general meeting by end of August, 2011.
---	--

#### c. Book Closure Period : 1st August, 2010 to 13th August, 2010

#### d. Dividend Payment date : On or before 10th September, 2010

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

#### f. Market price data:

Monthly high/low (Rs./share) during 2009-2010

Table 5

	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
	Apr-09		May-09		Jun-09		Jul-09		Aug-09		Sept-09	
BSE	36.60	28.00	47.90	31.00	54.40	38.15	53.35	39.35	57.00	50.10	61.50	51.65
NSE	36.50	28.00	48.10	31.40	54.30	39.00	53.30	39.45	58.20	50.00	61.40	51.95
	Oct-09		Nov-09		Dec-09		Jan-10		Feb-10		Mar-10	
BSE	60.30	47.55	52.00	45.05	57.80	48.50	71.35	53.10	60.25	51.25	66.15	53.30
NSE	60.30	47.15	51.95	45.00	57.40	48.55	71.35	54.50	60.30	52.25	66.40	52.00

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



Source: NSE Website

g. Registrar and Transfer Agent:

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

h. Share Transfer System:

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

i. (a) Shareholding pattern as on 31.3.2010

**Table 6**

Category	No. of shares	% of capital
Indian promoter (including Finolex Cables Ltd.-group co.)	64643341	52.12
FIs	2387523	1.93
Banks/FIs/MFs/Insurance Companies	1098614	0.88
Bodies corporate	8072214	6.51
Indian Public	43748698	35.27
NRI/OCB	1649304	1.33
Others	2426773	1.96
Total	124026467	100.00

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

Akash Tatva Investments Pvt. Ltd., Coated Fabrics Pvt. Ltd., Corrugated Box Industries (India) Pvt. Ltd., Devita Investment Pvt. Ltd., Fino Communication Equipments Pvt. Ltd., Finolex Cables Limited, Finolib Chemicals Pvt. Ltd., Hi-Tech Polycoatings Pvt. Ltd., K. P. Investments Pvt. Ltd., Katara Dental Pvt. Ltd., Magnum Machines Pvt. Ltd., Majesty Investments Pvt. Ltd., Mohini Investments Pvt. Ltd., Orbit Electricals Pvt. Limited, Pratibha Xero-Graphic

Impressions Pvt. Ltd., V.K.C. Investments Pvt. Ltd., P.P. Chhabria, Prakash P. Chhabria, Gayatri Prakash Chhabria, Hansika-Hiya Prakash Chhabria, K.P. Chhabria, Sunita Kishan Chhabria, Vijay Kishan Chhabria, Priya Vijay Chhabria, Rishi Vijay Chhabria, Deepak K. Chhabria, Vini Deepak Chhabria, Kavita S. Raheja, Siddharth S. Raheja, Sonia S. Raheja, Mukesh Dolumal Katara, Aruna Mukesh Katara, Amit Mukesh Katara and Amrita Mukesh Katara.

Distribution of Shareholding as on 31.3.2010

Table 7

No. of Equity Shares held	No. of shareholders	% of shareholders	Number of shares	% of shareholding
1-5000	165637	99.63	36781491	29.65
5001-10000	320	0.19	2330129	1.88
10001 and above	294	0.18	84914847	68.47
Total	166251	100.00	124026467	100.00

- j. Dematerialisation of shares: NSDL: 82.12%, CDSL: 6.47%
- k. Company has not issued any GDRS/ADRS/Share Warrants or any convertible instruments.

- l. Plant locations : **PVC, Pipes Plants and Power Plant**

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

**Pipes & Fittings Plant**

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

**Pipes Plant**

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

- m. Address for correspondence : **Investor Relations Centre**

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



## Auditors' Report

To the Members of Finolex Industries Limited,

We have audited the attached Balance Sheet of Finolex Industries Limited as at 31st March 2010, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

- e) On the basis of the written representations received from the Directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2010 from being appointed as Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;
- f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the Company's accounting policies and the Notes thereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as on 31st March, 2010;
  - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Pune  
Dated : 24th April, 2010

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

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

## Annexure to the Auditors' Report

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

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) Assets have been physically verified by the management during the year based on the regular programme of verification, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. As explained, the discrepancies noticed were not material and the same have been properly dealt with in the books of account.  
(c) In our opinion and according to the information and explanations given to us, during the year, the Company has not disposed of any substantial/major part of fixed assets.
- ii. (a) As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion and according to the information and explanations given to us, the procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the inventory, the Company is maintaining proper records of inventory. Discrepancies noticed on verification between the physical stocks and the book records were not material and have been appropriately dealt with in the books of account.
- iii. 1. (a) The Company had granted an unsecured loan of Rs. 45 lakhs to Finolex Plasjon Industries Limited, an associate company, listed in the register maintained under Section 301 of the Companies Act, 1956 which has been repaid during the year.  
(b) According to the information and explanations given to us, in our opinion, the rate of interest and other terms and conditions of the above loan granted by the Company, were not prima facie, prejudicial to the interest of the Company.  
(c) According to the information and explanations given to us, the company to whom loans and advances in the nature of loan were given had been repaying the principal amount as stipulated and was also regular in payment of interest.

- (d) There is no overdue amount of loan granted to the company listed in the register maintained under Section 301 of the Companies Act, 1956.
2. (a) According to the information and explanations given to us and on the basis of our examination of the records, the Company has accepted Inter-Corporate Deposits from the following parties listed in the register maintained under Section 301 of the Companies Act, 1956 –

Name of the Company	Relationship	Maximum amount Rs. lakhs	Outstanding as at March 31, 2010 Rs. lakhs
Akash Tatva Investments Pvt. Ltd.	Common Director	277.00	207.00
Coated Fabrics Pvt. Ltd.	Common Director	638.00	537.00
Corrugated Box Industries (I) Pvt. Ltd.	Common Director	125.00	125.00
Finolib Chemicals Pvt. Ltd.	Common Director	70.00	70.00
Orbit Electricals Pvt. Ltd.	Common Director	177.00	50.00

- (b) According to the information and explanations given to us, in our opinion, the rate of interest and other terms and conditions of above loans granted to the Company, are not prima facie, prejudicial to the interest of the Company.
- (c) According to the information and explanations given to us, the Company is regular in repayment of principal and payment of interest.
- (d) There is no overdue amount of Inter-Corporate Deposits accepted from the parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weakness in internal control system.
- v. In respect of transactions entered in the register maintained in pursuance of Section 301 of Companies Act, 1956;
- a) Based on audit procedures applied by us, to the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements have been entered in the register required to be maintained under Section 301.

- b) According to the information and explanations given to us and excluding certain transactions of purchase of goods and materials of special nature for which alternate quotations are not available, in our opinion, the transactions have been made at prices which are, prima facie, reasonable having regard to the prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Hence, the provisions of Section 58A and 58AA and any other relevant provisions of the Companies Act, 1956 and rules framed there under are not applicable.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed the books of accounts maintained by the Company relating to the manufacture of PVC Resin, pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view of determining whether they are accurate and complete.
- ix. a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance Contribution, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other material statutory dues with the appropriate authorities.
- b) According to the records of the Company and information and explanations given to us, dues of Income Tax, Sales tax, Wealth Tax, Service Tax, Customs Duty and Excise Duty and cess, which have not been deposited on account of disputes and forum where dispute is pending are as under:

Name of statute	Nature of dues	Amount (in Rs. lakhs)	Period to which the amount relates	Forum where pending
Finance Act, 1994 (Service Tax)	Service Tax Demand	167.45	2001-02	Commissioner
Finance Act, 1994 (Service Tax)	Service Tax Demand	489.12	2005-06	High Court
Finance Act, 1994 (Service Tax)	Service Tax Demand	67.22	2006-07	Commissioner
Finance Act, 1994 (Service Tax)	Service Tax Demand	5.01	2007-08	CESTAT
Finance Act, 1994 (Service Tax)	Service Tax Demand	0.79	2008-09	CESTAT

Name of statute	Nature of dues	Amount (in Rs. lakhs)	Period to which the amount relates	Forum where pending
Finance Act, 1994 (Service Tax)	Service Tax Demand	286.98	2008-09	Commissioner
Finance Act, 1994 (Service Tax)	Service Tax Demand	18.54	2008-09	Deputy Commissioner
Finance Act, 1994 (Service Tax)	Service Tax Demand	6.18	2009-10	Deputy Commissioner
Customs	Customs Demand	26.94	2000-01	CESTAT
Customs	Customs Demand	14.03	2001-02	CESTAT
Central Excise	Excise Demand	32.54	1996-97	High Court
Central Excise	Excise Demand	2.07	1999-00	High Court
Central Excise	Excise Demand	18.17	2002-03	CESTAT
Central Excise	Excise Demand	13.11	2005-06	Commissioner (A)
Central Excise	Excise Demand	0.96	2005-06	CESTAT
Central Excise	Excise Demand	2.71	2005-06	High Court
Central Excise	Excise Demand	0.46	2006-07	Commissioner
Central Excise	Excise Demand	981.99	2007-08	Commissioner
Central Excise	Excise Demand	9.49	2008-09	Additional Commissioner
Central Excise	Excise Demand	0.54	2009-10	Deputy Commissioner

- x. The Company does not have accumulated losses at the end of the financial year and the Company has not incurred any cash losses in the current and the immediately preceding financial year.
- xi. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the payment of dues to its bankers, financial institutions and debenture holders.
- xii. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any Special Statute applicable to chit fund or nidhi / mutual benefit fund / societies are not applicable to the Company.

- xiv.a) Based on the records examined by us and according to the information and explanations given to us, we are of the opinion that the Company is maintaining proper records of the transactions and contracts of dealing in shares and securities and timely entries have been made in these records.
- b) Based on our audit procedures and to the best of our knowledge and belief and according to the information and explanations given to us, the shares and securities have been held by the Company in its own name.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- xvi. To the best of our knowledge and belief and according to explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purpose for which loans were obtained.
- xvii. On the basis of overall examination of the financial statements including Cash Flow Statement and other financial information furnished, we are of the opinion that the funds raised on short term basis have not been used for long term investments, except to the extent of approximately Rs. 10,860.01 lakhs for acquisition / construction of fixed assets.
- xviii. The Company has not made preferential allotment of shares to parties covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- xix. According to the information and explanations given to us, security or charge has been created in respect of debentures issued.
- xx. The Company has not raised any money by public issues during the year.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

Place : Pune  
Dated : 24th April, 2010

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

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

# Balance Sheet

## as at 31st March, 2010

(Rs. in lakhs)

	Schedule	As At 31/03/2010	As At 31/03/2009
<b>Sources of Funds</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	12401.10	12400.87
Reserves & Surplus	2	46367.26	37594.95
		<u>58768.36</u>	<u>49995.82</u>
<b>Loan Funds</b>			
Secured Loans	3	20541.94	25491.41
Unsecured Loans	4	62808.76	55749.02
		<u>83350.70</u>	<u>81240.43</u>
<b>Deferred Tax (Net)</b>		7345.40	7604.30
( Refer note 4 of Schedule 15 )			
		<u>149464.46</u>	<u>138840.55</u>
<b>Application of Funds</b>			
<b>Fixed Assets</b>	5	83563.57	56601.50
<b>Capital Work-in-progress</b>	6	6637.94	29913.90
<b>Investments</b>	7	32638.07	26458.95
<b>Current Assets, Loans &amp; Advances</b>	8	65434.06	50347.22
<b>Less : Current Liabilities &amp; Provisions</b>	9	38809.18	24481.02
<b>Net Current Assets</b>		<u>26624.88</u>	<u>25866.20</u>
		<u>149464.46</u>	<u>138840.55</u>

**Notes****15**

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

P. P. CHHABRIA  
K. P. CHHABRIA  
PRAKASH P. CHHABRIA  
K. N. ATMARAMANI  
PROSHANTO BANERJEE  
M. G. BHIDE  
DR. VIJAY P. BHATKAR  
S. N. INAMDAR  
P. D. KARANDIKAR  
DR. SUNIL U. PATHAK  
S. S. DHANORKAR  
P. SUBRAMANIAM

Chairman  
Executive Vice Chairman  
Managing Director

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

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

Pune : 24th April, 2010

Pune : 24th April, 2010



# Profit and Loss Account for the year ended 31st March, 2010

(Rs. in lakhs)

	Schedule	2009-2010	2008-2009
<b>Income</b>			
Income from Operations and Other Income	10	165047.00	173500.25
Less: Excise Duty		13756.16	20587.70
		<u>151290.84</u>	<u>152912.55</u>
<b>Expenditure</b>			
Materials & Manufacturing Expenditure	11	101075.02	117441.15
Personnel Expenses	12	4137.84	3760.50
Other Expenses	13	17853.25	27095.05
Finance Charges	14	4660.66	4682.66
Depreciation		6167.41	5832.25
		<u>133894.18</u>	<u>158811.61</u>
<b>Profit/(Loss) Before Tax</b>		<u>17396.66</u>	<u>(5899.06)</u>
Less: Provision for Taxation			
Current Tax [Includes prior year's adjustment		4423.18	22.04
Rs. 342.18 lakhs (Previous Year write back Rs. 0.65 lakhs)]			
Deferred Tax		(258.90)	(2201.68)
Fringe Benefit Tax		–	70.00
<b>Profit/(Loss) After Tax</b>		<u>13232.38</u>	<u>(3789.42)</u>
Add: Surplus brought forward		3551.06	6292.48
Add: Transfer from Debenture Redemption Reserve		–	2500.00
Balance available for Appropriation		<u>16783.44</u>	<u>5003.06</u>
<b>Appropriations</b>			
General Reserve		2000.00	–
Debenture Redemption Reserve		2000.00	–
Proposed Dividend		3721.00	1241.00
Tax on Dividend		633.00	211.00
		<u>8354.00</u>	<u>1452.00</u>
Surplus carried to Balance Sheet		<u>8429.44</u>	<u>3551.06</u>
Earnings per share (EPS) par value Rs. 10 each			
Basic/Diluted		10.67	(3.06)
Profit/(Loss) after tax available for equity shareholders (Rs in lakhs)		13232.38	(3789.42)
<b>No. of shares used in computing weighted average EPS</b>		<b>124026467</b>	<b>124026467</b>
<b>Notes</b>	<b>15</b>		

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

P. P. CHHABRIA  
K. P. CHHABRIA  
PRAKASH P. CHHABRIA  
K. N. ATMARAMANI  
PROSHANTO BANERJEE  
M. G. BHIDE  
DR. VIJAY P. BHATKAR  
S. N. INAMDAR  
P. D. KARANDIKAR  
DR. SUNIL U. PATHAK  
S. S. DHANORKAR  
P. SUBRAMANIAM

Chairman  
Executive Vice Chairman  
Managing Director

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

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

Pune : 24th April, 2010

Pune : 24th April, 2010

## Cash Flow Statement for the year ended 31st March, 2010 and 31st March, 2009.

	<b>(Rs. In lakhs)</b>	
	<b>2009-2010</b>	<b>2008-2009</b>
<b>A Cash flow from Operating Activities:</b>		
Net Profit/(Loss) before Tax and extraordinary items	<b>17396.66</b>	(5899.06)
<b>Adjustments for:</b>		
Depreciation	<b>6167.41</b>	5832.25
Provision for Leave encashment	<b>119.02</b>	214.99
Loss on revaluation of investment	<b>—</b>	13.79
Profit on sale of Assets/Investments (Net)	<b>(572.33)</b>	(200.35)
Dividend Income	<b>(91.04)</b>	(636.16)
Interest Income	<b>(385.14)</b>	(437.50)
Interest Expenses	<b>4172.87</b>	3631.46
Exchange Fluctuation Loss - net	<b>9254.15</b>	18746.72
Operating Profit before Working Capital Changes	<b>36061.60</b>	21266.14
<b>Adjustments for:</b>		
Trade and Other Receivables	<b>5760.53</b>	223.37
Inventories	<b>(16910.32)</b>	3381.29
Trade Payables	<b>12091.11</b>	8191.02
Cash generated from operations	<b>37002.92</b>	33061.82
Less:		
Taxes Paid (net of refund)	<b>(2051.70)</b>	(2048.95)
<b>Net cash from operating Activities</b>	<b>34951.22</b>	31012.87
<b>B Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets/Capital Expenditure	<b>(10044.61)</b>	(15749.34)
Sale of Fixed Assets	<b>50.68</b>	39.59
Purchase of Investments (net)	<b>(5466.39)</b>	(1046.69)
Interest Received	<b>275.64</b>	354.66
Dividend Received	<b>91.04</b>	636.16
<b>Net cash used in Investing Activities</b>	<b>(15093.64)</b>	(15765.62)

### Cash Flow Statement for the year ended 31st March, 2010 and 31st March, 2009. (Contd.)

		(Rs. In lakhs)
	2009-2010	2008-2009
<b>C Cash Flow from Financing Activities:</b>		
Collection of overdue Allotment/call money	0.23	0.72
Proceeds from Long Term borrowings	5000.00	10000.00
Repayment of Long Term borrowings	(10953.63)	(639.70)
Exchange Fluctuation Loss - net	(9254.15)	(18746.72)
Short Term Loans Movement	7059.74	2391.55
Interest Paid	(4865.39)	(2626.15)
Dividend and Corporate Dividend Tax Paid	(1452.00)	(4354.00)
<b>Net Cash from Financing Activities</b>	<b>(14465.20)</b>	<b>(13974.30)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		
Opening Balance of Cash and Cash Equivalents	12296.50	11023.55
Closing Balance of Cash and Cash Equivalents	17688.88	12296.50
	<b>5392.38</b>	<b>1272.95</b>
<b>A+B+C</b>	<b>5392.38</b>	<b>1272.95</b>

Notes: 1) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statement issued by ICAI.

2) Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

As per our report of even date For B. K. Khare & Company Chartered Accountants	P. P. CHHABRIA K. P. CHHABRIA PRAKASH P. CHHABRIA K. N. ATMARAMANI PROSHANTO BANERJEE M. G. BHIDE DR. VIJAY P. BHATKAR S. N. INAMDAR P. D. KARANDIKAR DR. SUNIL U. PATHAK S. S. DHANORKAR P. SUBRAMANIAM	Chairman Executive Vice Chairman Managing Director          Asst. Managing Director & COO Asst. Managing Director & CFO
U. B. JOSHI Partner	ANIL ATRE AVP (Legal & Admn.) & Company Secretary	
Pune : 24th April, 2010	Pune : 24th April, 2010	

## Schedules forming part of the Balance Sheet

(Rs. in lakhs)

	As At 31/03/2010	As At 31/03/2009
<b>Schedule 1: Share Capital</b>		
<b>Authorised</b>		
150,000,000 (150,000,000) Equity Shares of Rs.10 each	15000.00	15000.00
Unclassified Share Capital	8500.00	8500.00
	<u>23500.00</u>	<u>23500.00</u>
<b>Issued</b>		
124,026,467 (124,026,467) Equity Shares of Rs.10 each	<u>12402.64</u>	<u>12402.64</u>
<b>Subscribed and Paid-Up</b>		
124,026,467 (124,026,467) Equity Shares of Rs.10 each		
fully called-up	12402.64	12402.64
Less: Amount in Arrears, other than from Directors	<u>1.54</u>	<u>1.77</u>
	<u>12401.10</u>	<u>12400.87</u>

- 1) 367,650 (367,650) Equity Shares have been allotted for consideration other than in cash to the shareholders of the erstwhile Finolex Plastics Pvt. Ltd. pursuant to the scheme of amalgamation.
- 2) 5,511,093 (5,511,093) Equity Shares have been issued as fully paid up Bonus Shares by Capitalisation of General Reserve.

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

	As At 31/03/2010	As At 31/03/2009
<b>Schedule 2: Reserves and Surplus</b>		
<b>Capital Reserve</b>		
per last Balance Sheet	60.54	60.54
	<u>60.54</u>	<u>60.54</u>
<b>Share Capital Buyback Reserve</b>		
per last Balance Sheet	2517.93	2517.93
	<u>2517.93</u>	<u>2517.93</u>
<b>Share Premium</b>		
per last Balance Sheet	15222.34	15385.69
Less: Premium on redemption of Debentures *	106.07	163.35
	<u>15116.27</u>	<u>15222.34</u>
<b>FIL ESOS Outstanding Account</b>		
per last Balance Sheet	43.04	43.04
Less: Transferred to General Reserve	43.04	—
	<u>—</u>	<u>43.04</u>
<b>General Reserve</b>		
per last Balance Sheet	12200.04	12200.04
Add: Transferred from FIL ESOS Outstanding Account	43.04	—
Add: Transferred from Profit & Loss Account	2000.00	—
	<u>14243.08</u>	<u>12200.04</u>
<b>Debenture Redemption Reserve</b>		
per last Balance Sheet	4000.00	6500.00
Add: Transferred from Profit & Loss Account	2000.00	—
Less: Transferred to Profit and Loss Account since utilised for redemption of debentures.	—	2500.00
	<u>6000.00</u>	<u>4000.00</u>
<b>Surplus in Profit &amp; Loss Account</b>	<u>8429.44</u>	<u>3551.06</u>
	<u><u>46367.26</u></u>	<u><u>37594.95</u></u>

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

## Schedules forming part of the Balance Sheet

		(Rs. in lakhs)	
		As At	As At
		31/03/2010	31/03/2009
<b>Schedule 3: Secured Loans</b>			
<b>Debentures</b>			
1000	12.25% Secured Redeemable Non-convertible		
(1000)	Debentures of Rs 1000000 each	10000.00	10000.00
500	9.50% Secured Redeemable Non-convertible		
(Nil)	Debentures of Rs 1000000 each	5000.00	—
750	Secured Redeemable Non-convertible		
(750)	Debentures of Rs 1000000 each	—	7500.00
750	Detachable Debt Warrants		
(750)	Privately placed with Banks	—	710.68
<b>Term Loans</b>			
	From Banks	3452.48	6089.36
		18452.48	24300.04
<b>Working Capital Borrowings from Banks</b>			
		2089.46	1191.37
		20541.94	25491.41

Notes : 1) Amount repayable within a year Nil (Rs.10590.20 lakhs )

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

## Schedule 4: Unsecured Loans

### Other Loans and Advances (Short Term)

Acceptances-Banks	59906.82	55399.02
Deferred Sales Tax Loan	1128.94	—
Inter Corporate Deposits	1773.00	350.00
	62808.76	55749.02

## Schedules forming part of the Balance Sheet

### Schedule 5: Fixed Assets

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Cost as on	Additions	Deductions	Cost as on	Bal. as on	On	As at	As at
	01/04/2009			31/03/2010	01/04/2009	For the year	31/03/2010	31/03/2009
Freehold Land	3769.51	628.53	-	4398.04	-	-	4398.04	3769.51
Leasehold Land	100.70	-	-	100.70	18.80	0.61	81.29	81.90
Buildings	10904.43	1679.30	-	12583.73	2261.56	186.65	10135.52	8642.87
Plant & Machinery	102981.81	30923.12	551.09	133353.84	60884.69	5748.35	67089.39	42097.12
Furniture & Fixture	917.98	22.07	1.45	938.60	417.81	45.24	475.79	500.17
Vehicles	803.57	67.55	19.89	851.23	171.25	124.48	568.01	632.32
Aircraft	1108.59	-	-	1108.59	230.98	62.08	815.53	877.61
Total	120586.59	33320.57*	572.43	153334.73	63985.09	6167.41	83563.57	56601.50
Previous Year	113911.37	6783.78	108.56	120586.59	58210.40	5832.25	56601.50	55700.97

\* Includes Rs. 4379.15 lakhs (Nil) of borrowing costs incurred during construction period capitalised.

# Schedules forming part of the Balance Sheet

(Rs. in lakhs)

	As At 31/03/2010	As At 31/03/2009
<b>Schedule 6: Capital Work-in-progress</b>		
<b>A] PVC Expansion Project</b>	<b>1185.10</b>	1185.10
<b>B] Power Project</b>		
Opening Balance	22100.57	11974.91
Add: Additions	7787.68	10125.66
	29888.25	22100.57
Less: Transferred to Gross Block	29876.77	—
Closing Balance	11.48	22100.57
<b>C] Break Water Project</b>	<b>1064.10</b>	1064.10
<b>D] Others</b>		
Opening Balance	3737.12	3737.12
Add: Additions	3475.91	—
	7213.03	3737.12
Less: Transferred to Gross Block	3445.83	—
Closing Balance	3767.20	3737.12
<b>E] Advances</b>	<b>610.06</b>	1827.01
Total Capital Work in Progress	6637.94	29913.90



## Schedules forming part of the Balance Sheet

(Rs. in lakhs)

	As At 31/03/2010	As At 31/03/2009
<b>Schedule 7: Investments</b>		
<b>Non-trade Long term (At Cost)</b>		
<b>Quoted and Listed</b>		
1,980 Equity Shares of Rs.10 each fully paid-up in (1980) Gulf Oil Corporation Ltd.	1.21	1.21
22,187,075 Equity Shares of Rs.2 each fully paid-up in (22,187,075) Finolex Cables Ltd.	10260.02	10260.02
12,400 Equity Shares of Rs.10 each fully paid-up in (12,400) Gold Crest Finance Ltd.	4.96	4.96
[Aggregate market value Rs. 11,497.52 lakhs (Rs. 4,296.17 lakhs)]		
<b>Unquoted</b>		
4,635,000 Equity Shares of Rs.10 each fully paid-up in (4,635,000) Finolex Plasson Industries Ltd.	749.77	749.77
6,100,000 Equity Shares of Rs.10 each fully paid-up in (6,100,000) I2IT Private Limited	610.00	610.00
24,975 Equity Shares of Rs. 10 each fully paid-up in (24,975) Finolex Infrastructure Ltd.	2.50	2.50
7,500 Equity Shares of Rs. 1,000 each fully paid-up in (7,500) Rajasthan Olive Cultivation Limited	75.00	75.00
375 Units of Rs. 1,00,000 each fully paid-up in (100) Peninsula Realty Fund	375.00	100.00
1,000 Equity Shares of Rs. 10 each fully paid-up in (1,000) The Saraswat Co-op Bank Ltd.	0.10	0.10
49,994 Equity Shares of Rs. 10 each fully paid-up in (49,994) Pawas Port Ltd.	4.99	4.99
In Government Securities:		
Indira Vikas Patra <sup>1</sup>		
472 6% Cumulative Redeemable Preference (472) Shares of Re 1/- each in Sun Pharmaceutical Industries Ltd. <sup>2</sup>		
	<b>12083.55</b>	<b>11808.55</b>

# Schedules forming part of the Balance Sheet

		(Rs. in lakhs)	
		As At 31/03/2010	As At 31/03/2009
<b>Current Investments</b>			
<b>Quoted but not Listed Mutual Fund (MF) Units of Rs.10 each unless specified otherwise</b>			
14315894	(Nil) Birla MF - BSL Savings Fund - Inst - Growth	2500.36	–
9619269	(Nil) Birla MF - BSL Short Term Opportunities Fund - Inst - Growth	1000.00	–
Nil (25841519)	Birla MF - Birla Short Term Fund - Inst - Growth	–	2643.30
9367958	(Nil) Canara Robeco MF - Canara Robeco Treasury Advantage - Super Inst Growth	1301.01	–
1000000	(1000000) DWS MF - DWS Fixed Term Fund Ser 43 - Inst Growth	100.00	86.21
2291668	(26717633) IDFC MF - IDFC Money Manager - Treasury Plan C - Growth	250.13	2750.54
13267503	(Nil) IDFC MF - IDFC Money Manager - Investment Plan B - Growth	1850.22	–
1834440	(16271076) Prudential ICICI MF - ICICI Floating Rate - Plan D - Growth [Units of Rs. 100 each (Rs. 10)]	2500.49	2103.88
10000000	(Nil) Prudential ICICI MF - ICICI FMP Ser 49 - 1 Yr Plan A - Growth	1000.00	–
13113294	(22723716) Reliance MF - Reliance Medium Term Fund - Growth	2500.32	4100.92
19760976	(Nil) Religare MF - Religare Ultra ST Fund - Inst Growth	2500.30	–
Nil (16029188)	Sundaram MF - Sundaram Money Fund Super Inst Growth	–	2965.55
18584232	(Nil) Tata MF - Tata Floater Fund - Growth	2551.39	–
202301	(Nil) UTI MF - UTI Treasury Advantage Fund - Inst Growth [Units of Rs. 1000 each]	2500.30	–
[Aggregate market value Rs. 20675.15 lakhs (Rs. 14787.07 lakhs)]		20554.52	14650.40
		<b>32638.07</b>	<b>26458.95</b>

1 Represents Rs. 500 ( Rs. 500 )

2 Represents Bonus Shares

MF Represents Mutual Fund

## Schedules forming part of the Balance Sheet

### Details of Purchase and Sale of Units during the Year 2009-2010

Particulars	No. of Units
Birla Cash Plus Inst Premium Growth	89976919
Birla Sun Life Savings Fund - Institutional Growth	30463781
Birla Sun Life Short Term Fund - Institutional Growth	79689362
Birla Sun Life Short Term Opportunities Fund - Institutional Growth	9619269
Canara Robeco Liquid Fund - Growth	463243
Canara Robeco Liquid Fund - Institutional Growth	2064297
Canara Robeco Liquid Fund - Super Institutional Growth	135923281
Canara Robeco Treasury Advantage - Super Institutional Growth	94728711
Fidelity Cash Fund - Super Institutional Growth	100881877
Fidelity Ultra Short Term Debt Fund - Super Institutional Growth	97348209
HDFC Cash Management Fund Savings Plan - Growth	2106583
HDFC Cash Management Fund Treasury Advantage Plan - Growth	2011819
IDFC Cash Fund - Super Inst Plan C - Growth	88156607
IDFC Money Manager - Treasury Plan C - Super Inst Growth	92635607
IDFC Money Manager Investment Plan B - Growth	13267503
Prudential ICICI Liquid Super Institutional Growth	38200541
Prudential ICICI Floating Rate Plan D - Growth	47081650
Prudential ICICI FMP Ser 49 - 1 Year Plan A - Institutional Growth	10000000
Reliance Liquidity Fund - Growth	59930328
Reliance Medium Term Fund - Growth	39475229
Religare Liquid Fund - Super Institutional Growth	130611896
Religare Liquid Fund - Institutional Growth	324901
Religare Ultra Short Term Fund - Institutional Growth	102143374
Sundaram Money Fund Super Institutional Growth	71944331
Sundaram Ultra Short Term Fund - Super Institutional Growth	18189171
TATA Liquid Super High Inv. Fund - Growth	150250
TATA Floater Fund - Growth	18584232
UTI Liquid Cash Plan - Institutional Growth	1561200
UTI Treasury Advantage Fund - Institutional Growth	1482445

## Schedules forming part of the Balance Sheet

	(Rs. in lakhs)	
	As At 31/03/2010	As At 31/03/2009
<b>Schedule 8: Current Assets, Loans and Advances</b>		
<b>(A) Current Assets:</b>		
(i) Inventories		
Stores, spares & consumables	2820.88	2452.83
Raw materials	10682.46	10952.66
Semi-finished goods	6151.78	1243.23
Finished goods	14319.80	2415.88
	<u>33974.92</u>	<u>17064.60</u>
(ii) Sundry Debtors (unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	283.44	1141.93
Considered doubtful	46.02	46.02
	<u>329.46</u>	<u>1187.95</u>
Less: provision	46.02	46.02
	<u>283.44</u>	<u>1141.93</u>
Other debts	3338.02	3778.65
	<u>3621.46</u>	<u>4920.58</u>
(iii) Cash & Bank Balances		
Cash on hand	34.79	39.58
Balances with Scheduled Banks:		
In Current Accounts	3452.04	1537.12
In Fixed Deposit accounts *	4787.50	2534.25
* Includes Rs. 3370.00 lakhs (Nil) on which bank has a lien.		
	<u>8274.33</u>	<u>4110.95</u>
<b>(B) Loans and Advances (unsecured, considered good):</b>		
(i) * Advances recoverable in cash or in kind or for value to be received	4975.30	10777.49
* Include Nil (Rs. 45.00 lakhs) to associate company Finolex Plasson Industries Ltd. Limited		
Maximum amount outstanding during the year Rs. 45.00 lakhs (Rs. 45.00 lakhs).		
(ii) Advance Tax:		
Advance Tax paid	29799.21	28025.54
Less: Provision for taxation	27835.36	23690.21
	<u>1963.85</u>	<u>4335.33</u>
(iii) Balances with customs, excise, etc.	12624.20	9138.27
	<u>19563.35</u>	<u>24251.09</u>
	<u>65434.06</u>	<u>50347.22</u>

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

	<b>As At 31/3/2010</b>	<b>As At 31/3/2009</b>
<b>Schedule 9: Current Liabilities and Provisions</b>		
<b>Current Liabilities:</b>		
Sundry Creditors (Ref Note No. 8 of Schedule 15)	<b>17679.42</b>	17276.14
Sundry Creditors for capital goods	<b>1125.21</b>	501.90
Trade and Security Deposits	<b>57.22</b>	75.52
Unclaimed Dividend*	<b>377.48</b>	468.93
Unclaimed Interest on Debentures*	<b>23.89</b>	23.89
Other Liabilities	<b>13929.19</b>	2846.37
Interest accrued but not due on loans	<b>685.42</b>	1377.94
	<b><u>33877.83</u></b>	<u>22570.69</u>
<b>Provisions:</b>		
Proposed Dividend	<b>3721.00</b>	1241.00
Tax on Dividend	<b>633.00</b>	211.00
Short Term compensated absences and Gratuity	<b>577.35</b>	458.33
	<b><u>4931.35</u></b>	<u>1910.33</u>
	<b><u>38809.18</u></b>	<u>24481.02</u>

\*There is no amount due and outstanding as at 31<sup>st</sup> March, 2010 to be credited to the Investor Education & Protection fund.

## Schedules forming part of the Profit and Loss Account

	(Rs. in lakhs)	
	2009-2010	2008-2009
<b>Schedule 10: Income from Operations and Other Income</b>		
<b>(A) Income from Operations:</b>		
Sales	159022.91	169594.66
Income from Other Operations	226.43	284.90
	<u>159249.34</u>	<u>169879.56</u>
<b>(B) Other Income:</b>		
Interest earned		
Term deposits	253.32	155.32
Others	131.82	282.18
[Tax deducted at source Rs. 14.67 lakhs (Rs.13.22 lakhs )]		
Miscellaneous Income	755.76	2000.39
Lease Rent	–	204.98
Dividend		
-From long term investments	91.04	402.49
-From current investments	–	233.67
Profit on Sale of Assets	0.13	0.21
Profit on Sale/Redemption of Investments ( net )	712.74	341.45
Exchange Fluctuation Gain ( net )	3852.85	–
	<u>5797.66</u>	<u>3620.69</u>
	<u>165047.00</u>	<u>173500.25</u>

## Schedule 11: Materials and Manufacturing Expenditure

Materials Consumed		
Raw Materials *	95403.39	92879.65
Packing Material	901.33	1163.30
Stores & Spares	1970.19	1762.89
	<u>98274.91</u>	<u>95805.84</u>
Add: (Increase)/Decrease in stock of		
Finished & Semi-finished goods	(16812.47)	3719.49
	<u>81462.44</u>	<u>99525.33</u>
Add: Manufacturing Expenses (Direct)		
Power & Fuel	16145.90	15068.70
Others	3466.68	2847.12
	<u>101075.02</u>	<u>117441.15</u>

\* Includes cost of EDC sold Rs. 2467.90 lakhs (Rs. 1290.13 lakhs)

## Schedules forming part of the Profit and Loss Account

	(Rs. in lakhs)	
	2009-2010	2008-2009
<b>Schedule 12: Personnel Expenses</b>		
Salaries, Wages, Bonus and Commission	3344.71	3009.78
Contribution to Provident and Other Funds	345.11	343.33
Staff Welfare Expenses	448.02	407.39
	<u>4137.84</u>	<u>3760.50</u>
<b>Schedule 13: Other Expenses</b>		
Rent, Rates & Taxes	699.28	457.53
Insurance	318.43	272.46
Repairs & Maintenance		
Buildings	207.63	131.15
Plant & Machinery	647.68	617.06
Others	106.45	70.65
Communication	114.51	109.73
Travelling and Conveyance	251.49	254.72
Directors' Sitting Fees	11.40	7.10
Auditors' Remuneration		
Audit fees	18.00	18.00
Tax Audit	5.00	5.00
Other Services	7.47	4.61
Out of Pocket Expenses	0.76	0.89
Advertisement, Publicity and Sales Promotion	763.02	367.36
Commission on Sales	390.96	706.96
Freight Outwards & Other Selling Expenses	2819.38	3633.98
Bad Debts written off	880.66	–
Sales Tax including Surcharge	–	1.12
Donations (Refer note No. 9 of Schedule 15)	35.03	22.51
Loss on revaluation of investments	–	13.79
Loss on Sale/Scrap of Assets	140.54	11.62
Premium, Loss on Exchange fluctuation/derivatives	9254.15	18746.72
Miscellaneous Expenses	1181.41	1642.09
	<u>17853.25</u>	<u>27095.05</u>
<b>Schedule 14: Finance Charges</b>		
Interest:		
Fixed Period Loans	313.39	570.14
Others	2276.58	1892.52
Bank Charges	487.79	1051.20
Premium on Forward Exchange Contracts/Options	1582.90	1168.80
	<u>4660.66</u>	<u>4682.66</u>

## Schedule 15: Notes forming part of the Accounts

### 1) Significant Accounting Policies

#### i) Accounting Convention:

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

#### ii) Fixed Assets:

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

#### iii) Depreciation:

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

#### iv) Valuation of Investments:

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

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

#### v) Valuation of Inventories:

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



## Schedule 15: Notes forming part of the Accounts

### vi) Foreign Currency Transactions:

- a) Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary Assets & Liabilities denominated in foreign currency are translated at the year-end rate. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of Monetary Assets and Liabilities at the end of the year including exchange difference related to purchase of fixed assets is recognised as income or expense, as the case may be.
- b) The company uses foreign exchange forward contracts and options to reduce the cost or to hedge its risks associated with foreign currency fluctuations to underlying transactions, for certain firm commitments or forecasted transactions. The difference between the forward rate and the exchange rate at the inception of the forward contract for underlying transaction is recognised as income or expense over the life of the contract. In respect of hedge contracts, for firm commitment or forecasted transactions, the attributable gain or loss is taken to profit and loss account on accrual and/or on settlement as the case maybe. Loss if any, in respect of outstanding derivatives at the balance sheet date is assessed by the management based on the principle of prudence and charged to profit and loss account of that period.

### vii) Revenue Recognition:

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

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

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

### viii) Employee Benefits:

- a) Defined Contribution Plan:

Contributions are made to approved Superannuation and Provident Funds.

- b) Defined Benefit Plan:

Company's liability towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past Service Gratuity Liability is computed with reference to the service put in by each employee till the date of valuation as also the projected terminal salary at the time of exit. Actuarial gains or losses

## Schedule 15: Notes forming part of the Accounts

are recognised immediately in the Statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future Cash Flow using a discount rate that is determined by reference to market yields at the Balance Sheet date on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

- c) Short Term Compensated Absences:

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

### ix) Taxation:

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

### x) Provisions and contingent liabilities:

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

### xi) Accounting for leases:

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

## 2) Contingent Liabilities:

- i) Guarantees given by the Company, Rs. 1923.31 lakhs (Rs. 1124.67 lakhs)
- ii) Claims against the Company not acknowledged as debt:
- a) Liabilities in respect of income tax matters for which the Company has succeeded in appeal but Income Tax Department has gone in further appeal and exclusive of the effect of similar matters in respect of pending assessments, Rs. 30.37 lakhs (Rs. 30.37 lakhs).
- b) Liabilities in respect of income tax matters for which the Company has gone

## Schedule 15: Notes forming part of the Accounts

in further appeal and exclusive of the effect of similar matters in respect of pending assessments, Rs. 887.75 lakhs (Rs. 716.90 lakhs).

- c) Excise/Customs/Service Tax in respect of which either show cause notice is received or the Company/Department is in appeal, Rs. 2478.44 lakhs (Rs. 2360.59 lakhs).
  - d) Amounts claimed by banks in respect of derivative transactions which are under dispute not acknowledged as debt Rs. 29474.16 lakhs (Nil).
- 3) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance payments), Rs. 2714.73 lakhs (Rs. 2487.80 lakhs).
  - 4) The break-up of deferred tax assets and liabilities into major components at the year end is as below:

Particulars	Liabilities (Rs. in Lakhs)		Assets (Rs. in Lakhs)	
	As at 31/03/2010	As at 31/03/2009	As at 31/03/2010	As at 31/03/2009
Depreciation	9338.45	9401.05	—	—
Carry forward Tax loss	—	—	—	1750.49
Others	—	—	1993.05	46.26
<b>Total</b>	<b>9338.45</b>	<b>9401.05</b>	<b>1993.05</b>	<b>1796.76</b>
<b>Net Deferred tax liability</b>	<b>7345.40</b>	<b>7604.30</b>	<b>—</b>	<b>—</b>

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

Category	Amount (Rs. in Lakhs) 2010	Amount (Rs. in Lakhs) 2009
Foreign Exchange Forwards/Options	46303.76	41628.28
Interest Rate Swaps	1050.66	1705.17
Currency Swaps	33226.00	77793.98
<b>Total</b>	<b>80580.42</b>	<b>121127.43</b>

B. The Company has entered into derivative transactions with an objective to hedge the financial risks associated with its business, viz., foreign exchange, interest rate.

C. The Company has not hedged the following foreign currency exposures:

- i) Borrowings grouped under secured loans equivalent to Rs. 3452.48 lakhs (Rs. 5,083.36 lakhs) and under unsecured loans equivalent to Rs. 15892.52

## Schedule 15: Notes forming part of the Accounts

lakhs. (Rs. 22613.48 lakhs).

ii) Creditors for imports equivalent to Rs. 12714.73 lakhs (Rs. 10049.51 lakhs).

### 6) Debentures: Terms of Redemption

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

500 Privately placed Secured Redeemable Non-Convertible Debentures of Rs. 10,00,000 (Rupees ten lakhs only) each will be redeemed in full at par at the expiry of five years from the date of allotment, i.e., 18<sup>th</sup> September, 2009.

### 7) Security for Secured Loans:

- (I) The outstanding amount payable on the above referred Debentures with the interest accrued thereon but unpaid and all other costs, charges, expenses and fees payable to the Axis Trustee Services Limited ("ATSL or "Trustees" for 1000 Debentures under the Debenture Trust deed dated 16<sup>th</sup> February, 2009 and for 500 Debentures under the Debenture Trust Deed dated 5<sup>th</sup> March, 2010 respectively) have been secured by creation of English mortgage on *pari passu* basis in favour of Trustees on the Company's immovable properties situate at 1B, 1st Floor, Mahakant Building, Ellisbridge, Ahmedabad in the State of Gujarat.
- (II) The above referred Debentures and the borrowings from ICICI Bank Limited, Singapore Branch ("ICICI Bank") (Axis Bank is acting as Security Trustee of ICICI Bank) by way of foreign currency loan together with all interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, expenses and other moneys and fees payable as applicable to the trustees under the Debentures Trust Deeds and Security Trustee Agreement have been secured by creating equitable mortgage on *pari passu* basis in favour Axis Bank and the ATSL by depositing with Axis Bank, Axis Bank acting for itself as a Trustee of the above referred foreign currency loan of ICICI Bank and as an agent of ATSL, all the documents of title, evidences, title deeds and writings in respect of immovable properties falling within the battery limit of the site of the Company's plant for manufacture of PVC, situate at Village Golap, District Ratnagiri in the State of Maharashtra ("Title Deeds") together with all buildings and structures thereon and all plants and machinery attached to the earth or permanently fastened to anything attached to the earth.

## Schedule 15: Notes forming part of the Accounts

- (III) The aggregate limits of working capital borrowing of Rs. 129575 lakhs from the Bank of India Consortium together with all interest, liquidated damages, costs, charges, and other monies payable under working capital consortium agreement/sanction letters are secured by:
- Hypothecation of inventories and book debts.
  - By extension of second equitable mortgage created in favour of Bank of India Consortium by deposit of Title Deeds with Axis Bank, Axis Bank acting as an agent for Bank of India Consortium, which ranks subsequent and subservient in rank of priority over the first equitable mortgages created/to be created by deposit of Title Deeds in respect of immoveable properties falling within the battery limit of the site of the Company's plant for manufacture of PVC Resin, situate at Village Golap, District Ratnagiri in the State of Maharashtra together with all buildings and structures thereon and all plant and machinery attached to the earth or permanently fastened to anything attached to the earth.

### 8) Sundry Creditors

- A) Outstanding to creditors other than Micro, Small & Medium Enterprise Rs. 18765.19 lakhs (Rs. 17687.58 lakhs) [Interest Paid/Payable is Rs. Nil (Rs. Nil)].
- B) Outstanding to Micro, Small & Medium Enterprise: Rs. 39.44 lakhs (Rs. 90.46 lakhs)

The identification of suppliers as "Micro, Small and Medium Enterprises Development Act, 2006" was done on the basis of information to the extent provided by the suppliers of the company. Total outstanding dues of Micro, Small and Medium which were outstanding more than stipulated period are given below.

#### Rs. lakhs

- |   |     |
|---|-----|
| a) Principal amount due                         | Nil |
| b) Interest paid under MSMED Act, 2006          | Nil |
| c) Interest due                                 | Nil |
| d) Interest accrued and due                     | Nil |
| e) Interest due and payable till actual payment | Nil |
- 9) Donation includes political donation of Rs. 10 lakhs each (Nil) paid to Nationalist Congress Party and Shiv Sena.

## Schedule 15: Notes forming part of the Accounts

## 10) Disclosure as per Accounting Standard 15 (Revised)

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

<b>Statement showing Changes in the Present Value of the Obligation</b>		
	<b>(Rs. lakhs)</b>	
	<b>As at 31/03/2010</b>	<b>As at 31/03/2009</b>
Present Value of obligation at the beginning of the year	<b>462.65</b>	325.48
Interest Cost	<b>36.41</b>	25.24
Current Service Cost	<b>46.57</b>	33.37
Benefits Paid	<b>(14.98)</b>	(19.87)
Actuarial (gain)/loss on obligation	<b>69.90</b>	98.43
Present Value Of obligation as at the end of the year	<b>600.55</b>	462.65
<b>Table Showing changes in fair value of plan assets</b>		
Fair value of plan Assets at the beginning of the year	<b>307.43</b>	260.98
Expected Return on plan assets	<b>26.68</b>	22.74
Contributions	<b>38.36</b>	36.73
Benefits Paid	<b>(14.98)</b>	(19.87)
Actuarial gain/(loss) Plan Assets	<b>2.04</b>	6.85
Fair value of plan Assets at the end of the year	<b>359.53</b>	307.43
<b>Actuarial gain or loss recognized</b>		
Actuarial gain/(loss) on obligation	<b>69.90</b>	(98.43)
Actuarial gain/(loss) Plan Assets	<b>(2.04)</b>	6.85
Total gain/(loss) for the year	<b>67.86</b>	(91.58)
Present Value of obligation	<b>600.55</b>	462.65
<b>Amount to be recognised in the Balance Sheet</b>		
Present Value of obligation	<b>600.55</b>	462.65
Fair Value of Plan Assets	<b>(359.53)</b>	(307.43)
Funded Status	<b>241.02</b>	(155.22)
Liability/(asset) recognised in the Balance Sheet	<b>241.02</b>	155.22
<b>Expenses Recognised in the statement of Profit &amp; Loss Account</b>		<b>(Rs. in lakhs)</b>

## Schedule 15: Notes forming part of the Accounts

	As at 31/03/2010	As at 31/03/2009
Current Service Cost	46.57	33.37
Interest Cost	36.41	25.24
Expected Return on plan assets	(26.68)	(22.74)
Net Actuarial gain/(loss) recognised in the year	67.86	91.57
Past Service Cost	–	–
Expenses Recognised in the statement of Profit & Loss	124.16	127.44

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

### 11) Details of the leased asset:

(Rs. in lakhs)

Particulars	As at 31/03/2010 *	As at 31/03/2009
Gross Carrying Amount	–	943.65
Additions during the year	–	4.35
Accumulated Depreciation	–	(78.63)
Net Carrying Amount	–	869.37
Future Minimum Lease Payments:		
–Upto 1 year	–	204.98
–1 Year <= 5 years	–	912.50
–> 5years	–	Nil

\* Lease cancelled with effect from April 1<sup>st</sup>, 2009.

		(Rs. in lakhs)
	2009-10 Value	2008-09 Value
<b>12) Managerial Remuneration:</b>		
1) Calculation of commission payable to the Non-Executive Directors		
Profit/(Loss) as per Profit & Loss Account	17396.66	(5899.06)
Less: Profit on sale of assets	0.13	0.21
Profit on sale/redemption of investments (net) 712.74	712.87	341.45
	16683.79	(6240.72)
Add: Directors' Remuneration	368.65	176.83
Directors' Commission	9.00	–
Directors' Sitting Fees	11.40	7.10
Loss on sale of assets	140.54	11.62
	17213.38	(6045.17)
Commission as decided by the Board to Non-Executive Directors	9.00	–

## Schedule 15: Notes forming part of the Accounts

	(Rs. in lakhs)	
	2009-10	2008-09
2) Details of payments and provision on account of remuneration to Managing Director and Wholetime Directors:		
i) Salary and perquisites	321.03	127.13
ii) Contribution to Provident and other Funds	47.62	49.70
Total Remuneration	368.65	176.83
Note: Contribution to Gratuity Fund is made on global valuation and hence is not precisely ascertained.		

13) CIF Value of Imports:	Value	Value
Raw materials*	87209.65	89284.59
Stores, spares and components	489.52	185.56
Capital goods	191.65	148.84
Inclusive of high sea purchases*		

14) Expenditure in Foreign Currency:	Value	Value
Interest	1863.04	1090.44
Subscription	11.02	10.16
Travelling expenses	24.55	19.92
Legal and Professional Fees	41.49	–
Others	3.24	3.47

15) Consumption of Raw Materials:	Value	Value
Imported	90% 86117.09	93% 86126.66
Indigenous	10% 9286.30	7% 6752.99
	95403.39	92879.65



## Schedule 15: Notes forming part of the Accounts

			<b>(Rs. in lakhs)</b>	
<b>16) Consumption of Raw Materials:</b>	<b>Qty</b>	<b>2009-2010</b>	<b>Qty</b>	<b>2008-2009</b>
	<b>(M.T.)</b>	<b>Value</b>	<b>(M.T.)</b>	<b>Value</b>
EDC *	<b>108485</b>	<b>14380.44</b>	136134	19297.14
Ethylene	<b>30308</b>	<b>14240.11</b>	33556	15337.88
VCM	<b>118980</b>	<b>43619.94</b>	104763	35257.52
PVC (excluding captive)	<b>24570</b>	<b>9602.63</b>	25337	15068.02
Others		<b>13560.27</b>		7919.09
		<b>95403.39</b>		<b>92879.65</b>

\*Goods traded in 17444 M.T. ( 18351 M.T. )

			<b>(Rs. in lakhs)</b>	
<b>17) Consumption of Stores and Spares:</b>		<b>Value</b>		<b>Value</b>
Imported	<b>6%</b>	<b>108.70</b>	1%	22.10
Indigenous	<b>94%</b>	<b>1861.49</b>	99%	1740.79
		<b>1970.19</b>		<b>1762.89</b>

## 18) Capacities and Production:

<b>Class of Goods</b>	<b>Unit</b>	<b>Installed Capacity</b>	<b>Production</b>
PVC	M.T.	<b>260000</b> (260000)	<b>249867</b> (247214)
PVC Pipes	M.T.	<b>114163</b> (97200)	<b>107115</b> (85548)
PVC Fittings	M.T.	<b>735</b> (735)	<b>7405</b> (5643)

Installed capacities are certified by the Managing Director and relied upon by the Auditors.

Production of pipes & fittings Includes production on job work basis.

## Schedule 15: Notes forming part of the Accounts

(Rs. in lakhs)

## 19) Stock and Turnover:

Class of Goods	Opening Stock		Closing Stock		Turnover	
	Qty.(M.T.)	Value	Qty.(M.T.)	Value	Qty.(M.T.)	#Value
PVC	<b>5287</b>	<b>1620.80</b>	<b>23026</b>	<b>11467.73</b>	<b>*138819</b>	<b>64547.06</b>
	(7687)	(3020.35)	(5287)	(1620.80)	*(191978)	(86202.36)
PVC Pipes	<b>335</b>	<b>149.45</b>	<b>2258</b>	<b>1417.67</b>	<b>105192</b>	<b>64355.81</b>
	(3181)	(1711.89)	(335)	(149.45)	(88394)	(50554.85)
PVC Fittings	<b>655</b>	<b>584.11</b>	<b>463</b>	<b>1434.40</b>	<b>7597</b>	<b>7648.39</b>
	(976)	(603.84)	(655)	(584.11)	(5964)	(6096.33)
Miscellaneous						<b>8715.49</b>
{Includes material resold Rs. 4026.78 lakhs (Rs. 3369.75 lakhs)}						(5926.30)
# Net of excise duty						
Opening and closing stock of PVC includes PVC lying at Pipes Plants.						
* Net of captive consumption 93309 M.T. (57636 M.T.)						
Interdivisional Transfers during the year 93966 M.T. ( 58371 M.T.)						

## 20) Segment Reporting:

## Primary Segment

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

The above business segments have been identified considering:

- The nature of the products
- The related risks and returns
- The internal financial reporting systems

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

## Schedule 15: Notes forming part of the Accounts

(Rs. in lakhs)

Description	2009-10 PVC	2008-09 PVC	2009-10 PIPES & FITTINGS	2008-09 PIPES & FITTINGS	2009-10 OTHER THAN SEGMENT	2008-09 OTHER THAN SEGMENT	2009-10 ELIMINA- TIONS	2008-09 ELIMINA- TIONS	2009-10 TOTAL	2008-09 TOTAL
<b>A. PRIMARY SEGMENT INFORMATION</b>										
SEGMENT REVENUE										
a) External Sales	76706.46	96952.95	82542.88	72926.61	-	-	-	-	159249.34	169879.56
b) Inter-segment Sales	34893.79	31437.33	-	-	-	-	(34893.79)	(31437.33)	-	-
TOTAL REVENUE	111600.25	128390.28	82542.88	72926.61	-	-	(34893.79)	(31437.33)	159249.34	169879.56
SEGMENT RESULT	19918.98	20171.45	8195.48	2064.12	-	-	-	-	28114.46	22235.57
Interest									4660.66	4682.66
Net unallocable (expenditure)/income									(6057.14)	(23451.97)
PROFIT/(LOSS) BEFORE TAX									17396.66	(5899.06)
Provision for current tax									4423.18	22.04
Provision for deferred tax									(258.90)	(2201.68)
Provision for fringe benefit tax									-	70.00
PROFIT/(LOSS) AFTER TAX									13232.38	(3789.42)
SEGMENT ASSETS	108689.31	101578.79	23840.70	22491.23	*65482.54	63575.28	-	-	198012.55	187645.30
SEGMENT LIABILITIES	9415.90	8799.91	9950.28	9387.06	30984.25	30081.80	-	-	50350.43	48268.77
CAPITAL EXPENDITURE	838.43	184.53	2012.94	6332.24	29876.77	158.45	-	-	32748.14	6675.22
DEPRECIATION	5145.32	4865.70	951.38	899.68	70.71	66.87	-	-	6167.41	5832.25

\* Includes Rs. 29888.55 lakh in respect of power plant. Power plant is operationalised from 25th March 2010. The segment, revenue and results from 25th March 2010 to 31st March 2010 not being material have not been disclosed separately.

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.

## Schedule 15: Notes forming part of the Accounts

---

### 21) Related Party Disclosures :

---

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

a) List of Related Parties

**Associate Companies**

- 1 Finolex Cables Limited
- 2 Finolex Plasson Industries Limited
- 3 Finprop Advisory Services Limited
- 4 Pawas Port Limited

**Other Companies**

- 1 Akash-Tatva Investments Pvt. Ltd.
- 2 Coated Fabrics Pvt. Ltd.
- 3 Corrugated Box Industries (I) Pvt.Ltd.
- 4 Finolib Chemicals Pvt. Ltd.
- 5 Orbit Electricals Pvt. Ltd.
- 6 Kaya Software Pvt. Ltd.

**Key management personnel**

1. Mr. P. P. Chhabria - Chairman
2. Mr. K. P. Chhabria - Executive Vice Chairman
3. Mr. Prakash P. Chhabria - Managing Director
4. Mr. J. S. Arora - Wholetime Director (Upto 31.12.2009)
5. Mr. S. S. Dhanorkar - Wholetime Director
6. Mr. P. Subramaniam - Wholetime Director

## Schedule 15: Notes forming part of the Accounts

b) Transactions with related Parties		(Rs. in lakhs)	
Nature of transactions	2009-10	2008-09	
	Associate companies	Associate companies	Key management personnel
<b>1 Sales and other Income</b>			
Finolex Cables Limited	169.44	254.92	—
Finolex Plasson Industries Limited	1461.95	1745.86	—
Total	1631.39	2000.78	—
<b>2 Purchases of raw materials and stores</b>			
Finolex Cables Limited	83.52	60.20	—
<b>3 Expenditure on Services</b>			
Finprop Advisory Services Limited	36.72	39.26	—
<b>4 Purchases of Investments</b>			
Finolex Plasson Industries Limited	—	449.70	—
<b>5 Recoveries</b>			
Finolex Cables Limited	7.57	5.89	—
<b>6 Dividend received</b>			
Finolex Cables Limited	44.37	332.80	—
Finolex Plasson Industries Limited	46.35	69.52	—
	90.72	402.32	—
<b>7 Dividend paid</b>			
Finolex Cables Limited	401.93	1205.78	—
<b>8 Rent paid</b>			
Kaya Software Private Limited	106.81	—	—
<b>9 Interest to Companies against ICD</b>			
Akash-Tatva Investments Pvt. Ltd.	2.62	—	—
Coated Fabrics Pvt. Ltd.	40.51	—	—
Corrugated Box Industries (I) Pvt. Ltd.	3.41	—	—
Finolib Chemicals Pvt. Ltd.	0.94	—	—
Orbit Electricals Pvt. Ltd.	2.72	—	—

## Schedule 15: Notes forming part of the Accounts

Nature of transactions	2009-2010		2008-2009	
	Associate companies	Key management personnel	Associate companies	Key management personnel
<b>10 Reimbursement of expenses received</b>				
Finolex Cables Ltd	163.46		128.47	—
Finolex Plasson Industries Limited	24.89		3.15	—
Total	188.35	—	131.62	—
<b>11 Amount Outstanding</b>				
Debtors	304.88	—	668.12	—
Creditors	14.30	—	246.37	—
<b>12 Loans and Advances and Deposits</b>				
Finolex Plasson Industries Limited	—		45.00	—
Pawas Port Limited	—		0.01	—
Akash-Tatva Investments Pvt. Ltd.	207.00		—	—
Coated Fabrics Pvt. Ltd.	537.00		350.00	—
Corrugated Box Industries (I) Pvt. Ltd.	125.00		—	—
Finolib Chemicals Pvt. Ltd.	70.00		—	—
Orbit Electricals Pvt. Ltd.	50.00		—	—
<b>13 Refund of Deposits</b>				
Akash-Tatva Investments Pvt Ltd.	70.00			—
Coated Fabrics Pvt. Ltd.	101.00		—	—
Orbit Electricals Pvt. Ltd.	127.00		—	—
<b>14 Managerial remuneration</b>	—	368.65	—	176.83

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

Registration No.

	2	4	1	5	3
--	---	---	---	---	---

State Code

1	1
---	---

Balance Sheet date

3	1	0	3	1	0
---	---	---	---	---	---

D D M M Y Y

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

Public Issue

		N	I	L			
--	--	---	---	---	--	--	--

Rights Issue

		N	I	L			
--	--	---	---	---	--	--	--

Bonus Issue

		N	I	L			
--	--	---	---	---	--	--	--

Private Placement

		N	I	L			
--	--	---	---	---	--	--	--

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

Total Liabilities

1	8	8	2	7	3	6	4
---	---	---	---	---	---	---	---

Total Assets

1	8	8	2	7	3	6	4
---	---	---	---	---	---	---	---

**Sources of Funds**

Paid-Up Capital

1	2	4	0	1	1	0
---	---	---	---	---	---	---

Reserves and Surplus

4	6	3	6	7	2	6
---	---	---	---	---	---	---

Secured Loans

2	0	5	4	1	9	4
---	---	---	---	---	---	---

Unsecured Loans

6	2	8	0	8	7	6
---	---	---	---	---	---	---

**Deferred Tax**

0	7	3	4	5	4	0
---	---	---	---	---	---	---

**Application of Funds**

Net Fixed Assets

9	0	2	0	1	5	1
---	---	---	---	---	---	---

Investments

3	2	6	3	8	0	7
---	---	---	---	---	---	---

Net Current Assets

2	6	6	2	4	8	8
---	---	---	---	---	---	---

Misc. Expenditure

		N	I	L		
--	--	---	---	---	--	--

Accumulated Losses

		N	I	L		
--	--	---	---	---	--	--

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

**IV Performance of Company (Amount in Rs. Thousands)**

Turnover (net of excise duty)

1	4	5	4	9	3	1	8
---	---	---	---	---	---	---	---

Total Expenditure

1	3	3	8	9	4	1	8
---	---	---	---	---	---	---	---

+ -

Profit Before Tax

+	
---	--

0	1	7	3	9	6	6	6
---	---	---	---	---	---	---	---

+ -

Profit After Tax

+	
---	--

0	1	3	2	3	2	3	8
---	---	---	---	---	---	---	---

Earnings Per Share in Rs.

1	0	.	6	7
---	---	---	---	---

Dividend Rate %

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

**V Generic Names of Three Principal Products/Services of Company (As per monetary terms)**

a) Item Code No. (ITC Code)

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

Product Description

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

b) Item Code No. (ITC Code)

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

Product Description

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

c) Item Code No. (ITC Code)

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

Product Description

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

d) Item Code No. (ITC Code)

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

Product Description

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

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

Signature to Schedule 1 to 15 and Notes to Accounts

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

P. P. CHHABRIA  
K. P. CHHABRIA  
PRAKASH P. CHHABRIA  
K. N. ATMARAMANI  
PROSHANTO BANERJEE  
M. G. BHIDE  
DR. VIJAY P. BHATKAR  
S. N. INAMDAR  
P. D. KARANDIKAR  
DR. SUNIL U. PATHAK  
S. S. DHANORKAR  
P. SUBRAMANIAM

Chairman  
Executive Vice Chairman  
Managing Director

U. B. JOSHI  
Partner

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

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

Pune : 24th April, 2010

Pune : 24th April, 2010



## NOTICE

NOTICE is hereby given that the twenty-ninth annual general meeting of the members of Finolex Industries Limited will be held on Friday, 13<sup>th</sup> day of August, 2010 at 10.30 a.m. at Training Centre of Finolex Cables Limited at and post Urse, Taluka Maval, District Pune 410 506 to transact the following business:

1. To receive, consider, approve and adopt the audited balance sheet as at 31st March, 2010 and the profit and loss account for the year ended on that date and the reports of the directors' and the auditors' thereon.
2. To declare dividend for the financial year ended 31st March, 2010.
3. To appoint a director in place of Mr.S.N.Inamdar, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a director in place of Mr.K.N.Atmaramani, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a director in place of Mr.M.G.Bhide, who retires by rotation and, being eligible, offers himself for reappointment.
6. To appoint auditors to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting and to fix their remuneration.
7. To consider, and, if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and subject to the provisions of Section 268 and other applicable provisions, if any, of the Act, the Rules framed under the Act as may be applicable as also such approvals as may be required in this regard, the following existing Articles of the Articles of Association of the Company be and are hereby amended as set out below:

- A. existing Article 121 of the Articles of Association of the Company be deleted and the following Article 121 be substituted in place thereof:

- 121 (1) Subject to the provisions of the Act, Executive Chairman, Managing Director and Executive Director may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other.
- (2) Subject to the provisions of the Act, a Director, who is neither in the whole-time employment nor Executive Chairman, Managing Director or Executive Director may be paid remuneration either:-
- (i) by way of monthly, quarterly or annual payment with the approval of the Central Government; or
  - (ii) by way of commission if the Company by a special resolution authorised such payment.
- (3) The fee payable to a Director for attending each meeting of the Board or a Committee thereof shall be determined by the Board and shall be such sum not exceeding the maximum sum as may be prescribed under Section 310 or any other provision of the Companies Act, 1956, as applicable to the Company.

- B.(i) existing Article 131 of the Articles of Association of the Company be deleted and the following Article 131 be substituted in place thereof:

131. At every Annual General Meeting of the Company, one third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. The Debenture Directors, if any, shall not be subject to retirement under this clause and shall not be taken into account in determining the rotation of retirement or the number of Directors to retire. Notwithstanding anything to the contrary contained herein, no Chairman, Executive Chairman or Managing Director shall be liable to retire by rotation. Subject to the provisions of the Act, an Executive Director may be appointed by the Board as a Director not liable to retire by rotation.

- B.(ii) existing Article 141 of the Articles of Association of the Company be deleted and the following Article 141 be substituted in place thereof:

- 141(1) (a) The Board shall be entitled to appoint, any Director for the time being of the Company as Chairman of the Board of Directors. The Board shall also be entitled to appoint Executive Chairman and also Managing Director, who shall both be in wholetime employment of the Company. The Executive Chairman shall be Chief Executive of the Company.
- (b) If the Chairman appointed pursuant to sub-clause (a) above, is Executive Chairman, the Company shall also appoint a suitable person as Managing Director of the Company.
- (c) If the Chairman appointed pursuant to sub-clause (a) above is not Executive Chairman, the Company may at any time thereafter appoint any person as Executive Chairman whereupon he shall be the Chief Executive pursuant to sub-clause (a) above and Managing Director if already appointed as Chief Executive shall be appropriately re-designated.
- (d) If the Company has a non-executive Chairman the term 'Chairman' wherever used in these Articles shall mean the non-executive Chairman referred to in Article 89 and not Executive Chairman. If, however, the Company does not have a non-executive Chairman the term 'Chairman' wherever used in these Articles shall mean Executive Chairman, if one is appointed.
- (e) In addition to Executive Chairman and Managing Director, the Board shall be entitled to appoint one or more Executive Directors.
- (f) Executive Chairman, Managing Director and Executive Directors shall be Whole-time directors of the Company.
- (g) No person who is a relative of Executive Chairman shall be entitled to be appointed as Managing Director or Executive Director and no person who is a relative of Managing Director shall be entitled to be appointed as Executive Chairman or Executive Director. The term "relative" shall have the meaning assigned thereto by Section 6 of the Act.
- (h) The powers and duties of Executive Chairman, Managing Director and Executive Director shall be such as are determined by the Board.

- 141(2) The remuneration of the Executive Chairman, Managing Director and Executive Director shall be such as may be determined by the Board from time to time and may be by way of monthly payment, fee for each meeting or participation in profits or by any or all these modes or any other mode not expressly prohibited by the Act.
- 141(3) Executive Chairman, Managing Director and Executive Director shall not be required to hold any qualification shares and subject to the provisions of the Act and these Articles shall not be liable to retire at any General Meeting of the Company.
- B.(iii) existing Article 142 of the Articles of Association of the Company be deleted and the following Article 142 be substituted in place thereof:
- 142 The Executive Chairman, Managing Director or Executive Director shall not exercise the powers to:-
- (a) make calls on shareholders in respect of money unpaid on the shares in the Company;
  - (b) issue of debentures; and except to the extent mentioned in the resolution passed at the Board meeting, under Section 292 of the Act, shall also not exercise the powers to:-
  - (c) borrow moneys, other than on debentures;
  - (d) invest the funds of the Company; and
  - (e) make loans
- B.(iv) existing Article 143 of the Articles of Association of the Company be deleted and the following Article 143 be substituted in place thereof:
- 143 The Company shall not appoint or employ, or continue the appointment or employment of a person as its Executive Chairman, Managing Director or Executive Director who
- (a) is an undischarged insolvent, or has at any time been adjudged an insolvent;
  - (b) suspends, or has at any time suspended, payment to his creditors or makes, or has at any time made, a composition with them; or
  - (c) is, or has at any time been, convicted by a Court of an offence involving moral turpitude.
- B.(v) existing Article 148 of the Articles of Association of the Company be deleted and the following Article 148 be substituted in place thereof:
- 148 The Executive Chairman/Managing Director /Executive Director /Secretary shall, as and when directed by any Director to do so, convene a meeting of the Board by giving a notice in writing to every Director.
- B.(vi) existing Article 159 of the Articles of Association of the Company be deleted and the following Article 159 be substituted in place thereof:
- 159 The Company shall not appoint or employ at the same time more than one of the following categories of managerial personnel, set out at (a) or (b) below namely:-

- (a) Managing Director by whatever name called
- (b) Manager

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do either by itself or through its committee, all such acts, deeds, matters and things as it may in its absolute discretion consider necessary, usual, proper or expedient to implement this resolution."

By Order of the Board of Directors  
For Finolex Industries Limited  
Anil Atre

Pune  
24<sup>th</sup> April, 2010

AVP (Legal & Admin.) &  
Company Secretary

### Notes:

1. **A member entitled to attend and vote at the meeting is entitled to appoint proxy to attend and vote instead of himself and a proxy need not be a member of the Company. The proxy form, in order to be effective, must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.**
2. The explanatory statement pursuant to section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The register of members and the share transfer books of the Company will remain closed from 1st August, 2010 to 13th August, 2010, both days inclusive.
4. Dividend, if declared at the meeting, will be paid on or before 10th September 2010 to those shareholders whose names appear on the register of members of the Company on 13th August, 2010 or on the register of beneficial owners maintained by the depositories as at the close of their business hours on 31st July, 2010.
5. Members whose shareholding is in the dematerialized form are requested to direct change of address notifications and updations of bank/mandate/ECS details to his/her respective depository participant. Members holding shares in physical form may please send such details to the Company at its Investor Relations Centre.
6. Members holding shares in physical form are requested to consider dematerializing the same at the earliest.
7. Members who have not appointed nominees are requested to appoint nominees. The prescribed form for appointment of nominee will be made available on request.
8. Members desirous of obtaining any information concerning the accounts and operations of the Company for the financial year ended 31st March, 2010 are requested to address their questions to the Company Secretary at Investor Relations Centre so as to reach on or before 31st July, 2010 so that the requested information is made available at the meeting to the best extent possible.
9. Please ensure to enclose copies of PAN card(s) of all transferees along with share transfer documents to be lodged for transfer of shares. In absence of such PAN card copies, Company can't effect the requests for transfer/transmission/name deletion etc.
10. Pursuant to sections 205A and 205C of the Companies Act, 1956, all unclaimed/unpaid dividends up to the financial year 2001-02 have been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government.

11. Members are requested to bring their copy of the annual report and the duly filled in attendance slip with them at the annual general meeting.
12. Route map showing directions to the venue of the meeting is given on page 70.

**EXPLANATORY STATEMENT IN RESPECT OF ITEM NO.7 OF THE NOTICE PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.**

**Item No. 7**

- A) Article 121(3) of the Articles of Association of the Company is being amended to provide for maximum sum that may be paid to a member of the Board of Directors for attending the meetings of the Board or Committee thereof.
- B) It is proposed to amend Article 141 of the Articles of Association of the Company to provide for appointment of Executive Chairman, Managing Director and Executive Directors and the powers and responsibilities to be vested in them. In addition, certain provisions in the Articles of Association of the Company applicable to the Managing Director and/or Wholetime Director are proposed to be made applicable also to the Executive Chairman and Executive Directors. Consequently, Article Nos.121(1) & (2), 131, 142 and 143, 148 and 159 are proposed to be suitably amended.

Accordingly, consent of the shareholders is solicited by passing a Special Resolution for amendment of Article Nos. 121, 131, 141, 142, 143, 148 and 159 as detailed in item No. 7 of the accompanying Notice.

A copy each of the existing Articles of Association and a new set of the Articles of Association after incorporating the proposed amendments will be available for inspection by the members of the Company at the registered office of the Company between 10:00 a.m. to 12:00 p.m. on any working day of the Company till 13th August, 2010.

All Directors except Mr.S.S.Dhanorkar and Mr.P.Subramaniam are deemed to be concerned or interested directly or indirectly in proposed amendment of Article No. 121(3) of the Articles of Association since the same is relating to sitting fees payable to Directors for attending the meetings of the Board and Committees thereof.

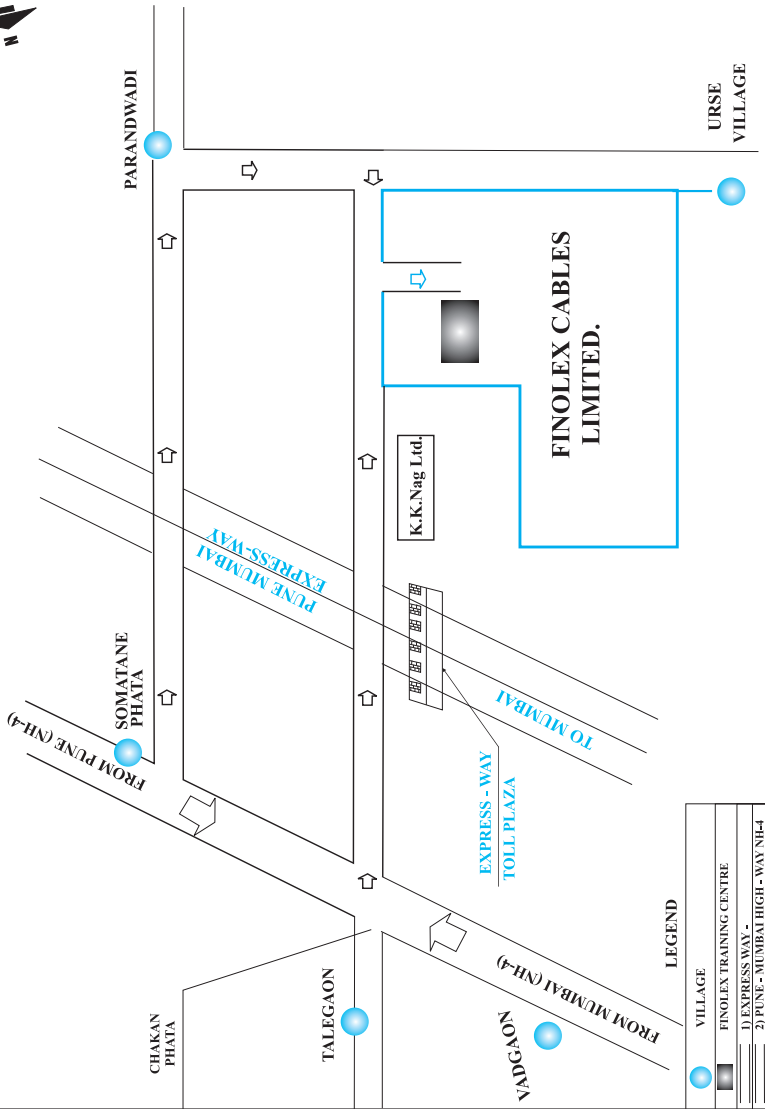
Mr.P.P.Chhabria, Mr.K.P.Chhabria, Mr.Prakash P. Chhabria, Mr.S.S.Dhanorkar and Mr.P.Subramaniam are deemed to be concerned or interested directly or indirectly in the proposed amendments of Article Nos.121(1) and 121(2), 131, 141, 142, 143, 148 and 159 of the Articles of Association of the Company, since the same are relating to appointment and remuneration of Chairman and/or Managing Director and demarcation of the roles and responsibilities of the Chairman and Managing Director of the Company.

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

Pune  
24<sup>th</sup> April, 2010

# ROAD MAP FOR FINOLEX TRAINING CENTRE (URSE)

NOT TO SCALE



# FINOLEX INDUSTRIES LIMITED

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

## PROXY FORM

Folio No.: \_\_\_\_\_

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

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

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

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

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

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

of \_\_\_\_\_

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

of \_\_\_\_\_

as my/our proxy to attend and vote for me/us on my/our behalf at the 29th annual general meeting of the Company to be held on Friday, the 13th August, 2010 at 10.30 a.m. at Training Centre of Finolex Cables Limited at and post Urse, Taluka Maval, District Pune 410 506.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Signature \_\_\_\_\_

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

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

— — — — — -Tear here— — — — —

## FINOLEX INDUSTRIES LIMITED

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

### 29TH ANNUAL GENERAL MEETING – 13th August, 2010 ATTENDANCE SLIP

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

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

Member's Name \_\_\_\_\_ No. of shares \_\_\_\_\_

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

I hereby record my presence at the 29th annual general meeting at Training Centre of Finolex Cables Limited at and post Urse, Taluka Maval, District Pune 410 506 on 13th August, 2010 at 10.30 a.m.

Member's/Proxy's Signature

Notes: 1) Interested joint members may obtain attendance slips from the Registered Office of the Company.

2) Members/joint members/proxies are requested to bring the attendance slips with them. Duplicate slips will not be issued at the entrance of the meeting hall.

