

FCL:SEC:19:75
26th March, 2019

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E)
Mumbai – 400051

Dear Sirs,

Re: News item regarding Finolex that appeared in the Economic Times, Mumbai edition, dated 25th March, 2019

We refer to your Email of 25th March, 2019 that was received yesterday evening after close of business hours of Finolex Cables Limited (the "Company").

In this regard we would submit as under:

1. As per the past records of the Company, which is in the knowledge of the Stock Exchanges, Bank(s)/Financial Institutions and also of the Electrical Cable and Wire Industry, the Company was promoted by two brothers namely: Mr Pralhad P Chhabria ("PPC") and Mr Kishan P Chhabria ("KPC").
2. Though sheer hard work and perseverance the two brothers grew the business and established the Brand of the Company over the decades and thus formed a number of companies which became known as the "Finolex" group.
3. PPC being the elder of the two brothers was the Chairman of Finolex group for a number of decades since inception and was responsible for maintaining the Accounts, Book Keeping records, tax matters, marketing, administration and the assets of Finolex group. KPC on the other hand was responsible for all technical matters, production, construction and expansion of manufacturing units locating better technology and increasing productivity.
4. Both the brothers shared a very strong bond of brotherly love and affection and placed great faith in each other's decisions such that KPC would, without any hesitation sign any papers/documents that his elder brother PPC requested him to sign.
5. The business of the Company which was earlier carried on in the form of a partnership firm was corporatized by the two brothers acquiring Alfa Rubber Company Private Limited ("Alfa Rubber") having a cable plant near Lonavala. Subsequently, Alfa Rubber was converted into a public limited company and its name changed to Finolex Cables Limited. Finolex Cables Limited thereafter took over the business of the erstwhile partnership firm and thus the entire business, assets & liabilities and the trademark "Finolex" came to be owned by Finolex Cables Limited.
6. Both brothers, PPC and KPC throughout were equal partners in the business and this status also continued in Finolex Cables Limited in which the entire equity of the Company was held on equal basis by the two brothers, their relatives and investment companies.
7. Over the years a number of companies including Finolex Industries Limited (formerly known as "Finolex Pipes Limited") were formed on an equal ownership basis by the two brothers and the Company and various associate companies came to be known in Industry as "Finolex" group.



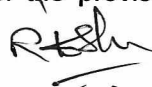
8. The two brothers continued to work relentlessly and in close harmony and a chemical plant to manufacture PVC resin was set up on 1981 in Ratnagiri since PVC resin was a major raw material for the pipes industry and also for cable insulation. As usual, this manufacturing plant was also set up by KPC.
9. In July 1983, the Company made its maiden public issue and became a public limited listed company.
10. The Finolex group companies continued to grow from strength to strength and there were eventually fifteen investment companies created for tax planning purposes and due to provisions of MRTP Act.
11. With the rigours of law including restrictions and controls due to MRTP Act being relaxed and to avoid the repetitive tedious and burdensome compliance issues due to having fifteen investment companies, it was thought advisable to amalgamate the fifteen investment companies into one investment company namely: Orbit Electrical Private Limited ("Orbit") which was a closely held private limited company.
12. It was when these investment companies were being amalgamated into the aforesaid Orbit and when the share exchange ratios were being calculated that PPC informed his younger brother KPC that due to certain past accounting entries done by him in the books of the 14 amalgamating companies over time, his shareholding in Orbit will become 88.10% and the shareholding of KPC and his family come to only 7.30% post amalgamation. This state of affairs suddenly being informed shocked KPC and his family and they raised objections as to how this could happen when the entire business and the various companies had started out as being owned on an equal basis as between the two families and absolutely no dividends were ever declared by any of these fourteen investment companies nor any buy back of shares ever done by them. KPC therefore informed his elder brother PPC that it would not be possible for him and his family members to give their consent as shareholders for the amalgamation of these fourteen investment companies. However, PPC accepted that this is not correct and that even if he came to be holding 88.10% in the merged entity i.e. Orbit the said ownership should actually be equal between the two families and the excess shares were held by him as trustee for KPC family. PPC therefore agreed with his younger brother that he would remedy this anomaly by putting his entire shareholding of 82.07% held in Orbit into a private determinate trust i.e. Pralhad Chhabria Trust that would be settled by him for the benefit of both families and in consideration KPC and his family should give their consent as shareholders of the fourteen amalgamating investment companies into Orbit.
13. Based on this assurance of PPC, KPC and his family members gave their consent to the said amalgamation of these fourteen investment companies into Orbit.
14. As a result of the said amalgamation of the fourteen investment companies into Orbit in the year 2011, Orbit came to be holding 30.7% of the Paid-up Share Capital of Finolex Cables Limited, 18.8% of the Paid-up Share Capital of Finolex Industries Limited, which are the two listed companies in Finolex group. Orbit would in addition hold 23.5% of Finolex Infrastructure Limited, 33.1% of I2IT Private Limited, 40% of Finprop Advisory Services Limited, 100% of Magnum Machines Technologies Limited, 10% of Finolex Plasson Industries Private Limited besides owning shares and investments in many other entities.
15. Besides the aforesaid, there was a cross holding between the Company and Finolex Industries Limited, with the Company holding 32.39% in Finolex Industries Limited and Finolex Industries Limited holding 14.51% in the Company.

It is only through the cross-holding and direct holding through Orbit that control of more than 50% is possible in these listed companies.



16. In order to give effect to the family arrangement agreed to between PPC and KPC, PPC right from the year 2011 itself worked in true earnestness and sincerity and in close consultation with Mr Sanjay K Asher, Senior Partner of M/s Crawford Bayley & Co., Mumbai who were the Solicitors of the Company and legal advisors to both families and the various companies of Finolex group, to put in place the following documents to achieve the aforesaid purpose and to make proper succession planning for Finolex companies:
- Memorandum of Understanding executed between the Company and Finolex Industries Limited ("FIL") on 11th October, 2011 regarding non disposal of equity shares held by one company in the other and also non-interference in the management of each other but to support the management control of Mr Deepak K Chhabria in Finolex Cables Limited and Mr Prakash P Chhabria in Finolex Industries Limited;
 - Settlement of a private determinate trust namely: Pralhad Chhabria Trust by Trust Deed dated 12th March, 2012;
 - Supplementary Trust Deed dated 20th August, 2012;
 - Second Supplementary Trust Deed dated 4th January, 2014;
 - Articles of Association of Orbit Electricals Private Limited (as finally amended on 30th September, 2014 to align with the above documents), and
 - Last Will and Testament of Late PPC made on 15th October, 2014.
17. Through the aforesaid succession planning documents including the above Trust Deeds and the amended Articles of Association of Orbit, PPC achieved the following:
- The control of Orbit (through which company control of the two public listed companies besides other Finolex companies could be done) was not to be split amongst the second generation lineal descendants of the two founder promoter brothers i.e. of PPC and KPC, so as not to lose the promoter control in the two listed companies;
 - The second generation lineal descendants should not be able to sell their shares in Orbit which would reduce the family holding and control in the Finolex group;
 - The various companies in the Finolex group should function as a close cohesive group supporting the management control of the members of the two families in respect of the companies/entities which has been allotted to them;
 - Considering the nature, temperament and ability to work assiduously the second generation lineal descendants were to have management control of the companies/entities as under:
 - Mr Deepak K Chhabria (Son of KPC) will be the Managing Director or other higher position to which he may be elevated to in Finolex Cables Limited;
 - Mr Prakash K Chhabria (son of PPC) will be the Managing Director or other higher position to which he may be elevated to in Finolex Industries Limited;
 - Mrs Aruna M Katara (daughter of PPC) will be the Chairman (Dean) of I²IT (Management Institute) and of I2IT Private Limited, and
 - Mr Vijay K Chhabria (son of KPC) will be the Managing Director of Finolex Plasson Industries Private Limited;
 - PPC clearly recorded in certain of the aforesaid succession planning documents that each of the Trustees/Beneficiaries of Pralhad Chhabria Trust should follow the above intention in day to day matters and support each other in management of their respective companies. PPC further clearly records therein that if any of the beneficiaries/trustees does not support the management of the other beneficiary or his nominee successor in the above mentioned companies or acts against the interest of any other beneficiary on the basis of any shareholding in these companies directly or indirectly through their family members or concerns, such person would cease to be the beneficiary/trustee in Pralhad Chhabria Trust and his/her share in the Trust fund and income would be distributed amongst the remaining beneficiaries equally.

- (f) The above documents also set out that the Trustees and also the beneficiaries of Pralhad Chhabria Trust would be:
- Mrs Aruna Mukesh Katara (daughter of PPC),
 - Mr Vijay K Chhabria (son of KPC),
 - Mr Deepak Kishan Chhabria (son of KPC) and
 - Mr Prakash Pralhad Chhabria (son of PPC).
- (g) The Articles of Association ("AoA") as amended on 30th September, 2014 of Orbit also contain various Articles to facilitate and ensure that the aforesaid succession planning put in place by PPC for Finolex companies is assured and the respective voting rights given to the four beneficiaries for Management Control of their respective companies and that his entire 82.07% (controlling shareholding) in Orbit is automatically transmitted after his demise to Pralhad Chhabria Trust only, so that the said Trust can play its pivotal role in the said succession planning.
18. PPC had also taken measures that the respective Board of Directors of Finolex Cables Limited, Finolex Industries Limited and of Orbit Electricals Private Limited not only take on record and know of the aforesaid succession planning documents but the Directors on the respective Boards (particularly the Independent directors) are to play an active role to facilitate and ensure that the said succession planning is effectively implemented after his demise.
19. However, post the sad demise of PPC on 5th May, 2016 Mr Prakash P Chhabria has claimed that before his death PPC had gifted 70.4% shareholding in Orbit out of PPC's 82.07% shareholding held in Orbit. The said gift of 100300 equity share (i.e. 70.4%) in Orbit is claimed to have been done by a Gift Deed dated 28th March, 2016. The transfer under the alleged Gift Deed was not given in the Agenda for that meeting but surreptitiously included under "Other Items" and shown to have been transferred in favour of Mr Prakash P Chhabria at a meeting of the Board of Orbit that was purported to have been held on 31st March, 2016. The aforesaid alleged transfer of 70.4% shares in Orbit purported to have been done by PPC to Mr Prakash P Chhabria has been challenged before the appropriate Courts by members of KPC family including Mr Deepak Kishan Chhabria, who is the Executive Chairman of the Company, in their individual capacities inter alia on the following grounds:
- The alleged Gift Deed is contrary to the family arrangement agreed to between PPC and KPC on behalf of both branches of families;
 - The transfer of shares alleged to have been approved by the Board of Orbit on 31st March, 2016 is contrary to the specific provisions contained in its AoA;
 - The Gift Deed itself is not a valid legal document in as much as it is not executed by PPC (since the signatures/initials of PPC differs substantially from the manner in which he normally signs/initials documents);
 - Despite the value of the underlying 100300 shares of Orbit being in excess of Rs.1500 Crores, the Gift Deed is only on a Rs.500 Non Judicial Stamp Paper and is thus not validly stamped and could not have been given effect to by the Board of Orbit;
 - The Gift Deed is not a registered document as is required under the provisions of law in order to be a legally binding document;
 - At the relevant time i.e. on 28th March, 2016 PPC was suffering from stage III cancer of liver and was under heavy medication and thus not in a proper sense of mind to even consider such a Gift Deed leave alone understand its ramifications on the detailed succession planning so painstakingly put in place by him over a long period of time from the year 2011 (when the family arrangement was agreed to between PPC and KPC) right up to September 2014 when the AoA of Orbit was amended to give effect to and enforce the succession planning documents.
 - The alleged Gift Deed is contrary to the provisions of PPC's Will dated 4th January, 2014 and also of the provisions of PPC's Last Will and Testament dated 15th October, 2014;



- (h) The Board Meeting of Orbit purported to have been held on 31st March, 2016 for surreptitiously giving effect to the alleged transfer of shares had in fact not taken place since Mr Deepak K Chhabria was present well in advance on the appointed day and time at the venue where the meeting was to be held and no other Directors of Orbit had come for the meeting despite the elapse of over 45 minutes from the time fixed for the meeting. In such circumstances, when no quorum is present for a meeting of the Board, as per the AoA of Orbit the meeting would get adjourned to the same day and time in the next week and at the same venue;
- (i) Thus, the entire minutes of the meeting of the Board of Orbit alleged to have been held on 31st March, 2016 is a sham and has been concocted to give effect for an illegal transfer of shares purportedly done by PPC (who was at that time suffering from stage III cancer and under heavy medication) to Mr Prakash P Chhabria.
20. Despite the matter of alleged transfer of shares by PPC to Mr Prakash P Chhabria being challenged before the Courts and is thus sub-judice, Mr Prakash P Chhabria and persons acting in active collusion and connivance with him are apparently seeking to give selective and wrong publicity of the matter rather than leaving the same to be decided by the appropriate Court(s) before which the matters are filed. It also seems that this is being resorted to possibly gain some mileage considering that such selective and wrong publicity is taking place despite the news item itself stating that "The matter will be heard on April 4." That is, its timing is just before the matter is to be heard by the appropriate Court.

We trust we have adequately clarified the issue.

Thanking you,

Yours faithfully
For FINOLEX CABLES LIMITED



R G D'SILVA
Company Secretary &
President (Legal)