

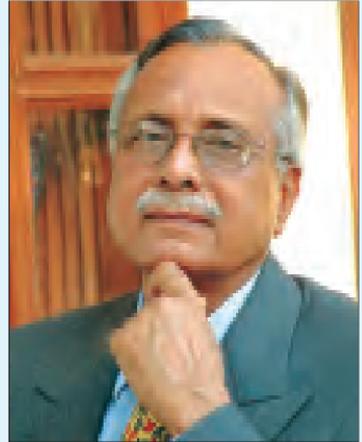
27th Annual Report | 2007-08

Finolex
Industries Limited



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Chairman's Message

Dear Stakeholders,

I am happy to present to you the performance for the financial year ended 31st March, 2008.

Your Company has registered significant growth in gross income. Your Company continues to be a leader in the PVC pipe industry. I am happy to inform you that the new PVC pipes plant at Urse has been commissioned. The demand for PVC resin also has been growing steadily and PVC resin is expected to continue to be in short supply in India.

Though the economic outlook has turned uncertain the Indian economy is expected to continue on the growth path, albeit at a slower pace than in the recent past. The rising inflation, soaring crude prices and tightening money market conditions are some of the challenges that are emerging in the Indian economy. Your Company has geared itself to face the challenges effectively. I am sure the Company's long term focus on quality and innovation and its strong brand equity will help it to tide over the situation and come out a winner.

I am confident that with your support your 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

Mr. M.G. Bhide

Independent Director

Mr. S.N. Inamdar

Independent Director

Mr. S.S. Marathe

Independent Director

Mr. K.P. Chhabria

Managing Director

(Up to 31st January, 2008)

Executive Vice Chairman

(effective 1st February, 2008)

Mr. Prakash P. Chhabria

Deputy Managing Director

(Up to 31st January, 2008)

Managing Director

(effective 1st February, 2008)

Mr. S.S. Dhanorkar

Asst. Managing Director &

Chief Operating Officer

Mr. P. Subramaniam

Asst. Managing Director &

Chief Financial Officer

Mr. J.S. Arora

Director (Projects)

Mr. S.S. Math

Director (Manufacturing)

(22nd October, 2007 to 19th July, 2008)

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

BNP Paribas

Auditors

B.K. Khare & Co.

Chartered Accountants, Pune

Solicitors & Advocates

Crawford Bayley & Co., Mumbai

Investor Relations Centre

(Effective 4th July, 2008)

P-14, Rajiv Gandhi Infotech Park

MIDC, Hinjewadi

Pune 411 057

Tel: 020-27408200

Fax No. 020-22932939

E-mail: investors@finolexind.com

Registered Office

(Up to 3rd July 2008)

D1/10, M.I.D.C., Chinchwad,

Pune 411 019, Maharashtra, India.

Registered Office

(Effective 4th July 2008)

Gat No. 399, Urse,

Taluka: Maval,

District: Pune 410 506

Maharashtra, India.

Tel: 02114-237251

Fax: 02114-237252

E-mail: investors@finolexind.com

Management Discussion and Analysis

Introduction

Your Company has just completed one more year of good growth. The gross income has shown a growth of 34%.

Financial Review

Both the divisions of the Company i.e. PVC Resin and PVC Pipes and Fittings have shown steady growth. However, the volatility in the raw material and currency markets has had an impact on the margins.

Your Company's operations continue to reflect the positive factors experienced by the Indian economy. The GDP growth was 9.6% during 2006-07 but has moderated a bit to 8.7% in 2007-08. Increased allocation by the Union Government on Irrigation, the higher growth experienced by the Construction Industry and a good monsoon during 2007-08 all contributed to increased demand for your Company's products.

Global Economy and Effect on the Company

The global economic situation has suddenly turned very uncertain. The sub-prime crisis and related financial problems in the U.S. and other advanced countries have started affecting the global economy over the past few months. The continuous rise in crude oil prices to unprecedented levels has exerted an immense pressure in many economies including that of India. Your Company's raw materials which have a co-relation to the crude oil prices have also been impacted.

The inflation rates are rising across the globe and the economists are predicting a severe food crisis. The impact of all these factors is likely to be felt on the growth potential of developing countries. On a positive note the Indian economy is much stronger today as compared to the last recession in the 1980. The growing middle class, positive demographic factors, positive savings rates and such other factors will definitely ensure that the impact on the Indian economy will be much less as compared to that on developed countries. The Union Government has declared large investment outlays in infrastructure, irrigation, drinking water facility, etc. This might keep the economy growing, albeit at a rate lower than the peak rate of 9.8% achieved last year.

Industry Outlook

PVC Resin Business

Backed by a strong growth in demand for the PVC Pipes, the PVC Resin demand in India has also seen a strong growth. No additional capacity for manufacture of PVC Resin was set up in India during the year under review whereas the demand has grown by almost 200,000 MT. As a result the demand / supply gap has further widened.

The availability of raw material continues to be tight in the international market which has had impact on your Company's ability to fully utilize its capacity. Your Company has signed Long Term Contracts for a substantial part of its raw material requirements.

Your Company is watching the international raw material situation very carefully. The rising Crude Oil price is a matter of great concern.

PVC Pipes Business

Your Company continues to maintain the leadership position in the PVC pipes business in India.

Your Company turned out a modest growth during the year under review. It is heartening to note that the growth has come from all segments of demand viz. agriculture, drinking water, plumbing and sanitation. This policy of diversified growth has helped your Company to reap the benefits of a growing Indian economy.

The demand for PVC Pipes is expected to continue growing on the background of increased spending on infrastructure sector. The irrigation potential in India still remains largely untapped with more than half of the net cultivated area depending on rains. The India Government has increased its thrust on Agriculture and Rural Development. There are various Government programmes like Accelerated Infrastructure Benefit Programme [AIBP], Rural Infrastructure Development Fund [RIDF], Water Harvesting Schemes, Bharat Nirman Abhiyan etc. all of which are expected to give a boost to the demand of PVC Pipes and Fittings.

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. Your Company continues to

import its main raw materials viz. Ethylene Di-Chloride [EDC], Ethylene and Vinyl Chloride Monomer [VCM]. None of these raw materials are traded in futures market and there is no opportunity to hedge the price risks. The Company is also exposed to foreign exchange risks and interest 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 in financial instruments 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 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 in Ratnagiri and preventive measures are taken to ensure high standards of safety.

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

Transparency in Sharing Information

Transparency refers to sharing information and acting in an open manner. Processes, instructions and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them. Your Company believes in total transparency in sharing information about its business operations with all its stakeholders. Your Company strives to provide maximum possible information in the Management Discussion and Analysis in the Annual Report to keep the stakeholders informed about the business performance. As an open channel of communication between stakeholders and officials, and to make a wide range of information accessible, your Company holds regular meetings with institutional investors in India and abroad.

Internal Control Systems

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

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

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

Human Resources

Your Company's industrial relations continued to be harmonious during the year under review. Your Company conducts regular in-house training programs for employees at all levels. Employees are also sent for selected external training programs especially with a view to aid leadership development. The employee strength of your Company is currently 1016.

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-seventh annual report and audited accounts for the year ended 31st March, 2008.

Financial Results

	(In Rs. million)	
	2007-2008	2006-2007
Profit before depreciation & finance charges	1895.517	1700.552
Finance charges	303.193	137.320
Profit before depreciation	1592.324	1563.232
Deductions for:		
i) Depreciation	574.577	546.081
ii) Provision for taxation	305.892	318.324
Profit after depreciation and taxation	711.855	698.827
<i>Add:</i>		
Surplus of profit and loss account of earlier year	502.793	389.366
Appropriations		
(i) General reserve	100.000	100.000
(ii) Debenture redemption reserve	50.000	50.000
(iii) Proposed dividend	372.100	372.100
(iv) Tax on dividend	63.300	63.300
(v) Balance carried over to balance sheet	629.248	502.793

Operations

The operational performance is summarized below:

	2007-2008	2006-2007
Income (In Rs. million)	16755.025	12525.213
Profit before tax (In Rs. million)	1017.747	1017.151
Profit after tax (In Rs. million)	711.855	698.827
Cash earnings (In Rs. million)	1219.932	1225.497
PVC Resin		
Production (MTs)	212714	182134
Sale (excluding interdivisional):		
- in (MTs)	187780	133951
- in (Rs. million)	8571.241	5597.848
PVC Pipes and Fittings		
Production (MTs)	77750	72497
Sale (MTs)	75827	74211
Sale (In Rs. million)	4445.951	4006.752

Dividend

Your directors have recommended a dividend on equity shares @ 30% (Rs. 3.00 per equity share) for the financial year ended 31st March, 2008. The proposed dividend (including corporate dividend tax) will absorb Rs. 435.400 million.

Finance

The interest and finance charges for the year were Rs. 303.193 million as against Rs. 137.320 million for the previous year.

Corporate governance

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

Power project

Due to local agitation at Ratnagiri, the work on power project was suspended frequently during the year under review. Moreover, non-availability of construction labour also caused delays. Presently the work has commenced.

Shifting of the Registered Office

Pursuant to the resolution passed at the annual general meeting held on 22nd June, 2007, the Board has decided to shift the registered office to Urse.

Setting up of PVC pipes plant at Urse

The Company's new plant for manufacture of PVC pipes at Urse became operational in May 2008 and the installed capacity for manufacturing of PVC pipes has reached 100,000 M.T. per annum.

Sammanpatra from Department of Revenue, Central Excise, Customs & Service Tax

Government of India, Ministry of Finance, Department of Revenue, Central Excise, Customs & Service Tax vide its certificate dated 22nd February, 2008 has conferred a Sammanpatra to the Company in recognition of Company's outstanding contribution to Central Excise revenue during the year 2007.

Fixed deposits

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

Fire incidence at the registered office

A fire broke out in the Computer Centre at Company's premises destroying some of the records. However, with considerable efforts, Company was able to restore normalcy & compile sufficient details to enable finalisation of accounts in time.

Disclosure regarding employee stock option scheme

Pursuant to the applicable requirements of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, disclosures concerning stock options under the Finolex Industries Limited Employee Stock Option Scheme/Plan ("FIL ESOS") in terms of the approval of the shareholders accorded at the extraordinary general meeting of the Company held on 3rd April, 2001 are annexed hereto.

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 alongwith 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 at 31st March, 2008 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, Technology and Foreign Exchange

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

The Board of Directors re-designated Mr. K.P. Chhabria and Mr. Prakash P. Chhabria as Executive Vice Chairman and Managing Director respectively effective 1st February, 2008 for the remaining period of their present term of appointment.

Since the present term of appointment of Mr. K.P. Chhabria is getting over on 31st July, 2008, the Board of Directors has reappointed him as wholtime director designated as Executive Vice Chairman for a period of five years effective 1st August, 2008, subject to approval of the members of the Company. The Directors recommend his reappointment.

Mr. S.S. Math was co-opted as Additional Director on 22nd October, 2007. He holds office up to the date of the ensuing Annual General Meeting of the Company. Mr. S.S. Math has tendered his resignation from the services of the Company which has been accepted with effect from 19th July, 2008.

Mr. S.N. Inamdar, Mr. S.S. Dhanorkar and Mr. P. Subramaniam, all three directors retire by rotation at the twenty-seventh 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-seventh 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

As a responsible corporate citizen, your Company takes keen interest in the well-being of the society.

The Company encouraged and supported various sports, cultural and religious activities. Your Company also offered medical assistance to local community and donated medical equipment.

Government of India has taken up a project of upgradation of government owned I.T.Is. (Industrial Training Institutes) through public private partnership and Federation of Indian Chambers of Commerce and Industry (FICCI) is coordinating this activity. At the request of FICCI, Finolex group has adopted I.T.I. Ratnagiri in the name of the Company and I.T.I., Lonavala in the name of Finolex Cables Limited.

The Andhra Pradesh Government has agreed to provide 50 acres of land free of cost to Finolex Group for establishing a Rural Residential Public School at Settigunta, Kodur, Kadapa District.

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 and 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 every employee of the Company. Lastly, your directors are deeply grateful for the confidence and faith shown by the members of the Company in them.

For and on behalf of the Board of Directors

Pune
18th June, 2008

P. P. Chhabria
Chairman

Annexure 1 to Directors' Report 2007-2008

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A CONSERVATION OF ENERGY

a) Energy Conservation measures taken:

- In VCM unit 14, a steam generator is installed in quench overhead system of EDC cracker unit to recover process heat.
- In high boils column of VCM plant, in unit 13, low pressure steam lined up to reboiler thereby avoiding venting of steam.
- By emulsification of boiler fuel (LSHS), efficient combustion was achieved, thereby saving in LSHS consumption.
- Energy efficient Nash compressor was installed in place of SIHI compressor.

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

- Use of preheated DM water from VCM plant in PVC for batch charging to reduce steam consumption.
- A low head pump for transfer of dry EDC from heads column bottom to high boil column will replace the high head energy intensive pump.
- A variable frequency drive will be installed on one of E-1402 fans to reduce energy.

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

- Resulted in reduction in consumption of energy and subsequently reducing cost of production of goods.

(d) Total energy consumption and energy consumption per unit of production as per form A.

FORM A
(PVC Plant)

(A) Power and fuel consumption:

Sr. No.	Description	Units	2007-2008	2006-2007
1	Electricity			
	Purchased units for PVC Resin Plant	Million kWh	114.478	110.269
	Total amount	In Rs. Million	481.824	456.900
	Average rate/unit	Rs./kWh	4.209	4.140
2	Furnace oil (LSHS)			
	Quantity	Metric Tons	18287.640	12801.932
	Total price	In Rs. Million	380.881	207.324
	Average rate/unit	Rs./M.T.	20827.237	16194.743
3	HSD/SKO/Naphtha			
	Quantity	Metric Tons	13192.466	9506.651
	Total price	In Rs. Million	420.842	263.333
	Average rate/unit	Rs./M.T.	31900.177	27699.870
4	LPG			
	Quantity	Metric Tons	426.687	434.693
	Total price	In Rs. Million	12.951	13.691
	Average rate/unit	Rs./M.T.	30352.460	31495.791

(B) Consumption per metric ton production of PVC:

Sr. No.	Description	Units/ Per ton	2007-2008	2006-2007
1	Electricity	kWh	538	605
2	a) Furnace oil (LSHS)	M.T.	0.0860	0.0703
	b) HSD/SKO/Naphtha	M.T.	0.0620	0.0522
	c) LPG	M.T.	0.0020	0.0024

B. TECHNOLOGY ABSORPTION:

(e) Efforts made in Technology absorption as per Form B

FORM –B

Form for disclosure of particulars with respect to absorption.

Research and Development (R & D).

1. Specific areas in which R&D efforts have been put in by Company are:
 - A multi grade filter installed in effluent recycle unit increased recycle water plant capacity.
 - Spray nozzles in incinerator quench column were replaced with improved non-clogging design for increasing “on stream” time.
 - Low boiling waste which was earlier burnt in the plant incinerator is now sold to an outside agency for recycling valuable organic components.
 - A bypass line for HCL vapor was provided across HCL condenser to improve pressure drop in the HCL column system.
 - A double mechanical seal pump for liquid HCL was replaced with a sealless canned motor pump to avoid seal leaks.
2. Benefits derived as a result of the above R&D:
 - Improvement in reaction efficiencies
 - Improvement in on stream time
 - Conservation of base material
 - Environmental protection and effluent quality improvement
3. Future plans of action:
 - Improvement in sparger and grid plate design in oxy hydrochlorination reactor for reducing catalyst loss.
 - Modification in PVC old reactors’ cooling water circulation to forced circulation in close loop for capacity augmentation and energy saving.

- All pumps in incinerator unit will be replaced from mechanical seal type to magnetic sealless pumps to avoid seal leak and result in environmental improvement.
 - A nitrogen heater will be installed for supply of hot Nitrogen during plant start up to reduce drying time.
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:
 - Introduction of new grade of PVC resin K value 60 for injection of PVC mouldings.
 - Introduction of non-clogging spray nozzles in incinerator quench column for increase of 'on stream time'.
3. Imported Technology:
 - a) Technology imported : VCM & PVC technologies from Uhde GmbH, Germany.
 - b) Year of Import : 1990
 - c) Has technology been fully absorbed : Absorbed

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. 9152.887 million

(b) Total foreign exchange earned : Rs. Nil

Annexure 2**DISCLOSURE REGARDING FINOLEX INDUSTRIES LIMITED –
EMPLOYEE STOCK OPTION SCHEME/PLAN (“FIL ESOS”)**

A	Total grant of options authorised under the FIL –ESOS	5,00,000
B	Total options granted	69,700
C	Options granted during the F.Y. 2007-2008	Nil
D	The pricing formula	An exercise price of Rs. 10 per equity share as per FIL ESOS.
E	Options vested	67,400
F	Options exercised during the F.Y.2007-2008	67,400
G	The total number of shares arising as a result of exercise of option	67,400
H	Options lapsed	2,300

I	Variation of terms of options	None
J	Money realised by exercise of options	None (As FIL ESOS implemented through Trust Route).
K	Total number of options in force	Nil
L	Employee-wise details of options granted during the F.Y. 2007-2008 to:	
	i) Senior managerial personnel	None
	ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during the year	None
	iii) Identified employees who were granted options, during any one year, equal to or exceeding 2% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None
M	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with [Accounting Standard (AS) 20 'Earnings per share']	Rs. 5.74
N	Impact of difference in calculating employee compensation cost using intrinsic value of the stock options and fair value of the options on profits and on EPS	On Profits : Rs. 17,93,323 On EPS : Rs. 0.014
O	Weighted-average exercise price of options granted during the year	Not applicable
P	A description of the method and significant assumptions used for estimating the fair value of options.	Market value is considered as fair value.

Auditors' Certificate on Corporate Governance

To the Members of Finolex Industries Limited

We have examined the compliance of conditions of corporate governance by Finolex Industries Limited (the Company) for the year ended on 31st March, 2008 as stipulated in clause 49 of the Listing Agreements of the Company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreements.

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

Place: Pune

Date: 18th June, 2008

For and on behalf of
B.K. Khare & Co.
Chartered Accountants

U.B. Joshi
Partner
M.No. 44097

Corporate Governance

Compliance Report for the year 2007-2008

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

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

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

2. Board of Directors and Board procedure:

- i. The Board comprises of six non-executive and six executive directors. Out of six non-executive directors, five are independent.
- ii. During 2007-2008, the Board of Directors met 5 (five) times viz. on 14th April, 2007, 22nd June, 2007, 14th July, 2007, 22nd October, 2007 and 21st January, 2008. 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 every meeting.
- 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 AGM held during the financial year 2007-2008, 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				Outside Directorships		Committee Positions*	
		No. of BMs	No. of ACMs	No. of IGCMS	AGM	Member	Chairman	Member	Chairman
1	Mr. P.P. Chhabria	4	N.A.	4	Yes	21	14	3	2
2	Mr. K.N. Atmaramani	5	5	5	Yes	1	Nil	Nil	Nil
3	Mr. Proshanto Banerjee	4	N.A.	N.A.	No	1	Nil	Nil	Nil
4	Mr. M.G. Bhide	4	4	4	Yes	8	Nil	7	3
5	Mr. S.N. Inamdar	5	5	5	Yes	10	1	7	4
6	Mr. S.S. Marathe	4	4	4	Yes	13	3	9	2
7	Mr. K.P. Chhabria	5	N.A.	5	Yes	16	Nil	1	0
8	Mr. Prakash P. Chhabria	5	N.A.	N.A.	Yes	33	Nil	Nil	Nil
9	Mr. S.S. Dhanorkar	5	N.A.	N.A.	Yes	2	Nil	Nil	Nil
10	Mr. P. Subramaniam	5	N.A.	N.A.	Yes	2	Nil	Nil	Nil
11	Mr. J.S. Arora	3	N.A.	N.A.	Yes	Nil	Nil	Nil	Nil
12	Mr. S.S. Math**	2	N.A.	N.A.	Nil	Nil	Nil	Nil	Nil

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

** Mr. S.S. Math was co-opted as Additional Director on 22nd October, 2007.

The independent director Mr. S.N. Inamdar and wholetime directors Mr. S.S. Dhanorkar and Mr. P. Subramaniam retire by rotation at the twenty seventh annual general meeting of the Company and being eligible, offer themselves for reappointment. Mr. S.S. Math was co-opted as an Additional Director on 22nd October, 2007. Mr. S.S. Math has since tenderd his resignation from the services of the Company

Brief resume of the directors being appointed/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 shareholding are furnished hereunder:

Mr. S.N. Inamdar, age 63 years, a director of the Company since 22nd 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 P. Limited, Kirloskar Proprietary Limited and Finolex Infrastructure Limited. Mr. Inamdar holds 2000 shares in the Company.

Mr. S.S. Dhanorkar, Asst. Managing Director & Chief Operating Officer, age 52 years, is a director of the Company since December, 1996. After a brief stint with an international accounting firm and an agro based public limited company, in the year 1983, he joined the Company as head of finance. Since 1993, he is responsible for PVC marketing and other commercial activities. An expert in various commercial aspects of PVC resin, Mr. Dhanorkar is director of Pawas Port Limited and Rajasthan Olive Cultivation Limited. Mr. S.S. Dhanorkar is holding 6731 shares of the Company.

Mr. P. Subramaniam, Asst. Managing Director & Chief Financial Officer, age 60 years, is a director of the Company since June, 2002. Mr. P. Subramaniam is M.B.A. (Finance) from University of Michigan, U.S.A. with prior experience of 21 years in the field of finance, treasury etc. with various reputed companies, he joined the Company in the year 1994 as head of finance. Besides finance, he is also responsible for information technology. Mr. P. Subramaniam is also a director of Pawas Port Limited and Corrugated Box Industries (India) Private Limited. Mr. P. Subramaniam is holding 5300 shares of the Company.

3. Code of conduct:

The Board had laid down the code of conduct for the Board and Senior Management Team. The code is posted on www.finolex.com

The Board members and Senior Management team personnel have affirmed

compliance with the code. The declaration dated 18th June, 2008 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 during the period from 1st April, 2007 to 31st March, 2008.”

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, 2008, Audit Committee was consisting of 4 independent directors viz. Mr. S.N. Inamdar (Chairman), Mr. K.N. Atmaramani, Mr. M.G. Bhide and Mr. S.S. Marathe.
- All members of the Audit Committee are financially literate and have accounting or related financial management expertise.
- Required information for review was placed before the Audit Committee meetings held during the year.
- Meetings and attendance during the year; Details given in Table 1.
- Mr. Anil B. Atre, AVP (Legal & Admin.) & Company Secretary of the Company acts as Secretary to the Committee.

5. Remuneration Committee (non-mandatory):

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

Details of remuneration paid to the executive directors for the financial year 2007-2008 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 (Projects)	Mr. S.S. Math Director (Manufacturing)*
Salary and Allowances (Rs.)	4881054	4507240	2974881	2239558	2577077	658266
Contribution to PF, Superannuation and Gratuity Funds (Rs.)	930000	1128000	216000	171000	180000	44860
Bonus (Rs.)	600000	560000	288000	228000	261600	59813
Commission payable (Rs.)	12775000	11825000	N.A.	N.A.	N.A.	N.A.
Notice period	6 Months	6 Months	3 Months	3 Months	3 Months	3 Months
Service contract	Five years	Five years	Five years	Four years	Two years	N.A.

* The amounts represent the remuneration drawn as executive director for the period from 22nd October, 2007 to 31st March, 2008.

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		Shares held
		Commission payable (Rs.)	Sitting fees (Rs.)	
1	Mr. P.P. Chhabria	100000	240000	170427
2	Mr. K.N. Atmaramani	100000	150000	Nil
3	Mr. Proshanto Banerjee	100000	40000	Nil
4	Mr. M.G. Bhide	100000	120000	Nil
5	Mr. S.N. Inamdar	200000	160000	2000
6	Mr. S.S. Marathe	100000	130000	750

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, 2008, the Investors Grievance Committee was comprising of five non-executive directors (four independent and one promoter director viz. Mr. P.P. Chhabria (Chairman of the Committee), Mr. K.N. Atmaramani, Mr. M.G. Bhide, Mr. S.N. Inamdar and Mr. S.S. Marathe and one executive director viz. Mr. K.P. Chhabria.

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

During the year, Company received 13 shareholders' complaints and all of them were resolved. No complaint was pending as on 31st March, 2008.

7. General Body Meetings:

Last three annual general meetings were held at Acharya Atre Rangmandir, Sant Tukarnagar, Pimpri, Pune 411 018 all at 11.30 a.m. on 28th June, 2005, 29th June, 2006 and 22nd June, 2007 for the years 2004-05, 2005-06 and 2006-07 respectively.

The details of special resolutions passed during last 3 years are given below:

Sr. No.	Date of AGM	Item of special resolution
1	28.6.2005	None
2	29.6.2006	<ol style="list-style-type: none">1. Commencement of all or any of the activities covered by sub-clause 16 of Clause III of the MOA.2. Additional disclosures made pursuant to the requirements of NSE in terms of ESOP Guidelines.
3	22.6.2007	<ol style="list-style-type: none">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.

8. Disclosures:

- 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.
- 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, Nav Bharat Times, Maharashtra Times and Hindu Business line, Financial Express, Loksatta.
- The quarterly results are displayed on 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 page 3 to 6.

10. General Shareholder Information:

a. Annual General Meeting:

- Day, date & time : Monday, 18th August, 2008 at 11.30 a.m.
- Venue : Disha Hall, Parandwadi, Taluka Maval,
Dist. Pune 410 506

b. Financial Calendar (Tentative): April, 2008 to March, 2009

Table 4

Announcement of quarterly results of 2008-2009 & annual general meeting	Quarterly results by end of July, 2008, October, 2008 January, 2009, May, 2009 and annual general meeting by end of August, 2009.
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- c. Book Closure Period : 1st August, 2008 to 18th August, 2008
- d. Dividend Payment date: : 23rd August, 2008

e. Name of Stock Exchange	Scrip Code
The Bombay Stock Exchange Limited, Mumbai (BSE)	500940/FINOLEXIND
The National Stock Exchange of India Limited (NSE)	FINPIPE

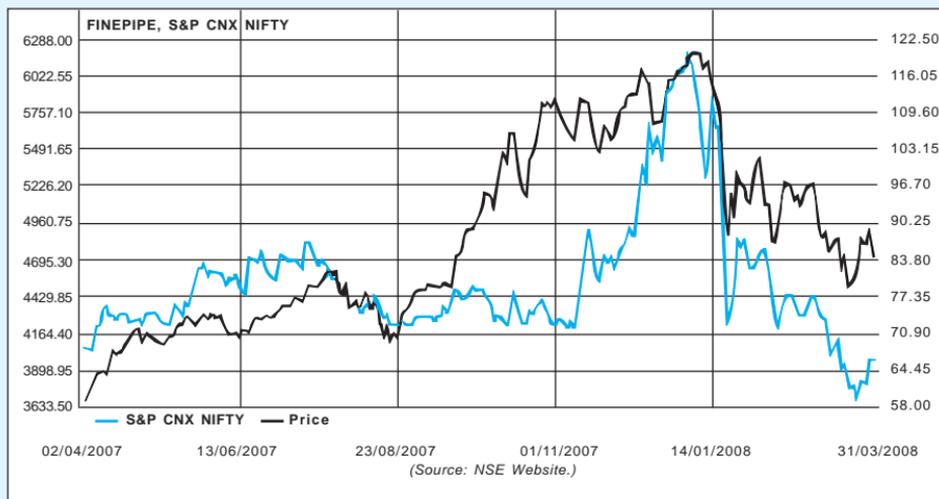
The Company has paid annual listing fees to both the exchanges.

- f. Market price data:
Monthly high/low- (Rs./share) during 2007-2008.

Table 5

	High	Low										
	Apr-07		May-07		Jun-07		Jul-07		Aug-07		Sep-07	
BSE	77.20	66.50	84.90	71.60	90.00	77.00	89.65	76.45	80.00	71.00	83.00	72.00
NSE	77.20	66.25	84.90	71.40	91.40	73.90	92.00	76.50	80.10	71.25	83.00	72.55
	Oct-07		Nov-07		Dec-07		Jan-08		Feb-08		Mar-08	
BSE	86.80	70.20	93.30	71.00	123.90	84.60	126.25	65.85	89.50	70.20	76.45	56.60
NSE	85.00	62.45	92.80	70.65	123.85	84.00	126.40	65.35	89.40	70.70	78.80	56.65

STOCK GRAPH - ONE YEAR COMPARATIVE GRAPH WITH NSE NIFTY



- g. Registrar and Transfer Agent:
The Company is registered with SEBI as 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 normally confirmed within 21 days from the date of receipt of request.
- i. (a) Shareholding pattern as on 31.3.2008

Table 6

Category	No. of shares	% of Capital
Indian promoter (including Finolex Cables Ltd. – group co.)	64638341	52.11
FII	3619066	2.92
Banks/FIs/MFs/Insurance Companies	1145364	0.92
Private Corporate bodies	9383397	7.57
Indian Public	42341380	34.14
NRI/OCB	1600652	1.29
Others	1298267	1.05
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 Ploycoatings 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., Amit Mukesh Katara, Amrita Mukhesh Katara, Aruna Mukesh Katara, Deepak K. Chhabria, Gayatri Prakash Chhabria, Hansika-Hiya Prakash Chhabria, K.P. Chhabria, Kavita S. Raheja, Mukesh Dolumal Katara, P.P. Chhabria, Prakash P. Chhabria, Priya Vijay Chhabria, Rishi Vijay Chhabria, Siddharth S. Raheja, Sonia S. Raheja, Sunita Kishan Chhabria, V.K. Chhabria, Vijay Kishan Chhabria, Vini Deepak Chhabria.

Distribution of Shareholding as on 31.3.2008

Table 7

No. of Equity Shares held	No. of shareholders	% of shareholders	Number of shares	% of shareholding
1-5000	164381	99.65	37688126	30.38
5001-10000	302	0.18	2202237	1.78
10001 and above	277	0.17	84136104	67.84
Total	164960	100.00	124026467	100.00

- j. Dematerialisation of shares : NSDL : 63.58%, CDSL : 6.37%
- k. Company has not issued any GDRS/ADRS/Share Warrants or any convertible instruments.
- l. Plant locations : **PVC, Pipes & Fittings Plants**
Ranpar - Pawas Road,
Ratnagiri 415 616,
Maharashtra, India
- Pipes & Fittings Plant**
D1/10, M.I.D.C., Chinchwad,
Pune 411 019, Maharashtra, India.
- Pipes Plant**
Gat No. 399, Urse,
Taluka: Maval,
District: Pune 410 506,
Maharashtra, India.
- m. Address for correspondence: **Investor Relations Centre**
P-14, Rajiv Gandhi Infotech Park,
MIDC, Hinjewadi,
Pune 411 057
Fax No. 020-22932939
E-mail: investors@finolexind.com
aa@finolexind.com
kbd@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 2008, 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 auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India, in terms of Section 227(4A) 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 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 purposes 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, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 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, 2008;
 - ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For B.K. Khare & Co.
Chartered Accountants

Place : Pune
Dated : 18th June, 2008

U.B. Joshi
Partner
M.No. 44097

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) All the assets have not been physically verified by the management during the year but there is a 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 reconciliation of physical inventory of plant and machinery with book records is nearing completion.
(c) During the year, 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 of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of inventory, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
- iii. (a) The Company has granted an unsecured loan of Rs.4.500 million to Plastro Plasson Industries (India) Limited, associate Company, listed in the Register maintained under Section 301 of the Companies Act, 1956.
(b) According to the information and explanations given to us, in our opinion, the rate of interest and other terms and conditions of above loan granted by the Company, are not prima facie, prejudicial to the interest of the Company.
(c) According to the information and explanations given to us; the company to whom loan and advance in the nature of loan have been given is repaying the principal amount as stipulated and is 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.
(e) According to the information and explanations given to us, the Company has not taken loan 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 adequate internal control system commensurate with the size of the Company and nature of its business with regard to the purchase of inventory and fixed assets, and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- v. In respect of transactions entered in the register maintained in pursuance of Section 301 of the 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 material 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 deposits from the public and therefore, the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and Rules thereunder are not applicable to the Company.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- viii. We have broadly reviewed the books of account 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 to determining whether they are accurate or complete.
- ix. (a) According to the records of the Company and information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service-Tax, Customs Duty, Excise Duty, cess and other statutory dues with the appropriate authorities during the year.
- [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, Excise Duty and cess which have not been deposited on account of disputes and the forum where dispute is pending as under:

Name of the statute	Nature of dues	Amount (Rs in million)	Period to which the amount relates	Forum where the dispute is pending
Service Tax	Service Tax Demand	16.75	F.Y. 1999-2000	Commissioner (A)
Service Tax	Service Tax Demand	0.04	F.Y. 2003-04	Commissioner (A)
Service Tax	Service Tax Demand	6.72	F.Y. 2003-04 and 2004-05	Additional Commissioner
Service Tax	Service Tax Demand	0.14	F.Y. 2006-07 and 2007-08	Deputy Commissioner
Central Excise Act	Excise Demand	0.30	F.Y. 1995-96	Commissioner (A)
Central Excise Act	Excise Demand	98.2	F.Y. 2002-03	Commissioner
Central Excise Act	Excise Demand	1.31	F.Y. 2004-05	Joint Commissioner
Central Excise Act	Excise Demand	0.1	F.Y. 2004-05	CESAT
Central Excise Act	Excise Demand	0.48	F.Y. 2005-06	Commissioner (A)
Central Excise Act	Excise Demand	10	F.Y. 2002-03 to 2005-06	Deputy Commissioner

- x. The Company does not have accumulated losses as at the end of the year and the Company has not incurred 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 repayment of dues to financial institutions, banks 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, Nidhi or 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 record of the transactions and contracts of dealing in shares and securities and that 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 the information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained.
- xvii. According to the Cash Flow Statement and records examined by us and according to the information and explanations given to us, on overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment.
- xviii. The Company has not made any preferential allotment to parties and companies covered under register maintained under Section 301 of the Companies Act, 1956, during the year and the question whether the price at which the shares have been issued is prejudicial to the interest of the Company does not arise.
- xix. According to the information and explanations given to us and the records examined by us, charge has been created in respect of the debentures issued.
- xx. The Company has not raised money by making any public issues during the year and hence the question of disclosure and verification of end use of such money does not arise.
- 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 was noticed or reported during the year.

For B.K. Khare & Co.
Chartered Accountants

Place : Pune
Dated : 18th June, 2008

U.B. Joshi
Partner
M.No. 44097

Balance Sheet

as at 31st March, 2008

(Rs. in million)

	Schedule	As At 31/03/2008	As At 31/03/2007
Sources of Funds			
Shareholders' Funds			
Share Capital	1	1240.015	1239.928
Reserves & Surplus	2	4299.972	4046.700
		<u>5539.987</u>	<u>5286.628</u>
Loan Funds			
Secured Loans	3	1581.713	2050.642
Unsecured Loans	4	5335.747	2738.304
		<u>6917.460</u>	<u>4788.946</u>
Deferred Tax (Net)		980.598	1047.098
(Refer note 4 of Schedule 15)			
		<u>13438.045</u>	<u>11122.672</u>
Application of Funds			
Fixed Assets	5	5570.097	5654.794
Capital Work-in-progress	6	2094.834	942.406
Investments	7	2521.429	2456.268
Current Assets, Loans & Advances	8	7404.508	5779.776
Less : Current Liabilities & Provisions	9	4152.823	3710.572
Net Current Assets		3251.685	2069.204
		<u>13438.045</u>	<u>11122.672</u>
Notes			
	15		

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

U. B. JOSHI
Partner

ANIL ATRE
Asst. Vice President
(Legal & Admn.) &
Company Secretary

P.P. CHHABRIA
K.P. CHHABRIA
PRAKASH P. CHHABRIA
K.N. ATMARAMANI
M.G. BHIDE
S.N. INAMDAR
S.S. MARATHE
PROSHANTO BANERJEE
S.S. DHANORKAR
P. SUBRAMANIAM
J. S. ARORA

Chairman
Executive Vice Chairman
Managing Director

Asst. Managing Director & COO
Asst. Managing Director & CFO
Director (Projects)

Pune : 18th June, 2008

Pune : 18th June, 2008

Profit and Loss Account

for the year ended 31st March, 2008

(Rs. in million)

	Schedule	2007-2008	2006-2007
Income			
Income from Operations and Other Income	10	16755.025	12525.213
Less : Excise Duty		2401.680	1809.703
		<u>14353.345</u>	<u>10715.510</u>
Expenditure			
Materials & Manufacturing Expenditure	11	11326.568	8108.898
Personnel Expenses	12	346.666	261.591
Other Expenses	13	784.594	644.469
Finance Charges	14	303.193	137.320
Depreciation		574.577	546.081
		<u>13335.598</u>	<u>9698.359</u>
Profit Before Tax		1017.747	1017.151
<i>Less : Provision for Taxation :</i>			
Current Tax [Includes earlier years write back of Rs. 24.931 million (Previous Year Rs. 1.275 million)]		364.392	330.735
Deferred Tax		(66.500)	(19.411)
Fringe Benefit Tax		8.000	7.000
Profit After tax		711.855	698.827
<i>Add : Surplus brought forward</i>			
Balance available for Appropriation		502.793	389.366
		<u>1214.648</u>	<u>1088.193</u>
Appropriations			
General Reserve		100.000	100.000
Debenture Redemption Reserve		50.000	50.000
Proposed Dividend		372.100	372.100
Tax on Dividend		63.300	63.300
		<u>585.400</u>	<u>585.400</u>
Surplus carried to Balance Sheet		629.248	502.793
		<u>124026467</u>	<u>124017917</u>
Earnings per share (EPS) par value Rs. 10 each			
Basic/Diluted		5.74	5.63
Profit after tax available for equity shareholders		711.855	698.827
No. of shares used in computing weighted average EPS		124026467	124017917

Notes

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

P.P. CHHABRIA
 K.P. CHHABRIA
 PRAKASH P. CHHABRIA
 K.N. ATMARAMANI
 M.G. BHIDE
 S.N. INAMDAR
 S.S. MARATHE
 PROSHANTO BANERJEE
 S.S. DHANORKAR
 P. SUBRAMANIAM
 J. S. ARORA

Chairman
 Executive Vice Chairman
 Managing Director
 Asst. Managing Director & COO
 Asst. Managing Director & CFO
 Director (Projects)

U. B. JOSHI
 Partner

ANIL ATRE
 Asst. Vice President
 (Legal & Admn.) &
 Company Secretary

Pune : 18th June, 2008

Pune : 18th June, 2008

Cash Flow Statement for the year ended 31st March, 2008 and 31st March, 2007.

	(Rs. in million)	
	2007-08	2006-07
A Cash flow from Operating Activities:		
Net Profit before Tax and extraordinary items	1017.747	1017.151
Adjustments for :		
Depreciation	574.577	546.081
Provision for Leave encashment	7.433	1.247
Loss on valuation of investment	9.948	4.400
Cost of ESOS	1.793	2.511
Profit on sale of Assets/Investments (Net)	(81.864)	(146.682)
Dividend Income	(68.994)	(73.570)
Interest Income	(6.166)	(10.562)
Interest Expenses	270.745	122.854
Exchange Fluctuation (Gain)/Loss - net	(207.328)	(126.210)
Operating Profit before Working Capital Changes	1517.891	1337.220
Adjustments for :		
Trade and Other Receivables	(893.612)	(164.669)
Inventories	119.390	(376.456)
Trade Payables	56.396	484.674
Cash generated from operations	800.065	1280.769
Less:		
Taxes Paid (net of refund)	(518.102)	(361.739)
Net cash from operating Activities	281.963	919.030
B Cash Flow from Investing Activities:		
Purchase of Fixed Assets/Capital Expenditure	(1648.324)	(1091.145)
Sale of Fixed Assets	5.891	2.104
(Purchase)/Sale of Investments (net)	6.881	1361.994
Interest Received	4.668	11.720
Dividend Received	68.994	73.570
Net cash used in Investing Activities	(1561.890)	358.243

Cash Flow Statement for the year ended 31st March, 2008 and 31st March, 2007. (Contd.)

	(Rs. in million)	
	2007-08	2006-07
C Cash Flow from Financing Activities:		
Increase in Share Capital	0.085	-
Collection of overdue Allotment/Call money	0.002	0.038
Repayment of Long Term borrowings	(273.140)	(82.155)
Exchange Fluctuation Gain /(Loss) - net	207.328	126.210
Short Term Loans movement	2597.443	(705.189)
Interest paid	(277.197)	(148.324)
Dividend and Corporate Dividend Tax paid	(435.401)	(424.300)
Net Cash from Financing Activities	1819.120	(1233.720)
Net Increase/(Decrease) in Cash and Cash Equivalents		
Opening Balance of Cash and Cash Equivalents	563.162	519.609
Closing Balance of Cash and Cash Equivalents	1102.355	563.162
	539.193	43.553
A+B+C	539.193	43.553

- 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 & Co.
 Chartered Accountants

U. B. JOSHI
 Partner

ANIL ATRE
 Asst. Vice President
 (Legal & Admn.) &
 Company Secretary

P.P. CHHABRIA
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Chairman
 Executive Vice Chairman
 Managing Director

Asst. Managing Director & COO
 Asst. Managing Director & CFO
 Director (Projects)

Pune : 18th June, 2008

Pune : 18th June, 2008

Schedules forming part of the Balance Sheet

(Rs. in million)

	As At 31/03/2008	As At 31/03/2007
Schedule 1 : Share Capital		
Authorised		
150,000,000 (150,000,000) Equity Shares of Rs. 10 each	1500.000	1500.000
Unclassified Share Capital	850.000	850.000
	2350.000	2350.000
Issued		
* 124,026,467 (124,026,467) Equity Shares of Rs. 10 each	1240.264	1240.264
Subscribed and Paid-Up		
124,026,467 (124,017,917) Equity Shares of Rs.10 each fully called-up	1240.264	1240.179
Less : Amount in Arrears, other than from Directors	0.249	0.251
	1240.015	1239.928

- 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.
- 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 million)

	As At 31/03/2008	As At 31/03/2007
Schedule 2 : Reserves and Surplus		
Capital Reserve		
per last Balance Sheet	6.054	6.054
	6.054	6.054
Share Capital Buyback Reserve		
per last Balance Sheet	251.793	251.793
	251.793	251.793
Share Premium		
per last Balance Sheet	1554.948	1571.283
Less: Premium on redemption of Debentures*	16.379	16.335
	1538.569	1554.948
FIL ESOS Outstanding Account	4.304	2.511
General Reserve		
per last Balance Sheet	1128.601	1028.601
Add : Transferred from Profit & Loss Account	100.000	100.000
Less : AS 15 liability for prior period adjusted **	8.597	-
	1220.004	1128.601
Debenture Redemption Reserve		
per last Balance Sheet	600.000	550.000
Add : Transferred from Profit & Loss Account	50.000	50.000
	650.000	600.000
Surplus in Profit & Loss Account	629.248	502.793
	4299.972	4046.700

* Represents pro rata premium payable on redemption of 750 Secured Redeemable Non-convertible Debentures of Rs. 1,000,000 each

** AS 15 liability as on 31/03/2007 adjusted

Schedules forming part of the Balance Sheet

(Rs. in million)

	As At 31/03/2008	As At 31/03/2007
Schedule 3 : Secured Loans		
Debentures		
Subscribed and paid up		
25 7.99% Secured Redeemable Non-convertible (25) Debentures of Rs 10,000,000 each	–	250.000
25 7.25% Secured Redeemable Non-convertible (25) Debentures of Rs 10,000,000 each	–	250.000
750 Secured Redeemable Non-convertible (750) Debentures of Rs 1,000,000 each	750.000	750.000
750 Detachable Debt Warrants (750) privately placed with Banks	54.733	38.354
Term Loans		
From Banks	672.906	446.046
	1477.639	1734.400
Working Capital Borrowings from Banks		
	104.074	316.242
	1581.713	2050.642
Notes : 1) Amount repayable within a year Rs. 212.058 million (Rs. 563.319 million)		
2) Ref. Note 7 & 8 of Schedule 15 for terms of redemption and nature of security		
Schedule 4 : Unsecured Loans		
Other Loans and Advances (Short Term)		
Acceptances – Banks	4735.747	2519.454
Short term loan from Bank	600.000	218.850
	5335.747	2738.304

Schedules forming part of the Balance Sheet

Schedule 5 : Fixed Assets

Particulars	(Rs. in million)										
	GROSS BLOCK		DEPRECIATION				NET BLOCK				
	Cost as on 01/04/2007	Addi- tions	Deduc- tions	Cost as on 31/03/2008	Bal. as on 01/04/2007	For the year	Deductions	On 31/03/2008	Bal. as on 31/03/2008	As at 31/03/2007	As at 31/03/2007
Freehold Land	78.513	188.196	-	266.709	-	-	-	-	-	266.709	78.513
Leasehold Land	10.070	-	-	10.070	1.588	0.154	-	1.742	-	8.328	8.482
Buildings	972.127	15.670	2.801	984.996	180.154	19.184	0.986	198.352	-	786.644	791.973
Plant & Machinery	9629.764	154.605	9.623	9774.746	5012.523	536.481	6.257	5542.747	-	4231.999	4617.241
Assets on Lease	-	94.365	-	94.365	-	3.375	-	3.375	-	90.990	-
Furniture & Fixture	60.555	25.687	1.156	85.086	34.579	3.545	0.948	37.176	-	47.910	25.976
Vehicles	47.938	17.373	1.005	64.306	15.507	5.630	0.378	20.759	-	43.547	32.431
Aircraft	110.859	-	-	110.859	10.681	6.208	-	16.889	-	93.970	100.178
Total	10909.826	495.896	14.585	11391.137	5255.032	574.577	8.569	5821.040	5570.097	5654.794	5787.462
Previous Year	10500.963	418.200	9.337	10909.826	4713.501	546.081	4.550	5255.032	-	5654.794	5787.462

Freehold Land includes Rs. 3.716 million (Previous Year Rs. 3.716 million) held by a Director on behalf of the Company, pending transfer formalities.

Schedules forming part of the Balance Sheet

(Rs. in million)

	As At 31/03/2008	As At 31/03/2007
Schedule 6 : Capital Work-in-progress		
A] PVC Expansion Project		
Opening Balance	103.506	137.033
Add : Additions	15.004	53.209
Total	118.510	190.242
Transferred to Gross Block	–	86.736
Balance Capital Work In Progress	118.510	103.506
B] Power Project		
Opening Balance	195.015	–
Plant and Machinery	820.963	69.857
Professional Fees/Consultancy Charges	19.039	94.518
Personnel Expenses	21.908	28.362
Other Expenses	140.566	2.278
	1197.491	195.015
C] Break Water Project		
Opening Balance	34.784	–
Consultancy & Survey Fees	71.626	3.581
Consumables Stores spares	–	31.203
	106.410	34.784
D] Others		
Capital Work in Progress	537.154	97.481
Advances	135.269	511.620
	672.423	609.101
Total Capital Work in Progress	2094.834	942.406

Schedules forming part of the Balance Sheet

(Rs. in million)

		As At 31/03/2008	As At 31/03/2007
Schedule 7 : Investments			
Non-trade-Long term (At Cost)			
Quoted and Listed			
1,980 (1,980)	Equity Shares of Rs.10 each fully paid-up in Gulf Oil Corporation Ltd.	0.121	0.121
22,187,075 (4,437,415)	Equity Shares of Rs.2 each fully paid-up (Rs. 10 each) in Finolex Cables Ltd.	1026.002	1026.002
12,400 (12,400)	Equity Shares of Rs.10 each fully paid-up in Gold Crest Finance Ltd.	0.496	0.496
	[Aggregate market value Rs. 1580.245 million (Rs.1919.884 million)]		
Unquoted			
3,000,000 (3,000,000)	Equity Shares of Rs.10 each fully paid-up in Plastro Plasson Industries (India) Ltd.	30.007	30.007
6,100,000 (6,100,000)	Equity Shares of Rs.10 each fully paid-up in I2IT Private Limited	61.000	61.000
24,975 (Nil)	Equity Shares of Rs.10 each fully paid-up in Finolex Infrastructure Limited	0.250	–
3,000 (Nil)	Equity Shares of Rs.1000 each fully paid-up in Rajasthan Olive Cultivation Limited	3.000	–
100 (Nil)	Units of Rs. 100,000 each fully paid-up in Peninsula Reality Fund	10.000	–
1,000 (1,000)	Equity Shares of Rs.10 each fully paid-up in The Saraswat Co-op Bank Ltd.	0.010	0.010
	In Government Securities:		
	Indira Vikas Patra ¹		
472 (472)	6% Cumulative Redeemable Preference Shares of Re.1 each in Sun Pharmaceutical Industries Ltd. ²		
		1130.886	1117.636
Current Investments			
Quoted but not Listed Mutual Fund (MF) Units of Rs.10 each			
10,000	(Nil) AIG MF - AIG Short Term Fund Inst Growth	10.000	–
977,995	(Nil) AIG MF - AIG India Equity Fund Regular Growth	9.639	–
831,296	(Nil) Lotus MF - Lotus India Contra Fund Growth (pending allotment)	8.500	8.500
1,000,000	(Nil) Lotus MF - Lotus India Gilt Fund Long Duration - Inst Growth	9.600	–
5,019,262	(Nil) Lotu MF - Lotus India FMP - 1 Month - Ser VII - Dividend	50.193	–

Schedules forming part of the Balance Sheet

(Rs. in million)

			As At 31/03/2008	As At 31/03/2007
Schedule 7 : Investments (Contd.)				
1,000,000	(Nil)	DWS MF - DWS Fixed Term Fund Ser 43 - Inst Growth	9.929	-
973,236	(Nil)	DWS MF - DWS Global Thematic Offshore Fund - Growth	8.895	-
19,674,785	(Nil)	DWS MF - DWS Money Plus Advantage Fund - Growth	200.000	-
5,000,000	(Nil)	Birla MF - BSL Inteval Income - Inst Monthly - Ser 2 - Dividend	50.000	-
Nil (844,039)		Birla MF - Birla Cash Plus Inst Prem Growth	-	10.054
977,995	(Nil)	DSP ML MF - DSP Merrill Lynch World Gold Fund - Growth	10.000	-
1,021,427(1,955,990)		DSP ML MF - DSP Merrill Lynch Small And Mid Cap - Dividend	10.444	19.435
977,995	(Nil)	Fidelity MF - Fidelity India Growth Fund - Growth	8.066	-
1,055,023	(Nil)	Fidelity MF - Fidelity International Opportunities Fund - Growth	10.490	-
Nil(2,000,000)		Standard Chartered MF - Grindlays Fixed Maturity - 6th Plan Growth	-	20.000
Nil(3,000,000)		Standard Chartered MF - Grindlays Fixed Maturity - Plus Plan I-B-Growth	-	30.000
9,983,322	(Nil)	Standard Chartered MF - Standard Chartered Arbitrage Fund Plan B - Div	103.177	-
551,032	(Nil)	Standard Chartered MF - Standard Chartered Premier Equity Fund - Growth	11.040	-
Nil(3,044,280)		Standard Chartered MF - Standard Chartered Fixed Maturity Plan - Quarterly Series 3 - Dividend	-	30.443
Nil (93,157)		Standard Chartered MF - Standard Chartered Liquidity Manager - Plus Growth	-	100.003
1,269,514(1,269,514)		Standard Chartered MF - Standard Chartered Classic Equity Fund - Dividend	17.263	16.727
1,000,000(1,000,000)		Standard Chartered MF - Standard Chartered Enterprise Equity Fund - Growth	10.000	10.000
722,472	(Nil)	HDFC MF - HDFC Cash Management Savings Plan Growth	12.077	-
443,210	(Nil)	HDFC MF - HDFC Index Fund - Nifty Plan	18.795	-
Nil(1,804,957)		HDFC MF - HDFC FMP 90D Feb 2007 (4) - Dividend	-	18.050
2,000,000(2,000,000)		HDFC MF - HDFC Long Term Equity Fund-Dividend	20.000	20.000
Nil (259,018)		HDFC MF - HDFC Premier Multi Cap Fund Growth	-	3.000

Schedules forming part of the Balance Sheet

(Rs. in million)

			As At 31/03/2008	As At 31/03/2007
Schedule 7 : Investments (Contd.)				
977,995	(Nil)	JM MF - JM Contra Fund - Growth	9.362	-
977,517	(Nil)	JM MF - JM Small & Mid Cap Fund - Growth	10.000	-
	Nil(10,228,883)	JM MF - JM Equity & Derivative Fund - Dividend - Option (129)	-	103.682
	Nil(1,000,000)	Kotak Mahindra MF - Kotak Twin Advantage Series III - Dividend	-	10.000
235,550	(235,550)	Kotak Mahindra MF - Kotak Dynamic Asset Allocation - Growth	2.355	2.190
	Nil(7,545,423)	Kotak Mahindra MF - Kotak FMP 3 M Series 11 - Dividend	-	75.455
3,844,679	(3,844,679)	Principal MF - Principal Income Fund - Growth Plan	40.000	40.000
	Nil(2,332,242)	Prudential ICICI MF - ICICI Fixed Maturity Plan XXV-15 months (Growth)	-	25.000
324,905	(Nil)	Prudential ICICI MF - ICICI Inst Liquid Plan - Super Inst Growth	3.866	-
76,079	(Nil)	Prudential ICICI MF - ICICI Dynamic Fund - Growth	5.496	-
335,428	(107,022)	Prudential ICICI MF - ICICI Infrastructure Fund - Growth	8.000	1.889
	Nil (604,707)	Prudential ICICI MF - ICICI Sweep Cash Option - Cumulative	-	6.500
	Nil(5,049,249)	Prudential ICICI MF - ICICI FMP Series 35 Three Month Plan B - Dividend	-	50.493
	Nil(10,180,693)	Prudential ICICI MF - ICICI FMP Series 34 Three Month Plan A - Dividend	-	101.807
9,660,674	(10,577,042)	Prudential ICICI MF - ICICI Equity And Derivatives Fund - Wealth Optimiser - Div	95.641	105.770
488,998	(Nil)	Prudential ICICI MF - ICICI Indo Asia Equity Fund - Growth	4.288	-
68,316	(68,316)	Prudential ICICI MF - ICICI Emerging Star - Growth	2.000	1.818
1,022,865	(Nil)	Reliance MF - Reliance Equity Advantage Fund - Dividend	10.273	-
	Nil(7,759,889)	Reliance MF - Reliance FHF I - Quarterly Plan - Series IV - Dividend	-	77.599
	Nil(5,000,000)	Reliance MF - Reliance FHF II - Quarterly Plan - Series III - Dividend	-	50.000
	Nil(7,500,000)	Reliance MF - Reliance FHF II - Quarterly Plan - Series IV - Dividend	-	75.000
9,208,519	(Nil)	SBI MF - SBI Arbitrage Opportunities Fund - Growth	100.020	-
1,000,000	(Nil)	SBI MF - SBI Infrastructure Fund - Growth	10.000	-

Schedules forming part of the Balance Sheet

(Rs. in million)

			As At 31/03/2008	As At 31/03/2007
Schedule 7 : Investments (Contd.)				
2000000	(2000000)	SBI MF - SBI One India Fund - Growth	19.800	19.880
	Nil (3209168)	Sundaram MF - Sundaram Money Fund Super Inst Growth	-	50.720
	Nil (207512)	Sundaram MF - Sundaram Select Midcap - Appreciation	-	17.878
	Nil (338056)	Sundaram MF - Sundaram Select Focus - Appreciation	-	19.385
959507	(959507)	Sundaram MF - Sundaram Equity Multiplier Fund - Growth	9.595	9.389
	Nil (7)	Tata MF - Tata Liquid Super High Investment Plan - Growth	-	0.010
5000000	(Nil)	Tata MF - Tata Fixed Horizon Fund Series 17 - Scheme D - Inst- Div	50.000	-
	Nil (4000000)	Tata MF - Tata Fixed Horizon Fund Series 8 - Scheme D - RP - Dividend	-	40.000
	Nil(10000000)	Tata MF - Tata Fixed Horizon Fund Series 9 - Scheme F - Dividend	-	100.000
9520999	(Nil)	Tata MF - Tata Dynamic Bond Fund Option A - Dividend	100.000	-
137650	(Nil)	Templeton MF - Templeton India TMA Super Inst Growth	165.005	-
41857	(Nil)	Templeton MF - Templeton India Short Term Income Plan Inst Growth	50.000	-
684659	(Nil)	Templeton MF - Franklin india High Growth Companies Fund- Growth	6.734	-
4994855	(Nil)	Templeton MF - Templeton Quarterly Interval Plan B - Inst Dividend	50.000	-
1000000	(1000000)	Templeton MF - Franklin India Smaller Companies Fund (Growth)	10.000	10.000
	Nil (3000000)	Optimix FOF - Optimix Dynamic Multi-Manager FOF Scheme	-	28.422
1000000	(1000000)	ING MF - ING CUB Fund - Dividend	10.000	10.000
2000000	(2000000)	ING MF - ING Dynamic Asset Allocation Fund - Growth	20.000	19.533
	Nil (Nil)	DSP ML Natural Resources & Energy Fund : Pending Allotment [Aggregate market value Rs.1428.822 million (Rs.1357.422 million)]	10.000	-
			1390.543	1338.632
			2521.429	2456.268

¹ Represents Rs. 500 (Rs. 500)

² Represents Bonus Shares
MF Represents Mutual Fund

Schedules forming part of the Balance Sheet

Schedule 7 : Investments (Contd.)

Details of Purchase and Sale of Units during the Year 2007-2008

Particulars	No. of Units	Particulars	No. of Units
ABN AMRO Cash Fund - Inst Growth	4655766	HDFC FMP 90D Feb 2007 (4) - Wholesale Plan Dividend	1804957
ABN AMRO Money Plus - Inst Growth	17286909	HDFC Index Fund - Nifty Plan	834302
ABN AMRO Opportunities Fund - Dividend	2523468	HDFC Premier Multi-Cap Fund - Growth	259018
AIG India Equity Fund - Growth	977995	ING Liquid Fund Inst Growth	20219414
AIG India Treasury Plus Fund - Inst Growth	2000000	ING Liquid Plus Fund Inst Growth	23740500
AIG Short Term Fund - Inst - Growth	10000	JM Contra Fund - Growth	977995
Birla Cash Plus - Inst Premium Growth	844039	JM Equity & Derivative Fund - Dividend	10228883
Birla Interval Income - Inst - Monthly - Series 2 - Dividend	5000000	JM Small & Mid Cap Fund - Growth	977517
Chola FMP - Series 8 - Qtr Plan 2 - Dividend	2000000	JP Morgan India Liquid Fund - Growth	8560812
Chola Liquid Inst Plus - Cumulative	981791	JP Morgan India Liquid Plus Fund - Growth	11546021
DSP ML Liquidity Fund - Inst Growth	184341	Kotak Flexi Debt Scheme - Growth	4233306
DSP ML Small & Mid Cap - Dividend	934564	Kotak FMP 3 M Series 11 - Dividend	7662218
DSP ML Strategic Bond Fund - Inst - Growth	201970	Kotak Liquid (Inst Premium) - Growth	21617921
DSP ML World Gold Fund - Growth	977995	Kotak Twin Advantage Series III - Dividend	1000000
DWS Fixed Term Fund - Series 43 - Inst Growth	1000000	Lotus India Contra Fund - Growth	831296
DWS Global Thematic Offshore Fund - Growth	973236	Lotus India FMP - 1 Month - Series VII - Dividend	5019262
DWS Insta Cash Plus Fund - Inst Plan - Growth	26105600	Lotus India FMP - 3 Months - Series VIII - Dividend	8155305
DWS Money Plus Advantage Fund - Growth	19674785	Lotus India FMP - 3 Months - Series XIV - Dividend	8291339
DWS Money Plus Fund - Growth	6066557	Lotus India Gilt Fund Long Duration Plan - Inst Growth	1000000
Fidelity India Growth Fund - Growth	977995	Lotus India Liquid Fund - Super Inst Growth	23553607
Fidelity International Opportunities Fund - Growth	1055023	Lotus India Liquid Fund - Inst Growth	9259453
Fidelity Liquid Plus Inst - Growth	4919178	Lotus India Liquid Plus Fund - Inst Growth	15959178
Franklin India High Growth Companies Fund - Growth	684659	Lotus India Short Term Plan - Inst Growth	9282646
Grindlays Fixed Maturity - 6 th Plan - Growth	2000000	Mirae Asset Liquid Plus Fund - Inst - Growth	20000
Grindlays Fixed Maturity Plus Plan I - B - Growth	3000000	Optimix Dynamic Multi-Manager FOF Scheme - Series 2 - Growth	3000000
Grindlays Floating Rate Fund - Long Term - Inst Plan B - Growth	15605008	Prudential ICICI Dynamic Fund - Growth	76079
Grindlays Floating Rate Fund - Long Term - Growth	3217310	Prudential ICICI Equity & Derivatives Fund - Wealth Optimiser - Dividend	916368
Grindlays Super Saver Income Fund - Short Term - Plan B - Growth	14765811	Prudential ICICI Flexible Income Plan - Growth	74483185
Grindlays Super Saver Income Fund - Short Term - Plan C - Growth	13369889	Prudential ICICI Floating Rate Plan B - Growth	7838197
HDFC Cash Management Fund - Savings Plan - Growth	13573505	Prudential ICICI FMP - Series 34 Three Month Plan A - Retail Dividend	10221110
		Prudential ICICI FMP - Series 35 Three Month Plan B - Retail Dividend	5098681

Schedules forming part of the Balance Sheet

Schedule 7 : Investments (Contd.)

Details of Purchase and Sale of Units during the Year 2007-2008

Particulars	No. of Units	Particulars	No. of Units
Prudential ICICI Indo Asia Equity Fund - Growth	488998	Standard Chartered Premier Equity Fund - Growth	551032
Prudential ICICI Infrastructure Fund - Growth	228406	Sundaram Liquid Plus Super Inst - Growth	55414308
Prudential ICICI Inst FMP - 15 Month Plan Series - XXV	2332242	Sundaram Money Funds Inst - Appreciation	18863957
Prudential ICICI Inst Liquid Plan - Super Inst Growth	348894170	Sundaram Money Fund - Super Inst Growth	19473638
Prudential ICICI Interval Fund Monthly Plan II - Dividend	10413180	Sundaram Select Focus - Appreciation	338056
Prudential ICICI Sweep Cash Option - Cumulative	16395500	Sundaram Select Midcap - Appreciation	207512
Reliance Equity Advantage Fund - Dividend	1022865	Tata Dynamic Bond Fund Option A - Dividend	9520999
Reliance Fixed Horizon Fund I - Qtr Plan - Series - IV - Dividend	7759889	Tata Fixed Horizon Fund Series-8 Scheme D - Rp - Periodic Dividend	4070692
Reliance Fixed Horizon Fund II - Qtr Plan - Series - III - Inst Div Plan	5000000	Tata Fixed Horizon Fund Series-9 Scheme F	10237400
Reliance Fixed Horizon Fund II - Qtr Plan - Series - IV - Inst Div Plan	7500000	Tata Fixed Horizon Fund Series-17 Scheme D - Inst Plan - Periodic Dividend	5000000
Reliance Liquidity Fund - Growth Option	72003366	Tata Liquid Super High Inv. Fund - Appreciation	7
Reliance Liquid Plus Fund - Inst - Growth	339152	Templeton Floating Rate Income Fund Long Term Plan Inst - Growth	32439225
SBI Arbitrage Opportunities Fund - Growth	9208519	Templeton Floating Rate Income Fund Long Term Plan Retail Growth	615312
SBI Debt Fund Series - 90 Days (Aug 07) - Dividend	10172290	Templeton Floating Rate Income Fund Long Term Plan Super Inst Growth	91362551
SBI Debt Fund Series - 90 Days (May 07) - Dividend	10000000	Templeton Floating Rate Income Fund Short Term Plan Inst - Growth	9185134
SBI Debt Fund Series - 90 Days (Sept 07) - Dividend	3051777	Templeton India Income Fund - Growth	5476457
SBI Infrastructure Fund - Growth	1000000	Templeton India Short Term Income Plan Inst - Growth	356148
SBI Magnum Insta Cash Fund Liquid Floater Plan - Growth	11243121	Templeton India Treasury Management A/c Inst - Growth	466015
SBI Premier Liquid Fund - Super Inst Growth	7201169	Templeton India Treasury Management A/c Super Inst - Growth	1172528
Standard Chartered Arbitrage Fund - Plan B - Dividend	9983322	Templeton India Ultra Short Bond Fund - Super Inst - Growth	4969389
Standard Chartered Fixed Maturity Plan - Qtr Series 3 - Dividend	3044280	Templeton Quarterly Interval Plan - Plan A - Inst - Dividend	5000000
Standard Chartered Liquidity Manager - Growth	23156395	Templeton Quarterly Interval Plan - Plan B - Inst - Dividend	4994855
Standard Chartered Liquidity Manager - Plus Daily Dividend	1001		
Standard Chartered Liquidity Manager - Plus Growth	507667		

Schedules forming part of the Balance Sheet

(Rs. in million)

	As At 31/03/2008	As At 31/03/2007
Schedule 8 : Current Assets, Loans and Advances		
(A) Current Assets :		
(i) Inventories		
Stores, spares & consumables	220.320	210.857
Raw materials	1086.409	1354.368
Semi-finished goods	118.455	113.903
Finished goods	619.405	484.851
	<u>2044.589</u>	<u>2163.979</u>
(ii) Sundry Debtors (unsecured, considered good unless stated otherwise)		
Debts outstanding for a period exceeding six months	105.736	63.872
Considered doubtful	4.602	4.602
Less : provision	4.602	4.602
	<u>105.736</u>	<u>63.872</u>
Other debts	657.701	313.911
	<u>763.437</u>	<u>377.783</u>
(iii) Cash & Bank Balances		
Cash on hand	2.088	3.121
Balances with Scheduled Banks :		
In Current Accounts	325.645	133.085
In Fixed Deposit accounts	82.229	146.677
	<u>409.962</u>	<u>282.883</u>
(B) Loans and Advances (unsecured, considered good) :		
(i) *Advances recoverable in cash or in kind or for value to be received	3644.839	2349.686
* Include Rs 4.500 million (Rs. 4.500 million) to associate company Plastro Plasson Industries (India) Limited maximum amount outstanding during the year Rs. 4.500 million (Rs. 4.500 million)		
(ii) Balances with customs, excise etc.	541.681	605.445
	<u>4186.520</u>	<u>2955.131</u>
	<u>7404.508</u>	<u>5779.776</u>

Schedules forming part of the Balance Sheet

(Rs. in million)

	As At 31/03/2008	As At 31/03/2007
Schedule 9 : Current Liabilities and Provisions		
Current Liabilities:		
Sundry Creditors (Ref Note No. 9 of Schedule 15)	698.481	785.746
Sundry Creditors for capital goods	139.224	32.979
Trade and Security Deposits	7.230	6.485
Advances from Customers	4.787	80.791
Unclaimed Dividend*	42.794	36.661
Unclaimed Interest on Debentures*	4.041	4.041
Other Liabilities	399.517	286.842
Interest accrued but not due on loans	37.263	43.715
	1333.337	1277.260
Provisions:		
Provision for taxation	2359.752	1989.608
Proposed Dividend	372.100	372.100
Tax on Dividend	63.300	63.300
Leave Encashment	24.334	8.304
	2819.486	2433.312
	4152.823	3710.572

* There is no amount due and outstanding as at 31st March, 2008 to be credited to the Investor Education & Protection Fund.

Schedules forming part of the Profit and Loss Account

(Rs. in million)

	2007-2008	2006-2007
Schedule 10 : Income from Operations and Other Income		
(A) Income from Operations:		
Sales	16230.173	11931.807
Income from Other Operations	119.987	149.224
	<u>16350.160</u>	<u>12081.031</u>
(B) Other Income:		
Interest earned		
– Short term loan	6.166	0.315
– Others	11.852	15.353
[Tax deducted at source Rs. 0.966 million (Rs.1.780 million)]		
Miscellaneous Income	27.977	79.359
Dividend		
– From long term investments	35.565	28.896
– From current investments	33.429	44.674
Profit on Sale of Assets	0.558	0.010
Profit on Sale/Redemption of Investments (net)	81.990	149.365
Exchange Fluctuation Gain (net)	207.328	126.210
	<u>404.865</u>	<u>444.182</u>
	<u>16755.025</u>	<u>12525.213</u>

Schedule 11 : Materials and Manufacturing Expenditure

Materials Consumed		
Raw Materials*	9712.412	6695.536
Packing Material	121.677	88.490
Stores & Spares	210.320	156.540
	<u>10044.409</u>	<u>6940.566</u>
Add: (Increase)/Decrease in stock of Finished & Semi-finished goods	<u>(139.107)</u>	<u>(36.243)</u>
	9905.302	6904.323
Add: Manufacturing Expenses (Direct)		
Power & Fuel	1191.247	1058.033
Others	230.019	146.542
	<u>11326.568</u>	<u>8108.898</u>

* Include cost of goods traded in Rs. 533.820 million (Rs. 270.711 million)

Schedules forming part of the Profit and Loss Account

(Rs. in million)

	2007-2008	2006-2007
Schedule 12 : Personnel Expenses		
Salaries, Wages, Bonus and Commission	284.808	211.454
Contribution to Provident and Other Funds	27.198	18.596
Staff Welfare Expenses	34.660	31.541
	346.666	261.591
Schedule 13 : Other Expenses		
Rent, Rates & Taxes	9.802	9.825
Insurance	35.851	37.163
Repairs & Maintenance		
Buildings	9.289	5.990
Plant & Machinery	52.186	46.404
Others	12.004	5.675
Communication	11.685	9.231
Travelling and Conveyance	30.149	18.618
Directors' Sitting Fees	0.840	0.790
Auditors' Remuneration		
Audit fees	1.400	1.400
Tax Audit	0.350	0.350
Other Services	0.450	0.450
Out of Pocket Expenses	0.051	0.040
Advertisement, Publicity and Sales Promotion	57.026	45.696
Commission on Sales	66.455	51.815
Freight Outwards & Other Selling Expenses	209.935	180.487
Sales Tax including Surcharge	124.920	147.726
Donations	40.000	2.695
Loss on revaluation of investments	9.948	4.400
Loss on Sale / Scrap of Assets	4.124	2.693
Miscellaneous Expenses	108.129	73.021
	784.594	644.469
Schedule 14 : Finance Charges		
Interest :		
Fixed Period Loans	81.192	83.777
Others	88.491	23.785
Bank Charges	32.448	14.466
Premium on Forward Exchange Contracts	101.062	15.292
	303.193	137.320

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 on accrual basis and comply with 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/construction less depreciation. Attributable interest 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 are 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 that 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) 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 market value.

v) Inventories:

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

vi) Foreign Currency Transactions:

- a) Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Current Assets & Current Liabilities denominated in foreign currency are translated at the year-end rate. The exchange difference between the rate prevailing on the date of

Schedule 15 : Notes forming part of the Accounts (Contd.)

transaction and on the date of settlement as also on translation of Current Assets and Current Liabilities at the end of the year including exchange difference related to purchase of fixed assets from outside India 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 or on completion of hedge contract. 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, inclusive of excise duty and sales tax (wherever applicable) and are net of discount.

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

Gains or losses on derivative instruments used for hedging purposes are accounted for on the date of settlement of the derivative contract.

viii) Employee Benefits:

a) **Defined Contribution Plan:**

Contributions are made to approved Superannuation and Provident Fund.

b) **Defined Benefit Plan:**

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

c) **Short Term Compensated Absences:**

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

Schedule 15 : Notes forming part of the Accounts (Contd.)**ix) Employee Stock Option Scheme:**

In case of employee stock options, the excess of market price prior to the date of meeting of compensation committee in which the options are granted and the exercise price is recognised as employee compensation cost.

x) 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. Deferred Tax assets arising from the timing difference are recognised to the extent that there is virtual certainty that sufficient future taxable income will be available.

xi) 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.

xii) Accounting for leases:

Assets given on lease where significant portion of risks and rewards incidental to the ownership are retained is 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. 113.460 million (Rs. 35.013 million).
- ii)
 - 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. 11.366 million (Rs. 11.366 million).
 - b) Liabilities in respect of income tax matters for which the Company has gone in further appeal and exclusive of the effect of similar matters in respect of pending assessments, Rs. 150.312 million (Rs. 137.706 million).
 - c) Excise/Customs/Service Tax in respect of which either show cause notice is received or the Company/Department is in appeal, Rs. 185.211 million (Rs. 93.569 million).

- 3) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance payments), Rs. 194.552 million (Rs. 2487.737 million).

Schedule 15 : Notes forming part of the Accounts (Contd.)

4) The break-up of deferred tax assets and liabilities into major components at the year end is as below:

Particulars	Liabilities (Rs. in million)		Assets (Rs. in million)	
	As at 31/03/2008	As at 31/03/2007	As at 31/03/2008	As at 31/03/2007
Depreciation	985.225	1051.364	–	–
Provision for contingencies etc.	–	–	4.627	4.266
Total	985.225	1051.364	4.627	4.266
Net Deferred tax liability	980.598	1047.098	–	–

5) Different methods were followed for determining value of inventory for PVC Resin Plant and PVC Pipe Plant. To bring uniformity, the stock at both the plants is being valued on the basis of weighted average method since 1st July, 2007. As a result of this change, the net profit for the year is lower by Rs. 2.074 million as compared to previous method of valuation.

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

Category	Year ended 31/03/2008	Year ended 31/03/2007
Foreign Exchange Forwards/ Options	2684.090	5814.690
Interest Rate Swaps	2166.210	1310.900
Currency Swaps	4648.530	250.000
Total	9498.830	7375.590

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. 713.841 million (Rs. 764.668 million) and under unsecured loans equivalent to Rs. 4735.747 million (Rs. 2304.883 million).
- (ii) Creditors for imports equivalent to Rs. 452.948 million (Rs. 648.711 million).

7) **Debentures: Terms of Redemption**

750 Privately placed Secured Redeemable Non-Convertible Debentures alongwith attached detachable and separately tradable Debt Warrants ("Debentures") of Rs. 1,000,000 (Rupees one million only) each will be redeemed in full at par at the expiry

Schedule 15 : Notes forming part of the Accounts (Contd.)

of five years from the date of allotment i.e. 25th November, 2004. The Debt Warrants represent Debenture redemption premium.

8) 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 Bank Limited ("Axis Bank" – Trustee for Debentures under the Debenture Trust deed dated 29th March, 2005) have been secured by english mortgage in favour of Trustee 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, the borrowing from the BNP Paribas, Singapore ("BNP Paribas") and 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 trustee under the Debentures Trust Deed and Security Trustee Agreement have been secured by creating equitable mortgage on *pari passu* basis in favour Axis Bank and BNP Paribas by depositing with Axis Bank, Axis Bank acting for itself and as a Trustee of the above referred debentures and foreign currency loan of ICICI Bank and as an agent of BNP Paribas, 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 plant and machinery attached to the earth or permanently fastened to anything attached to the earth.
- (III) The aggregate sanctioned limits of working capital borrowing of Rs. 13957.500 million from the Bank of India Consortium together with all interest, liquidated damages, costs, charges and other monies payable under working capital consortium agreement/sanction letters is secured by:
 - (a) Hypothecation of inventories and book debts.
 - (b) By extension of second equitable mortgage 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 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.

9) Sundry Creditors

- A) Outstanding to creditors other than Micro, Small & Medium Enterprise Rs. 668.869 million (Rs. 775.188 million) [Interest Paid/Payable is Rs. Nil (Rs. Nil)]

Schedule 15 : Notes forming part of the Accounts (Contd.)

- B) Outstanding to Micro, Small & Medium Enterprise : Rs. 29.612 million (Rs. 10.558 million).

The Company is in the process of compiling information from its suppliers regarding their status under Micro, Small and Medium Enterprise Development Act, 2006 and hence disclosure, if any, of the amounts unpaid as at the year end together with the interest paid / payable as required has been given to the extent of information available.

(Rs. in million)

a) Principal amount due	29.612
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

- 10) Options for equity shares were approved by Board of Directors and by shareholders on 3rd April, 2001. The options have been granted at face value.

No of options	For the year ended March 31	
	2008	2007
Options outstanding at the beginning of the year	69,700	Nil
Options granted during the year	Nil	69,700
Options vested during the year	67,400	Nil
Less: Exercised during the year	67,400	Nil
Less: Lapsed during the year	2,300	Nil
Options outstanding at the end of the year	Nil	69,700

11) Disclosure as per Accounting Standard 15 (Revised)

In view of the revised Accounting Standard on Employee Benefits AS15 (Revised), additional charge of Rs. 8.597 million upto 31st March 2007, has been adjusted against opening balance of revenue reserves in consonance with transitional provisions of AS 15(Revised). The following table sets out the status of the Gratuity Plan as required Under AS 15 (Revised).

Statement Showing changes in Present Value of obligations as on 31st March 2008

	(Rs. in million)
Present Value of obligations at the beginning of the Year	23.217
Interest Cost	1.755
Current Service Cost	3.080
Benefits Paid	2.565
Actuarial(gain)/Loss on obligations	7.294
P.V. of obligations as at end of the year	32.548

Schedule 15 : Notes forming part of the Accounts (Contd.)
Table showing changes in the fair value of plan assets as on 31st March 2008

	(Rs. in million)
Fair Value of plan Assets at the beginning of the year	23.762
Expected return on Plan assets	1.994
Contributions	3.080
Benefits Paid	2.565
Actuarial Gain/(Loss) on Plan assets	(0.174)
Fair value of plan Assets at the end of Year	26.098
Funded Status	(6.088)

Actuarial Gain/Loss recognised as on 31st March 2008

	(Rs. in million)
Actuarial gain/(Loss) for the year-obligation	(7.467)
Actuarial gain/(Loss) for the year-plan assets	(0.174)
Total(gain)/Loss for the year	(7.293)
Actuarial (gain)/Loss recognised in the year	(7.293)

Amounts to be recognised in the Balance Sheet as on 31st March 2008

	(Rs. in million)
Present Value of obligations as at the end of the year	32.548
Fair value of plan assets as at the end of the year	(26.098)
Funded Status	(6.088)
Net Asset/(Liability) recognised in balance sheet	(6.088)

Expenses recognised in statement of Profit & Loss Account

	(Rs. in million)
Current Service Cost	2.847
Interest Cost	1.755
Expected return on plan assets	1.994
Net Actuarial(gain)/Loss recognised in the year	(7.467)
Expenses recognised in statement of Profit & Loss	9.530

Schedule 15 : Notes forming part of the Accounts (Contd.)

Table showing fair value of plan assets as on 31st March 2008

	(Rs. in million)
Fair Value of plan assets at beginning of the year	23.762
Actual return on plan assets	1.994
Contributions	3.080
Benefits Paid	2.565
Fair Value of plan assets at the end of the year	26.098
Funded Status	(6.088)
Excess of actual over estimated return on Plan Assets	(0.306)

Actuarial Assumptions:

Discounted Rate	8 %
Salary Escalation	5 %

12) Details of the leased asset:

Particulars	(Rs. in million)
Gross Carrying Amount	94.364
Accumulated Depreciation	(3.374)
Net Carrying Amount	90.989
Future Minimum Lease Payments	
– Upto 1 year	20.497
– 1 year < = 5 years	102.488
– > 5 years	40.995

(Rs. in million)

2007-08 Value	2006-07 Value
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13) Managerial Remuneration:

1) Calculation of commission payable to the Executive Vice Chairman and Managing Director:			
Profit as per Profit & Loss Account		1017.747	1017.151
Less : Profit on sale of assets	0.558		
Profit on sale /redemption of investments (net)	81.990	82.548	149.375
		935.199	867.776

Schedule 15 : Notes forming part of the Accounts (Contd.)
(Rs. in million)

		2007-08	2006-07
		Value	Value
<i>Add</i> : Directors' Remuneration	21.370		
Directors' Commission	24.600		
Directors' Sitting Fees	0.840		
Loss on sale of assets	4.124	50.934	42.889
		986.133	910.665
Commission as decided by the Board to Executive Vice Chairman and Managing Director		24.600	23.365
2) Details of payments and provision on account of remuneration to Managing Director and Wholetime Directors:			
i) Salary		9.987	6.880
ii) Commission		24.600	23.365
iii) Contribution to Provident and other Funds		3.532	2.192
iv) Other Perquisites		7.851	6.969
		2007-08	2006-07
(14) CIF Value of Imports:		Value	Value
Raw materials		8969.448	6383.501
Stores, spares and components		18.334	21.727
Capital goods		94.364	11.204
		2007-08	2006-07
(15) Expenditure in Foreign Currency:		Value	Value
Technical fees		16.933	31.499
Interest and other financial expenses		48.052	38.437
Subscription		1.038	1.434
Travelling expenses		3.242	2.844
Others		1.476	0.081

Schedule 15 : Notes forming part of the Accounts (Contd.)

	2007-08		2006-07	
(16) Consumption of Raw Materials:	Value		Value	
Imported	94%	9083.253	90%	5996.922
Indigenous	6%	629.159	10%	698.614
		<u>9712.412</u>		<u>6695.536</u>

(17) Consumption of Raw Materials:	Qty (M.T.)	Value	Qty (M.T.)	Value
EDC *	131203	2440.988	109809	1783.760
Ethylene	32073	1643.472	31064	1713.030
VCM	74934	2606.302	49622	1669.589
PVC (excluding captive)	49358	2194.389	18660	768.777
Others		827.261		760.380
		<u>9,712.412</u>		<u>6,695.536</u>

* Goods traded in 18576 M.T. (16614 M.T.)

(18) Consumption of Stores and Spares:	Value		Value	
Imported	9%	18.892	12%	19.163
Indigenous	91%	191.428	88%	137.377
		<u>210.320</u>		<u>156.540</u>

(19) Capacities and Production:

Class of Goods	Unit	Installed Capacity	Production
PVC	M.T.	260000 (260000)	212714 (182134)
PVC Pipes	M.T.	69,600 (69600)	72,728 (68601)
PVC Fittings	M.T.	735 (735)	5022 (3896)

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 (Contd.)
(20) Stock and Turnover:

Class of Goods	Opening Stock		Closing Stock		Turnover	
	Qty (M.T.)	Value	Qty (M.T.)	Value	Qty (M.T.)	#Value
PVC	6664 (7252)	343.990 (279.568)	7687 (6664)	302.035 (343.990)	*187780 *(133951)	8571.241 (5597.848)
PVC Pipes	1853 (3674)	107.749 (190.026)	3181 (1853)	171.189 (107.749)	71400 (70422)	4054.901 (3696.922)
PVC Fittings	381 (274)	33.112 (18.193)	976 (381)	60.384 (33.112)	**4427 **(3789)	391.050 (309.830)
Miscellaneous						811.301
[Includes material resold Rs.535.827 million (Rs. 318.175 million)]						(517.504)

Net of excise duty

Opening and closing stock of PVC includes PVC lying at Pipe Plants.

* Net of captive consumption 23911 M.T. (48771 M.T.)

Interdivisional Transfers during the year 23781 M.T. (48347 M.T.)

** Includes Nil (0.023 M.T.) of supply of couplers alongwith supply of plain PVC pipes.

(21) 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 Poly Vinyl Chloride (PVC) and Pipes & fittings

The above business segments have been identified considering :

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

Schedule 15 : Notes forming part of the Accounts (Contd.)

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".

Description	2007-08 Pvc	2006-07 Pvc	2007-08 Pipes & Fittings	2006-07 Pipes & Fittings	2007-08 Other than Segment	2006-07 Other Than Segment	2007-08 Elimina- Tions	2006-07 Elimina- Tions	2007-08 Total	2006-07 Total
A.										
Primary Segment Information										
Segment Revenue										
(net of excise duty)										
a) External Sales	9257.718	6090.556	4804.064	4184.558	-	-	-	-	14061.782	10275.114
b) Inter-segment Sales	1071.911	2006.038	6.000	3.521	-	-	(1077.911)	(2009.559)	14061.782	10275.114
Total Revenue	10329.629	8096.594	4810.064	4188.079	-	-	(1077.911)	(2009.559)	1451.397	1033.083
Segment Result	1093.915	771.572	357.482	261.511	-	-	-	-	303.193	137.320
Interest										
Net unallocable (expenditure)/income									(130.457)	121.388
Profit Before Tax									1017.747	1017.151
Provision for current tax									364.392	330.735
Provision for deferred tax									(66.500)	(19.411)
Provision for Fringe benefit tax									8.000	7.000
Profit After Tax	9793.775	8042.286	2168.501	1816.761	6129.637	5345.244	-	-	711.855	698.827
Segment Assets	848.447	945.288	905.057	622.642	2900.349	2513.688	-	-	18091.912	15204.291
Segment Liabilities	367.653	257.911	90.580	142.791	37.663	17.499	-	-	4653.853	4081.618
Capital Expenditure	494.230	479.311	54.070	44.212	26.277	22.559	-	-	495.896	418.201
Depreciation									574.577	546.082

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.

22) 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. Finoflex Cables Limited
2. Plastro Plasson Industries (India) Limited
3. Finoflex Proprietary Limited
4. Finoflex Infrastructure Limited

Schedule 15 : Notes forming part of the Accounts (Contd.)
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
5. Mr. S. S. Dhanorkar – Wholetime Director
6. Mr. P. Subramaniam – Wholetime Director
7. Mr. S. S. Math – Wholetime Director

b) Transactions with related Parties
(Rs. in million)

Nature of transactions	2007-08		2006-07	
	Associate companies	Key management personnel	Associate companies	Key management personnel
1 Sales and other Income				
Finolex Cables Limited	25.809	–	54.349	–
Plastro Plasson Industries (India) Limited	258.719	–	122.495	–
Total	284.528	–	176.844	–
2 Sale of asset				
Finolex Cables Limited	0.347	–	–	–
3 Purchases of raw materials and stores				
Finolex Cables Limited	60.257	–	10.022	–
Plastro Plasson Industries (India) Limited	–	–	0.166	–
Total	60.257	–	10.188	–
4 Purchases of assets				
Finolex Cables Limited	30.833	–	–	–
5 Purchase of Investments				
Finolex Infrastructure Limited	0.250	–	–	–
6 Dividend received				
Finolex Cables Limited	31.062	–	26.624	–
Plastro Plasson Industries (India) Limited	4.500	–	2.250	–
7 Dividend paid				
Finolex Cables Limited	120.578	–	120.578	–
8 Expenditure on services				
Finolex Cables Limited	1.250	–	0.664	–
Finolex Proprietary Limited	3.052	–	2.555	–
Total	4.302	–	3.219	–
9 Income from services				
Finolex Cables Limited	16.271	–	10.759	–
Finolex Proprietary Limited	0.000	–	0.120	–
Total	16.271	–	10.879	–
10 Amount Outstanding				
Debtors	330.950	–	23.354	–
Creditors	26.918	–	(5.815)	–
11 Loans and advances				
Plastro Plasson Industries (India) Limited	4.500	–	4.500	–
12 Managerial remuneration	–	45.970	–	39.406

(23) 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 0 8

D D M M Y Y

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

Total Liabilities

1 7 5 9 0 8 6 8

Total Assets

1 7 5 9 0 8 6 8

Sources of Funds

Paid-up Capital

1 2 4 0 0 1 5

Reserves and Surplus

4 2 9 9 9 7 2

Secured Loans

1 5 8 1 7 1 3

Unsecured Loans

5 3 3 5 7 4 7

Deferred Tax

0 9 8 0 5 9 8

Application of Funds

Net Fixed Assets

7 6 6 4 9 3 1

Investments

2 5 2 1 4 2 9

Net Current Assets

3 2 5 1 6 8 5

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	3	9	4	8	4	8	0
---	---	---	---	---	---	---	---

+ - Profit Before Tax

+	-	0	1	0	1	7	7	4	7
---	---	---	---	---	---	---	---	---	---

Earning Per Share in Rs.

5	.	7	4
---	---	---	---

Total Expenditure

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

+ - Profit After Tax

+	-	0	0	7	1	1	8	5	5
---	---	---	---	---	---	---	---	---	---

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
---	---	---	--	---	---	---	---	---	---	---	---

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

Signatures to Schedules 1 to 15 and Notes to Accounts.

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

U. B. JOSHI
Partner

ANIL ATRE
Asst. Vice President
(Legal & Admn.) &
Company Secretary

P.P. CHHABRIA
K.P. CHHABRIA
PRAKASH P. CHHABRIA
K.N. ATMARAMANI
M.G. BHIDE
S.N. INAMDAR
S.S. MARATHE
PROSHANTO BANERJEE
S.S. DHANORKAR
P. SUBRAMANIAM
J. S. ARORA

Chairman
Executive Vice Chairman
Managing Director

Asst. Managing Director & COO
Asst. Managing Director & CFO
Director (Projects)

Pune : 18th June, 2008

Pune : 18th June, 2008

Notice

NOTICE is hereby given that the twenty seventh annual general meeting of the members of Finolex Industries Limited will be held on Monday, 18th day of August, 2008 at 11.30 a.m. at Disha Hall, Parandwadi, 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, 2008 and the profit and loss account for the year ended on that date and the report of the directors' and the auditors' thereon.
- 2 To declare dividend for the financial year ended 31st March, 2008.
- 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. S.S. Dhanorkar, who retires by rotation and, being eligible, offers himself for reappointment.
- 5 To appoint a director in place of Mr. P. Subramaniam, who retires by rotation and, being eligible, offers himself for reappointment.
- 6 To appoint auditors to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting and to fix their remuneration.

Special business:

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

"RESOLVED THAT pursuant to section 31 and other applicable provisions, if any, of the Companies Act, 1956 (the "Act"), existing Article 114 of the Articles of Association of the Company shall be substituted with effect from the date of Central Government's approval in accordance with the provisions of the Act by the following:

114. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors (excluding Debenture and Alternate Directors) shall not be less than three or more than fifteen.

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

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

"RESOLVED THAT pursuant to sections 258, 259 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Central Government, the number of directors of the Company for the time being in the office be increased from twelve to fifteen."

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

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310, 311, schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the "Act")

and subject to the approvals as are necessary, consent of the Company be and is hereby accorded to the re-designation of Mr. K.P. Chhabria as Executive Vice Chairman with effect from 1st February, 2008 on the terms and conditions including remuneration of his present appointment and to increase his remuneration with effect from 1st April, 2008 till the expiry of his present term of office viz. 31st July, 2008 on terms and conditions including remuneration to be paid in case of inadequacy of profits, absence of profits or no profits as are set out in the agreement dated 18th June, 2008 entered into by the Company with Mr. K.P. Chhabria.

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

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

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310, 311, schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and subject to the approvals as are necessary, consent of the Company be and is hereby accorded to the reappointment of Mr. K.P. Chhabria as whole time director designated as Executive Vice Chairman with effect from 1st August, 2008 for a period of five years on the remuneration and the terms and conditions including remuneration to be paid in case of inadequacy of profits, absence of profits or no profits as are set out in the draft agreement (the "Agreement") to be entered into by the Company with Mr. K.P. Chhabria, which Agreement is placed before this meeting and is hereby specifically approved with liberty to the Board of directors (the "Board") of the Company to alter and vary the terms and conditions of the Agreement.

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

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

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

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310, 311, schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and subject to the approvals as are necessary, consent of the Company be and is hereby accorded to the re-designation of Mr. Prakash P. Chhabria as Managing Director with effect from 1st February, 2008 and to increase his remuneration with effect from 1st December, 2007 till the expiry of his present term of office viz. 30th November, 2011 on terms and conditions including remuneration to be paid in case of inadequacy of profits, absence of profits or no profits as are set out in the agreement dated 18th June, 2008 entered into by the Company with Mr. Prakash P. Chhabria.

RESOLVED FURTHER THAT the Board be and is hereby authorized to revise from time to time during the tenure of the appointment of Mr. Prakash P. Chhabria, the remuneration payable

to him, subject to ceiling laid down in Sections 198,309 and Schedule XIII to the Act without further approval of the members of the Company but with such other approvals, sanctions or permissions, if any, required for such revision in the remuneration.

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

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

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310, 311, schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and subject to the approvals as are necessary, consent of the Company be and is hereby accorded to increase the remuneration payable to Mr. J.S. Arora, whole time director designated as Director (Projects), with effect from 1st December, 2007 till the expiry of his present term of office viz. 30th November, 2008 on terms and conditions including remuneration to be paid in case of inadequacy of profits, absence of profits or no profits as are set out in the agreement dated 18th June, 2008 entered into by the Company with Mr. J.S. Arora.

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

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

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310, 311, schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and subject to the approvals as are necessary, consent of the Company be and is hereby accorded to increase the remuneration payable to Mr. S.S. Dhanorkar, wholetime director designated as Assistant Managing Director and Chief Operating Officer, with effect from 1st April, 2008 till the expiry of his present term of office viz. 30th November, 2011 on terms and conditions including remuneration to be paid in case of inadequacy of profits, absence of profits or no profits as are set out in the agreement dated 9th April, 2008 entered into by the Company with Mr. S.S. Dhanorkar.

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

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

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

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310, 311, schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and subject to the approvals as are necessary, consent of the Company be and is hereby accorded to increase the remuneration payable to Mr. P.Subramaniam, wholetime director designated as Assistant Managing Director and Chief Financial Officer, with effect from 1st

April, 2008 till the expiry of his present term of office viz. 4th June, 2011 on terms and conditions including remuneration to be paid in case of inadequacy of profits, absence of profits or no profits as are set out in the agreement dated 18th June, 2008 entered into by the Company with Mr.P.Subramaniam.

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

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

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

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310, 311, schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and subject to such approvals as may be necessary, the Company hereby approves, the appointment for the period from 22nd October, 2007 to 19th July, 2008 as wholetime director designated as Director (Manufacturing) of Mr. S.S.Math who is in the wholetime employment of the Company and who was appointed as Additional Director by the Board of Directors of the Company and who holds office upto the date of this annual general meeting pursuant to the provisions of Section 260 of the Act, but has tendered resignation from the services of the Company effective 19th July, 2008 after working hours.

RESOLVED FURTHER THAT the remuneration and perquisites paid and /or payable for the period from 22nd October, 2007 to 19th July, 2008 to Mr. S.S. Math under the terms of his appointment with the Company, subject to the limits prescribed under the Act, be and are hereby approved.

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

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

Pune,
18th June, 2008.

Anil B. Atre
Asst. Vice President
(Legal & Admn.) &
Company Secretary

Notes:

- 1 EFFECTIVE JULY 4, 2008, THE REGISTERED OFFICE OF THE COMPANY WILL BE SHIFTED TO GAT NO. 399, URSE, TALUKA MAVAL, DISTRICT PUNE 410 506, MAHARASHTRA STATE AND SHARE TRANSFER AGENT ACTIVITY, INVESTOR RELATIONS CENTRE AND CORPORATE OFFICE WILL BE SHIFTED TO P-14, RAJIV GANDHI INFOTECH PARK, MIDC, HINJEWADI, PUNE 411 057. MEMBERS ARE REQUESTED TO SEND THEIR COMMUNICATION TO INVESTOR RELATIONS CENTRE, P-14, RAJIV GANDHI INFOTECH PARK, MIDC, HINJEWADI, PUNE 411 057.

- 2 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.
- 3 The explanatory statement pursuant to section 173(2) of the Companies Act, 1956 is annexed hereto.
- 4 The register of members and the share transfer books of the Company will remain closed from 1st August, 2008 to 18th August, 2008, both days inclusive.
- 5 Dividend, if declared at the meeting, will be paid on or before 17th September, 2008 to those shareholders whose names appear on the register of members of the Company on 18th August, 2008 or on the register of beneficial owners maintained by the depositories as at the close of their business hours on 31st July, 2008.
- 6 Member whose shareholding is in the dematerialized form is requested to direct change of address notifications and updations of bank/mandate/ECS details to his/her respective depository participant. Member holding shares in physical form may please send such details to the Company at its Investor Relations Centre.
- 7 Members holding shares in physical form are requested to consider dematerializing the same at the earliest.
- 8 Members who have not appointed nominees are requested to appoint nominees. The prescribed form for appointment of nominee will be made available on request.
- 9 Members desirous of obtaining any information concerning the accounts and operations of the Company for the Financial year ended 31st March, 2008 are requested to address their questions to the Company Secretary at Investor Relations Centre so as to reach on or before 10th August, 2008 so that the requested information is made available at the meeting to the best extent possible.
- 10 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.

EXPLANATORY STATEMENT IN RESPECT OF ITEM NOS. 7 TO 15 OF THE NOTICE PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item Nos. 7 & 8

In terms of Section 259 of the Companies Act, 1956 and Article 114 of the Articles of Association of shall consist of maximum 12 directors. Increasing the number of directors from present strength of 12 to 15 would enable the Company to appoint additional directors as and when need arises. As such, it is proposed, subject to the approval of the Central Government, to increase the maximum number of Directors from 12 to 15 and to amend the Articles of Association accordingly.

A copy of the existing Articles of Association and copy of the proposed amended Articles of Association the company are available for inspection by the members of the Company at the registered office of the Company between 10.00 a.m. and 12.00 noon on any working day of the Company till 18th August, 2008.

The Board accordingly recommends the resolution for the approval of the members.

Except as shareholders of the Company, none of the Directors of the Company is in anyway concerned or interested in this resolution.

Item Nos.9,10 & 11

Mr. K.P. Chhabria was reappointed as Managing Director of the Company for the period of five years from 1st August, 2003 to 31st July, 2008.

In terms of provisions of Schedule XIII and subject to approval of the members, the Board at its meeting held on 21st January, 2008 has re-designated Mr. K.P. Chhabria as Executive Vice Chairman with effect from 1st February, 2008 and increased his remuneration with effect from 1st April, 2008 till the expiry of his present term of office viz. 31st July, 2008 on terms and conditions including remuneration to be paid in case of inadequacy of profits, absence of profits or no profits as are set out in the agreement dated 18th June, 2008 entered into by the Company with Mr. K.P. Chhabria.

The Board at its meeting held on 18th June, 2008 re-appointed Mr. K.P. Chhabria as wholetime director designated as Executive Vice Chairman with effect from 1st August, 2008 for a period of five years upon the terms and conditions set out in the draft agreement to be entered into by the Company with Mr. K.P. Chhabria.

Mr. K.P. Chhabria, 75 years of age, is a technocrat and is a well-known industrialist having over 55 years of very wide industrial experience. He is one of the promoters of the Company. Under his able leadership, the Company has grown from a small sized private limited company to a multi product industrial house. His keen interest in continuous improvement in the quality of the product and technological upgradation of the facilities has resulted in the Company having state-of-the-art manufacturing capabilities for all the products. He is also a director of Finolex Infrastructure Ltd. and other Companies of repute.

Mr. Prakash P. Chhabria was reappointed as Deputy Managing Director of the Company for the period of five years from 1st December, 2006 to 30th November, 2011.

The Board at its meeting held on 21st January, 2008 has re-designated Mr. Prakash P. Chhabria as Managing Director with effect from 1st February, 2008 and increased his remuneration with effect from 1st December, 2007 till the expiry of his present term of office viz. 30th November, 2011 on terms and conditions including remuneration to be paid in case of inadequacy of profits, absence of profits or no profits as are set out in the agreement dated 18th June, 2008 entered into by the Company with Mr. Prakash P. Chhabria.

Mr. Prakash P. Chhabria, 44 years of age, is B.Sc., International Business from University of Evansville, USA and has also completed Advanced Management Programme from Wharton Business School. Mr. Prakash P. Chhabria is a well known industrialist having over 22 years of industrial experience. He is in the wholetime employment of the Company since 13th March, 1992. He is also director of Finolex Infrastructure Limited, Peninsula Trustee Limited Pawas Port Limited and other companies of repute. He is also a member of management committee of Maharashtra Chamber of Commerce, Industry and Agriculture and a member of Executive Committee of Maharashtra Cricket Association.

The main terms and conditions of the agreements both dated 18th June, 2008 entered into by the Company with Mr. K.P. Chhabria and Mr. Prakash P. Chhabria and the draft agreement to be entered into by the Company with Mr. K.P. Chhabria are as under:

A Terms of appointment:

- 1 Mr. K.P. Chhabria was re-designated by the Board of Directors (the "Board") as Executive Vice Chairman from 1st February, 2008 till completion of his present term of appointment i.e. till 31st July, 2008.

- 2 Mr. K.P. Chhabria was reappointed by the Board as whole time director of the Company designated as Executive Vice Chairman for the period of five years from 1st August, 2008 to 31st July, 2013.
- 3 Mr. Prakash P. Chhabria was re-designated by the Board as Managing Director from 1st February, 2008 till completion of his present term of appointment i.e. on 30th November, 2011.

B Remuneration:

The Company shall pay to Mr. K.P. Chhabria and Mr. Prakash P. Chhabria basic salary as under in the scale of Rs. 1.5 lac to Rs. 10 lac with an annual increment, as may be decided by the Board within the abovementioned scale, due on expiry of each year of service completed:

Basic Salary (Rs. per month)	Period	
	From	To
Mr. K.P. Chhabria		
2,50,000	01/02/2008	31/03/2008
4,50,000	01/04/2008	31/07/2008
4,50,000	01/08/2008	31/07/2013
Mr. Prakash P. Chhabria		
4,00,000	01/12/2007	30/11/2011

C Commission:

The Company shall pay to Mr. K.P. Chhabria and Mr. Prakash P. Chhabria during the continuance of their agreements in consideration of the performance of their duties, commission as may be decided by the Board for each financial year of the Company or part thereof, on the profits of the Company computed in the manner laid down under section 309 of the Companies Act, 1956, subject to a minimum commission equal to the annual salary.

D Perquisites and facilities:

In addition to the salary and commission payable, Mr. K.P. Chhabria and Mr. Prakash P. Chhabria shall also be entitled to:

- 1 **House rent allowance** of 30% of basic salary.
- 2 **Soft furnishing allowance** of 10% of basic salary.
- 3 **Bonus/Ex gratia** as announced by the Company.
- 4 **Medical allowance including reimbursement** as per rules of the Company.
- 5 **Club Fees:** Subject to a maximum of two clubs excluding admission and life membership fees.

- 6 **Leave** with full pay and all allowances as per the rules of the Company, but not exceeding one month's leave for eleven months' service; in addition two weeks leave every third year.
- 7 **Encashment of leave** at the end of tenure as per the rules of the Company.
- 8 **Leave Travel Concession** for self and family in accordance with the rules of the Company.
- 9 Benefit of group **personal accident insurance policy** taken out by the Company.
- 10 Contribution to **provident fund, superannuation fund and gratuity fund** as per the rules of the Company.
- 11 **Free use of motor car with driver** provided by the Company for business purposes; the Company meeting all running, maintenance and other expenses whatsoever incurred in respect thereof.
- 12 Free land line and mobile **phone facility** at residence that is to say all charges whereof including rental, call charges etc. shall be paid by the Company in full, personal long distance calls to be billed by the Company to Mr. K.P. Chhabria and Mr. Prakash P.Chhabria.
- 13 The Company shall reimburse actual **entertainment and traveling expenses** incurred by Mr. K.P. Chhabria and Mr. Prakash P. Chhabria in connection with the Company's business.

E Minimum Remuneration:

In the event of inadequacy or absence of profits or no profits, Mr. K.P. Chhabria and Mr.Prakash P. Chhabria shall be entitled to be paid remuneration (by way of salary, bonus/ ex gratia/perquisites and other allowances/facilities) as mentioned in their respective agreements subject to necessary approvals.

The following documents are available for inspection by the members of the Company at the registered office of the Company between 10.00 a.m. and 12.00 noon on any working day of the Company till 18th August, 2008.

- 1 The agreements both dated 18th June, 2008 entered into by the Company with Mr. K.P. Chhabria and Mr. Prakash P. Chhabria.
- 2 The draft agreement to be entered into by the Company with Mr. K.P. Chhabria.

The aforesaid may be treated as an abstract of the terms and conditions of remuneration, revision in remuneration, reappointments/re-designation of Mr. K.P. Chhabria and Mr. Prakash P. Chhabria as applicable pursuant to Section 302 of the Companies Act, 1956.

Mr. K.P. Chhabria and Mr. Prakash P. Chhabria are concerned or interested in the resolutions proposed at Item Nos. 9 to 11 of the Notice, since the aforesaid resolutions relate to re-designation and revision of remuneration of Mr. K.P. Chhabria and Mr. Prakash P. Chhabria and reappointment and remuneration of Mr. K.P. Chhabria.

Mr. P.P. Chhabria, being related to Mr. K.P. Chhabria and Mr. Prakash P. Chhabria, is concerned or interested in the resolutions proposed at Item Nos. 9 to 11 of the Notice.

Item Nos. 12 to 15

Mr. J.S. Arora was reappointed as wholetime director designated as Director (Projects) for the period of two years from 1st December, 2006 to 30th November, 2008.

Mr. S.S. Dhanorkar was reappointed as wholetime director designated as Assistant Managing Director and Chief Operating Officer for the period of five years from 1st December, 2006 to 30th November, 2011.

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

The Board at its meeting held on 21st January, 2008 increased the remuneration payable to Mr. J.S. Arora with effect from 1st December, 2007 and increased the remuneration payable to Mr. S.S. Dhanorkar and Mr. P. Subramaniam with effect from 1st April, 2008 on the terms and conditions including remuneration to be paid in case of inadequacy of profits, absence of profits or no profits as are set out in the agreements dated 18th June, 2008 entered into by the Company with Mr. J.S. Arora and Mr. P. Subramaniam and agreement dated 9th April, 2008 entered into by the Company with Mr. S.S. Dhanorkar.

Mr. S.S. Math, a wholetime employee of the Company was appointed as Additional Director by the Board at its meeting held on 22nd October, 2007 pursuant to the provisions of Section 260 of the Companies Act, 1956. Mr. S.S. Math holds office upto the date of this annual general meeting. Mr. S.S. Math has tendered his resignation from the services of the Company.

Mr. S.S. Math, a B.E. Chemical Engineer from University Department of Chemical Technology (UDCT) has rich experience of over 30 years in chemical plant operation and projects was in the employment of the Company as President (Production), since 15th December, 2004. He does not hold directorship in any other company.

Mr. S.S. Math has since resigned from the services of the Company and will cease to hold the office of the director of the Company on 19th July, 2008 after working hours. However, in terms of the provisions of sections 198, 269, 309 read with the provisions of Schedule XIII of the Companies Act, 1956, his appointment as wholetime director as also the remuneration and perquisites paid and/or payable to him for his tenure of office as wholetime director from 22nd October, 2007 to 19th July, 2008 is required to be approved by the members in General Meeting.

The main terms and conditions of appointment of Mr. S.S. Math as whole time Director designated as Director (Manufacturing) are as follows:

Period	from 22/10/2007 to 31/10/2007	From 1/11/2007 to 19/07/2008
Basic salary – per month (Rs.)	70000	127000
House Rent allowance – per month (Rs.)	30% of basic	30% of basic
Conveyance allowance (Including reimbursement) – per month (Rs.)	7500	10000
Reimbursement of driver's salary – per month (Rs.)	5000	5000
Compensatory allowance – per month (Rs.)	10000	9000
Soft furnishing allowance – per month (Rs.)	10000	N.A.

The other terms and conditions including contribution to Provident Fund, Gratuity, Superannuation Fund, performance incentive and other usual perquisites are as applicable under the Rules of the Company.

None of the Directors of the Company other than Mr. S.S. Math is concerned and/or interested in resolution No. 15.

The main terms and conditions of the agreements entered into by the Company with Mr. J.S. Arora, Mr. S.S. Dhanorkar and Mr. P. Subramaniam are as under:

A Remuneration:

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

Description Period	Mr. J.S. Arora w.e.f. 1/12/2007 onwards	Mr. S.S. Dhanorkar w.e.f. 1/04/2008 onwards	Mr. P. Subramaniam w.e.f. 1/04/2008 onwards
Basic salary – per month (Rs.)	127000	203100	165900
Conveyance allowance (Including reimbursement) – per month (Rs.)	10000	16500	14500
Reimbursement of driver's salary – per month (Rs.)	5000	5000	7000
Compensatory allowance – per month (Rs.)	9000	25500	28175

B Perquisites and facilities:

Mr. J.S. Arora, Mr. S.S. Dhanorkar and Mr. P. Subramaniam shall also be entitled to:

- 1 **House rent allowance** of 30% of basic salary.
- 2 **Bonus/Ex gratia** as announced by the Company.
- 3 **Medical allowance including reimbursement** as per rules of the Company.
- 4 **Leave** with full pay and all allowances as per the rules of the Company.
- 5 **Encashment of leave** at the end of tenure as per the rules of the Company.
- 6 **Leave Travel Concession** for self and family in accordance with the rules of the Company.
- 7 **Performance Incentive** as decided by the Board.
- 8 Benefit of group **personal accident insurance** policy taken out by the Company.
- 9 Contribution to **provident fund, superannuation fund and gratuity fund** as per the rules of the Company.
- 10 **Free use of motor car (without driver)** provided by the Company for business purposes.

- 11 Free landline and mobile **phone facility** that is to say all charges whereof including rental, call charges etc. shall be paid by the Company in full, personal long distance calls to be billed by the Company to the respective director.
- 12 The Company shall reimburse actual **entertainment and travelling expenses** incurred by directors in connection with the Company's business.

The agreements entered into by the Company with Mr. S. S. Dhanorkar, Mr. J. S. Arora, Mr. P. Subramaniam and Mr. S.S. Math in connection with their appointment, remuneration and revision in remuneration as applicable are available for inspection by the members of the Company at the registered office of the Company between 10.00 a.m. and 12.00 noon on any working day of the Company till 18th August, 2008.

The aforesaid may be treated as an abstract of the terms and conditions of revision in remuneration payable to Mr. J.S. Arora, Mr. S.S. Dhanorkar, and Mr. P. Subramaniam and appointment of and remuneration paid/ payable to Mr. S.S. Math pursuant to Section 302 of the Companies Act, 1956.

Mr. J.S. Arora, Mr. S.S. Dhanorkar and Mr. P. Subramaniam are concerned or interested in the resolutions proposed at item nos. 12 to 14 respectively of the Notice, since the aforesaid resolutions relate to revision of remuneration of Mr. J.S. Arora, Mr. S.S. Dhanorkar and Mr. P. Subramaniam.

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

Pune,
18th June, 2008.

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

Finolex Industries Limited

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

PROXY FORM

Folio No.: _____ No. of shares _____

DP ID : _____

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 27th annual general meeting of the Company to be held on Monday, the 18th August, 2008 at 11.30 a.m. at Disha Hall, Parandwadi, Taluka Maval, District Pune 410 506.

Signed this _____ day of _____ 2008.

Signature _____

Affix
Revenue
Stamp of
15 paise
(Pl 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, Village 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, India.

27TH ANNUAL GENERAL MEETING – 18TH AUGUST, 2008

ATTENDANCE SLIP

(To be handed over at the entrance of the Venue of the meeting)

Folio No.: _____ DP ID : _____ Client ID No.: _____

Member's Name _____ No. of shares _____

Proxy's Name (in block letters) _____

I hereby record my presence on 18th August, 2008 at 11.30 a.m. at the 27th annual general meeting at Disha Hall, Parandwadi 410 506, Taluka Maval, District Pune.

Member's/Proxy's Signature

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

Five Year Financial Highlights

Rs. in Million

	2007/08	2006/07	2005/06	2004/05	2003/04
PROFIT AND LOSS ACCOUNT DATA					
Gross Revenue	16755.025	12525.213	9007.603	10012.602	8652.398
Materials and manufacturing cost (including excise duty)	13728.248	9918.601	6919.006	7282.728	5873.975
Personnel expenses	346.666	261.591	212.405	231.873	218.387
Administration and selling expenses	784.594	644.469	567.508	584.189	591.024
Finance charges	303.193	137.320	189.498	122.808	134.944
Depreciation	574.577	546.081	468.207	443.572	429.337
Profit before tax	1017.747	1017.151	650.979	1347.432	1404.731
Taxation	305.892	318.324	227.893	388.262	503.111
Profit after tax	711.855	698.827	423.086	959.170	901.620
Dividend (including tax on dividend if applicable)	435.400	435.400	424.300	424.300	419.722
BALANCE SHEET DATA					
Share capital	1240.015	1239.928	1239.890	1239.847	1239.808
Reserves and surplus	4299.972	4046.700	3797.097	3814.646	3406.286
Net worth	5539.987	5286.628	5036.987	5054.493	4646.094
Deferred tax (net)	980.598	1047.098	1066.509	1062.966	1064.979
Long term Loans	1477.639	1734.400	1800.220	1462.504	706.820
Short term Loans	5439.821	3054.546	3462.605	4110.557	2474.819
Total liabilities	13438.045	11122.672	11366.321	11690.520	8892.712
Gross block	11391.137	10909.826	10500.963	8902.703	8658.694
Net block (including CWIP)	7664.931	6597.200	6056.923	5430.179	5085.176
Investments	2521.429	2456.268	3673.297	4131.900	2724.455
Net current assets	3251.685	2069.204	1636.101	2128.441	1083.081
Total assets	13438.045	11122.672	11366.321	11690.520	8892.712
KEY RATIOS					
Return on net worth (%)	12.85	13.22	8.40	18.98	19.42
Earnings per share (Rs.)	5.74	5.63	3.41	7.73	7.25
Long term debt to equity	0.27	0.33	0.36	0.29	0.15
Dividend payout (%)	61.16	62.30	100.29	44.24	46.53
Interest coverage	4.36	8.41	4.44	11.97	11.41
Book value per share	44.67	42.63	40.61	40.76	37.46

Note: Earning per share is calculated on the share capital as on the date of Balance Sheet except for the year 2003-04 which is calculated after considering weighted average effect of the changes in the share capital due to fresh issue and/or buy-back of shares during the year.

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Industries Limited

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Pune 411 057. Tel.+91-20-27408200. E-mail : aa@finolexind.com