

Board of Directors

V. SRINIVASAN

MURALI VENKATRAMAN, Vice-Chairman

BABULAL M. VARMA

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

HDFC Bank Limited, Chennai - 600 002

Registrar & Share Transfer Agent

M/s. Integrated Enterprises (India) Ltd.,

Kences Towers, IInd Floor,

No. 1, Ramakrishna Street, North Usman Road,

T. Nagar, Chennai - 600 017

Telephone : 91-44-28140801 / 02 / 03

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FIVE - YEAR FINANCIAL DATA

(Rs. in Millions)

For the Year	2009-10	2008-09	2007-08	2006-07	2005-06
Sales : Domestic	1,183.225	1,337.834	1350.876	1153.099	921.524
Exports	1.933	0.001	0.154	5.432	20.847
Operating Profit (PBIDT)	71.142	42.958	128.933	77.596	64.654
Interest	47.526	48.298	32.512	21.642	17.396
Depreciation	25.768	20.565	15.617	14.300	15.890
Taxation - Current	—	0.660	23.100	9.300	3.850
- Deferred	(2.000)	(8.235)	4.091	3.000	1.350
Profit/(Loss) After Tax	(0.152)	(18.329)	53.613	29.353	26.168
As at the end of the Year					
Share Capital	64.072	65.104	65.256	65.256	65.256
Reserves & Surplus	178.818	181.636	200.286	155.834	135.643
Loan Funds	353.068	359.649	282.163	216.541	202.540
Gross Block	499.920	490.072	375.900	312.796	283.277
Net Current Assets	305.582	289.992	342.171	279.168	245.541
Measures of Investment					
Return on Capital Employed (%)	7.61%	3.69%	20.69%	14.46%	12.08%
Return on Equity (%)	(0.06%)	(7.43%)	20.19%	13.28%	13.02%
Earnings per Share (Rs.)	(0.02)	(2.82)	8.22	4.50	4.01
Dividend Cover (Times)	NA	NA	6.85	3.75	3.34
Dividend (%)	NA	NA	12	12	12
Book Value of an Equity Share	37.91	37.90	40.70	33.88	30.79
Of Performance					
- Profitability (%)					
Profit/(Loss) before Tax (%)	(0.20%)	(2.19%)	6.93%	4.18%	3.89%
Profit/(Loss) after Tax (%)	(0.01%)	(1.55%)	4.60%	3.64%	3.24%
- Capital Turnover (times)	1.99	2.21	2.47	2.65	2.34
- Stock Turnover (times)	7.66	8.43	6.44	9.15	8.17
- Working Capital Turnover (times)	3.88	4.61	3.95	4.15	3.84
Of Financial Status					
- Debt-Equity Ratio (times)	0.55:1	0.57:1	0.19:1	0.20:1	0.21:1
- Current Ratio	1.24:1	1.21:1	1.26:1	1.37:1	1.32:1
- Fixed Assets to Shareholders' Funds (times)	1.29:1	1.33:1	0.88:1	0.84:1	0.83:1

DIRECTORS' REPORT

PART I – PERFORMANCE / OPERATIONS

Your Directors hereby present their 26th Annual Report alongwith Audited Accounts of the Company for the year ended March 31, 2010.

FINANCIAL RESULTS

(Rs. in 000's)

Particulars	Year Ended March 31, 2010		Year Ended March 31, 2009	
Income from Operations				
Gross		1,185,159		1,337,835
Net of Excise Duty		1,092,150		1,183,322
Other Income		3,577		3,572
Profit before Interest & Depreciation		71,142		42,958
Interest		47,526		48,298
Profit/(Loss) before Depreciation		23,616		(5,340)
Depreciation		25,768		20,565
Profit/(Loss) before tax		(2,152)		(25,904)
Taxation - Current Tax	—		660	
- Deferred Tax (Asset)	(2,000)		(8,235)	
		(2,000)		(7,575)
Profit/(Loss) after Tax		(152)		(18,329)
Balance brought forward		15,668		34,149
Profit available for Appropriation		15,516		15,820
Appropriations:				
Transfers to				
General Reserve	—		—	
Special General Reserve	—		—	
Capital Redemption Reserve	1,032		152	
Dividends				
On Equity Shares	—		—	
Tax on distributable profits	—		—	
		1,032		152
Surplus carried forward		14,484		15,668
		15,516		15,820

BUSINESS OPERATIONS

Your company had to deal with some significant challenges during the year including sluggish demand in the first half, volatility in the Polymer prices and receivables pile up leading to liquidity issues. The total Sales Revenue dipped 10% during the year inspite of a marginal overall increase in volumes.

Your company took multiple steps to tackle these issues which has resulted in a considerable improvement in margins even with a stagnant topline. The new unit at Jejuri (Near Pune) commissioned last year was operating at almost full capacity on a consistent basis.

The Pultrusion Division expanded its product portfolio with solutions for new applications and this helped to improve the performance of the division.

DIVIDEND

In view of the difficult business environment during the first half of 2009 - 2010, the Operations of the Company have resulted in a net loss as explained in detail in the Management Discussion and Analysis Report. Further the outlook for the current year is viewed with cautious optimism and hence your Directors after careful consideration have decided as a matter of prudence, defer the dividend for the year under consideration.

RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, ENERGY CONSERVATION ETC.

Your company has established a dedicated State of the art Application Development Centre at Puducherry. This centre boasts of some of the latest Equipments to test sophisticated parameters of plastic parts used by the compounders and the Automotive OEMs. Your company is seeking accreditation by NABL to this centre.

The centre successfully developed compounds to meet the stringent specifications of the OEM's, besides developing cost effective formulations with alternate materials to deal with instability in the supply chain.

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to Conservation of Energy, Technology Absorption, Foreign Exchange are furnished in **Annexure - A** to this Report.

PART II - CORPORATE MATTERS

CORPORATE GOVERNANCE

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.

COMPLETION OF BUYBACK OF EQUITY SHARES

The buy-back of equity shares which commenced on 26th February, 2009 has been closed on 15th September, 2009. A total of 1,18,425 equity shares of Rs.10/- each were bought back from the public Shareholders under the offer and the said shares were also extinguished. The amount invested in the buy back is about Rs.4 million.

EMPLOYEE RELATIONS

Relations between the Employees and the Management continued to be cordial during the year under review.

A fresh Long Term settlement was entered into between the Management and the Workmen of the Puducherry plant.

Since there are no employees who would come under the purview of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, such particulars are not provided.

DIRECTORS

Yours Directors, Mr.V.Thirupathi, Mr.V.Srinivasan and Mr.Babulal M.Varma retire by rotation at the forthcoming Annual General Meeting of the Company and are eligible for re-appointment. However, Mr.Babulal M.Varma has expressed his intention not to seek re-election.

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

FIXED DEPOSITS

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

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.

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

BABULAL M. VARMA **MURALI VENKATRAMAN**
Chairman of the Meeting Vice-Chairman

Place : Chennai

Date : 28th July, 2010

ANNEXURE - A TO DIRECTORS' REPORT

(A) CONSERVATION OF ENERGY

The Company continues to focus on energy efficiency and conservation measures in its lighting and plant operation practices.

The Wind Energy generators installed by the company continue to perform satisfactorily and the energy is wheeled for use by our Pudukottai plant to the extent permitted.

The company has also initiated process to apply for Carbon credit under the Voluntary Carbon Standard 2007.

(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 clearly and specifically focussed on the OEM's current quantified and non-quantified requirements like Surface Enhancements, touch and feel and reduction of secondary operations.

Continuous Efficiency levels improvement across the supply chain has become a necessity to reduce our cost of operations and also enhance our service levels to our customers. Sourcing out of logistics operations is one step in this direction.

(ii) Expenditure on R & D	(Rs. in 000's)
(a) Capital	— 9,671
(b) Recurring	— 3,460
Total	— 13,131

(b) Technology Absorption, Adaptation and Innovation:

Applications where ABS and other engineering plastics are being used, are being successfully replaced with our PP compounds which offer both performance and economics. We have on-going programs with good market potential.

The performance requirements of our customers are increasing with each passing day leading to continuous efforts in formulation enhancements and optimisation.

(c) Imported Technology : Not applicable

Foreign Exchange Earnings & Outgo (Rs. in 000's)

Foreign Exchange Earnings	— 3,308
Foreign Exchange Outgo	— 196,508

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 to the Accounts.

For and on behalf of the Board of Directors

BABULAL M. VARMA **MURALI VENKATRAMAN**
Chairman of the Meeting Vice-Chairman

Place : Chennai

Date : 28th July, 2010

ANNEXURE - B TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

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

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

The Company believes in adopting Corporate Governance policies as a tool to achieve the corporate goal of enhancing stakeholders' 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 Seven Non-Executive Directors. Three of the Seven 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.

Board Meetings

During the year 2009-10, the Board met four times on 29th April, 2009, 29th July, 2009, 23rd October, 2009 and 30th January, 2010.

The following table gives the details of Attendance at Board Meetings and last AGM and details of Membership in other Boards and Committee Memberships as on 31st March, 2010.

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

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

* As required under the Listing Agreement, Memberships / Chairmanships of only Audit Committee and Share Transfer 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 met once a quarter and the interval between two meetings was not more than four months.

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

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

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. Babulal M. Varma
- C) Mr. Murali Venkatraman

The terms of reference of the Audit Committee include:

- a) To review financial statements and pre-publication announcements before submission to the Board.
- b) To review the internal audit reports and action taken on the findings.
- c) To apprise the Board of the impact of accounting policies, accounting standards and legislation as applicable to the company.
- d) To hold periodical discussion with statutory auditors on the scope and content of audit.
- e) To review the Company's financial and risk management policies.

Meetings:

During the financial year 2009-10, four Audit Committee Meetings were held on 29th April, 2009, 29th July, 2009, 23rd October, 2009 and 30th January, 2010.

Attendance:

Name of the Director	No. of Meetings Attended
Mr. V. Thirupathi, Chairman	4
Mr. Babulal M. Varma, Member	3
Mr. Murali Venkatraman, Member	4

4) Remuneration Committee

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

The members of the Committee are Mr. Babulal M. Varma (Chairman), Mr. V. Thirupathi and Mr. V. Srinivasan.

The scope / role of the Remuneration Committee is to recommend to the Board of Directors the remuneration payable to the Whole Time Directors / Directors of the Company as and when they come for review.

Meetings:

During the financial year 2009-10, two meetings of the Remuneration Committee were held on 29th July, 2009 and 14th September, 2009.

Attendance:

Name of the Director	No. of Meetings Attended
Mr. Babulal M. Varma, Chairman	1
Mr. V. Thirupathi, Member	2
Mr. V. Srinivasan, Member	2

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. The agreement may be determined at any time by either party giving six months notice in writing without any cause.

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

The details of the remuneration paid / payable to the Directors for the year 2009-10 together with sitting fees paid and the shareholding held by the Non Executive Directors as on 31st March, 2010 are as under :

Whole Time Director**(in Rs.)**

Name of the Director	Salary	Commission	Perks	Total
Mr. S.K. Subramanyan	6,18,000	Nil	12,42,458	18,60,458

Non Executive Directors

Name of the Director	Total Sitting fees paid for Board and Committees (Rs.)	Commission (Rs.)	Shares held in the Company (Nos.)
Mr. V. Srinivasan	27,000	Nil	774370
Mr. Babulal M. Varma	39,500	Nil	Nil
Mr. Murali Venkatraman	58,000	Nil	932300
Mr. V. Thirupathi	54,000	Nil	Nil
Mr. Narayan Sethuramon	5,000	Nil	800000
Mr. Dinshaw K. Parakh	15,000	Nil	56250
Mr. G. Balasubramanyan	15,000	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 Profit 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 Transfer once in a fortnight to Compliance Officer and the same are ratified by the Share Transfer and Investor Grievances Committee on a quarterly basis. The Committee also ratified 1,03,204 Nos. of equity shares bought back under Buy - Back offer during the period from 01.04.2009 to 31.03.2010 and extinguishment of the same.

During the year 2009-10, the Share Transfer and Investor Grievances Committee met 4 times 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, 2010 and all requests for de-materialization and re-materialization as on that date were confirmed / rejected through NSDL / CDSL system.

Investors' complaints which cannot be settled at the level of the Compliance Officer are forwarded to the Committee for resolution. During the year 2009 - 10, the Company received 6 complaints from the investors and all of them were resolved to the satisfaction of the investors concerned. As on 31st March, 2010, there are no investor grievances pending for resolution.

6) General Body Meetings

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

1. Annual General Meetings :

Financial Year	Date	Time	Venue
31-03-2009	14-09-2009	10.00 a.m.	Narada Gana Sabha, "Mini Hall" No.314, T.T.K.Road, Chennai - 600 018.
31-03-2008	16-09-2008	4.35 p.m.	Bharatiya Vidya Bhavan, "Main Hall", New No.18 - 22, East Mada Street, Mylapore, Chennai - 600 004.
31-03-2007	13-09-2007	10.00 a.m.	Narada Gana Sabha, Sathguru Gnanananda Hall, No.314, TTK Salai, Chennai - 600 018.

2. Extraordinary General Meetings :

Date	Time	Venue
13-10-2008	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 / Extraordinary General Meetings:

I. 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.

II. At the Extraordinary General Meeting held on 13th October, 2008.

Insertion of an Article on Buy-Back of Securities in the Articles of Association of the Company.

III. At the Twenty Fourth Annual General Meeting held on 16th September, 2008.

Amendment to an Article in the Articles of Association of the Company with regard to Authorised Share Capital.

IV. At the Twenty Third Annual General Meeting held on 13th September, 2007.

- a) Payment of Commission to Mr. Murali Venkatraman, Vice-Chairman.
- b) Substitution of an Article in the Articles of Association of the Company.
- c) Insertion of an Article in the Articles of Association of the Company.

(C) Details of Resolution passed through Postal Ballot, the person who conducted the postal ballot exercise and details of the voting pattern.

During the year ended March 31, 2010, the Company sought approval from its shareholders for passing an Ordinary resolution through the process of Postal Ballot in accordance with the provisions of Section 192A of the Act read with the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001. The Board of Directors of the Company, at its meetings had appointed Scrutinizer for conducting Postal Ballot in fair and transparent manner. The Postal Ballot forms received were kept in boxes sealed by the Scrutinizer. The declared results of the Postal Ballot were announced at the Registered Office of the Company and also through newspaper besides being sent to Bombay Stock Exchange Limited and Madras Stock Exchange Limited. Details of the same is given below:

S.No.	Particulars	Details / Dates
1.	Date of Board Meeting	23-10-2009
2.	Scrutinizer appointed by the Board of Directors at its Meeting	Mrs.Lakshmmi Subramanian, Senior Partner of M/s. Lakshmmi Subramanian & Associates Practising Company Secretaries
3.	Date of Notice seeking Shareholder approval	23-10-2009
4.	Date of Despatch of Notice	04-11-2009
5.	Last Date of receipt of duly filed Postal Ballot Form	05-12-2009
6.	Date of submission of Scrutinizer's report to the Chairman	07-12-2009
7.	Date of declaration of Result	07-12-2009 at 2.00 p.m.

Particulars of Resolution passed:

Increase in the borrowing powers of the Board of Directors at any one time including the monies already borrowed over the aggregate paid up share capital of the Company and its free reserves shall not exceed a sum of Rs.50,00,00,000/- (Rupees Fifty Crores Only) by way of an Ordinary Resolution pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956.

Voting Pattern:**Total No. of Postal Ballot received :**

No. of Members : 160

No. of Equity Shares : 52,48,122

Particulars	Increase in the Borrowing powers of the Board of Directors pursuant to the provisions of Section 293(1)(d) of the Act
Votes polled in favour of the resolution	
(i) No. of Postal Ballots	153
(ii) No. of Shares	43,39,605
Votes polled against the resolution	
(i) No. of Postal Ballots	5
(ii) No. of Shares	9,08,333
Invalid Votes	
(i) No. of Postal Ballots	2
(ii) No. of Shares	184

MAJORITY FOR THE RESOLUTION

(i) No. of Postal Ballots (%)	96.84
(ii) No. of Shares (%)	82.69

No Special Resolution requiring a postal ballot is being proposed at the ensuing Annual General Meeting of the Company.

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

(i) Mr. V. Thirupathi

Mr.V.Thirupathi, aged 62 years is a Chartered Accountant. He is an Industrialist with rich experience in Finance for over 20 years including serving as the Managing Director of M/s.ICICI Credit Corporation Limited. He is serving on the Boards of various other Companies as well. The Company has been greatly benefited by his knowledge and experience.

Mr.V.Thirupathi is also the Chairman of the Audit Committee of the Board of the Company.

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
Emerald Resilient Tyre Mfrs Pvt. Ltd.	Chairman	—	—
Mosq Industrial Rubber Products Pvt. Ltd.	Managing Director	—	—
Emerald Herbs & Plant Pvt. Ltd.	Director	—	—
Emerald Bio Fertilizers Pvt. Ltd.	Director	—	—
V9 Impex Pvt. Ltd.	Director	—	—
Thiru Arooran Sugars Limited	Director	Audit Committee Remuneration Committee	Chairman Member
Shree Ambika Sugars Limited	Director	Audit Committee	Chairman
Terra Energy Limited	Director	Audit Committee	Chairman
(Shareholding in the Company - Nil)			

(ii) Mr. V. Srinivasan

Mr. V. Srinivasan aged 72 years is a B.E.(Hons.) Graduate and is the founder Director of the Company. He is one of the leading Industrialists in Chennai. The Company has been greatly benefited by his strategic direction and vision in all spheres of management.

Mr. V. Srinivasan is also the Chairman of Share Transfer and Investor Grievances Committee of the Company.

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	Chairman	Share Transfer & Investor Grievances Committee	Member
W.S. Electric Limited	Chairman and Managing Director	Audit Committee	Member
W.S. Test Systems Private Limited	Chairman	—	—
W.S. International Private Limited	Chairman	—	—
Vensunar Holdings (P) Limited	Director	—	—
(Shareholding in the Company - 774370)			

(iii) Mr. Babulal M. Varma

Mr. Babulal M.Varma retires by rotation and though being eligible, does not propose to seek re-appointment.

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. 17 of Schedule 15 forming part of the Audited Accounts. 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 has not adopted any Whistle Blower Policy. 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 and 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.bseindia.com |
| 4. Any official news release published | : | No |
| 5. Details of presentation needs to Institutional Investors/Analysts | : | Nil |

Management 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** : Thursday
- Date** : 23rd September, 2010
- Time** : 10.00 a.m.
- Venue** : Narada Gana Sabha, "Mini Hall", No.314, T.T.K.Road, Chennai – 600 018.
- c) **Financial Year** : 1st April to 31st March
- d) **Financial Calendar for 2010 – 2011 :**
(tentative schedule)

First Quarter Results (30th June, 2010)	28th July, 2010
Annual General Meeting (2009 - 2010)	23rd September, 2010
Second Quarter Results (30th September, 2010)	October, 2010
Third Quarter Results (31st December, 2010)	January, 2011
Fourth Quarter Results (31st March, 2011)	April, 2011
Annual General Meeting (2010 - 2011)	In accordance with Companies Act, 1956.

e) Date of Book Closure

The Register of Members of the Company will remain closed from Saturday, 18th September, 2010 to Thursday, 23rd September, 2010 (both days inclusive) for the purpose of Annual General Meeting.

f) Listing on Stock Exchanges

Stock Code

- (a) **Bombay Stock Exchange Limited (BSE)** 524019
(S Group) (Scrip Code 524019)
P.J. Towers, Dalal Street, Mumbai - 400 001.
- (b) **Madras Stock Exchange Limited (MSE)** Hydro S & S
Exchange Buildings,
New 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.

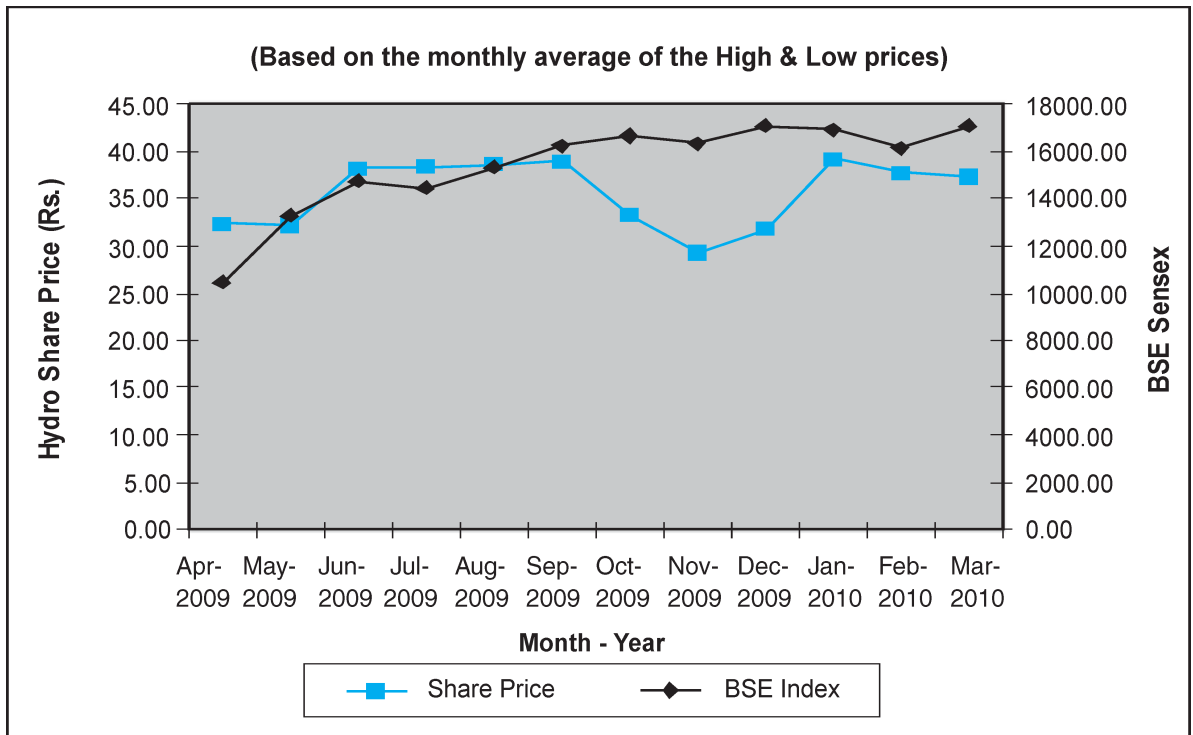
The Listing fees to BSE and MSE have been paid upto date.

g) Market Price Data - High & Low

(in Rs.)

Month	Year	Bombay Stock Exchange		Madras Stock Exchange	
		High	Low	High	Low
April	2009	34.95	30.05	No Trading in 2009 - 2010	
May	2009	37.00	27.55		
June	2009	44.00	32.35		
July	2009	42.90	33.80		
August	2009	43.00	34.20		
September	2009	43.30	34.70		
October	2009	37.95	28.50		
November	2009	34.85	23.70		
December	2009	34.85	28.55		
January	2010	44.40	33.85		
February	2010	44.80	30.80		
March	2010	41.00	33.75		

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



i) Registrar & Share Transfer Agent : M/s. Integrated Enterprises (India) Limited,
 Unit: Hydro S & S Industries Limited
 Kences Towers, IInd Floor,
 No. 1, Ramakrishna Street, North Usman Road,
 T. Nagar, Chennai : 600 017
 Phone Nos: 0091-44-28140801 - 02 - 03
 Fax No. 0091-44-28142479
 E-Mail: sureshbabu@iepindia.com / corpserv@iepindia.com
 Contact Person : K. Suresh Babu, Asst. Vice President

- j) 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 Share Transfer and Investors Grievance 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 Bombay Stock Exchange and Madras Stock Exchange.
 5. Secretarial 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 Bombay Stock Exchange and Madras Stock Exchange.

k) Due Dates for transferring unclaimed dividends to the Central Government

All the dividends of the earlier years, which have remained unclaimed, have since been transferred to the Investor Education and Protection Fund of the Central Government. Details of dividends remaining unclaimed as on 31.03.2010 and due dates for transfer are as follows:

Year	Type	Date of declaration / payment	Total No. of Shareholders	Total Unclaimed Dividend (Rs.)	Due date for transfer to Central Government
2002 - 2003	Final	12-09-2003	209	55,059.60	25-09-2010
2003 - 2004	Final	30-09-2004	119	83,676.00	10-10-2011
2004 - 2005	Final	28-09-2005	82	74,304.00	08-10-2012
2005 - 2006	Final	18-09-2006	46	32,040.00	28-09-2013
2006 - 2007	Final	13-09-2007	526	1,61,862.00	20-10-2014
2007 - 2008	Interim	31-01-2008	571	41,799.00	08-03-2015
2007 - 2008	Final	06-10-2008	574	55,025.60	13-11-2015

l) Distribution of Shareholding and Shareholding Pattern (as on 31-03-2010)

i) Distribution of Shareholding

Category	Number of Share holders	% of Share holders	Number of Shares held	% of Shares held
Upto 2500	3240	97.62	790274	12.33
2501 - 5000	36	1.08	135246	2.11
5001 - 10000	17	0.51	127137	1.98
10001 - 20000	9	0.27	121522	1.90
20001 - 30000	5	0.15	122322	1.91
30001 - 40000	1	0.03	33707	0.53
40001 - 50000	1	0.03	45000	0.71
50001 - 100000	2	0.06	162888	2.54
100000 & above	8	0.25	4869108	75.99
Total	3319	100.00	6407204	100.00

ii) Pattern of Shareholding

Category	Voting Strength (Percentage)	Number of Shares held
Promoters	66.433	4256500
Non-Resident Individuals / OCBs	1.208	77370
Foreign Institutional Investors	—	—
Bodies Corporate	14.190	909156
FIs/Mutual Funds/Banks	0.003	200
Resident Individuals	17.698	1134009
Others (Clearing Member & Trusts)	0.468	29969
Total	100.000	6407204

m) Dematerialisation of Shares & liquidity

As on March 31, 2010, 95.62% of the Company's total equity shares representing 6126577 shares were held in dematerialised form and the balance 4.38% representing 280627 shares in the physical form.

- n) **Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity** — No GDRs/ADRs/Warrants or any convertible instruments has been issued by the Company.

o) Plant Locations

Plot No.15C, SIPCOT Industrial Complex, Pudukkottai - 622 002.	—	Reinforced Thermoplastic Compounds
RS No.38/1, Sedarapet Industrial Area, Sedarpet, 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) For all matters relating to Shares, Dividends, Annual Report	—	M/s.Integrated Enterprises (India) Limited Unit: Hydro S & S Industries Limited Kences Towers, IInd Floor, No. 1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600 017. Phone Nos: 0091-44-28140801 - 02 - 03 Fax No. 0091-44-28142479 E-Mail : sureshbabu@iepindia.com /corpserv@iepindia.com Contact Person : K. Suresh Babu, Assistant Vice President
(ii) For any other general matters or in case of any difficulties / grievances	—	Director (Fin. & Admn.) & Co. Secy., Hydro S & S Industries Limited Dhun Building, IIIrd Floor, 827, Anna Salai, Chennai - 600 002. Phone Nos: 0091-44-28521736 (4 lines) Fax No. 0091-44-28520420 E-Mail : secretarial@hssil.com

10. Non Mandatory Requirements

a) The Board

(i) Expenditure relating to office of / Reimbursement of expenses 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) Remuneration Committee — Complied with

c) Shareholder Rights –
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.

1. 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, 2010 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.
2. 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.
3. 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.
4. 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.
5. 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 : 28th July, 2010

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, 2010 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

The objective of this report is to present Management's perception of the business environment, challenges and opportunities before the Company and give an analysis of its performance during the year under review. This report also summarizes the Company's internal control measures and significant developments in the Human Resources front. It should be read in conjunction with the Directors' Report to the Shareholders, Financial Statements and Notes thereon included elsewhere in this Annual Report.

B) BUSINESS SCENARIO

The early part of the year presented the compounding industry with the challenge of sluggish demand and higher input costs. The price trends of the major input material PP remained volatile with upward spikes in prices.

Domestic demand for cars grew from 2nd Quarter and was sustained during the remaining part of the year. PP supply position improved but prices remained firm.

This improved performance is also reflected in your company sales for the period Oct 2009 - Mar 2010. New launches from GM, Ford, VW buoyed the market, while the leader Maruti Suzuki continued to introduce models in every price segment.

C) COMPANY PERFORMANCE

The Financial year 2009 - 2010 posed significant challenges of sluggish demand in the first half of the year, volatility in Raw Material prices, receivables pile up with key customers leading to liquidity issues. The Company tackled the cost of inflation with improved process efficiency but the hangover from a difficult 2008 - 2009 and slower recovery in 2009 - 2010 made the task extremely complex.

Specific performance highlights are detailed below :

1) Operations

Company's net sales stood at Rs.109 crores though there was a marginal increase in volumes over the previous year. Last year's slump in OEM market volumes which carried into the beginning of this year was one of the main reasons for this.

The new plant at Jejuri produced 4300T for the year and is almost running to full capacity on a consistent basis. An additional line is being set up in Jejuri to meet the increased demand from the West and North market. The Company is now well positioned to benefit from the upswing in the current year.

Power cuts in Pudukottai resulted in increased usage of self-generated power and consequently higher energy cost.

2) Quality Initiatives

Your company took up the challenge of optimising the formulations without compromising on product quality and performance to control its costs and deal with erratic supply issues. However the bulk of the savings was negated by increased PP prices in Q4 and also our inability to pass on the price increases through price revision to some key customers.

3) Technology Upgradation

The Company commissioned the Application Development Centre at Puducherry. The Company also augmented manpower and development resources to the Technical Team. Key customers have visited the center and we are seeing increased interest from some of the newer entrants to increase their development engagement with us.

4) **HR & IR**

HR initiatives at the Pudukottai and Puducherry plants to address the business needs on one hand and employee issues on the other, were continued. Long term settlement with the Employees Union of the Puducherry Plant due from 1st December, 2009 was concluded recently in May 2010, wherein an innovative structure on variable pay was introduced to motivate the workforce.

The Company is also implementing detailed training programs to upgrade the skill-sets of Executives and Officers in Technical and Commercial areas. Continuous interventions to proactively face the challenges of the industrial and manufacturing environment are being continued.

5) **Business Initiatives**

The Company successfully initiated steps to increase market share with all the OEM's in the Country. We have also expanded our interactions with the new OEM's who are expected to go on stream in the near future. Supplies to NANO stabilised during the second half of the year. NANO volumes are expected to peak during the current FY with the commissioning of the new plant at Sanand.

The trading division consolidated its performance during the year. The market development and trials undertaken during the year have positioned us well for good growth in 2010 - 2011.

D) ENTERPRISE RISK ANALYSIS AND ITS MANAGEMENT

Like most industries, the company is also exposed to Business, Asset and Financial risks. Business risks include 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.

Asset risk includes threat to physical assets through accidents, natural and unnatural calamities etc. There is a system of continuous evaluation of insurance covers so as to cover both conventional and specific risks peculiar to its business, in an adequate manner.

With reference to foreign currency risks, volatility of the Indian Rupee against the US Dollar challenged the management of currency exposure. The company will continue to take steps to cover the imports at appropriate favorable levels in accordance with the "Forex Risk Management Process" in place.

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 Management review process periodically addresses the various issues that directly influence the business to take strategic decisions as well as course corrections to ensure both the Company's and the stake-holders' interests are protected.

The Company's systems and internal controls address the following:

- Optimization of Operations.
- Protection and Conservation of Resources.
- Accuracy and timely reporting of financial information and compliance with statutes.

The Organizational hierarchy is clearly defined with adequate responsibility and delegation of authority to take decisions and implement the same in a time-bound manner.

The Internal Audit is carried out by a firm of professional Auditors and the Audit observations are acted upon periodically after their review at the Management level.

The Audit Committee of the Board of Directors reviews the Internal Audit reports and also addresses the various aspects of the Company's functioning as required under SEBI and Company Law guidelines.

F) FINANCIAL PERFORMANCE

Revenues

The Sales Revenue of the Company dropped by 10% inspite of marginal increase of the volumes. This reduction in revenue was mainly on account of the sluggish demand during the first half of the year and the inability to pass on the cost increases during the year.

The performance of the Pultrusion division improved during the year with higher volumes.

Input Costs

Polypropylene prices were volatile during the first half of the year. However, during the second half of the year, the prices moved northwards and remained high. Whilst there was some relief in the forex front, consequent to the rupee appreciating during part of the year, the net increase in input costs could not be passed on fully.

Even though the power generated by the Company's Windmill are sufficient to meet the requirements of the Pudukottai Unit, the ongoing power cut in Tamil Nadu resulted in a lower quota of energy usage being fixed by the Board. This further resulted in higher usage of DG Sets to meet the growing volumes during the second half and consequently higher energy costs.

Financial Costs

Consequent to the global meltdown during 2008 - 09 and the poor performance of the automotive sector, the Company took advantage to rephase repayment of Term Loans borrowed under the RBI's rehabilitation package Scheme which was accepted by the Company's Bankers.

The Company has been optimizing use of Buyer's Credit funds for Working Capital, thereby reducing interest outgo.

G) ONGOING INITIATIVES AND FUTURE OUTLOOK

- a) The improving trend in offtake of vehicles, if sustained, resulting in volume increases 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 interior parts in PP compounds 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.

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.

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, 2010, 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 : 28th July, 2010

S.K. SUBRAMANYAN

Whole Time Director

ANNEXURE - G TO DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors do hereby state in good faith:-

- (a) that in the preparation of the annual accounts, 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 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 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 2010, the Profit and Loss account 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, Profit and loss account 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, Profit and loss account 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, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 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, 2010;
 - ii in the case of the Profit and Loss account, of the loss 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 : 28th July, 2010

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 duties and cess which have not been deposited on account of any dispute except the following:
 - (i) Income tax of Rs.6.05 lakhs disputed in appeal preferred by the Company, pending before the first income tax appellate authority.
 - (ii) Excise duty of Rs.1.80 lakhs, customs duty of Rs.26.78 lakhs and service tax of Rs.4.53 lakhs disputed in appeals preferred by the Company, pending before the first appellate authority.
- x) The Company did not have accumulated losses at the end of the financial year i.e. 31.03.2010. The Company did not incur cash loss in this financial year and had incurred cash loss of Rs. 53.40 lakhs in the preceding financial year ended 31.03.09.
- 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.
- 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 : 28th July, 2010

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

BALANCE SHEET AS AT MARCH 31, 2010

	Schedule No.	As at March 31, 2010	As at March 31, 2009	(Rs. in 000's)
SOURCES OF FUNDS:				
Shareholders' Funds				
Capital	1	64,097	65,129	
Reserves and Surplus	2	178,818	181,636	
		242,915	246,765	
Loan Funds				
Secured Loans	3	351,268	357,257	
Unsecured Loans	4	1,801	2,392	
		353,069	359,649	
Deferred Tax Liability	5	33,116	35,116	
TOTAL		629,100	641,530	
APPLICATION OF FUNDS:				
Fixed Assets				
Gross Block	6	495,482	480,624	
Depreciation to-date		185,525	161,699	
Net Block		309,957	318,925	
Capital Work-In-Progress		4,438	9,448	
		314,395	328,373	
Investments	7	9,123	23,165	
Current Assets, Loans and Advances:				
Inventories	8	154,767	158,746	
Sundry Debtors		244,124	183,042	
Cash and Bank Balances		10,807	11,614	
Loans and Advances		46,883	71,223	
Sub-total		456,581	424,625	
Current Liabilities and Provisions:				
Liabilities	9	148,565	101,471	
Provisions		2,434	33,162	
Sub-total		150,999	134,633	
Net Current Assets		305,582	289,992	
TOTAL		629,100	641,530	

NOTES ON ACCOUNTS

15

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 : 28th July, 2010

BABULAL M. VARMA
 Chairman of the Meeting

MURALI VENKATRAMAN
 Vice-Chairman

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedule No.	Current Year	(Rs. in 000's) Previous Year
INCOME			
Sales		1,185,159	1,337,835
Less: Excise Duty		93,009	154,513
Net Sales / Income from Operations		1,092,150	1,183,322
Other Income	10	3,577	3,573
Total		1,095,727	1,186,895
EXPENDITURE			
Cost of Goods sold	11	880,426	1,000,669
Employee Cost	12	53,573	47,915
Other Costs	13	90,586	95,353
Interest & Finance Charges	14	47,526	48,298
Total		1,072,111	1,192,235
Profit/(Loss) before Depreciation		23,616	(5,340)
Depreciation		25,768	20,565
Loss for the year		(2,152)	(25,905)
Taxation - Current Tax		—	660
- Deferred Tax		(2,000)	(8,235)
		(2,000)	(7,575)
Loss after tax		(152)	(18,330)
Surplus brought forward		15,668	34,150
Balance available for Appropriation		15,516	15,820
Appropriations:			
Transfers to			
General Reserve		—	—
Special General Reserve		—	—
Capital Redemption Reserve		1,032	152
Dividends:			
On Equity Shares		—	—
Tax on distributable profits		—	—
Surplus carried forward		14,484	15,668
		15,516	15,820
Basic/Diluted Earnings per Equity Share of Rs.10/- each (Note 14 on Schedule 15) Basic (Rs.)		(0.02)	(2.82)

NOTES ON ACCOUNTS 15

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 : 28th July, 2010

BABULAL M. VARMA
Chairman of the Meeting

MURALI VENKATRAMAN
Vice-Chairman

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

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

		Year Ended March 31, 2010	Year Ended March 31, 2009
(Rs. in 000's)			
A. Cash Flow arising from Operating Activities			
Net Profit before Tax and Extraordinary Items		(2,152)	(25,904)
Add:			
a) Depreciation charge	25,768		20,565
b) Amount written off against leasehold land	109		—
c) Interest charge	47,526		48,298
d) Loss on sale of fixed asset	26		102
	<u> </u>	<u>73,429</u>	<u>68,965</u>
		71,277	43,061
Deduct :			
a) Dividend Income	557		1,765
b) Profit on sale of fixed assets	167		48
c) Interest received	951		1,055
	<u> </u>	<u>1,675</u>	<u>2,868</u>
Operating Profit before Working Capital Changes		69,602	40,193
Add:			
a) Increase in Trade payables	16,366		—
b) Decrease in Trade and Other Receivables	—		78,091
c) Decrease in inventories	3,979		50,945
	<u> </u>	<u>20,345</u>	<u>129,036</u>
		89,946	169,229
Deduct :			
a) Decrease in Trade payables	—		66,071
b) Increase in Trade and Other Receivables	36,741		—
	<u> </u>	<u>36,741</u>	<u>66,071</u>
		53,205	103,158
Deduct: Direct Taxes Paid		—	3,950
Net Cash Inflow from Operating Activities		<u>53,205</u>	<u>99,208</u>
B. Cash Flow arising from Investing Activities			
Inflow:			
a) Disposal of Fixed Assets	838		239
b) Dividend received	557		1,765
c) Interest received	951		1,055
d) Redemption of Investments	17,100		13,000
	<u> </u>	<u>19,446</u>	<u>16,059</u>
Outflow:			
a) Acquisition of Fixed Assets	12,598		115,221
b) Purchase of Investments	3,057		21,265
c) Buy Back of Shares	3,697		472
	<u> </u>	<u>19,352</u>	<u>136,958</u>
Net Cash Outflow in the course of Investing Activities		<u>94</u>	<u>(120,899)</u>

		(Rs. in 000's)	
		Year Ended March 31, 2010	Year Ended March 31, 2009
C. Cash Flow arising from Financing Activities			
Inflow:	a) Increase in Long Term Borrowings	1,337	98,709
	b) Increase in Hire Purchase Finance	1,036	2,986
	c) Increase in Working Capital Borrowings	1,412	—
		<u>3,785</u>	<u>101,695</u>
Outflow:	a) Dividend Paid	—	5,344
	b) Repayment of Long Term Borrowings	8,739	8,773
	c) Repayment of Hire Purchase Finance	1,627	2,707
	d) Decrease in Working Capital Borrowings	—	12,730
	e) Interest paid	47,526	48,298
		<u>57,892</u>	<u>77,852</u>
Net Cash Inflow in the course of Financing Activities		<u>(54,107)</u>	<u>23,844</u>
Net Increase / (Decrease) in Cash/Cash Equivalents (A+B+C)		<u>(808)</u>	<u>2,153</u>
Add: Balance at the beginning of the year		<u>11,615</u>	<u>9,462</u>
Cash/Cash Equivalent at the close of the year		<u>10,807</u>	<u>11,615</u>

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 : 28th July, 2010

BABULAL M. VARMA
Chairman of the Meeting

MURALI VENKATRAMAN
Vice-Chairman

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

SCHEDULES TO ACCOUNTS

	As at 31-03-2010	(Rs. in 000's) As at 31-03-2009
1. SHARE CAPITAL		
Authorised		
18,000,000 Equity Shares of Rs.10/- each	180,000	180,000
300,000 16% Cumulative Redeemable Preference Shares of Rs.100/- each	30,000	30,000
	<u>210,000</u>	<u>210,000</u>
Issued, Subscribed and Paid up		
6,510,408(6,525,629) Equity Shares of Rs.10/- each fully paid up	65,104	65,256
Less: Buy Back of Equity Shares - 1,03,204(15,221) Equity Shares of Rs.10/- each	1,032	152
6,407,204(6,510,408) Equity Shares of Rs.10/- each fully paid up	64,072	65,104
Forfeited shares	25	25
	<u>64,097</u>	<u>65,129</u>
2. RESERVES AND SURPLUS		
Capital Reserve:		
Subsidy received from SIPCOT, Tamil Nadu	1,977	1,977
Capital Redemption Reserve:		
As per last Balance Sheet	7,652	7,500
Add: Transferred during the year being nominal value of Equity Shares bought back*	1,032	152
	<u>8,684</u>	<u>7,652</u>
Securities Premium Account:		
As per last Balance Sheet	54,313	54,634
Less: Utilised towards Buy Back of Equity Shares*	2,665	321
	<u>51,648</u>	<u>54,313</u>
General Reserve:		
As per last Balance Sheet	98,126	98,126
Add: Transferred during the year	—	—
	<u>98,126</u>	<u>98,126</u>
Special General Reserve:		
As per last Balance Sheet	3,900	3,900
Add: Transferred during the year	—	—
	<u>3,900</u>	<u>3,900</u>
Surplus : Balance in Profit and Loss Account	14,483	15,668
	<u>178,818</u>	<u>181,636</u>

* Refer Note No. 5

	As at 31-03-2010	(Rs. in 000's) As at 31-03-2009
3. SECURED LOANS		
From Banks		
- Cash Credit	169,737	188,427
- Buyer's Credit in Foreign Currency	48,367	28,264
- Rupee Term Loans	<u>133,164</u>	<u>140,566</u>
	<u>351,268</u>	<u>357,257</u>
4. UNSECURED LOANS		
Hire Purchase Finance	<u>1,801</u>	<u>2,392</u>
	<u>1,801</u>	<u>2,392</u>
5. DEFERRED TAX		
a) Deferred Tax Liabilities		
On fiscal allowance on fixed assets	50,533	49,905
b) Deferred Tax Assets		
Unabsorbed Fiscal Allowance	16,774	13,944
Employee benefits	643	845
Net	<u>33,116</u>	<u>35,116</u>

6. FIXED ASSETS

(Rs. in 000's)

DESCRIPTION OF ASSET	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 01-04-2009	Additions	Deletions	As at 31-03-2010	Upto 01-04-2009	For the year	With drawals	Upto 31-03-2010	As at 31-03-2010	As at 31-03-2009
Freehold Land	2,094	—	—	2,094	—	—	—	—	2,094	2,094
Buildings	104,762	8,460	—	113,222	14,114	3,600	—	17,715	95,507	90,648
Leasehold Land	3,711	—	109 *	3,602	—	—	—	—	3,602	3,711
Plant And Machinery	283,706	3,371	1,474	285,603	110,047	15,110	1,071	124,086	161,517	173,659
Plant And Machinery - Research and development	29,304	428	—	29,732	9,992	2,046	—	12,038	17,694	19,312
Electrical Installations	25,632	1,436	—	27,068	8,382	2,036	—	10,419	16,649	17,250
Technical Know-How	965	—	—	965	965	—	—	965	—	—
Furniture, Fixtures and Office Equipments	23,417	3,134	37	26,514	15,170	1,939	20	17,089	9,425	8,247
Vehicles	7,033	779	1,129	6,682	3,029	1,036	852	3,213	3,469	4,004
Sub-total	480,624	17,608	2,749	495,482	161,699	25,767	1,943	185,525	309,957	318,925
Capital Work-in-Progress	9,448	955	5,964	4,438	—	—	—	—	4,438	9,448
GRAND TOTAL	490,072	18,563	8,713	499,920	161,699	25,767	1,943	185,525	314,395	328,373
Previous Year's Total	375,900	149,972	35,800	490,072	141,890	20,565	756	161,699	328,373	234,010

* Refer Note No.15A(v)

	As at 31-03-2010	(Rs. in 000's) As at 31-03-2009
7. INVESTMENTS (AT COST)		
Long Term / (Non-trade)		
a) Quoted		
867528.958 (2267370.634) units of HDFC Floating Rate Income Fund	8,703	22,745
	<hr/>	<hr/>
Aggregate Amount	8,703	22,745
	<hr/>	<hr/>
Aggregate market value	8,703	22,745
b) Unquoted		
42,000 Equity Shares of Rs.10/- each fully paid up in S&S Minerals Limited	420	420
	<hr/>	<hr/>
Aggregate Amount	420	420
	<hr/>	<hr/>
Total	9,123	23,165
	<hr/> <hr/>	<hr/> <hr/>

8. CURRENT ASSETS, LOANS AND ADVANCES :**a) Inventories**

Stores and Spares	5,117	5,114
Materials in Transit	5,918	11,485
Materials in Bond	16,032	23,298
Raw & Packing Materials & Components	78,176	61,013
Work-In-Progress	6,242	15,053
Finished Goods	43,282	41,577
Trading Goods	—	1,206
	<hr/>	<hr/>
	154,767	158,746
	<hr/> <hr/>	<hr/> <hr/>

b) Sundry Debtors : (Considered good and for which the Company holds no security other than the debtors' personal security)

Debts outstanding for a period exceeding six months	4,806	2,840
Other debts	243,374	181,769
	<hr/>	<hr/>
	248,180	184,609
Less: Provision for Doubtful Debts	4,056	1,567
	<hr/>	<hr/>
	244,124	183,042
	<hr/> <hr/>	<hr/> <hr/>

	As at 31-03-2010	(Rs. in 000's) As at 31-03-2009
c) Cash and Bank balances :		
Cash on hand	229	142
Balances with Scheduled Banks:		
Current accounts	245	3,722
Deposit accounts	9,827	7,154
Dividend accounts	506	596
	<u>10,807</u>	<u>11,614</u>
d) Loans and Advances :		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	22,268	12,898
Deposits	4,289	4,969
Advance Income Tax and tax deducted at source	5,497	36,111
Balance with Central Excise department	14,829	17,245
	<u>46,883</u>	<u>71,223</u>

9. CURRENT LIABILITIES AND PROVISIONS :

a) Current Liabilities :

Sundry Creditors		
Total outstanding		
: Total outstanding dues of micro, small and medium enterprises	—	—
: Total outstanding dues of creditors other than micro, small and medium enterprises	126,210	83,014
Unclaimed dividends	504	594
Other Liabilities	21,851	17,863
	<u>148,565</u>	<u>101,471</u>

b) Provisions :

Taxation - Current Tax	1,644	31,354
- Fringe Benefit Tax	790	1,808
Proposed Dividend		
On Equity Shares	—	—
	<u>2,434</u>	<u>33,162</u>

	Current Year	(Rs. in 000's) Previous Year
10. OTHER INCOME		
Scrap Sales	527	592
Income from Non-trade Long Term Investments Dividend from Mutual Fund	557	1,765
Interest Received [Income tax deducted at source - 121; (171)]	951	1,055
Commission Received	1,375	113
Profit on Sale of Fixed Assets	167	48
	<u>3,577</u>	<u>3,573</u>

11. COST OF GOODS SOLD
Raw & Packing Materials Consumed

Opening Stock	95,797	149,053	
Purchases	858,922	913,198	
	<u>954,719</u>	<u>1,062,251</u>	
Closing Stock	100,126	95,797	
Consumption	854,593		966,454

Cost of Trading Goods Sold

Purchases	17,521		37,761
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(Increase) / Decrease in Stocks

Opening Stock			
Finished Goods	41,577	41,405	
Work-In-Progress	15,053	12,543	
Trading Goods	1,206	342	
	<u>57,836</u>	<u>54,290</u>	
Closing Stock			
Finished Goods	43,282	41,577	
Work-In-Progress	6,242	15,053	
Trading Goods	—	1,206	
	<u>49,524</u>	<u>57,836</u>	
(Increase) / Decrease in Stocks	8,312		(3,546)
	<u>880,426</u>		<u>1,000,669</u>

	Current Year	(Rs. in 000's) Previous Year
12. EMPLOYEE COSTS		
Salaries, Wages, Bonus	43,117	38,108
Remuneration to Directors	1,860	1,738
Contributions to:		
Provident Fund, ESI, etc.	3,451	2,739
Superannuation Fund	491	390
Gratuity Fund	312	1,074
Staff Welfare Expenses	4,342	3,866
	53,573	47,915

13. OTHER COSTS

Stores and Spares consumed	631	729
Power, Fuel and Water	17,278	18,837
Rent	3,202	3,129
Insurance	2,646	2,291
Repairs and Maintenance		
Buildings	484	484
Plant and Machinery	5,812	9,826
Others	7,266	6,905
Rates and Taxes	1,544	1,764
Vehicle Maintenance	1,432	1,449
Communication Expenses	2,278	2,177
Travelling and Conveyance	6,253	6,923
Printing and Stationery	824	811
Professional & Consultancy Charges	4,269	3,749
Freight Outwards	18,251	19,337
Bad debts and Advances written off	35	233
Remuneration to Auditors	200	155
Advertisement & Business Promotions	484	1,870
Research and Development	3,460	5,490
Loss on sale / discard of fixed assets	26	102
Provision for Doubtful Debts	2,490	1,567
Testing Charges	3,047	167
Miscellaneous Expenses	8,674	7,358
	90,586	95,353

14. INTEREST & FINANCE CHARGES

Fixed loans	18,140	12,176
Other loans	25,973	32,209
Bank Charges	3,413	3,913
	47,526	48,298

15 NOTES ON ACCOUNTS AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES :

A. 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.

(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 :

- a) Sales: 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) Interest: On a time proportion basis taking into account the amount outstanding and the rate applicable.
- c) 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 Amortisation :

Depreciation is charged under straight line method on buildings, plant and machinery, electrical installations and technical know-how, 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 :

Investments are stated at cost.

(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 : First In First Out method
- b) Store and Spares : 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 (including booking / cancellation of forward contracts) are recorded at the rates prevailing on the date of the transaction. Monetary assets and liabilities (including forward contracts) in foreign currency are translated at year end rates. Exchange differences arising on settlement of transactions and translation of monetary items (including forward contracts) are recognised as income or expense.

Loss/gain, if any, arising out of such conversion, is adjusted to the cost of the fixed assets in respect of liability relating to acquisition of 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/diluted earnings per equity share is disclosed.

B. NOTES ON ACCOUNTS AND QUANTITATIVE INFORMATION :**1. Secured Loans**

- a) Cash credit and other working capital facilities from banks are secured against hypothecation of stock-in-trade, 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) Term loans from Banks are secured by a mortgage of the Company's immovable property 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.
2. Letters seeking confirmation of balances in respect of debtors and creditors have been sent during the year. Confirmation remains to be received in some cases.
 3. Unclaimed dividends are transferred to the Investor Education and Protection Fund at the appropriate time.

	As at 31-03-2010	(Rs. in 000's) As at 31-03-2009
4. Contingent Liabilities not provided for :		
a) Letters of credit	35,957	74,140
b) Letters of guarantee	10	10
c) Commitment on capital accounts	1,918	3,944
d) Customs duty on materials-in-bond	1,052	1,986
e) Custom duty disputed	2,678	2,678
f) Income Tax disputed in appeal	605	1,334
g) Excise duty & Service Tax disputed in appeal	633	679
5.		
Pursuant to the decision of the Board on 16.09.2008 to Buy back Equity Shares of Rs.10/- each of the company upto a limit of 10% of the Equity Capital and Free Reserves, the Company as on 15.09.2009 has bought back 118425 of the Equity Shares of Rs.10/- each. Consequently, the sum of Rs.1,184 (000's) being the nominal value of the Equity Shares bought back and extinguished, has been transferred to Capital Redemption Reserve Account.		
6. Deposits under lien		
Fixed deposits with banks.	9,827	7,167
	Current Year	Previous Year
7. Remuneration to Auditors		
a) Statutory Audit	125	75
b) Certification and taxation matters	30	55
c) Tax Audit	45	25
	<u>200</u>	<u>155</u>
Total	<u>200</u>	<u>155</u>
8. Managerial Remuneration		
a) Remuneration to Directors		
Salary and allowances	618	590
Commission	—	—
Contribution to Provident, Superannuation and Gratuity funds	179	171
Other perquisites	1,063	977
	<u>1,860</u>	<u>1,738</u>
Total	<u>1,860</u>	<u>1,738</u>

	Current Year	(Rs. in 000's) Previous Year
b) Computation of net profits under sections 198/349 of the Companies Act, 1956		
Net profit before tax as per the accounts	(2,152)	(25,905)
Add: Depreciation charged in the books	25,768	20,565
Directors' sitting fees	214	257
Managerial remuneration as stated above	1,860	1,738
Loss on sale of Fixed Assets	26	102
Bad debts and Advances written off	35	233
	25,751	(3,009)
Less: Depreciation in accordance with section 350 of the Companies Act, 1956	25,768	20,565
Profit on Sale of Fixed Assets	167	48
Resultant Net Profit	(184)	(23,622)
Commission payable to Directors	—	—

9. Miscellaneous expenses shown under 'Other Costs' include

Sitting fees to Directors	214	257
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10. Fringe Benefit Tax included under Current Tax

—	660
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11. Power, Fuel & Water charges under other costs is net of 4,412 (8,145) being income generated by our Wind Energy Generators located at Tirunelveli.

12. Disclosure relating to Micro, Small and Medium Enterprises

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.

(Rs. in 000's)

13. Disclosure relating to Employee Benefits under Accounting Standard 15 (Revised) :

	Gratuity		Leave Encashment	
	Current Year	Previous Year	Current Year	Previous Year
a) Reconciliation of present value of obligations				
Present value of the obligation as at the beginning of the year	3,650	2,953	1,969	1,421
Interest Cost	293	263	161	118
Current Service Cost	657	409	169	481
Benefits Paid	427	567	244	234
Actuarial (Gain)/Loss on obligation	68	592	(380)	183
Present value of the obligation as at the end of the year	4,242	3,650	1,675	1,969
b) Fund movements				
Fair value of plan assets as at the beginning of the year	4,149	3,202	1,028	845
Expected return on plan assets	354	301	92	76
Contributions	458	1,237	283	152
Benefits Paid	427	567	186	45
Actuarial Gain/(Loss) on planned assets	8	(24)	(7)	0
Fair value of plan assets as at the end of the year	4,543	4,149	1,210	1,028
c) Amounts recognised in Balance Sheet				
Present value of the obligation at the end of the year	4,242	3,650	1,675	1,969
Fair value of the Plan Assets	4,543	4,149	1,210	1,028
Funded status of the plan - assets	301	499	(465)	(941)
Net Asset recognised in the Balance Sheet	301	499	(465)	(941)
d) Cost for the period recognised in the P&L a/c				
Current Service Cost	657	409	169	481
Interest Cost	293	263	161	118
Expected return on plan assets	354	301	92	76
Net actuarial gain recognised in the year	60	616	373	(183)
(Income)/Expense recognised in the statement of profit and loss relating to current year	656	987	(135)	706
e) Actuarial assumptions				
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%
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.

	Current Year	(Rs. in 000's) Previous Year
14. Details of Basic / Diluted Earnings per Equity Share:		
a) Numerator used :		
Loss after tax	(152)	(18,330)
b) Denominator used :		
Number of Equity Shares of Rs.10/- each outstanding during the year.	6,407	6,510
c) Earnings per share	(0.02)	(2.82)

15. Quantitative Particulars of Goods manufactured / traded

Class of Goods manufactured / Traded	Units / Values	Installed Capacity	Opening Stock	Production / Purchase	Sales / Others	Closing Stock
Plastic Compounds	MTs	25,000	528	13,056	13,040	544
		(25,000)	(503)	(12,803)	(12,778)	(528)
	Rs. in 000's		41,577		1,145,585	43,282
			(41,405)		(1,270,347)	(41,577)
FRP Pultruded Profiles	Kgs	—*		100,187	100,187	—
		—*		(110,797)	(110,797)	—
	Rs. in 000's	—	—		20,430	—
		—	—		(25,391)	—
Goods traded (High Sea/Agency)	MTs		11	116	127	—
			(2)	(268)	(259)	(11)
	Rs. in 000's		1,206		19,144	—
			(341)		(42,097)	(1,206)
Total	Rs. in 000's		41,577		1,185,159	43,282
			(41,405)		(1,337,835)	(42,783)

* Subject to specifications

16. a) Particulars of Raw Materials Consumed	Current Year		Previous Year	
	Qty. MT	Rs. in 000's	Qty. MT	Rs. in 000's
Polymers	7,620	504,177	10,112	745,920
Others	5,627	350,416	3,065	220,534
Total		<u>854,593</u>		<u>966,454</u>
b) Value of Raw Materials Consumed				
	%	Rs. in 000's	%	Rs. in 000's
Imported	26.04%	222,516	32.99%	318,871
Indigenous	73.96%	632,077	67.01%	647,583
Total	<u>100.00%</u>	<u>854,593</u>	<u>100.00%</u>	<u>966,454</u>
c) Value of Stores and Spare Parts Consumed				
	%	Rs. in 000's	%	Rs. in 000's
Imported	0.00%	—	0.00%	—
Indigenous	100.00%	631	100.00%	729
Total	<u>100.00%</u>	<u>631</u>	<u>100.00%</u>	<u>729</u>

17. The Related Party Disclosures:
(i) Related parties - Names & Descriptions

Key Management Personnel	Relative of Key Management Personnel	Associates	Other related parties
Mr. Narayan Sethuramon (upto 29-07-2009)	Mr. V. Srinivasan Mr. Murali Venkatraman Mrs. Suchitra Murali Balakrishnan	W.S. Industries (India) Ltd. W.S. Industries (India) Ltd. Unit II	W S International Pvt Ltd. Vensunar Holdings Pvt Ltd.
Mr. S.K. Subramanyan			

(Rs. in 000's)

(ii) Related Party transactions: description & nature

Description	Key Management Personnel	Relative of Key Management Personnel	Associates	Other related parties
Sale of Goods			500	3,544
Payments for services rendered			270	120
Remuneration	1,860			
Sitting Fees	5	85		
Balance as on 31-03-2010				
(Payable)/Receivable - Net	(98)			1,013

Current Year

Previous Year

18. CIF Value of Imports

(i) Raw materials	192,685	262,131
(ii) Capital Goods & Spares	752	5,998

19. Expenditure in Foreign Currency during the year

(i) Travelling expenses	325	499
(ii) Testing charges	1,460	—
(iii) Interest paid to Banks	1,286	463

20. Fluctuation in Exchange rates

The amount of exchange differences (Gains) included in the net profit for the year	(4,116)	9,170
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21. Earnings in Foreign Currency

FOB value of goods exported	1,933	906
Commission Received	1,375	113

22. Previous year's figures (shown separately and within brackets wherever given) have been regrouped wherever necessary to conform to this year's classification.

23. Schedules "1" to "15" form an integral part of the Balance Sheet and the Profit and Loss Account and have been duly authenticated.

24. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.:	10438
State Code:	18
Balance Sheet Date:	March 31, 2010

(Rs. in 000's)

II. Capital raised during the year

	2009 / 2010	2008 / 2009
Public issue	—	—
Rights issue	—	—
Bonus issue	—	—
Private placement	—	—
Preference shares	—	—

III. Position of mobilisation and deployment of funds

Total liabilities	780,099	776,163
Total assets	780,099	776,163

Sources of funds

Paid up capital	64,072	65,104
Reserves and Surplus	178,818	181,636
Secured loans	351,268	357,257
Unsecured loans	1,801	2,392
Net deferred tax liabilities	33,116	35,116

Application of funds

Net fixed assets	314,395	328,373
Investments	9,123	23,165
Net current assets	305,582	289,992

IV. Performance of the Company

Turnover	1,185,159	1,337,835
Total expenditure	1,187,311	1,363,739
Loss before tax	(2,152)	(25,904)
Loss after tax	(152)	(18,329)
Earnings per share (in rupees)	(0.02)	(2.82)
Dividend rate (in per cent)	NA	NA

V. Generic names of the principal products/services of the Company

(As per monetary terms)

Item code no. (ITC Code)

39020000

Product description

POLYMER COMPOUNDS

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 : 28th July, 2010

BABULAL M. VARMA

Chairman of the Meeting

MURALI VENKATRAMAN

Vice-Chairman

S.K. SUBRAMANYAN

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