

**A**NNUAL  
REPORT  
2011 - 2012

**Hydro S & S**



**A VIEW OF OUR STALL AT PLAST INDIA 2012**

**Board of Directors**

**V. SRINIVASAN**

**MURALI VENKATRAMAN, Vice-Chairman**

**V. THIRUPATHI**

**NARAYAN SETHURAMON**

**G. BALASUBRAMANYAN**

**DINSHAW KEKU PARAKH**

**S.K. SUBRAMANYAN, Director (Finance & Administration)**

**Company Secretary**

**S.K. SUBRAMANYAN**

**Works**

Plot No. 15C, SIPCOT Indl. Complex, Pudukkottai - 622 002

RS No. 38/1, Sedarapet Industrial Area, Sedarapet, Puducherry - 605 111

G 34, Addl. Jejuri Industrial Area, Jejuri, Tal. Purandar, Pune - 412 303

RS No. 15/15, Vazhudavur Road, Kurumbapet, Puducherry - 605 009

**Registered Office**

Dhun Building, III Floor,  
827, Anna Salai, Chennai - 600 002  
Telephone : 91-44-28521736 (4 lines)  
Fax : 91-44-28520420  
E-mail : info@hssil.com

**Auditors**

M/s. P. Srinivasan & Co.,  
Chartered Accountants,  
Chennai - 600 017

**Bankers**

State Bank of India, Chennai - 600 001  
Canara Bank, Chennai - 600 002

**Registrar & Share Transfer Agent**

M/s. Integrated Enterprises (India) Limited  
2nd Floor, Kences Towers,  
No. 1, Ramakrishna Street,  
North Usman Road,  
T. Nagar, Chennai - 600 017.  
Telephone : 91-44-28140801 - 03  
Fax : 91-44-28142479  
E-mail : corpserv@integratedindia.in

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## FIVE - YEAR FINANCIAL DATA

(₹ in Millions)

For the Year	2011-12	2010-11	2009-10	2008-09	2007-08
Sales : Domestic	1,645.481	1,542.326	1,183.225	1,337.834	1350.876
Exports	1.567	0.427	1.933	0.001	0.154
Operating Profit (PBIDT)	91.004	86.498	71.142	42.958	128.933
Interest	65.561	46.509	47.526	48.298	32.512
Depreciation and amortisation expense	26.794	26.909	25.768	20.565	15.617
Taxation - Current	—	3.200	—	0.660	23.100
- Deferred	(1.600)	(0.600)	(2.000)	(8.235)	4.091
Profit/(Loss) After Tax	0.249	10.480	(0.152)	(18.329)	53.613
<b>As at the end of the Year</b>					
Share Capital	64.072	64.072	64.072	65.104	65.256
Reserves & Surplus	185.090	184.817	178.818	181.636	200.286
Loan Funds	428.816	427.580	353.068	359.649	282.163
Gross Block	513.185	528.565	499.920	490.072	375.900
Net Current Assets	403.818	388.332	305.582	289.992	342.171
<b>Measures of Investment</b>					
Return on Capital Employed (%)	9.47%	9.55%	7.61%	3.69%	20.69%
Return on Equity (%)	0.10%	4.21%	(0.06%)	(7.43%)	20.19%
Earnings per Share (₹)	0.04	1.64	(0.02)	(2.82)	8.22
Dividend Cover (Times)	—	2.73	NA	NA	6.85
Dividend (%)	—	6	NA	NA	12
Book Value of an Equity Share	38.89	38.85	37.91	37.90	40.70
<b>Of Performance</b>					
- Profitability (%)					
Profit/(Loss) before Tax (%)	(0.09%)	0.94%	(0.20%)	(2.19%)	6.93%
Profit/(Loss) after Tax (%)	0.02%	0.75%	(0.01%)	(1.55%)	4.60%
- Capital Turnover (times)	2.43	2.28	1.99	2.21	2.47
- Stock Turnover (times)	9.03	7.32	7.66	8.43	6.44
- Working Capital Turnover (times)	4.08	3.97	3.88	4.61	3.95
<b>Of Financial Status</b>					
- Debt-Equity Ratio (times)	0.40:1	0.53:1	0.55:1	0.57:1	0.19:1
- Current Ratio	1.08:1	1.18:1	1.24:1	1.21:1	1.26:1
- Fixed Assets to Shareholders' Funds (times)	1.19:1	1.28:1	1.29:1	1.33:1	0.88:1

**DIRECTORS' REPORT****PART I – PERFORMANCE / OPERATIONS**

Your Directors hereby present their 28th Annual Report alongwith Audited Statement of Accounts of the Company for the year ended March 31, 2012.

**FINANCIAL RESULTS**

(₹ in Lacs)

Particulars	Year Ended March 31, 2012		Year Ended March 31, 2011	
<b>Revenue from Operations</b>				
Gross		16,539.48		15,468.06
Net of Excise Duty		15,010.03		14,011.62
Other Income		14.36		12.14
<b>Profit before Finance Costs &amp; Depreciation and amortisation expense</b>		910.04		864.98
Finance Costs		655.61		465.09
<b>Profit before Depreciation and amortisation expense</b>		254.43		399.89
Depreciation and amortisation expense		267.94		269.09
<b>Profit / (Loss) before Tax</b>		(13.51)		130.80
Taxation - Current Tax	—		32.00	
- Deferred Tax	(16.00)		(6.00)	
		(16.00)		26.00
<b>Profit after Tax</b>		2.49		104.80
Balance brought forward		102.32		144.84
Profit available for Appropriation		104.80		249.64
<b>Appropriations:</b>				
<b>Transfers to</b>				
General Reserve	—		100.00	
Special General Reserve	—		2.50	
<b>Proposed Dividend</b>				
On Equity Shares	—		38.44	
Tax on distributable profits	—		6.38	
		—		147.32
<b>Surplus carried forward</b>		104.80		102.32
		104.80		249.64

## BUSINESS OPERATIONS

Revenue from operations recorded an increase of 7% over the previous year, though volumes remained flat. The year witnessed a turbulent business environment that moderated growth. The year started with optimism but as it progressed there were challenges with inflation, decelerating growth and worsening investment climate which adversely impacted consumer sentiments. The global economic environment was confronted with geo-political instability, Eurozone crisis, fluctuating global commodity prices etc.

Your Company had to deal with the challenges of a sharp depreciation of the Indian Rupee during the year coupled with a sharp increase in the prices of polypropylene during the last quarter. This has to be viewed in the context of extreme resistance from Customers to price revisions.

The financial statements have been prepared in compliance with the revised Schedule VI guidelines, notified by the Ministry of Corporate Affairs. Therefore, the previous year's figure have been regrouped / recast wherever necessary.

The Pultrusion Division continues to face the challenges of declining prices during the year due to surplus capacity pressures which resulted in a lower performance as compared to the previous year.

Detailed analysis of the Company's performance during the year is provided in Annexure - E to this Report.

## DIVIDEND

During the year under review, the operations of the Company were impacted for various reasons as explained under the head 'Business Operations'. In view of the adverse financial results and to conserve resources for future growth, your Directors have not recommended any dividend on the Equity Shares for the year under review.

## EXPANSION PLANS

Your Company had embarked on a aggressive market development strategy to increase the share of its business in the automotive segment and we hope to see the benefit of these initiatives in the current year.

With this market dynamics, a capacity balancing needs to be implemented in order to serve the existing customers and new entrants in a much more efficient manner. Hence, your Company had decided to put up a new facility at Manesar in the State of Haryana. This facility will have an initial capacity of 3000 TPA.

## ENVIRONMENT, HEALTH AND SAFETY

Your Company is conscious of the importance of environmentally clean and safe operations. Your Company's policy require the conduct of all operations in such a manner so as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

## EMPLOYEE RELATIONS

Various HR initiatives are continuously taken to align the HR policies to the growing requirements of the business. Your Company has a structured induction process at all locations and Management Development Programmes to upgrade skills of Managers. Technical and Safety training programmes are given periodically to workers. Industrial relations remained generally cordial.

## PART II - CORPORATE MATTERS

### CORPORATE GOVERNANCE

Your Company continues to be committed to Governance aligned with good management practices.

As per the requirement of Clause 49 of the Listing Agreement entered into with the Stock Exchanges, a detailed report on Corporate Governance is set out in **Annexure – B** to this Report.

The Statutory Auditors of the Company have examined the Company's compliance and have certified the same, as required under SEBI Guidelines. Such certificate is reproduced in **Annexure – C** to this Report.

The Whole Time Director and CFO certification is given in **Annexure – D** to this Report.

A separate Management Discussion and Analysis Report on the Company's performance is given in **Annexure – E** to this Report.

A Declaration by Mr.S.K.Subramanyan (Whole-time Director) with regard to compliance of Company's Code of Conduct by the Board Members and Senior Management Personnel is furnished as **Annexure - F** to this Report.

The Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956 is furnished in **Annexure – G** to this Report.

**DIRECTORS**

Your Directors, Mr.Dinshaw K Parakh and Mr.Narayan Sethuramon retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

The term of Office of Mr.S.K.Subramanyan as Whole Time Director [Director (Finance & Administration) & Company Secretary] expires on 30<sup>th</sup> September 2012. The Board has recommended his re-appointment for a further period of three years.

The necessary resolutions in this regard are being placed before the Shareholders for their approval.

**AUDITORS**

The Auditors of the Company, M/s. P. Srinivasan and Co., Chartered Accountants, Chennai hold office until the conclusion of the Annual General Meeting and have given their consent for re-appointment. The Company has received confirmation that their appointment will be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956. The necessary resolution is being placed before the shareholders for their approval.

**STATUTORY INFORMATION**

The provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not applicable since there is no employee drawing remuneration more than ₹ 60,00,000/- per annum (full year) or ₹ 5,00,000/-p.m (part of the year).

Particulars required under Section 217(1)(e) of the said Act relating to Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo are furnished in a separate statement annexed to and forming part of this Report as **Annexure - A**.

All the dividends of the earlier years, which have remained unclaimed, have since been transferred to the Investor Education and Protection Fund at the expiry of the specified period(s) as required under Section 205C of the Companies Act, 1956. Details of dividends remaining unclaimed as on 31.03.2012 are as under :

Year	Date of declaration	No. of Shareholders	Total Unclaimed Dividend ( ₹ )	Due date for transfer to IEPF Account
2004 - 2005	28.09.2005	82	74,304.00	08.10.2012
2005 - 2006	18.09.2006	46	32,040.00	28.09.2013
2006 - 2007	13.09.2007	515	1,60,553.00	20.10.2014
2007 - 2008 (Interim)	31.01.2008	568	41,224.00	08.03.2015
2007 - 2008 (Final)	16.09.2008	569	54,305.70	22.10.2015
2008 - 2009	No Dividend declared		N.A.	
2009 - 2010	No Dividend declared		N.A.	
2010 - 2011	29.09.2011	738	62,827.20	05.11.2018

**FIXED DEPOSITS**

The Company has not accepted any fixed deposits from the public within the meaning of Section 58A of the Companies Act, 1956.

**ACKNOWLEDGEMENT**

Your Directors wish to record their appreciation of the continued support and co-operation from your Company's customers, vendors, bankers and all other stakeholders. Your Company will continue to build and maintain strong links with its business partners.

The Directors sincerely appreciate the high degree of professionalism, commitment and dedication displayed by employees at all levels. The Directors also place on record their gratitude to the Members for their continued support and confidence.

**For and on behalf of the Board of Directors**

Place : Chennai  
Date : 4th June, 2012

**V.THIRUPATHI**  
Chairman of the Meeting

**MURALI VENKATRAMAN**  
Vice - Chairman

**ANNEXURE - A TO DIRECTORS' REPORT**

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988.

**(A) CONSERVATION OF ENERGY****(a) Energy Conservation measures taken:**

Energy Conservation and efficiency continues to be in focus. Wherever applicable the company has upgraded equipment to more energy efficient type.

Manufacturing was realigned arising from power cuts in Tamil Nadu to improve optimal energy consumption and costs.

**(b) Additional measures taken for reduction of consumption of energy:**

Efficiency measures introduced in the production lines to improve energy consumption by 10%.

Harmonic filters for 300 KW frequency drives have been installed and this reduces higher harmonics that pollutes the power and reduces the heat losses in the system apart from bringing power factor to close unity in-turn reduces the total current and hence energy loss in the system.

By installing higher capacity cooler, the external cooling water pump was eliminated and gravity flow of water from tank is used in the cooling circuit.

**(B) TECHNOLOGY ABSORPTION****(a) Research and Development (R & D):****(i) Specific areas in which R & D carried out by the Company**

The R&D efforts are directed towards meeting the evolving requirements of key industry, the Auto OEM's and appliances. Property enhancements like higher gloss, lower wall thickness, highly stiff and dimensionally stable compounds with low CLTE are the focus to support the customers drive for sleek design and cost reduction.

**(ii) Expenditure on R & D ( ₹ in Lacs )**

(a) Capital	—	45.53
(b) Recurring	—	167.98
<b>Total</b>	—	<b>213.51</b>

**(b) Technology Absorption, Adaptation and Innovation:**

Innovative formulation and blending techniques for manufacturing our compounds have given us openings in moving up the value chain. Good customer response has been the result.

**(c) Imported Technology : Not applicable****(C) FOREIGN EXCHANGE EARNINGS & OUTGO ( ₹ in Lacs )**

Foreign Exchange Earnings	—	73.20
Foreign Exchange Outgo	—	2,982.19

The Company is taking continuous steps to develop export markets as appropriate to the nature of its products.

The details of the above are given in the Notes forming part of Financial Statements.

**For and on behalf of the Board of Directors**

Place : Chennai  
Date : 4th June, 2012

**V.THIRUPATHI**  
Chairman of the Meeting

**MURALI VENKATRAMAN**  
Vice - Chairman



## ANNEXURE - B TO DIRECTORS' REPORT

## REPORT ON CORPORATE GOVERNANCE

The details of compliance with the requirements of Clause 49 of the Listing Agreement is set out below:

1) **Brief statement on Company's Philosophy on Code of Governance.**

The Company believes in usage of appropriate Corporate Governance policy to achieve the corporate goal of enhancing stakeholder value. The cornerstones of this policy include transparency, empowerment with accountability, respect for people and environment, compliance with law and to follow fair business practices with all its stakeholders. These principles being followed since inception, have helped the Company to build credibility with all its stakeholders. The Company has adopted a code of conduct for Members of the Board and Senior Management Personnel. All Directors have affirmed in writing their adherence to the above code.

2) **Board of Directors**

**Composition**

The Board of Directors currently has a mix of Executive and Non-Executive Directors. The Board comprises one Whole Time Director (the Executive Director) and Six Non-Executive Directors. Two of the Six Non-Executive Directors are Independent Directors.

Except the Executive Director, all other Directors are liable to retire by rotation as per the provisions of the Companies Act, 1956.

**Meetings**

During the year 2011-12, the Board met four times on 12th May, 2011, 21st July, 2011, 2nd November, 2011 and 24th January, 2012. The last AGM was held on 29th September, 2011.

The following table gives the details of category of Board of Directors and their attendance at Board Meetings and last AGM and details of Memberships in other Boards and Board Committees as on 31st March, 2012.

Name of the Director	Category	No. of Board Meetings Attended	Attendance at the Last AGM	Directorships in other Boards		Committee(s)* Membership (inclusive of Hydro S & S)	
				Directorships	Chairmanships	Memberships	Chairmanships
Mr. V. Srinivasan	NI-NE	4	Yes	5	4	2	1
Mr. Murali Venkatraman	NI-NE	4	Yes	3	—	3	—
Mr. Narayan Sethuramon	NI-NE	2	Yes	1	—	—	—
Mr. V. Thirupathi	IN-NE	4	Yes	8	1	4	4
Mr. S.K. Subramanian	NI-EX	4	Yes	—	—	—	—
Mr. Dinshaw K Parakh	NI-NE	3	No	3	—	—	—
Mr. G.Balasubramanian	IN-NE	4	No	4	—	2	—

NI – Non Independent NE – Non-Executive EX – Executive IN – Independent

Membership in Executive and Governing Councils are not included.

\* As required under the Listing Agreement, Memberships / Chairmanships of only Audit Committee and Share Transfer and Investors' Grievances Committee have been included.

Mr. V. Srinivasan, Mr. Murali Venkatraman and Mr. Narayan Sethuramon are related to one another. None of the other Directors are related to one another.

## Board Procedure

The Board is presented with information on matters pertaining to working of the Company for their consideration and approval, wherever required. Among others, this includes

- operating plans, capital budgets.
- quarterly results of the company.
- risks faced and steps taken to mitigate / minimize the risks, if any.
- minutes of meeting of audit committee and other committees.
- significant developments in the industrial and human relations front.
- materially important show cause, demand and penalty notices and prosecutions, if any.
- materially relevant defaults in financial obligations to and by the company or substantial non payment for goods sold by the company.
- foreign exchange exposure and steps taken by management to limit the risks of adverse exchange rate movement.
- details of any joint venture or collaboration agreement.
- proposals for diversification, investment, disinvestments and restructuring; and
- non-compliance with any regulatory or statutory provision or listing requirements as well as shareholder services.

## 3) Audit Committee

### Terms of reference

The Audit Committee of the Company functions under the mandate stipulated under Clause 49 of the Listing Agreement and the Companies Act, 1956 which includes reviewing and taking corrective actions as and when required, in consultation with the Internal Auditors.

The Committee's scope includes the following:

- a) Critically examining the Company's Financial Reporting process and disclosure of Financial Information to ensure the adequacy and credibility of the Financial Statements.
- b) Reviewing with Management and Auditors, the Quarterly, Half-yearly and Annual Financial Statements before their submission to the Board.
- c) Reviewing the adequacy of internal control systems, findings of Internal Audit and the actions taken thereof.

It now comprises three Non-Executive Directors – two of whom are independent. The Members of the Committee have exposure to Finance, Accounts, Company Law and General Business Practices.

The composition of the Audit Committee is as under:

- A) Mr. V.Thirupathi, Chairman
- B) Mr. Murali Venkatraman
- C) Mr. G.Balasubramanyan

**Meetings**

During the financial year 2011-12, four Audit Committee Meetings were held on 12th May, 2011, 21st July, 2011, 2nd November, 2011 and 24th January, 2012.

**Attendance**

Name of the Director	No. of Meetings Attended
Mr. V.Thirupathi, Chairman	4
Mr. Murali Venkatraman, Member	4
Mr. G.Balasubramanyan, Member	4

**4) Remuneration Committee****Terms of reference**

A Remuneration Committee has been constituted to determine the quantum and components of the remuneration to be paid to the Whole Time Directors.

The Remuneration Committee consists of three Non-Executive Directors, two of whom are Independent.

The composition of the Remuneration Committee is as under:

- A) Mr. G.Balasubramanyan, Chairman
- B) Mr. V.Thirupathi
- C) Mr. V.Srinivasan

**Meetings**

During the financial year 2011 - 12, one meeting of the Remuneration Committee was held on 2nd November, 2011.

**Attendance**

Name of the Director	No. of Meetings Attended
Mr. G.Balasubramanyan, Chairman	1
Mr. V.Thirupathi, Member	1
Mr. V.Srinivasan, Member	1

**Remuneration policy**

The Remuneration Committee determines and recommends to the Board, the quantum of remuneration including incentives and perquisites payable to Whole Time Directors / Directors of the Company as and when they come for review.

**Remuneration of Directors**

The compensation of the Whole Time Directors comprises of a fixed component plus commission / incentive. The Whole Time Directors are not paid Sitting fees for any Board / Committee Meetings attended by them. The Agreements with the Whole Time Directors are contractual in nature.

There are no stock options available / issued to any Director of the Company.

Details of Sitting fees paid per Meeting to Non-Executive Directors are as follows:

Board Meetings	₹ 5,000/-
Share Transfer and Investor Grievances Committee Meetings	₹ 2,000/-
Audit Committee Meetings	₹ 7,500/-
Remuneration Committee Meetings	₹ 2,000/-

The details of the remuneration paid / payable to the Directors for the year 2011 -12 together with sitting fees paid and the shareholding held by the Non Executive Directors as on 31st March, 2012 are as under :

#### Whole Time Director

(in ₹)

Name of the Director	Salary	Commission	Performance Incentive	Perks	Total
Mr. S.K. Subramanyan	7,35,000	Nil	2,74,000	12,74,140	22,83,140

#### Non Executive Directors

Name of the Director	Sitting fees paid for Board and Committee Meetings (₹)	Commission (₹)	Shares held in the Company (Nos.)
Mr. V.Srinivasan	30,000	Nil	Nil
Mr. Murali Venkatraman	58,000	48,026	932300
Mr. V.Thirupathi	52,000	Nil	Nil
Mr. Narayan Sethuramon	10,000	Nil	800000
Mr. Dinshaw K.Parakh	15,000	Nil	56250
Mr. G.Balasubramanyan	52,000	Nil	Nil

No other remuneration is being paid by the Company to any of the Non - Executive Directors other than the sitting fees except Mr.Murali Venkatraman, Vice Chairman to whom Commission @ 1% of the Net Profits of the Company per annum is payable. No convertible instruments are held by the Non - Executive Directors.

#### 5) Share Transfer and Investors' Grievances Committee

The Board of Directors has constituted a Share Transfer and Investors' Grievances Committee to approve the share transfers and other investor related matters and also to attend to the investor grievances. The members of the Committee are Mr. V. Srinivasan (Chairman) and Mr.Murali Venkatraman, both of whom are Non-Executive Directors.

The Compliance Officer is Mr. S.K. Subramanyan, Director (Finance & Administration) & Company Secretary.

To expedite the process of Share Transfer, the Board has delegated the power to approve Share Transfers once in a fortnight to Compliance Officer and those transfers which are so approved are ratified at the immediately following Share Transfer and Investor Grievances Committee Meeting.

During the year 2011 - 12, the Share Transfer and Investors' Grievances Committee met four times on 12th May, 2011, 21st July, 2011, 2nd November, 2011 and 24th January, 2012 and all the meetings were attended by the two members.

The Company confirms that there were no share transfers pending for approval as on 31st March, 2012 and all requests for de-materialization and re-materialization as on that date were confirmed / rejected through NSDL / CDSL system.

During the year 2011-12, the Company received 6 complaints from the investors and all of them were resolved to the satisfaction of the investors concerned. There are no complaints pending to be resolved as on 31st March, 2012.

## 6) General Body Meetings

(A) The details of location and time of holding the last three Annual General Meetings are as under:

Financial Year Ended	Date	Time	Venue
31-03-2011	29-09-2011	10.00 a.m.	Narada Gana Sabha, "Mini Hall" No.314, T.T.K. Road, Chennai – 600 018.
31-03-2010	23-09-2010	10.00 a.m.	Narada Gana Sabha, "Mini Hall" No.314, T.T.K. Road, Chennai – 600 018.
31-03-2009	14-09-2009	10.00 a.m.	Narada Gana Sabha, "Mini Hall" No.314, T.T.K. Road, Chennai – 600 018.

(B) Details of Special Resolutions passed at the last three Annual General Meetings:

I. At the Twenty Seventh Annual General Meeting held on 29th September, 2011.

Nil

II. At the Twenty Sixth Annual General Meeting held on 23rd September, 2010.

Nil

III. At the Twenty Fifth Annual General Meeting held on 14th September, 2009.

Re-appointment of Mr. S.K.Subramanyan as Whole Time Director [Director (Finance & Administration) & Company Secretary] for a period of three years.

**(C) Postal Ballot**

No Resolution involving Postal Ballot was passed during the year under review. As on date, the Company does not have any proposal to pass any Special Resolution by way of Postal Ballot.

**(D) A brief resume and name of the companies in which Directors, who are being appointed / re-appointed, hold Directorships / Committee Memberships and Shareholding in the Company are given below:****(i) Mr. Dinshaw K. Parakh**

Mr. Dinshaw K.Parakh, aged 40 years is a leading Industrialist based at Chennai. He holds Directorships in leading Construction groups as well as in other Companies.

The details of other Directorships, Committee Membership and Shareholding in the Company are as under :

Other Directorships	Chairmanship / Directorship	Name of the Committee	Chairmanship / Membership of the Committee
SICGIL India Limited	Director	—	—
Tarapore Constructions Private Limited	Director	—	—
Narbod Constructions Private Limited	Director	—	—
(Shareholding in the Company – 56,250 Equity Shares)			

**(ii) Mr. Narayan Sethuramon**

Mr.Narayan Sethuramon, aged 41 years is a Graduate in Production Engineering and holds a Master's Degree in Management from Purdue University, USA and has been associated with the Company for over 18 years.

He is also the Managing Director and Chief Executive Officer of M/s. W.S.Industries (India) Limited, a leading Company in the Indian Electrical Sector.

The details of other Directorships, Committee Membership and Shareholding in the Company are as under :

Other Directorships	Chairmanship / Directorship	Name of the Committee	Chairmanship / Membership of the Committee
W.S.Industries (India) Limited	Managing Director and Chief Executive Officer	—	—
Institute for Financial Management and Research (IFMR)	Member of the Governing Council	—	—
Indian Electrical & Electronics Manufacturers' Association (IEEMA)	Member of the Executive Council	—	—
(Shareholding in the Company – 8,00,000 Equity Shares)			

**(iii) Mr. S.K. Subramanyan**

Mr. S.K.Subramanyan aged 54 years is a Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India with over 28 years of experience in varied areas of Finance, Accounts, I.T., Secretarial, Legal and Administrative operations. He is serving the Company for the last 14 years.

The details of other Directorships, Committee Membership and Shareholding in the Company are as under:

Other Directorships	Chairmanship / Directorship	Name of the Committee	Chairmanship / Membership of the Committee
He is not holding Directorship / Committee Membership in any other Company.			
(Shareholding in the Company – Nil)			

**7) Disclosures**

- ❖ **Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the Management, their Subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large:**

Transactions with Related Parties have been disclosed in Note No.30 forming part of Financial Statements. None of the transactions were in conflict with the interests of the Company.

- ❖ **Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchanges or SEBI or any statutory authority on any matter related to the capital markets, during the last three years:**

No penalties or strictures have been imposed by any regulatory authority on any matter related to capital markets during the last three years.

- ❖ **Code of conduct for prevention of Insider Trading:**

The company has framed a code of conduct for prevention of Insider Trading based on SEBI (Insider Trading), Regulations 1992.

This code is applicable to all Directors and Designated Employees having access to unpublished price sensitive information.

- ❖ **Whistle Blower Policy and affirmation that no personnel has been denied access to the audit committee:**

The Company confirms that it has not denied access to any personnel to approach the Management or the Audit Committee on any issue.

- ❖ **Details of Compliance with mandatory requirements stipulated under Clause 49 of the Listing Agreement and adoption of the non-mandatory requirements:**

The Company has complied with all the mandatory requirements stipulated under Clause 49 of the Listing Agreements entered into with the Stock Exchanges, except in respect of the clause on Composition of Board, where steps have been initiated to comply with the same. The Company has also complied with non-mandatory requirements to the extent detailed in paragraph 10 of report on Corporate Governance.

**8) Means of Communication**

1. Quarterly Results : Communicated through advertisement in newspapers.
2. Newspapers wherein results normally published : Business Standard (English) and Thina Boomi (Tamil).
3. Any Website where displayed : [www.hssil.com/kyc](http://www.hssil.com/kyc)  
[www.bseindia.com](http://www.bseindia.com)
4. Any official news release published : No
5. Details of presentation needs to Institutional Investors/Analysts : Nil

The Management's Discussion and Analysis highlighting specific details of the operations has been included in the Directors' Report.

**9) General Shareholder Information**

a) **Registered Office** : Dhun Building, III Floor, 827, Anna Salai, Chennai - 600 002

**b) Annual General Meeting**

**Day** : Monday  
**Date** : 17th September, 2012  
**Time** : 3.00 p.m.  
**Venue** : The Music Academy, Kasturi Srinivasan Hall (Mini Hall)  
 New No.168, T.T.K. Road, Royapettah, Chennai – 600 014.

c) **Financial Year** : 1st April to 31st March

**d) Financial Calendar for 2012 – 2013 :**

**[tentative schedule excluding Extraordinary General Meeting(s) if any]**

First Quarter Results (30th June, 2012)	before end of July, 2012
Annual General Meeting (2011–2012)	17th September, 2012
Second Quarter Results (30th September, 2012)	on or before November 14, 2012
Third Quarter Results (31st December, 2012)	on or before February 14, 2013
Fourth Quarter Results (31st March, 2013)	before end of May, 2013
Annual General Meeting (2012-2013)	In accordance with Companies Act, 1956.

e) **Date of Book Closure** : 12th September, 2012 to 17th September, 2012  
 (both days inclusive)

f) **Dividend Payment Date** : Equity Shares – Not Applicable



**g) Listing on Stock Exchanges****Stock Code****(1) BSE Limited (BSE)**

(Scrip Code – 524019)

524019

Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai - 400 001.**(2) Madras Stock Exchange Limited (MSE)**

HYDRO S &amp; S

“Exchange Building”,  
No.30, Second Line Beach,  
Chennai - 600 001.

The Company's Equity Shares have been permitted for trading in the National Stock Exchange of India Limited (NSE) by virtue of the arrangement with Madras Stock Exchange Limited (MSE).

Demat ISIN No. for CDSL and NSDL is INE473D01015.

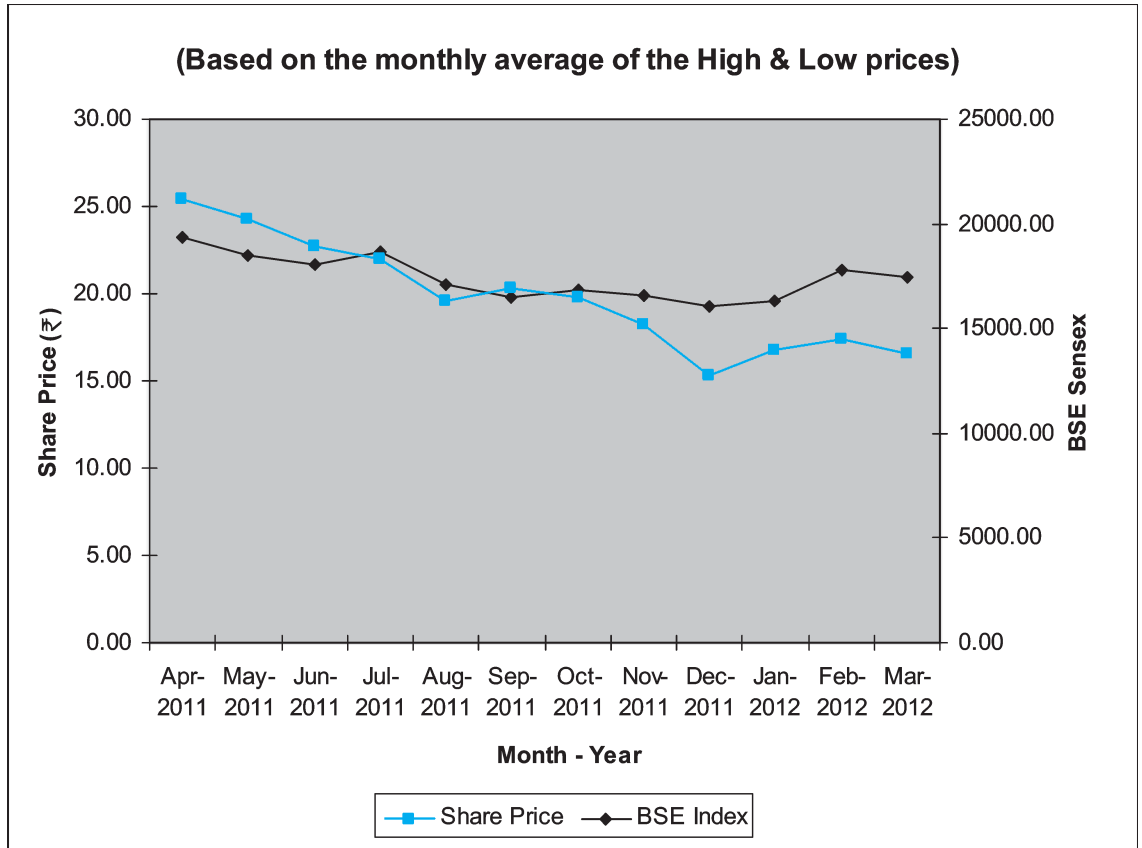
The Listing fees to BSE and MSE have been paid upto date.

**h) Market Price Data – High & Low of Equity Shares of the Company**

(in ₹)

Month	Year	BSE Limited		Madras Stock Exchange Ltd.	
		High	Low	High	Low
April	2011	27.35	23.40	No Trading in 2011 - 2012	
May	2011	26.40	22.20		
June	2011	25.80	19.55		
July	2011	23.95	20.10		
August	2011	23.15	16.00		
September	2011	22.00	18.55		
October	2011	21.50	18.10		
November	2011	21.25	15.15		
December	2011	17.45	13.10		
January	2012	19.99	13.60		
February	2012	19.85	14.95		
March	2012	18.90	14.20		

i) Performance of Share Price of the Company in comparison to BSE Sensex



j) **Registrar & Share Transfer Agent** : M/s. Integrated Enterprises (India) Limited,  
 Unit : Hydro S & S Industries Limited  
 2nd Floor, Kences Towers,  
 No. 1, Ramakrishna Street, North Usman Road,  
 T. Nagar, Chennai - 600 017.  
 Phone Nos. : 0091-44-28140801 - 03  
 Fax No. : 0091-44-28142479  
 E-Mail : corpseiv@integratedindia.in  
 Contact Person : K. Suresh Babu, Vice President

- k) **Share Transfer System** :
1. Transfer of the shares held in electronic form are done through the depositories by the share transfer agent.
  2. Transfer of shares in the physical form are done once in a fortnight.
  3. The power to approve the transfer, transmission and other Share Certificate related matters has been delegated by the Board to Compliance Officer and his action is ratified at the next Share Transfer and Investors' Grievances Committee Meeting.

4. Certificate under Clause 47(c) of the Listing Agreement is obtained from a Practising Company Secretary every six months confirming the transfer, transmission etc. of equity shares within one month of their lodgement and sent to BSE Limited and Madras Stock Exchange Ltd.
5. Reconciliation of Share capital Audit as stipulated by SEBI is conducted on quarterly basis reconciling the admitted equity share capital with the shares in electronic and physical form and Certificate issued in this regard by Practising Company Secretary is forwarded to BSE Limited and Madras Stock Exchange Ltd.

**I) Distribution of Shareholding and Shareholding Pattern as on 31.03.2012.**

**i) Distribution of Shareholding**

Category	Shareholders		Shares	
	Number	% to Total	Number	% to Total
Upto 2500	4171	97.18	1056031	16.48
2501 – 5000	64	1.49	231622	3.62
5001 – 10000	27	0.63	192883	3.01
10001 – 20000	9	0.21	123073	1.92
20001 – 30000	6	0.14	150433	2.35
30001 – 40000	3	0.07	97704	1.52
40001 – 50000	1	0.02	42741	0.67
50001 – 100000	4	0.09	267622	4.18
100000 & above	7	0.16	4245095	66.26
<b>Total</b>	<b>4292</b>	<b>100.00</b>	<b>6407204</b>	<b>100.00</b>

**ii) Shareholding Pattern**

Category	Holders	Shares	Voting Strength (Percentage)
Promoters	12	4260700	66.50
Non-Resident Individuals / OCBs	98	82291	1.28
Foreign Institutional Investors	0	0	0.00
Bodies Corporate	106	389596	6.08
FIs/Mutual Funds/Banks	1	200	0.00
Resident Individuals	4044	1633801	25.50
Others (Clearing Member & Trusts)	31	40616	0.63
<b>Total</b>	<b>4292</b>	<b>6407204</b>	<b>100.00</b>

## m) Dematerialisation of Shares & liquidity

The shares of the Company can be held and traded in electronic form. As on March 31, 2012, 97.08% of the Company's total equity shares representing 6219768 shares were held in dematerialised form and the balance 2.92% representing 187436 shares in the physical form.

The Company confirms that the promoter's holdings are in dematerialized mode and the same is in line with the circulars issued by SEBI.

## n) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

— Nil

## o) Plant Locations

Plot No.15C, SIPCOT Industrial Complex, Pudukkottai - 622 002. — Reinforced Thermoplastic Compounds

RS No.38/1, Sedarapet Industrial Area, Sedarapet, Puducherry - 605 111. — Reinforced Thermoplastic Compounds

G 34, Addl. Jejuri Industrial Area Jejuri, Tal. Purandar, Pune – 412 303. — Reinforced Thermoplastic Compounds

RS No.15/15, Vazhdavur Road, Kurumbapet, Puducherry - 605 009. — FRP Pultruded Profiles

## p) Address for Correspondence

- (i) Share related matters — M/s.Integrated Enterprises (India) Limited  
Unit : Hydro S & S Industries Limited  
2nd Floor, Kences Towers, No. 1, Ramakrishna Street,  
North Usman Road, T. Nagar, Chennai - 600 017.  
Phone Nos. : 0091-44-28140801 - 03  
Fax No. : 0091-44-28142479  
E-Mail : corpser@integratedindia.in  
Contact Person : K. Suresh Babu, Vice President
- (ii) Other matters — Director (Fin. & Admn.) & Co. Secy.,  
Hydro S & S Industries Limited  
Dhun Building, III Floor, 827, Anna Salai, Chennai - 600 002.  
Phone Nos. : 0091-44-28521736 (4 lines)  
Fax No. : 0091-44-28520420  
E-Mail : secretarial@hssil.com

## q) Service of documents through electronic mode

As a part of Green Initiatives, the members who wish to receive the Notice / Annual Report / documents through e-mail, may kindly inform their e-mail addresses to the Company's Registrar and Share Transfer Agent, M/s. Integrated Enterprises (India) Limited, to their e-mail ID i.e., corpser@integratedindia.in.

## 10. Non Mandatory Requirements

- |  |   |                 |
|--|---|-----------------|
| a) <b>The Board</b>  |   |                 |
| (i) Expenditure relating to Non-Executive Chairman                 | — | Nil             |
| (ii) Restriction on the tenure of Independent Director             | — | Not stipulated  |
| (iii) Qualification and experience of Independent Director         | — | Complied with   |
| b) <b>Remuneration Committee</b>                                   | — | Complied with   |
| c) <b>Shareholder Rights –</b>                                     |   |                 |
| Communication of half yearly financial performance to Shareholders | — | Not yet adopted |

## ANNEXURE - C TO DIRECTORS' REPORT

### Auditors' Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreements.

- We have examined the Compliance with the conditions of Corporate Governance by Hydro S & S Industries Limited (the Company) for the year ended March 31, 2012 with the relevant records and documents maintained by the Company and furnished to us for our examination and the report on Corporate Governance as approved by the Board of Directors.
- The compliance with the 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 with 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 explanations given to us and based on our above examination, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreements with the Stock Exchanges, except in respect of clause on Composition of Board, where we are informed that steps have been initiated to comply with the same.
- We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company and presented to the Shareholders'/ Investor Grievances Committee.
- We further 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.

For M/s. P. SRINIVASAN & Co.,  
Chartered Accountants

Place : Chennai  
Date : 4th June, 2012

**CA. P. SRINIVASAN**  
Partner  
Membership No. : 2090  
FRN. 004054S

## ANNEXURE - D TO DIRECTORS' REPORT

### Certificate to the Board of Directors of Hydro S & S Industries Limited

The Audited Financial Statements and Cash Flow Statements of the Company for the year ended 31st March, 2012 have been reviewed and we certify to the best of our knowledge and belief that:

1. The Financial Statements and the Cash Flow Statement do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
2. The statements referred to above present a true and fair view of the state of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
3. We have not noticed any transaction entered into by the Company during the year which is fraudulent, illegal or violative of the Company's code of conduct.
4. The Internal Control Systems of the Company have been evaluated for their effectiveness and have been found to be in order.
5. We have apprised the Auditors and the Audit Committee of the following:
  - i) there are no significant changes in the internal controls during the year;
  - ii) there are no significant changes in the accounting policies during the year which are to be disclosed in the notes to the financial statements;
  - iii) there is no instance of significant fraud pertaining to the financial statements.

The above statements are given by the undersigned with full knowledge that same is being relied upon by the Board of Directors of the Company and we undertake full responsibility of the same.

for **HYDRO S & S INDUSTRIES LIMITED,**

**S.K. SUBRAMANYAN**  
**WHOLE TIME DIRECTOR AND CFO**

## ANNEXURE - E TO DIRECTORS' REPORT MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### A) INTRODUCTION

This report addresses the Management's perception of the current business environment, opportunities available and challenges foreseen while analyzing the company's performance for the year under review. The report below also summarizes the company's control measures and human resources development plan. The report should be read in conjunction with the Director's report to the shareholders, financial statements and other notes included elsewhere in this Annual report.

### B) BUSINESS SCENARIO

The market after initiating well turned soft for the better part of the year. Only towards the end of the year did some improvement in passenger vehicles demand become visible. Passenger vehicles growth slowed down to below 5% year on year. Multiplicity of industrial and supply chain factors affected OEM production adversely thereby impacting growth in sales for the year.

The company's strategy of risk mitigation with different OEM's is now showing results. Input costs remained firm with the major input PP swinging upwards by over 15% in the period Jan - Mar 2012.

### C) COMPANY PERFORMANCE

The year started well but the market could not sustain momentum due to fuel price increase and also higher interest costs. NANO vehicle production remained much below target for most of calendar Year 2011 and only towards December did the same ramp up. Our focused efforts with customers in both 4 wheeler and 2 wheeler segments ensured we were able to maintain our sales.

#### 1) Operations

While our volumes remained flat we were able to improve the top line by over 7% thanks to some aggressive pricing. Utility energy has come on line in Jejuri and has facilitated the plant to optimize its capacity.

#### 2) Quality Initiatives

Quality initiatives on both product formulations and process are being continuously initiated and fine tuned to optimize efficiency.

#### 3) Technology Upgradation

The Application Development Center has been augmented with the latest testing equipment and also tools for measuring new parameters being specified in new enquiries. This enables your company to be more competitive and create opportunities in sectoral segments.

#### 4) HR & IR

The plants at Jejuri, Pudukottai and Puducherry are continuously reviewed for production and efficiency improvement. Operational reviews regularly coupled with training are being implemented for performance improvement.

#### 5) Business Initiatives

The strategy of the last 2 years to mitigate risk by diversification across OEMs is being extended and we are now addressing augmenting our revenues from outside the auto sector.

Our efforts in domestic appliances are slowly yielding results. We are seeing expansion of our portfolio in specific segments. This potential market will expand to other white goods and consumer durables as PP compounds offer the same performance at lower costs than conventional materials currently used.

Continuous validation of alternate sources of raw materials, optimal formulation and manufacturing efficiency enabled us to control our overall costs.

Trading activity continued its robust growth. We see more growth opportunity in the collaborative segments of activity and will allocate appropriate resources accordingly.

## D) ENTERPRISE RISK ANALYSIS AND ITS MANAGEMENT

The exposure of the Company to various types of risks is detailed below along with the strategy employed to manage / mitigate the same.

### **Business risks**

It includes cyclical nature of demand for the company's products depending on the ability of the consumer to spend which is dependent on continued growth in the Indian economy, adequate allocation of Government funds for road and highway development, more "global" design concepts to be used in the new models proposed to be launched by the car and commercial vehicle companies, continued positive climate for foreign investment in the country etc. There is also a need for continuous process and product upgradation to face the challenges of competition. All these risks are continuously addressed and acted upon in the various management review processes.

### **Financial Risks**

The Company's operations and structure of inputs and outputs need significant alteration of working capital with due concentration required to be given to debtors management and control of the working capital employed in the business. To mitigate the consequent risks, debtors are managed through judicious payment terms. Inventories are also managed dynamically through lean management principles although tempered by the need to provide for input supply disruptions and swings in customer off-take from plan.

The Company uses petroleum based polymers as the primary raw material. Primary prices are beyond the Company's control. These exposures are mitigated to certain extent by developing a multiple vendor base and raw material options.

The high cost of capital in India today pose a significant threat to the margins of the business. This can be mitigated to the extent possible by receivables and creditors management.

### **Foreign Exchange Risks**

The risk of incurring a loss on payables due to adverse movements in the foreign exchange rates arises in view of the substantial imports of critical raw materials / components. The Company has opted for professional forex advisory services and uses a structured "Foreign Exchange Risk Management Process (FRMP)" to monitor and manage the risk arising from exchange rate movements. The objective of this process is:

- i) To reduce the probability and potential cause of financial risks by making the Company as neutral as possible to currency and interest rate fluctuations.
- ii) To create a stable planning environment by taking steps to reduce the impact of currency and interest rate fluctuations both in respect of short term and long term commitments.
- iii) Based on the advise received from the Forex advisories and also report on dollar views, hedging decisions are taken to hedge the foreign exchange exposures. This to a certain extent helped in mitigating the adverse currency fluctuation.

### **Asset protection**

The Company has ensured that its assets are properly safeguarded against all insurable risks using appropriate valuation methods and the adequacy of the same is reviewed periodically with the assistance of independent outside agencies.

Your Company exposure to the passenger auto segment with potential risks of recession resulting in reduced domestic car production and sales has been considered in our future plans for developing alternate markets like appliances and masterbatches for packaging segment as well as identification of other segments which will have less volatility in volumes and pricing pressure.



The opportunity to participate in the increasing production of cars for global markets requires greater degree of sophistication in the development of compounds to meet stringent specifications. Besides the Company is also exploring newer uses of its compounds in other automotive sectors. Your company is confident of rising up to this challenge and is taking appropriate steps to equip itself with the necessary tools for this purpose.

#### **E) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The objective of the internal control systems is to ensure optimal use of resources, safeguard the Company's assets, exercise control, and minimise system deficiencies and weaknesses. Internal Audit is carried out by an independent professional audit firm to review all aspects of the internal control system and adherence to policies and procedures. The Audit Committee of the Board of Directors reviews the internal audit reports and the implementation of corrective actions and also addresses all aspects of the Company's functioning from this perspective as required under SEBI and Company Law guidelines.

#### **F) FINANCIAL PERFORMANCE**

##### **Revenues**

The Revenue from operations of the Company grew by 7% over the previous year even though volumes were marginally lower. This was on account of the price revisions from the customers during the early part of the year. Trading volumes showed close to 100% growth during the year, reflecting appropriately on the top-line.

The Pultrusion Division performance was significantly impacted by sustained competition for end products from international competitors.

##### **Input Costs**

Whilst the prices of Polypropylene remained stable during the first half of the financial year, the last quarter of the year witnessed an increase of over 15% for which price correction from major customers are yet to be realised.

Besides the PP prices, prices of various other ingredients like Additives, Elastomers & Pigments have also been in the uptrend, in view of the severe international shortage of base chemicals. However, the overall Input cost efficiency improved by optimizing formulations and use of multiple sourcing. The depreciation of the rupee significantly during the middle of the year pushed up landed cost thus impacting input costs during the second half of the year.

Higher quantum of grid power was available at Jejuri, to meet the increased level of operations. However, due to the severe ongoing power cut in Tamil Nadu, Pudukottai Plant had to use self-generated power to meet its production volumes. The power cut also impacted the evacuation of power generated by the Wind Energy Generators into the Utility Grid.

Certain major maintenance activity at the Puducherry works and to meet certain statutory requirement at our Jejuri works were undertaken which entailed expenditure under this head.

The Cyclone that hit Puducherry on the eve of the New Year 2012, did not cause major damages in our Plant and the production was resumed after minimal stoppage of operations. Appropriate claims have been filed with the Insurance authorities.

##### **Financial Costs**

Interest rates remained high during the early part of the year. Your Company negotiated and obtained significant reduction in interest rates for the Working Capital facilities during the annual review by the Bankers. However, this saving was more than negated by the sudden depreciation in the Indian Rupee during the year which has also impacted Buyer's Credit obligations.

The volatility of the Rupee vis a vis Dollar, posed challenges in taking hedging decisions, thus impacting financial costs. Significant reimbursement delays of power banked with the Electricity Board also added to increase in financial costs. The Company continues to optimally use Buyer's Credit funds for Working Capital.

Rating Agency ICRA Ltd., maintained its short term A2 rating of the Company and reaffirmed the long term rating at LBBB for the captioned line of credit in view of the performance of the Company.

**G) ONGOING INITIATIVES AND FUTURE OUTLOOK**

- a) Only if the trend in increasing offtake of vehicles is sustained will the volume of tonnage increases materialise. Such increased volumes and management of supply chain and logistics should help in bettering margins during the current year subject of course to the price behaviour of Polypropylene and other crude oil based inputs.
- b) New commercial vehicles call for increased usage of PP compounds on interior parts and your Company is already working with major companies in this segment to benefit from this approach.
- c) Control of receivables and inventory and improved process efficiency, should also contribute to the reduction of working capital requirement leading to a reduction in interest costs.

However, the overall short term economic scenario looks pessimistic and could have an impact on the offtake of vehicles and consequent growth of the auto industry.

**Cautionary Statement**

Statements in the Management’s Discussion and Analysis Report describing the Company’s projections, estimates, expectations or predictions may be ‘forward-looking statements’ within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that would make a difference to the Company’s operations include demand-supply conditions, raw material prices, changes in Government regulations, tax regimes, economic developments within the country and other factors such as litigation and labour negotiations.

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**ANNEXURE - F TO DIRECTORS' REPORT**

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY’S CODE OF CONDUCT**

This is to confirm that the Company has adopted a code of conduct for the members of its Board and Senior Management Personnel. I confirm that the Company has, in respect of the Financial year ended 31st March, 2012, received from the members of the Board and Senior Management Team of the Company, a declaration of compliance with the code of conduct as applicable to them.

Place : Chennai  
Date : 4th June, 2012

**S.K. SUBRAMANYAN**  
**Whole Time Director**

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**ANNEXURE - G TO DIRECTORS' REPORT**

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors do hereby state in good faith:-

- (a) that in the preparation of the annual statement of accounts for the year ended 31st March, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures;
  - (b) that the company has 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 the end of the financial year and of the statement of profit or loss of the Company for that period;
  - (c) that the company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
  - (d) that the company has prepared the annual statement of accounts on a “going concern” basis.
-

## **REPORT OF THE AUDITORS TO THE MEMBERS OF HYDRO S&S INDUSTRIES LIMITED**

We have audited the attached Balance sheet of M/s. Hydro S&S Industries Limited as at 31st March 2012, the Statement of profit and loss and also 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 about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the 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 in terms of Section 224(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the company.
- 2) Further to our comments in the Annexure referred to in the paragraph 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 those books.
  - c) The Balance sheet, Statement of profit and loss and the Cash flow statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, the Balance sheet, Statement of profit and loss and the 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, as they apply to the company.
  - e) On the basis of written representations received from the directors as at 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of section 274 (1)(g) of the Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 at 31st March, 2012;
    - ii. in the case of the Statement of profit and loss, of the profit of the company for the financial year ended on that date; and
    - iii. in the case of the Cash flow statement, of the cash flows for the financial year ended on that date.

**For M/s. P. SRINIVASAN & Co.**  
Chartered Accountants

Place : Chennai  
Date : 4th June, 2012

**CA. P. SRINIVASAN**  
Partner  
Membership No. : 2090  
FRN. 004054S

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE REPORT OF EVEN DATE:**

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) These fixed assets have been physically verified by the management at the end of the financial year, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- c) In our opinion, the fixed assets disposed off during the year, do not constitute a substantial part of the fixed assets of the company and such disposal has not affected the going concern status of the company.
- ii) a) As explained to us, the inventories held by the Company were physically verified during the year by the management at reasonable intervals.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) In our opinion and according to the information and explanations given to us, the company is maintaining proper records of its inventories and no material discrepancies were noticed on physical verification.
- iii) a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained u/s 301 of the Act.
- b) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained u/s 301 of the Act.
- iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and for the sale of goods and services. Further on the basis of our examination of the books and records of the Company, there is no continuing failure to correct major weaknesses in the aforesaid internal control system of the company.
- v) a) The entries relating to particulars of contracts or arrangements referred to in section 301 of the Act have been made in the register required to be maintained under that section; and
- b) In our opinion and to the best of our knowledge and belief, wherever applicable the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public during the year to which the directives issued by the Reserve Bank of India and the provisions of sections 58 A and 58 AA or any other relevant provisions of the Act and the rules framed thereunder are applicable.
- vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- viii) As explained to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956.

- ix) According to the records of the Company,
- (a) the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employee's state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duties and cess and any other statutory dues applicable to it, with the appropriate authorities during the year.
  - b) there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute except the following pending in appeals:
    - (i) Income tax of ₹ 16.94 lakhs before the First Appellate Authority
    - (ii) Customs duty of ₹ 26.78 lakhs pending before the First Appellate Authority and
    - (iii) Service tax pending before the appellate authorities as under:
      - a. First Appellate Authority ₹ 10.16 lakhs and
      - b. Second Appellate Authority ₹ 2.42 lakhs
- x) The Company did not have accumulated losses at the end of the financial year i.e. 31.03.2012. The Company did not incur cash loss in this financial year and in the preceding financial year ended 31.03.2011.
- xi) On the basis of records produced, the Company has not defaulted in repayment of the dues to any financial institution or bank during the financial year.
- xii) As per the records maintained, no loans or advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of Special statute applicable to chit, nidhi, mutual fund / societies are not applicable to the Company.
- xiv) On the basis of records maintained and in our opinion, the Company does not deal or trade in shares, securities, debentures and other investments.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) As per the information and explanations given to us, term loans have been applied for the purpose for which these term loans were obtained.
- xvii) In our opinion, based on the information and explanations given to us and on an overall examination of the books and records of the company, the funds raised on short term basis prima facie have not been used for long term investments. No long term funds have been used to finance short-term assets.
- xviii) The company has not made any preferential allotment of shares during the financial year to any party.
- xix) The company has not issued any debentures during the financial year.
- xx) The company has not raised any money by public issues during the financial year.
- xxi) On the basis of the audit procedures carried out and information and explanations given by the management, we state that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For M/s. P. SRINIVASAN & Co.**  
Chartered Accountants

Place : Chennai  
Date : 4th June, 2012

**CA. P. SRINIVASAN**  
Partner  
Membership No. : 2090  
FRN. 004054S

**BALANCE SHEET AS AT MARCH 31, 2012**

(₹ in Lacs)

	Note No.	As at March 31, 2012	As at March 31, 2011
<b>I EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
(a) Share Capital	1	640.72	640.97
(b) Reserves and Surplus	2	1,850.90	1,848.17
<b>2 Non - Current liabilities</b>			
(a) Long - term borrowings	3	643.37	1,001.75
(b) Deferred tax liabilities (Net)	4	309.16	325.16
(c) Other long term liabilities	5	30.50	3.00
(d) Long - term provisions	6	11.36	10.15
<b>3 Current liabilities</b>			
(a) Short - term borrowings	7	3,217.09	2,947.20
(b) Trade payables	8	1,462.23	1,980.59
(c) Other current liabilities	9	614.57	538.73
(d) Short - term provisions	10	24.31	68.92
TOTAL		<u>8,804.21</u>	<u>9,364.64</u>
<b>II ASSETS</b>			
<b>1 Non - current assets:</b>			
<b>(a) Fixed Assets</b>			
(i) Tangible assets	11	2,928.50	3,119.30
(ii) Intangible assets		9.66	10.32
(iii) Capital work-in-progress		32.94	28.11
(b) Non current investments	12	4.20	4.20
(c) Long term loans and advances	13	86.82	78.10
<b>2 Current assets</b>			
(a) Current investments	14	42.53	19.96
(b) Inventories	15	1,823.83	2,106.74
(c) Trade receivables	16	3,455.66	3,452.92
(d) Cash and Bank balances	17	54.25	117.79
(e) Short-term loans and advances	18	365.82	427.20
TOTAL		<u>8,804.21</u>	<u>9,364.64</u>

See accompanying notes forming part of financial statements

As per our Report of even date

**For M/s. P. SRINIVASAN & Co.**

Chartered Accountants

**CA. P. SRINIVASAN**

Partner

Membership No. : 2090

FRN. 004054S

Place: Chennai

Date : 4th June, 2012

**V. THIRUPATHI**

Chairman of the Meeting

**MURALI VENKATRAMAN**

Vice-Chairman

**CA. S.K. SUBRAMANYAN**

Director (Fin &amp; Admn.) &amp; Co. Secy.

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012**

	Note No.	Year ended 31-03-2012	(₹ in Lacs) Year ended 31-03-2011
Revenue from operations ( Gross )	19	16,539.48	15,468.06
Less: Excise duty		1,529.45	1,456.44
I Revenue from operations ( Net )		15,010.03	14,011.62
II Other Income	20	14.36	12.14
III Total revenue ( I+II )		15,024.39	14,023.76
<b>IV Expenses</b>			
Cost of materials consumed	21	11,998.99	11,502.06
Purchases of stock- in-trade	22	77.77	91.72
Changes in inventories of finished goods and work-in-progress	23	186.25	(181.28)
Employee benefits expense	24	654.56	640.50
Finance costs	25	655.61	465.09
Depreciation and amortisation expense		267.94	269.09
Other expenses	26	1,196.78	1,105.78
Total Expenses		15,037.90	13,892.96
V Profit/(Loss) before exceptional and extraordinary items and tax (III- IV)		(13.51)	130.80
VI Exceptional items		—	—
VII Profit/(Loss) before extraordinary items and tax (V-VI)		(13.51)	130.80
VIII Extraordinary items		—	—
IX Profit/(Loss) before tax (VII-VIII)		(13.51)	130.80
X Tax expenses			
1. Current tax		—	32.00
2. Deferred tax		(16.00)	(6.00)
XI Profit for the year (IX-X)		2.49	104.80
XII Earnings per Equity Share			
1. Basic		0.04	1.64
2. Diluted		0.04	1.64

See accompanying notes forming part of financial statements

As per our Report of even date  
**For M/s. P. SRINIVASAN & Co.**  
Chartered Accountants

**CA. P. SRINIVASAN**  
Partner  
Membership No. : 2090  
FRN. 004054S  
Place: Chennai  
Date : 4th June, 2012

**V. THIRUPATHI**  
Chairman of the Meeting

**MURALI VENKATRAMAN**  
Vice-Chairman

**CA. S.K. SUBRAMANYAN**  
Director (Fin & Admn.) & Co. Secy.

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

		(₹ in Lacs)	
		Current Year	Previous Year
<b>A. Cash Flow arising from Operating Activities</b>			
	Net Profit Before Tax and Extraordinary items	(13.51)	130.80
Add:	a) Depreciation and amortisation expense	267.94	269.09
	b) Finance costs paid	655.61	465.09
	c) Loss on sale of fixed assets	24.81	0.04
		<u>948.36</u>	<u>734.22</u>
		934.85	865.02
Deduct:	a) Dividend and other income	3.85	2.94
	b) Profit on sale of fixed assets	1.78	1.28
	c) Interest received	8.74	7.93
		<u>14.37</u>	<u>12.15</u>
		920.48	852.87
	Operating Profit before Working Capital Changes	920.48	852.87
Add:	a) Increase in Trade and other payables	—	624.78
	b) Decrease in Trade and other receivables	133.35	—
	c) Decrease in inventories	282.91	—
		<u>416.26</u>	<u>624.78</u>
		1,336.74	1,477.65
Deduct:	a) Increase in Inventories	—	559.07
	b) Decrease in Trade and other payables	560.71	—
	c) Increase in Trade and other receivables	—	1,039.94
		<u>560.71</u>	<u>1,599.01</u>
		776.03	(121.36)
Deduct:	Direct taxes paid	15.59	15.69
		<u>760.44</u>	<u>(137.05)</u>
	Net Cash inflow(outflow) from Operating Activities	760.44	(137.05)
<b>B. Cash Flow arising from Investing Activities</b>			
Inflow:	a) Disposal of fixed asset	38.45	4.16
	b) Dividend and other income	3.85	2.94
	c) Interest received	8.74	7.93
	d) Redemption of investments	—	85.00
		<u>51.04</u>	<u>100.03</u>
		51.04	100.03
Outflow:	a) Acquisition of fixed assets	123.95	292.61
	b) Purchase of investments	22.57	17.94
		<u>146.52</u>	<u>310.55</u>
		146.52	310.55
	Net Cash Outflow in the course of Investing Activities	(95.48)	(210.52)



		Current Year		(₹ in Lacs) Previous Year	
<b>C. Cash Flow arising from Financing Activities</b>					
Inflow:	a) Increase in long term borrowings	—		195.56	
	b) Increase in hire purchase finance	39.05		13.24	
	c) Increase in short term borrowings	269.89	308.94	769.90	978.70
Outflow:	a) Repayment of long term borrowings	304.71		153.20	
	b) Repayment of hire purchase finance	13.45		14.44	
	c) Finance costs paid	655.61	973.77	465.09	632.73
Net Cash inflow(outflow) in the course of Financing Activities		(664.83)			346
Net (Decrease)/increase in cash and bank balances (A+B+C)		0.13			(1.60)
Add: Cash and bank balances at the beginning of the year		3.14			4.74
Cash and bank balances at the close of the year		3.27			3.14

As per our Report of even date  
**For M/s. P. SRINIVASAN & Co.**  
Chartered Accountants

**CA. P. SRINIVASAN**  
Partner  
Membership No. : 2090  
FRN. 004054S  
Place: Chennai  
Date : 4th June, 2012

**V. THIRUPATHI**  
Chairman of the Meeting

**MURALI VENKATRAMAN**  
Vice-Chairman

**CA. S.K. SUBRAMANYAN**  
Director (Fin & Admn.) & Co. Secy.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### Statement of significant accounting policies

#### (i) Accounting Convention:

The financial statements are prepared under historical cost convention on accrual basis of accounting to comply with the Accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956.

All the assets and liabilities have been classified as current and non current as per company's normal operating cycle and other criteria set out in schedule VI to the companies act, 1956.

#### (ii) Use of Estimates:

In the preparation of financial statements, certain estimates and assumptions are made by the management to conform with the generally accepted accounting principles. The actual results could differ from these estimates.

#### (iii) Revenue Recognition :

Revenue is recognised as under:

- Sales of products: On despatch of the product to the customers which generally coincides with transfer of ownership. Sales are inclusive of excise duty and net of discounts.

- b) Sale of services represents commission accrued on orders booked with principals and executed.
- c) Interest: On a time proportion basis taking into account the amount outstanding and the rate applicable.
- d) Dividends: When the Company's right to receive payment is established.
- (iv) Fixed Assets :**
- a) Fixed assets are capitalised at the acquisition cost (viz.) purchase price, import duties, levies and expenses and costs directly attributable for bringing the assets to its working condition for intended use.
- b) Capital work-in-progress represents expenditure incurred for new projects/capex under implementation. Resultant expenditure (including borrowing costs, if any) incurred for these projects up to the date of commencement of commercial production have been considered as part of the project cost.
- (v) Depreciation and amortisation expenses:**
- Depreciation is charged under straight line method on buildings, plant and machinery and electrical installations and under W.D.V. method on other assets at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956. Premium on leasehold land is amortised over the period of lease.
- (vi) Borrowing Costs :**
- The borrowing costs incurred on loans taken for acquisition of qualifying assets are capitalised up to the date of commencement of commercial production/till the asset is ready for its intended use.
- (vii) Investments :**
- Non current Investments are stated at cost and current investments are stated at Net Asset Value (NAV).
- (viii) Inventories :**
- Inventories as taken and certified by the Management are valued at "lower of cost and estimated net realisable value" using the following cost formulae:
- a) Raw materials and packing materials : Weighted Average Cost
- b) Store and Spares parts : At cost
- c) Materials in Bond : At cost (exclusive of customs duty)
- d) Finished goods and Work-In-Progress : Material cost plus appropriate share of production overheads
- e) Finished goods are inclusive of applicable excise duty.
- (ix) Research and Development :**
- Revenue expenditure pertaining to Research and Development is expensed. Capital expenditure is treated as forming part of fixed assets.
- (x) Foreign Currency Transactions :**
- Foreign currency transactions are recorded at the rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at year - end rates. Exchange differences arising on settlement of transactions and translation of monetary items are recognised as income or expense. In respect of liability relating to acquisition of fixed assets loss/gain, if any, arising out of such conversion, is adjusted to the cost of the fixed assets. Depreciation on the revised unamortised depreciable amount is provided prospectively in accordance with Schedule XIV of the Companies Act, 1956.
- (xi) Accounting for Taxes :**
- Tax expense charged to the profit and loss account comprises current tax and deferred tax. Provision for current tax is made on a yearly basis, under the tax payable method after taking into consideration credit for allowances, deductions and exemptions and considering Minimum Alternate Tax as applicable. The deferred tax is recognised for all temporary differences at currently available tax rates. Deferred tax assets are recognised subject to the consideration of prudence.
- (xii) Segment Reporting :**
- The company has identified Reinforced Polypropylene as the only reportable business segment.
- (xiii) Employee Benefit : As per AS 15 (Revised)**
- The Company has adopted "Employee Benefits" as per AS 15 (Revised).
- (xiv) Related party disclosures :**
- The related party relationships and / or transactions with them have been identified in accordance with Accounting Standard (AS 18)
- (xv) Earnings per share :**
- The paid up share capital of the company consists only of equity shares. The basic and diluted earnings per equity share are disclosed.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

## Note: 1. Share Capital

As at 31-03-2012

(₹ in Lacs)  
As at 31-03-2011

## Authorised:

18,000,000 Equity Shares of ₹ 10/- each	1,800.00	1,800.00
300,000 16% Cumulative Redeemable Preference Shares of ₹ 100/- each	300.00	300.00

## Total

2,100.00 2,100.00

## Issued, Subscribed and Paid up:

6,407,204 Equity Shares of ₹ 10/- each fully paid up	640.72	640.72
Forfeited shares	—	0.25

## Total

640.72 640.97

- i) The company is authorised to issue Equity and 16% Cumulative Redeemable Preference shares. However the company has one class of equity equity having a par value of ₹ 10 each . Each share holder is eligible for one vote per share. The dividend proposed by the Board of directors is subject to approval of share holders, except in case of interim dividend. In the event of liquidation, the equity share holders are eligible to receive remaining assets of the company after distribution of all preferential amounts, in proportion of their share holding.
- ii) Details of shares held by shareholders holding more than 5% of the shares in the company

Name of the shareholder	As at 31st March 2012		As at 31st March 2011	
	No of Shares held	% of Holding	No of Shares held	% of Holding
Mrs. Vidya Srinivasan	1,418,390	22.14	1,418,290	22.13
Mr. Murali Srinivasan Venkatraman	932,300	14.55	932,300	14.55
Mr. Narayan Sethuraman	800,000	12.49	800,000	12.49
M/s. Narbod Constructions (P) Ltd.	400,000	6.24	400,000	6.24

- iii) The company bought back in aggregate 118425 number of equity shares during the financial years 2008-2009 and 2009-2010.
- iv) Pursuant to the Board resolution, 4900 partly paid up equity shares, which were forfeited in the past have been cancelled during the year

## Note: 2. Reserves and Surplus

## Capital Reserve:

Subsidy received from SIPCOT, Tamil Nadu	19.77	19.77
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## Capital Redemption Reserve:

As per last Balance Sheet	86.84	86.84
Add: Transfer of nominal value of 4900 forfeited equity shares cancelled	0.25	87.09

## Securities Premium Account:

As per last Balance Sheet	516.48	516.48
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## Special General Reserve:\*

As per last Balance Sheet	41.50	39.00
Add: Transferred during the year	—	41.50

	As at 31-03-2012	(₹ in Lacs) As at 31-03-2011
<b>General Reserve:</b>		
As per last Balance Sheet	1,081.26	981.26
Add: Transferred during the year	—	100.00
	<u>1,081.26</u>	<u>1,081.26</u>
<b>Surplus:</b>		
Opening Balance	102.32	144.84
Add : Profit for the year	2.49	104.80
Less : Appropriations		
Transfer to General Reserve	—	100.00
Transfer to Special General Reserve	—	2.50
Proposed Dividend	—	38.44
Tax on distributable profits	—	6.38
	<u>104.80</u>	<u>102.32</u>
<b>Closing Balance</b>	<u>1,850.90</u>	<u>1,848.17</u>
<b>Total</b>	<u><u>1,850.90</u></u>	<u><u>1,848.17</u></u>

\* Transfer to Special General Reserve pursuant to Companies (Transfer of Profits to Reserve) Rules, 1975.

	As at 31-03-2012	(₹ in Lacs) As at 31-03-2011
<b>Note: 3. Long - term borrowings</b>		
a) Rupee Term Loans ( Secured )		
- From Banks	612.12	996.10
b) Hire Purchase finance	31.25	5.65
	<u>643.37</u>	<u>1,001.75</u>
<b>Total</b>	<u><u>643.37</u></u>	<u><u>1,001.75</u></u>

**A. Term loans repayable in quarterly instalments as under**

- i) ₹ Nil Lacs (₹ 82.00 Lacs).
- ii) ₹ Nil Lacs (₹ 66.43 Lacs).
- iii) ₹ 25.68 Lacs (₹ 57.24 Lacs); between April 2013 to December 2013.
- iv) ₹ 411.00 Lacs (₹ 595.00 Lacs); between April 2013 to December 2014.
- iv) ₹ 175.44 Lacs (₹ 195.44 Lacs); between April 2013 to March 2016.

Instalments falling due in respect of all the above loans upto 31.03.2013 have been grouped under ' Current maturities of long term debt'

**Details of Security**

The above Rupee Term loans from Banks are secured by a mortgage of the Company's immovable properties and hypothecation of applicable movable assets, present and future, at Pudukkottai, Puducherry, Jejuri and Tirunelveli on a pari passu basis and collaterally secured by way of second charge on the current assets of the company.

B. Hire purchase finance is used to fund vehicles purchased for the company. The vehicles are secured by hypothecation to the financiers

	As at 31-03-2012	(₹ in Lacs) As at 31-03-2011
<b>Note: 4. DEFERRED TAX LIABILITIES ( NET )</b>		
<b>a) Deferred tax liabilities</b>		
Depreciation on fixed assets	489.81	496.81
<b>b) Deferred tax assets</b>		
Unabsorbed Depreciation	174.23	165.22
Employee benefits	6.42	6.43
Sub Total	<u>180.65</u>	<u>171.65</u>
Net	<u>309.16</u>	<u>325.16</u>
<b>Note: 5. Other long-term liabilities</b>		
Earnest Money Deposits	<u>30.50</u>	<u>3.00</u>
<b>Note: 6. Long-term provisions</b>		
Employee benefits	<u>11.36</u>	<u>10.15</u>
<b>Note: 7. Short-term borrowings</b>		
From Banks - secured		
Cash Credit	2,715.49	2,473.94
Buyer's credit arrangement in foreign currency	501.60	473.26
<b>Total</b>	<u>3,217.09</u>	<u>2,947.20</u>
<b>Security:</b> Cash credit , Buyers credit and other working capital facilities from banks are secured against hypothecation of inventories (including those lying in the warehouses), book debts, documentary bills and supply bills and collaterally secured by way of second charge on the present and future fixed assets of the company at Pudukkottai, Puducherry, Jejuri & Tirunelveli.		
<b>Note: 8. Trade payables</b>	<u>1,462.23</u>	<u>1,980.59</u>
In the absence of information from the suppliers with regard to their registration with the specified authority, despite the company calling for such information through a circular letter, the additional disclosure as required under the Micro, Small and Medium Enterprises development Act, 2006 is not furnished.		
<b>Note: 9. Other current liabilities</b>		
(a) Current maturities of long term debt	383.76	304.71
(b) Current maturities of other borrowings	13.44	14.44
(c) Interest accrued but not due on borrowings	0.74	—
(d) Interest accrued and due on borrowings	13.40	7.71
(e) Unpaid dividends	4.25	4.47
(f) Statutory dues	67.24	61.07
(g) Payable for capital goods	3.07	8.14
(f) Other payables	128.67	138.19
<b>Total</b>	<u>614.57</u>	<u>538.73</u>
<b>Note: 10. Short term provisions</b>		
Dividend payable	—	38.44
Tax on distributable profit	—	6.38
For expenses	24.31	24.10
Total	<u>24.31</u>	<u>68.92</u>

## Note: 11. FIXED ASSETS

(₹ in Lacs)

DESCRIPTION OF ASSET	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01-04-2011	Additions	Deletions	As at 31-03-2012	Upto 01-04-2011	For the year	With drawals	Upto 31-03-2012	As at 31-03-2012	As at 31-03-2011
(a) Tangible Assets										
Land - Freehold	20.94	—	—	20.94	—	—	—	—	20.94	20.94
Lease hold	37.11	—	—	37.11	1.45	0.36	—	1.81	35.30	35.66
Buildings	1,150.69	18.44	—	1,169.13	215.02	38.40	—	253.42	915.71	935.67
Plant, Machinery and equipments	3,676.38	77.31	247.02	3,506.67	1,663.93	200.75	193.89	1,670.79	1,835.86	2,012.43
Furniture & Fixtures	75.87	0.28	—	76.15	34.04	7.05	—	41.09	35.06	41.83
Vehicles	68.83	30.50	24.62	74.71	34.62	8.62	16.46	26.78	47.93	34.21
Office equipments	49.23	4.30	1.17	52.36	24.11	3.75	0.98	26.88	25.48	25.12
Computer systems	80.27	3.91	0.33	83.85	66.83	5.13	0.33	71.63	12.22	13.44
Total	5,159.32	134.74	273.14	5,020.92	2,040.00	264.06	211.66	2,092.40	2,928.50	3,119.30
(b) Intangible Assets										
Computer Software	74.77	3.22	—	77.99	64.45	3.88	—	68.33	9.66	10.32
Total	74.77	3.22	—	77.99	64.45	3.88	—	68.33	9.66	10.32
(c) Capital work-in-progress	28.11	9.26	4.43	32.94	—	—	—	—	32.94	28.11
<b>GRAND TOTAL</b>	<b>5,262.20</b>	<b>147.22</b>	<b>277.57</b>	<b>5,131.85</b>	<b>2,104.45</b>	<b>267.94</b>	<b>211.66</b>	<b>2,160.73</b>	<b>2,971.10</b>	<b>3,157.73</b>
Previous Year's Total	4,983.97	317.17	40.40	5,260.74	1,845.60	269.09	11.32	2,103.37	3,157.37	3,138.37

Capital work in progress includes Rs.23,25 Lacs being the lease amount paid to WBIDC for the lease hold land at Singhur. The possible consequential impact on the valuation of the asset is yet to be quantified

	As at 31-03-2012	(₹ in Lacs) As at 31-03-2011
<b>Note: 12. Non - current investments</b>		
Equity Instruments at cost (Non trade - unquoted)		
42,000 Equity Shares of ₹ 10/- each fully paid up in S&S Minerals (P) Limited	4.20	4.20
Aggregate amount	4.20	4.20

**Note: 13. Long term loans and advances - (unsecured, considered good)**

(a) Capital Advances	4.18	24.91
(b) Security Deposits	56.03	48.34
(c) Bank Deposits*	18.05	1.21
(d) Others	8.56	3.64
Total	86.82	78.10

\*Represents Cash and cash equivalent that are restricted from being exchanged or used to settle a liability for more than 12 months from the balance sheet date. Deposit accounts are under lien to bankers.

**Note: 14. Current Investments ( Quoted)****Mutual Funds**

423990.729 (198922.634) units of ₹ 10 each

'HDFC Cash Management Fund'	42.53	19.96
<b>Aggregate amount (NAV)</b>	<b>42.53</b>	<b>19.96</b>

**Note: 15. Inventories**

Raw & Packing Materials	1,078.26	1,153.33
Raw Materials in Transit	140.06	165.04
Materials in Bond	19.82	41.48
Work-In-Progress	48.54	27.79
Finished Goods	441.73	648.72
Stores and Spares	95.42	70.38
	1,823.83	2,106.74

For mode of valuation refer annexure I (viii)

	As at 31-03-2012	(₹ in Lacs) As at 31-03-2011
<b>Note: 16. Trade receivables ( Unsecured )</b>		
Outstanding for a period exceeding six months from the date due for payment		
Considered good	43.36	28.52
Considered doubtful	32.15	58.02
	75.51	86.54
Less: Provision for Doubtful Debts	32.15	58.02
Subtotal	43.36	28.52
Outstanding for a period of less than six months from the date due for payment considered good	3,412.30	3,424.40
Total	3,455.66	3,452.92

**Note: 17. Cash and Bank Balances:**

i) Cash and Cash equivalents		
a) Balances with Banks	2.32	1.60
b) Cash on hand	0.95	1.54
Sub total	3.27	3.14
ii) Other Bank Balances		
a) Unpaid dividend accounts	4.25	4.49
b) Deposit accounts*	46.73	110.16
Sub total	50.98	114.65
Total	54.25	117.79

Note:

\*Deposit accounts are under lien to bankers.

**Note: 18. Short-term loans and advances - (unsecured, considered good)**

Balance with Central Excise department etc.,	98.37	175.78
Advance tax and Fringe benefit tax	41.89	14.46
Others (Prepaid exp, Claims receivable etc.,)	225.56	236.96
Total	365.82	427.20



	Year ended 31-03-2012	(₹ in Lacs) Year ended 31-03-2011
<b>Note: 19. Revenue from operations</b>		
(a) Sale of products	16,470.48	15,433.35
(b) Sale of services	69.00	34.71
Total Revenue from operations (Gross)	16,539.48	15,468.06

**Note: 20. Other Income**

Interest income	8.74	7.93
Income from current investments		
Dividend income	2.57	2.94
Profit on sale of fixed assets	1.78	1.28
Others	1.28	-
Total	14.36	12.14

**Note: 21. Cost of material consumed**

Inventory at the beginning of the year	1,359.84	1,001.26
Add: Purchases	11,877.29	11,860.64
	13,237.13	12,861.90
Less: Inventory at the end of the year	1,238.14	1,359.84
Cost of raw material consumed	11,998.99	11,502.06

**Imported and indigenous raw materials consumed**

	%		%	
Imported	24.62	2,957.30	30.45	3,502.10
Indigenous	75.38	9,041.69	69.55	7,999.96
Total	100.00	11,998.99	100.00	11,502.06

**Details of raw materials consumed**

Polymers	9,389.21	8,830.96
Others	2,609.78	2,671.10
Total	11,998.99	11,502.06

	Year ended 31-03-2012	(₹ in Lacs) Year ended 31-03-2011
<b>Note: 22. Purchase of stock - in - trade</b>		
Masterbatches	77.77	91.72
Total	<u>77.77</u>	<u>91.72</u>

**Note: 23. Changes in inventories of finished goods, work-in-Progress**

Opening Stock		
Finished Goods	587.99	390.66
Work - in - Progress	27.79	62.42
	<u>615.79</u>	<u>453.08</u>
Closing Stock		
Finished Goods	393.08	587.99
Work - in - Progress	48.54	27.79
	<u>441.62</u>	<u>615.79</u>
Changes in inventories	174.17	(162.71)
Add/(Less): Variation in Excise duty on opening and Closing Stock of Finished Goods	12.08	(18.57)
Total	<u>186.25</u>	<u>(181.28)</u>

**Note: 24. Employee benefits expense (Refer also Note No.29)**

Salaries, Wages, Bonus and compensated absences	564.16	526.67
Contributions to:		
Provident, ESI, Super annuation and Gratuity funds	40.44	58.30
Staff Welfare Expenses	49.96	55.52
Total	<u>654.56</u>	<u>640.50</u>

**Note: 25. Finance costs**

Interest	565.18	478.52
Other borrowing costs	12.10	7.39
Loss ( Gain ) in foreign currency transactions / translation	78.33	(20.82)
	<u>655.61</u>	<u>465.09</u>

	Year ended 31-03-2012		(₹ in Lacs) Year ended 31-03-2011	
<b>Note: 26. Other Expenses</b>				
Consumption of stores and spare parts*		90.97		83.09
Power and Fuel **		241.86		213.73
Rent		26.90		35.09
Insurance		23.74		25.72
Repairs and Maintenance				
Buildings		9.46		12.53
Plant and Machinery		32.04		34.15
Others assets		60.13		66.97
Rates and Taxes		13.04		16.01
Travelling and Conveyance		80.80		79.07
Professional & Consultancy charges		38.09		39.36
Freight Outwards		318.14		272.60
Research and Development		44.44		34.78
Loss on sale / discard of fixed assets		24.81		0.04
Miscellaneous Expenses		192.36		192.64
		<u>1,196.78</u>		<u>1,105.78</u>
* Consumption of stores and spare parts	%		%	
Imported	17.82	16.21	31.36	26.06
Indigenous	82.18	74.76	68.64	57.03
	100.00	<u>90.97</u>	100.00	<u>83.09</u>

\*\* Power charges is net of ₹ 89.19 (₹ 96.93) being nominal value of power generated by the Wind Energy Generators located at Tirunelveli.

**Note: 27. Contingent liabilities not provided for**

a) Letters of credit	452.19	533.87
b) Letters of guarantee	6.62	2.00
c) Commitment on capital accounts	4.61	18.40
d) Customs duty on materials-in-bond	2.11	3.38
e) Custom duty disputed in appeals	26.78	26.78
f) Income tax disputed in appeals	16.94	16.94
g) Excise duty & Service tax disputed in appeals	12.58	5.56

**Note: 28. Remuneration to Auditors (included under Miscellaneous Expenses)**

a) Statutory audit	1.40	1.25
b) Certification and taxation matters	0.50	0.30
c) Tax audit	0.35	0.45
	<u>2.25</u>	<u>2.00</u>

**Note: 29. Disclosure relating to Employee Benefits under Accounting Standard 15 (Revised) :**

	Gratuity		Leave Encashment	
	Current Year	Previous Year	Current Year	Previous Year
<b>a) Reconciliation of present value of obligations</b>				
Present value of the obligation as at the beginning of the year	44.66	42.42	18.53	16.75
Interest cost	3.39	3.31	1.45	1.30
Current service cost	7.58	7.02	4.22	4.89
Benefits paid	10.01	12.96	3.78	1.17
Actuarial (Gain)/Loss on obligation	(2.64)	4.87	(1.15)	(3.24)
Present value of the obligation as at the end of the year	42.98	44.66	19.27	18.53
<b>b) Fund movements</b>				
Fair value of plan assets as at the beginning of the year	47.21	45.43	12.20	12.10
Expected return on plan assets	3.82	3.77	1.00	0.99
Contributions	5.43	10.78	1.24	-
Benefits paid	10.01	12.96	2.04	0.96
Actuarial Gain/(Loss) on planned assets	0.19	0.19	0.09	0.07
Fair value of plan assets as at the end of the year	46.64	47.21	12.49	12.20
<b>c) Amounts recognised in Balance Sheet</b>				
Present value of the obligation at the end of the year	42.98	44.66	19.27	18.53
Fair value of the plan assets	46.64	47.21	12.49	12.20
Funded status of the plan assets	3.66	2.54	(6.78)	(6.33)
<b>Net Asset recognised in the Balance Sheet</b>	<b>3.66</b>	<b>2.54</b>	<b>(6.78)</b>	<b>(6.33)</b>
<b>d) Cost for the period recognised in the Statement of profit and loss</b>				
Current service cost	7.58	7.02	4.22	4.89
Interest cost	3.39	3.31	1.45	1.30
Expected return on plan assets	3.82	3.77	1.00	0.99
Net actuarial loss recognised in the year	(2.83)	4.68	1.24	3.31
<b>(Income)/Expense recognised in the statement of profit and loss relating to current year</b>	<b>4.32</b>	<b>11.24</b>	<b>3.42</b>	<b>1.89</b>
<b>e) Actuarial assumptions</b>				
Discount rate	8.00%	8.00%	8.00%	8.00%
Salary escalation	5.00%	5.00%	5.00%	5.00%
Rate of return on plan assets	8.50%	8.50%	8.50%	8.50%
Resignations rate (per annum)	2.50%	2.50%	2.50%	2.50%
Income / Expenses Recognised as per AS 15 (Revised)	(1.11)	46.00	2.18	1.89

**f) General description of Employee Benefits :****(i) Short term Employee Benefits**

The employee benefits payable wholly within 12 months of rendering the service are classified as short term benefits. Benefits such as salaries, wages, short term compensated absences and the expected cost of bonus and ex-gratia are recognised at the undiscounted amount in the year in which the employee renders the related service.

**(ii) Post Employment Benefits**

- (a) Provident fund is a defined contribution plan and contributions made to the fund in accordance with the applicable rules/statutes are expensed.
- (b) The employees group Gratuity scheme is a defined benefit plan which is funded with the Life Insurance Corporation of India and the annual contribution to the fund actuarially assessed by them is expensed.
- (c) Superannuation is a defined contribution plan. The contributions in accordance with the company's scheme made to the fund administered by the Life Insurance Corporation of India are expensed.
- (d) Leave encashment is provided as per the Company's policies and is expensed as under :
  1. The leave accumulation upto 60 days is funded through a policy with LIC of India.
  2. The encashment of leave accumulated beyond 60 days is borne by the company.
  3. Any difference arising out of actuarial valuation is expensed.

**Note: 30. Related Party Disclosures:****(i) Related parties : Names & Descriptions**

Key Management Personnel	Associates	Others
	W.S. Industries (India) Ltd.	Mr. V. Srinivasan Mr. Murali Venkatraman Mr. Narayan Sethuraman W.S. International Pvt. Ltd. Vensunar Holdings Pvt. Ltd.
Mr. S K Subramanyan		

**(ii) Related Party transactions: Description & Nature**

(₹ in Lacs)

Description	Key Management Personnel	Associates	Others
Sale of products			8.10
Sale of assets		3.98	—
Payments for services rendered		4.85	1.20
Remuneration	22.83		0.48
Sitting fees			0.98

(₹ in Lacs)

**Note: 31. C I F Value of Imports**

	Current Year	Previous Year
(i) Raw materials	2,896.93	3,295.29
(ii) Capital goods & Spares	52.60	50.79

**Note: 32. Expenditure in foreign currency during the year**

(i) Travelling expenses	11.19	11.76
(ii) Testing charges	5.77	10.59
(iii) Interest paid to Banks	15.70	14.40
(iv) Others	—	1.41

**Note: 33. Fluctuation in exchange rates :**

The amount of exchange differences (Gains) included in the net profit/(loss) for the year	8.06	(29.48)
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**Note: 34. Earnings in foreign currency**

FOB value of goods exported	7.57	4.27
Commission received	65.63	34.71

**Note: 35. Earnings Per Share**

Net profit for the year after taxes is considered as numerator and number of shares is considered as denominator for calculating the basic and diluted earnings per share.

	31-Mar-12 Amount ₹	31-Mar-11 Amount ₹
Nominal value of share	10	10
Net profit after taxes	248,563.00	10,480,425.00
Weighted average number of shares	6,407,204	6,407,204
Basic and diluted earnings per share	0.04	1.64

**Note: 36.** The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures (including those given within brackets) have been regrouped / reclassified wherever necessary to correspond to the current year's classification / disclosure. Figures in the financial statements have been shown ₹ in lacs except per share data.



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