

Hydro S & S

KINGFA

*Annual  
Report*

2012 - 2013

**Hydro S & S**

**KINGFA**



**ACQUISITION OF  
HYDRO S&S INDUSTRIES LTD.**

**BY**

**KINGFA SCI & TECH CO. LTD**

3<sup>rd</sup> July 2013



**Board of Directors**

V. SRINIVASAN (upto 03-07-2013)  
 MURALI VENKATRAMAN, *Vice-Chairman* (upto 03-07-2013)  
 V. THIRUPATHI  
 NARAYAN SETHURAMON (upto 23-07-2012)  
 G. BALASUBRAMANYAN  
 DINSHAW KEKU PARAKH (upto 03-07-2013)  
 S.K. SUBRAMANYAN, *Director (Finance & Administration)* (upto 03-07-2013)  
 NIE DELIN (w.e.f. 03-07-2013)  
 BO JINGEN, *Managing Director* (w.e.f. 03-07-2013)  
 WU XIAOHUI, *Whole-time Director* (w.e.f. 03-07-2013)

**Chief Financial Officer**

XIE DONGMING (w.e.f. 03-07-2013)

**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  
 Plot No-406, Sector-8, IMT Manesar, Gurgaon - 122050, Haryana

**Registered Office**

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

**Auditors**

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

**Bankers**

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

**Registrar & Share Transfer Agent**

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

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## FIVE - YEAR FINANCIAL DATA

(₹ in Millions)

For the Year	2012-13	2011-12	2010-11	2009-10	2008-09
Sales : Domestic	1,754.307	1,645.481	1,542.326	1,183.225	1,337.834
Exports	2.329	1.567	0.427	1.933	0.001
Operating Profit (PBIDT)	26.863	91.004	86.498	71.142	42.958
Finance Cost	69.711	65.561	46.509	47.526	48.298
Depreciation and amortisation expense	28.185	26.794	26.909	25.768	20.565
Tax expenses - Current	—	—	3.200	—	0.660
- Deferred	(20.550)	(1.600)	(0.600)	(2.000)	(8.235)
Profit/(Loss) After Tax	(50.483)	0.249	10.480	(0.152)	(18.329)
<b>As at the end of the Year</b>					
Share Capital	64.072	64.072	64.072	64.072	65.104
Reserves & Surplus	134.607	185.090	184.817	178.818	181.636
Loan Funds	346.008	428.816	427.580	353.068	359.649
Gross Block	479.091	513.185	528.565	499.920	490.072
Net Current Assets	287.284	403.818	388.332	305.582	289.992
<b>Measures of Investment</b>					
Return on Capital Employed (%)	-0.24%	9.47%	9.55%	7.61%	3.69%
Return on Equity (%)	-25.41%	0.10%	4.21%	(0.06%)	(7.43%)
Earnings per Share (₹)	(7.88)	0.04	1.64	(0.02)	(2.82)
Dividend Cover (Times)	—	—	2.73	NA	NA
Dividend (%)	—	—	6	NA	NA
Book Value of an Equity Share	31.01	38.89	38.85	37.91	37.90
<b>Of Performance</b>					
- Profitability (%)					
Profit/(Loss) before Tax (%)	-4.56%	(0.09%)	0.94%	(0.20%)	(2.19%)
Profit/(Loss) after Tax (%)	-3.24%	0.02%	0.75%	(0.01%)	(1.55%)
- Capital Turnover (times)	3.23	2.43	2.28	1.99	2.21
- Stock Turnover (times)	9.17	9.03	7.32	7.66	8.43
- Working Capital Turnover (times)	6.11	4.08	3.97	3.88	4.61
<b>Of Financial Status</b>					
- Debt-Equity Ratio (times)	0.25:1	0.40:1	0.53:1	0.55:1	0.57:1
- Current Ratio	0.97:1	1.08:1	1.18:1	1.24:1	1.21:1
- Fixed Assets to Shareholders' Funds (times)	1.30:1	1.19:1	1.28:1	1.29:1	1.33:1

## DIRECTORS' REPORT

## PART I – PERFORMANCE / OPERATIONS

Your Directors hereby present their 29th Annual Report alongwith Audited Statement of Accounts of the Company for the year ended March 31, 2013.

## FINANCIAL RESULTS

(₹ in Lacs)

Particulars	Year Ended March 31, 2013		Year Ended March 31, 2012	
<b>Revenue from Operations</b>				
Gross		17,634.38		16,539.48
Net of Excise Duty		15,657.95		15,010.03
Other Income		83.63		14.36
<b>Profit before Finance Costs &amp; Depreciation and amortisation expense</b>		268.64		910.04
Finance Costs		697.12		655.61
<b>(Loss) / Profit before Depreciation and amortisation expense</b>		(428.48)		254.43
Depreciation and amortisation expense		281.85		267.94
<b>(Loss) / Profit before Tax</b>		(710.33)		(13.51)
Tax expenses - Current Tax	—		—	
- Deferred Tax	(205.50)		(16.00)	
<b>(Loss) / Profit after Tax</b>		(205.50)		(16.00)
<b>(Loss) / Profit after Tax</b>		(504.83)		2.49
Balance brought forward		104.80		102.32
(Loss) / Profit available for Appropriation		(400.03)		104.80
<b>Appropriations:</b>				
<b>Transfers to</b>				
General Reserve	—		—	
Special General Reserve	—		—	
<b>Proposed Dividend</b>				
On Equity Shares	—		—	
Tax on distributable profits	—		—	
		—		—
<b>(Deficit) / Surplus carried forward</b>		(400.03)		104.80
		(400.03)		104.80

## BUSINESS OPERATIONS

Revenue from Operations grew moderately by 4% over the previous year, though volumes remain flat. The year witnessed continued turbulence on the business front with inflation continuing to rule high, leading to high interest rates and dampened consumer enthusiasm to buy automobiles.

Your Company had to continue facing the challenges of a sustained high inflation on input prices. The high input costs, in the context of resistance from customers to adequate compensation, led to erosion in margins.

As indicated in the last year's report, your company has completed the compounding facility at Manesar to cater to the requirements of the Northern market, with an initial capacity of 6000 MTPA. This facility was commissioned in March 2013 and is expected to contribute to growth of the company during the current year.

The Pultrusion division has been only achieving marginal performance during the recent years and hence it was decided to close down operations of this division.

As part of realignment of capacity, it was decided to curtail production at Pudukkottai. Consequently it was decided to sell the two Wind Mills which the Company had established. The proceeds from the sale were utilised for funding the Manesar facility and into operations.

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

## DIVIDEND

Due to the adverse business environment, the operations of the Company have resulted in a net loss as explained in detail in the Management's Discussion and Analysis Report. In order to conserve resources, your Directors regret that they are unable to recommend any dividend on the Equity Share Capital of the Company for the year under review.

## ENVIRONMENT, HEALTH AND SAFETY

The facilities of the Company renewed their ISO 14001 and OHSAS 18001 certification.

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

## EMPLOYEE RELATIONS

Industrial relations remained cordial during the year. A new three year wage pact, upon expiry of the earlier agreement was signed with the workmen of the Puducherry plant.

Various HR initiatives are continuously taken to align the HR policies to the growing requirements of the business. Technical and Safety training programmes are given periodically to workers.

## PART II - CORPORATE MATTERS

### CORPORATE GOVERNANCE

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

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

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



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

A Statement of General Business Principles is given in **Annexure - E** to this Report.

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

A Declaration by Mr.S.K.Subramanian (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 - G** to this Report.

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

### **CHANGE IN MANAGEMENT CONTROL**

The Promoters of the Company have informed the Board that they have entered into a Share Purchase Agreement with M/s. Kingfa Sci. & Tech. Co., Ltd., Guangzhou, China, for transfer of their shareholding in the Company.

This process will be completed after necessary approvals are obtained.

The Board of Directors have considered this communication and taken note of the development.

The Board feels that it will be in the best interests of the Company, its Shareholders and the Employees if a strategic global player from the Industry is inducted into the Company.

### **DIRECTORS**

Mr.Narayan Sethuram, Director resigned from the Board with effect from 23rd July, 2012. The Board wishes to place on record its appreciation of the valuable services rendered by him during his tenure in office both in the Executive and Non Executive roles.

Your Directors, Mr..... and Mr..... retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. - To be finalised (Refer Addendum to Directors' Report in Page No.7).

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

### **AUDITORS**

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

### **COST AUDITOR**

Your Company has come under the purview of The Companies (Cost Audit Report) Rules, 2011 and is required to conduct an audit of the cost records, by a Cost Accountant. In requirement of this, the Company has appointed P. Raju Iyer, M.Pandurangan & Associates, Cost Accountants, Chennai as the Cost Auditors for the audit of Cost records for the year ended 31st March 2013.

The Company has duly filed the Cost Compliance Report for the year ended 31st March 2012.

### **STATUTORY INFORMATION**

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

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

All the dividends of the earlier years, which have remained unclaimed, have since been transferred to the Investor Education and Protection Fund at the expiry of the specified period(s) as required under Section 205C of the Companies Act, 1956. Details of dividends remaining unclaimed as on 31.03.2013 are as under :

Year	Date of declaration	No. of Shareholders	Total Unclaimed Dividend ( ₹ )	Due date for transfer to IEPF Account
2005 - 2006	18.09.2006	46	32,040.00	28.09.2013
2006 - 2007	13.09.2007	515	1,60,553.00	20.10.2014
2007 - 2008 (Interim)	31.01.2008	568	41,224.00	08.03.2015
2007 - 2008 (Final)	16.09.2008	569	54,305.70	22.10.2015
2008 - 2009	No Dividend declared		N.A.	
2009 - 2010	No Dividend declared		N.A.	
2010 - 2011	29.09.2011	732	61,588.80	05.11.2018
2011 - 2012	No Dividend declared		N.A.	

## FIXED DEPOSITS

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

## ACKNOWLEDGEMENT

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

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

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

Place : Chennai  
Date : 21st May, 2013

**V. SRINIVASAN**  
Chairman of the Meeting

**MURALI VENKATRAMAN**  
Vice - Chairman



**ADDENDUM TO DIRECTORS' REPORT****Under DIRECTORS' REPORT, PART II – CORPORATE MATTERS****DIRECTORS**

Your Director, Mr.V.Thirupathi retires by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer himself for re-appointment.

Consequent upon the signing of a Share Purchase Agreement, between the erstwhile Promoter Group of the Company and M/s. Kingfa Sci. & Tech. Co., Ltd., Guangzhou, China, (Kingfa) for the transfer of their Shareholding, Kingfa have nominated Mr. Nie Delin, Mr. Bo Jingen and Mr. Wu Xiaohui as Directors on the Board of the Company with effect from 3<sup>rd</sup> July, 2013.

Mr. V.Srinivasan, Mr. Murali Venkatraman and Mr. Dinshaw K.Parakh have resigned as Directors from the Board with effect from 3<sup>rd</sup> July, 2013.

Mr.S.K. Subramanian, Whole Time Director [Director (Finance & Administration) & Company Secretary] has resigned as Director from the Board. However, Mr. S.K. Subramanian will continue to be Company Secretary of the Company under Section 383A of the Companies Act, 1956 and designated as Director (Corporate Affairs) and Company Secretary with effect from 3<sup>rd</sup> July, 2013.

Mr. Nie Delin, Mr. Bo Jingen and Mr. Wu Xiaohui were co-opted as Additional Directors with effect from 3<sup>rd</sup> July, 2013. They hold office until the ensuing Annual General Meeting and are seeking election as Directors.

Yours Directors have appointed Mr.Bo Jingen as Managing Director and Mr. Wu Xiaohui as Whole-time Director of the Company with effect from 3<sup>rd</sup> July, 2013.

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

**APPOINTMENT OF CHIEF FINANCIAL OFFICER**

Mr. Xie Dongming has been appointed as Chief Financial Officer of the Company with effect from 3<sup>rd</sup> July, 2013.

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

Place : Chennai  
Date : 31<sup>st</sup> July, 2013

**G. BALASUBRAMANYAN**  
**Chairman of the Meeting**

**BO JINGEN**  
**Managing Director**

**ANNEXURE - A TO DIRECTORS' REPORT**

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

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

Single cooling tower now meets the requirement of both machine cooling and process water cooling, as compared to exclusive ones, thereby saving on power.

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

1. Investment in Humidity Chamber in the Lab to place test specimens, has led to switching off Air conditioners in the Lab general area.
2. Office, plant and street lighting have been partially converted into CFL lighting, thereby saving on energy.

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

R&D focus remains on developing new formulations with available raw materials and new additives to meeting the dynamically evolving requirements of our key Industry - the Auto OEM's and Appliances. The Auto Industry is focussing on increased fuel efficiency and reduced CO2 footprint which are becoming more and more stringent and part of customer expectations. Compounds with higher strength, Impact Stiffness Balance, Aesthetic compounds to avoid secondary operations like painting, Low Shrinkage and Low CLTE compounds are the focus to win new business from Auto OEM's.

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

(a) Capital	—	4.26
(b) Recurring	—	33.01
<b>Total</b>	—	<b>37.27</b>

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

Novel manufacturing using innovative formulation and new blending techniques for getting improved properties in our compounds have enabled us to win new business and be cost effective. We are seeing positive response from our customers.

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

Foreign Exchange Earnings	—	87.67
Foreign Exchange Outgo	—	3,256.72

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

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

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

Place : Chennai  
Date : 21st May, 2013

**V. SRINIVASAN**  
Chairman of the Meeting

**MURALI VENKATRAMAN**  
Vice - Chairman

## ANNEXURE - B TO DIRECTORS' REPORT

## REPORT ON CORPORATE GOVERNANCE

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

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

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

2) **Board of Directors**

**Composition**

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

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

**Meetings**

During the year 2012-13, the Board met four times on 4th June, 2012, 23rd July, 2012, 2nd November, 2012 and 14th February, 2013. The last AGM was held on 17th September, 2012.

The following table gives the details of category of Board of Directors and their attendance at Board Meetings and last AGM and details of Memberships in other Boards and Board Committees as on 31st March, 2013.

Name of the Director	Category	No. of Board Meetings Attended	Attendance at the Last AGM	Directorships in other Boards		Committee(s)* Membership (inclusive of Hydro S & S)	
				Directorships	Chairmanships	Memberships	Chairmanships
Mr. V. Srinivasan	NI-NE	4	Yes	5	4	2	1
Mr. Murali Venkatraman	NI-NE	4	Yes	4	—	3	—
Mr. Narayan Sethuramon	NI-NE	1	Resigned from the Board on 23rd July, 2012				
Mr. V. Thirupathi	IN-NE	4	Yes	9	1	5	2
Mr. S.K. Subramanian	NI-EX	4	Yes	—	—	—	—
Mr. Dinshaw K Parakh	NI-NE	4	Yes	3	—	—	—
Mr. G.Balasubramanian	IN-NE	4	Yes	4	—	2	—

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

Membership in Executive Council are not included.

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

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

## Board Procedure

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

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

## 3) Audit Committee

### Terms of reference

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

The Committee's scope includes the following:

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

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

The composition of the Audit Committee is as under:

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

**Meetings**

During the financial year 2012-13, four Audit Committee Meetings were held on 4th June, 2012, 23rd July, 2012, 2nd November, 2012 and 14th February, 2013.

**Attendance**

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

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

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

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

The composition of the Remuneration Committee is as under:

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

**Meetings**

During the financial year 2012 - 13, one meeting of the Remuneration Committee was held on 2nd November, 2012.

**Attendance**

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

**Remuneration policy**

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

**Remuneration of Directors**

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

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

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

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

The details of the remuneration paid / payable to the Directors for the year 2012 -13 together with sitting fees paid and the shareholding held by the Non Executive Directors as on 31st March, 2013 are as under :

#### Whole Time Director

(in ₹)

Name of the Director	Salary	Commission	Performance Incentive	Perks	Total
Mr. S.K. Subramanyan	7,92,000	Nil	95,000	13,59,256	22,46,256

#### Non Executive Directors

Name of the Director	Sitting fees paid for Board and Committee Meetings (₹)	Commission (₹)	Shares held in the Company (Nos.)
Mr. V.Srinivasan	30,000	Nil	82500
Mr. Murali Venkatraman	58,000	Nil	82300
Mr. V.Thirupathi	52,000	Nil	Nil
Mr. Narayan Sethuramon	5,000	Nil	82300
Mr. Dinshaw K.Parakh	20,000	Nil	56250
Mr. G.Balasubramanyan	52,000	Nil	Nil

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

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

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

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



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

During the year 2012 - 13, the Share Transfer and Investors' Grievances Committee met four times on 4th June, 2012, 23rd July, 2012, 2nd November, 2012 and 14th February, 2013 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, 2013 and all requests for de-materialization and re-materialization as on that date were confirmed / rejected through NSDL / CDSL system.

During the year 2012 - 13, the Company received 6 complaints from the investors and all of them were resolved to the satisfaction of the investors concerned. There are no complaints pending to be resolved as on 31st March, 2013.

## 6) General Body Meetings

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

Financial Year Ended	Date	Time	Venue
31-03-2012	17-09-2012	3.00 p.m.	The Music Academy, Kasturi Srinivasan Hall (Mini Hall), New No.168, T.T.K.Road, Royapettah, Chennai - 600 014.
31-03-2011	29-09-2011	10.00 a.m.	Narada Gana Sabha, "Mini Hall" No.314, T.T.K.Road, Chennai - 600 018.
31-03-2010	23-09-2010	10.00 a.m.	Narada Gana Sabha, "Mini Hall" No.314, T.T.K. Road, Chennai – 600 018.

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

- I. **At the Twenty Eight Annual General Meeting held on 17th September, 2012.**
  - a) Payment of Commission to Mr.Murali Venkatraman, Vice Chairman.
  - b) Re-appointment of Mr.S.K.Subramanyan as Whole Time Director [Director (Finance & Administration) & Company Secretary] for a further period of three years w.e.f. 1st October, 2012.
- II. **At the Twenty Seventh Annual General Meeting held on 29th September, 2011.**  
Nil
- III. **At the Twenty Sixth Annual General Meeting held on 23rd September, 2010.**  
Nil

### (C) Postal Ballot

No Resolution involving Postal Ballot was passed during the year under review.

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

To be finalised (Refer Addendum to Directors' Report in Page Nos. 20 to 22).

## 7) Disclosures

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

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

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

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

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

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

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

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

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

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

The Company has complied with all the mandatory requirements stipulated under Clause 49 of the Listing Agreements entered into with the Stock Exchanges 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.hssil.com/kyc](http://www.hssil.com/kyc)  
[www.bseindia.com](http://www.bseindia.com)
4. Any official news release published : No
5. Details of presentation needs to Institutional Investors/Analysts : Nil

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

**9) General Shareholder Information**

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

<b>Day</b>	:	}	To be finalised (Refer Addendum to Directors' Report in Page No.22).
<b>Date</b>	:		
<b>Time</b>	:		
<b>Venue</b>	:		
- c) **Financial Year** : 1st April to 31st March
- d) **Financial Calendar for 2013 – 2014** :  
**[tentative schedule excluding Extraordinary General Meeting(s) if any]**

First Quarter Results (30th June, 2013)	To be finalised (Refer Addendum to Directors' Report in Page No.22).
Annual General Meeting (2012–2013)	
Second Quarter Results (30th September, 2013)	
Third Quarter Results (31st December, 2013)	
Fourth Quarter Results (31st March, 2014)	
Annual General Meeting (2013-2014)	

- e) **Date of Book Closure** : To be finalised (Refer Addendum to Directors' Report in Page No.22).
- f) **Dividend Payment Date** : Equity Shares – Not Applicable

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

(Scrip Code – 524019)

524019

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

HYDRO S &amp; S

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

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

Demat ISIN No. for CDSL and NSDL is INE473D01015.

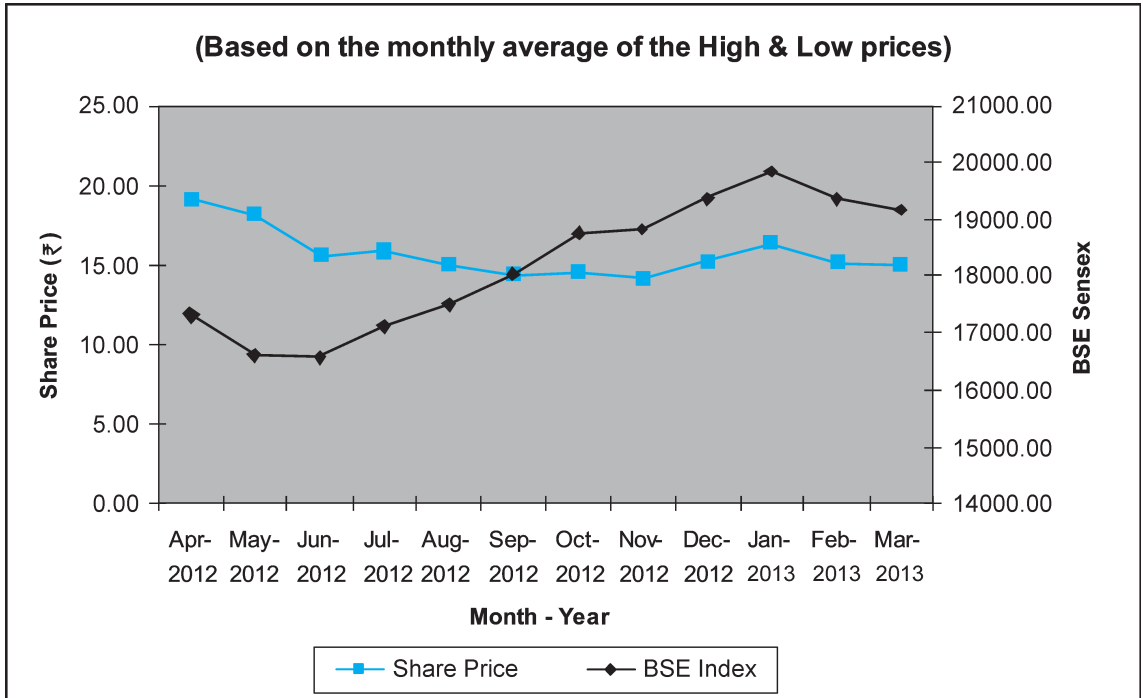
The Listing fees to BSE and MSE have been paid upto date.

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

(in ₹)

Month	Year	BSE Limited		Madras Stock Exchange Ltd.	
		High	Low	High	Low
April	2012	22.90	15.35	No Trading in 2012 - 2013	
May	2012	21.80	14.55		
June	2012	17.35	14.00		
July	2012	17.75	14.00		
August	2012	16.85	13.35		
September	2012	15.70	13.21		
October	2012	15.70	13.51		
November	2012	14.95	13.43		
December	2012	17.00	13.61		
January	2013	18.50	14.20		
February	2013	17.65	12.65		
March	2013	17.00	13.00		

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



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

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

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

**I) Distribution of Shareholding and Shareholding Pattern as on 31.03.2013.**

**i) Distribution of Shareholding**

Category	Shareholders		Shares	
	Number	% to Total	Number	% to Total
Upto 2500	4006	97.21	1020901	15.93
2501 – 5000	54	1.31	202075	3.15
5001 – 10000	26	0.63	187512	2.93
10001 – 20000	11	0.27	143851	2.25
20001 – 30000	5	0.12	123568	1.93
30001 – 40000	2	0.05	63704	0.99
40001 – 50000	2	0.05	88350	1.38
50001 – 100000	9	0.22	653677	10.20
100000 & above	6	0.15	3923566	61.24
<b>Total</b>	<b>4121</b>	<b>100.00</b>	<b>6407204</b>	<b>100.00</b>

**ii) Shareholding Pattern**

Category	Holders	Shares	Voting Strength (Percentage)
Promoters	14	4260700	66.50
Non-Resident Individuals / OCBs	95	82249	1.28
Foreign Institutional Investors	0	0	0.00
Bodies Corporate	98	359556	5.61
FIs / Mutual Funds / Banks	1	200	0.00
Resident Individuals	3888	1605406	25.06
Others (Clearing Member & Trusts)	25	99093	1.55
<b>Total</b>	<b>4121</b>	<b>6407204</b>	<b>100.00</b>



**m) Dematerialisation of Shares & liquidity**

The shares of the Company can be held and traded in electronic form. As on March 31, 2013, 97.09% of the Company's total equity shares representing 6220873 shares were held in dematerialised form and the balance 2.91% representing 186331 shares in the physical form.

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

**o) Plant Locations**

Plot No.15C, SIPCOT Industrial Complex, Pudukkottai - 622 002. — Reinforced Thermoplastic Compounds  
 RS No.38/1, Sedarapet Industrial Area, Sedarapet, Puducherry - 605 111. — Reinforced Thermoplastic Compounds  
 G 34, Addl. Jejuri Industrial Area Jejuri, Tal. Purandar, Pune – 412 303. — Reinforced Thermoplastic Compounds  
 Plot No-406, Sector-8, IMT Manesar, Gurgaon - 122050, Haryana — Reinforced Thermoplastic Compounds

**p) Address for Correspondence**

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

**q) Service of documents through electronic mode**

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

**10. Non Mandatory Requirements****a) The Board**

- (i) Expenditure relating to Non-Executive Chairman — Nil  
 (ii) Restriction on the tenure of Independent Director — Not stipulated  
 (iii) Qualification and experience of Independent Director — Complied with

**b) Remuneration Committee** — Complied with**c) Shareholder Rights –**

- Communication of half yearly financial performance to Shareholders — Not yet adopted

## ADDENDUM TO DIRECTORS' REPORT

### Under ANNEXURE – B TO DIRECTORS' REPORT

#### REPORT ON CORPORATE GOVERNANCE

##### Audit Committee

The composition of the Audit Committee was reconstituted as under with effect from 3<sup>rd</sup> July, 2013:

1. Mr.V.Thirupathi, Chairman
2. Mr.G.Balasubramanyan, Member
3. Mr.Nie Delin, Member

##### Remuneration Committee

The composition of the Remuneration Committee was reconstituted as under with effect from 3<sup>rd</sup> July, 2013:

1. Mr.G.Balasubramanyan, Chairman
2. Mr.V.Thirupathi, Member
3. Mr.Nie Delin, Member

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

The composition of the Share Transfer and Investor's Grievances Committee was reconstituted as under with effect from 3<sup>rd</sup> July, 2013:

1. Mr.Nie Delin, Chairman
2. Mr.Bo Jingen, Member

##### Postal Ballot

One Special Resolution was passed through postal ballot, details of which is as under :

- a) Date of Notice of Postal Ballot : 28<sup>th</sup> May, 2013.
- b) Description : Special Resolution to enter into a Consultancy Agreement with M/s.Ashwini Services and Consultancy Limited.
- c) Majority for the Resolution :
  - (i) No. of Valid Postal Ballots (%) — 95.24%
  - (ii) No. of Shares (%) — 99.95%
- d) Date of Declaration of Result : 15.07.2013
- e) Scrutinizer for conducting the Postal Ballot : Mrs. Lakshmmi Subramanian, Senior Partner of M/s.Lakshmmi Subramanian & Associates, Practising Company Secretaries

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

##### i) Mr. V. Thirupathi

Mr. V.Thirupathi, aged 65 years is a Chartered Accountant. He is an Industrialist with rich experience in Finance for over 23 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 and Member of the Remuneration 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
Mosq Industrial Rubber Products Pvt. Ltd.	Managing Director	—	—
Emerald Resilient Tyre Mfrs Pvt. Ltd.	Chairman	—	—
Emerald Herbs & Plants Pvt. Ltd.	Director	—	—
Emerald Bio Fertilizers Pvt. Ltd.	Director	—	—
V9 Impex Pvt. Ltd.	Director	—	—
Thiru Arooran Sugars Limited	Director	Audit Committee	Chairman
		Finance Committee	Member
		Remuneration Committee	Chairman
		Investors' Grievances Committee	Member
Shree Ambika Sugars Limited	Director	Audit committee	Member
		Finance Committee	Member
		Remuneration Committee	Member
Terra Energy Limited	Director	Audit committee	Member
Trichy Distilleries and Chemicals Ltd.	Director	Management Committee	Member
( Shareholding in the Company – Nil )			

## ii) Mr. Nie Delin

Mr. Nie Delin holds a Master's degree in Engineering from Sun Yat-Sen University and has been working for M/s. Kingfa Sci. & Tech. Co., Ltd., (Kingfa) in their R & D. He held the position of Chairman of the Board of Supervisors and Chief of Warehouse Planning. He was granted three Science tech awards on national, provincial and city level and was awarded prize for his work on Flame Retardant thermoplastic resin at the national level. Since 2011, he is serving as a Director of Kingfa and Vice President concurrently.

Mr. Nie Delin is also the Member of the Audit Committee, Member of the Remuneration Committee and Chairman of the Share Transfer and Investor's Grievances 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
Kingfa Sci. & Tech. Co., Ltd., Guangzhou, China	Director and Vice President	—	—
( Shareholding in the Company – Nil )			

iii) **Mr. Bo Jingen**

Mr. Bo Jingen holds a Master's degree in Polymer Science from Tianjin University and has been working for M/s. Kingfa Sci. & Tech. Co., Ltd., in their Marketing & Sales. He was awarded as the Excellent Member for the Sales and Marketing for the years 2011 & 2012. Since then, he is acting as the General Manager for the Indian Program Group. Mr. Bo Jingen is also the Member of the Share Transfer and Investor's Grievances 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
He is not holding Directorship / Committee Membership in any other Company.			
( Shareholding in the Company – Nil )			

iv) **Mr. Wu Xiaohui**

Mr. Wu Xiaohui holds a Master's degree in Polymer Science from the Chinese Academy of Science and has been working with M/s. Kingfa Sci. & Tech. Co., Ltd., since 2004. He started as a Technical Engineer and became the Technical Manager of their Shanghai Plant. Since 2011, he is working as the technical support of all styrene group charged for the Automotive market.

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

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

**General Shareholder Information****Annual General Meeting :**

**Day** : Wednesday  
**Date** : 18<sup>th</sup> September, 2013  
**Time** : 10.00 A.M.  
**Venue** : Narada Gana Sabha, "Mini Hall", No.314 (Old No.254), T.T.K. Road, Chennai - 600 018.

**Financial Calendar for 2013 – 2014 :**

(tentative schedule excluding Extraordinary General Meeting(s) if any)

First Quarter Results (30 <sup>th</sup> June, 2013)	July 31, 2013
Annual General Meeting (2012–2013)	September 18, 2013
Second Quarter Results (30 <sup>th</sup> September, 2013)	on or before November 14, 2013
Third Quarter Results (31 <sup>st</sup> December, 2013)	on or before February 14, 2014
Fourth Quarter Results (31 <sup>st</sup> March, 2014)	before end of May, 2014
Annual General Meeting (2013-2014)	In accordance with Companies Act, 1956.

**Date of Book Closure** : 12<sup>th</sup> September, 2013 to 18<sup>th</sup> September, 2013 (both days inclusive)

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

Place : Chennai  
Date : 31<sup>st</sup> July, 2013

**G. BALASUBRAMANYAN**  
Chairman of the Meeting

**BO JINGEN**  
Managing Director

## **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, 2013 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 P. SRINIVASAN & Co.,**  
Chartered Accountants

Place : Chennai  
Date : 31st July, 2013

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

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## **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, 2013 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.

Place : Chennai  
Date : 21st May, 2013

for **HYDRO S & S INDUSTRIES LIMITED,**  
**S.K. SUBRAMANYAN**  
**WHOLE TIME DIRECTOR AND CFO**

## ANNEXURE - E TO DIRECTORS' REPORT

### STATEMENT OF GENERAL BUSINESS PRINCIPLES

The Company's objective is to employ efficiently, responsibly and profitably the resources at its command for furtherance of its business interests. Your company intends to expand its position in the compounding sector in the medium term and is taking appropriate steps towards this objective.

#### RESPONSIBILITIES

##### To Shareholders

To protect shareholders' investment and ensure an acceptable and economic return.

##### To Customers

To add and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and environmental preservation impact fostered by requisite technological, environmental and commercial expertise.

##### To Employees

To provide employees with good and safe conditions of work, good and competitive terms and conditions of service, to promote the development and best use of human talent and equal opportunity employment, and to encourage the involvement of employees in the planning and direction of their work and in the application of these principles within the Company. It is recognized that commercial success depends on the full commitment of all employees.

##### In Business

To seek mutually beneficial relationships with contractors, suppliers and to promote the application of these principles in so doing. The ability to promote these principles will be an important factor in the decision to enter into or remain in such relationship.

##### To Society

To conduct business as responsible corporate members of society, to observe the law of the country, to give proper regard to health, safety and the environment consistent with the commitments of the Company.

The above areas of responsibility are seen as inseparable.

#### ECONOMIC PRINCIPLES

Profitability is essential to discharging these responsibilities and staying in business. It is a measure both of efficiency and the value that customers place on your company's products and services. Profit is very essential to augment corporate resources and to support investments required for growth.

Criteria for investment decisions are not exclusively economic in nature but also take into account social and environmental considerations and a critical evaluation of the investment and the return on the same.

#### BUSINESS INTEGRITY

Your company believes and adheres to honesty, integrity and fairness in all aspects of its business and expects the same in their relationship with all those with whom they do business.

#### HEALTH, SAFETY AND THE ENVIRONMENT

Consistent with commitment for environment friendly business, your company will give utmost priority to health, safety and environmental management in order to achieve continuous performance improvement.

#### COMPETITION

Your Company seeks to compete fairly and ethically and within the framework of applicable competition laws.

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

Place : Chennai  
Date : 21<sup>st</sup> May, 2013

**V.SRINIVASAN**  
**Chairman of the Meeting**



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

### A) INTRODUCTION

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

### B) BUSINESS SCENARIO

The demand from Automotive sector started showing signs of weakness right from the beginning of the year and the sluggishness in demand persisted throughout the year. By the year-end, the drop in demand was so significant that it eroded all the volume gains your Company made in the first three quarters of the period under review. A combination of overall sluggishness in the economy, political uncertainty, high interest rates affected the demand resulting in production drop at the OEM end.

The company's risk mitigation strategy of expanding the OEM basket continued to benefit the business, reducing our dependency on any one OEM. However input costs went up significantly and the raw material inflation was close to 10% on year on year comparison.

### C) COMPANY PERFORMANCE

The year started slowly, and demand off-take was impacted by labour issues at a major OEM and inflationary raw material prices. In spite of slow demand, we were able to sustain a 10% year on year volume growth for the first three quarters of the year. However the severity of the slow down, steep drop in production at certain OEMs hit us hard in the last quarter and we managed to end the year only with marginal growth. Our share of presence in passenger cars went up from 3.8 Kg/Car to 4.10 Kg/Car.

#### 1) Operations

The volumes went up only marginally. However we were able to record an increase of about 5% on top line. Production was optimized and Pudukkottai operations were restructured to get better efficiency. We commissioned the new facility in Manesar, Haryana and we are confident that this would get us additional growth in the North region.

#### 2) Optimization Initiatives

Initiatives to optimize formulations and processes were reviewed continuously for remaining competitive in the market and to offset the impact of increased raw material costs.

#### 3) Technology Upgradation

The technical capability and tools for new development activities were augmented. New techniques to ensure achievement of desired properties and effects and optimization of formulations were provided. These investments and tools would go a long way in your company being able to face the cost pressure and application demand challenges from the OEM's going forward.

#### 4) HR & IR

The manufacturing facilities are being reviewed for production efficiency, process improvement and inventory management. Training and tools are being provided to the personnel to improve over all productivity.

#### 5) Business Initiatives

The strategy of the last 2 years to mitigate risk by diversification across OEMs is being extended. Positive outcome of this is the entry into one of the more recent transnational OEMs. This should contribute significantly to new business in the current year.

Our efforts in appliances are slowly showing movement. We have received a positive response from major white goods transnational for using our compounds in place of ABS. The other small appliances are also seeing greater penetration. These beginning will definitely give us more business in the future from the white goods/appliance segment.

Alternate raw material sources, formulation optimization, production lot sizes and manufacturing efficiency did help us to bring down to some extent the huge impact of RM inflation.

We consolidated our market in FIBC segment in the trading activity. We are also seeing traction in bigger markets like BOPP/ CPP film and the nascent market of agricultural films.

### D) ENTERPRISE RISK ANALYSIS AND ITS MANAGEMENT

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

#### **Business risks**

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

#### **Financial Risks**

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

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

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

#### **Foreign Exchange Risks**

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

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

**Asset protection**

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

Your Company exposure to the passenger auto segment with potential risks of recession resulting in reduced domestic car production and sales has been considered in our future plans for developing alternate markets like appliances and masterbatches for packaging segment as well as identification of other segments which will have less volatility in volumes and pricing pressure. The opportunity to participate in the increasing production of cars for global markets requires greater degree of sophistication in the development of compounds to meet stringent specifications. Besides the Company is also exploring newer uses of its compounds in other automotive sectors. Your company is confident of rising up to this challenge and is taking appropriate steps to equip itself with the necessary tools for this purpose.

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

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

**F) FINANCIAL PERFORMANCE****Revenues**

Revenue from operations grew by (4%) over the previous year though the volumes grew only marginally. Trading volumes also dipped during the current year, reflecting the overall difficult economy and business climate.

The pultrusion division has been only achieving marginal performance during the recent years and hence it was decided to close down operations of this division.

**Input Costs**

After some stability in the PP prices during the first quarter of the year, the prices headed upward continuously, leading to a severe increase in input costs. Though some much overdue price corrections were obtained from customers from the middle of the year, the continuous increase in PP prices, negated the benefit.

There was no shortage of power at Jejuri, however the power tariff was increased by the utilities. In line with the decision to curtail production at Pudukkottai, the use of the Wind Mills power was of negligible benefit and hence both the Wind Energy Generators were disposed during the year.

Insurance Claim in respect of the Cyclone Thane at Puducherry last year was settled.

**Financial Costs**

Interest rates remained fairly stable during the year, though there was an increase in absolute amounts largely due to higher working capital utilization. The proceeds of the sale of the WEG were utilized to repay the debt contracted for it, thereby saving on interest costs. The volatility of the Rupee vis a vis the Dollar, faced during the year, was better than the previous year's steep depreciation. Consequent to the continued strain in the operations, rating agency ICRA Ltd, downgraded the Company's rating both for the short term from A2 to A3+ and the long term from LBBB to LBBB(-).

**G) ONGOING INITIATIVES AND FUTURE OUTLOOK**

- a) Only if the trend in increasing offtake of vehicles is sustained will the volume of tonnage increases materialise. Such increased volumes and management of supply chain and logistics should help in bettering margins during the current year subject of course to the price behaviour of Polypropylene and other crude oil based inputs.

- b) New commercial vehicles call for increased usage of PP compounds on interior parts and your Company is already working with major companies in this segment to benefit from this approach.
- c) Control of receivables and inventory and improved process efficiency, should also contribute to the reduction of working capital requirement leading to a reduction in interest costs.

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

### **Cautionary Statement**

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

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## **ANNEXURE - G 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, 2013, 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 : 21st May, 2013

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

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## **ANNEXURE - H TO DIRECTORS' REPORT**

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors do hereby state in good faith:-

- (a) that in the preparation of the annual accounts for the year ended 31st March, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures;
  - (b) that the company has selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Statement of profit or loss of the Company for that period;
  - (c) that the company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
  - (d) that the company has prepared the annual accounts on a "going concern" basis.
-

**INDEPENDENT AUDITOR'S OPINION TO THE MEMBERS OF HYDRO S&S INDUSTRIES LIMITED****Report on the Financial Statements**

We have audited the accompanying financial statements of **M/s. Hydro S&S Industries Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material mis-statement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material mis-statement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date, and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, 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 it appears from our examination of those books.
  - (c) The Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211 (3C) of the Act.
  - (e) On the basis of the written representations received from the directors as on 31st March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of Section 274 (1) (g) of the Act.

**For P. SRINIVASAN & Co.**  
Chartered Accountants

**CA. P. SRINIVASAN**  
Partner

Membership No. : 2090  
FRN. 004054S

Place : Chennai  
Date : 21st May, 2013

**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) According to the records produced and information given to us, the cost records prescribed by the Central Government under Sec. 209(1)(d) of the Companies Act, 1956 (1 of 1956) are being maintained by the Company. No examination of such records has been carried out by us.

- ix) According to the records of the Company,
- a) the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employee's state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duties and cess and any other statutory dues applicable to it, with the appropriate authorities during the year.
  - b) there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute except the following pending in appeals:
    - (i) Income tax of ₹ 61.54 lakhs before the First Appellate Authority
    - (ii) Customs duty of ₹ 26.78 lakhs pending before the First Appellate Authority
    - (iii) Sales tax of ₹ 12.75 lakhs pending before the First Appellate Authority and
    - (iv) Central Excise and Service tax pending before the appellate authorities as under:
      - a. First Appellate Authority ₹ 12.54 lakhs and
      - b. Second Appellate Authority ₹ 2.42 lakhs
- x) The Company did not have accumulated losses at the end of the financial year i.e. 31.03.2013. The Company has incurred cash loss of ₹ 428.48 lakhs in this financial year ended 31.03.2013. The Company did not incur cash loss in the preceding financial year ended 31.03.2012.
- xi) On the basis of records produced, the Company has not defaulted in repayment of the dues to any financial institution or bank during the financial year.
- xii) As per the records maintained, no loans or advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of Special statute applicable to chit, nidhi, mutual fund / societies are not applicable to the Company.
- xiv) On the basis of records maintained and in our opinion, the Company does not deal or trade in shares, securities, debentures and other investments.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) As per the information and explanations given to us, term loans have been applied for the purpose for which these term loans were obtained.
- xvii) In our opinion, based on the information and explanations given to us and on an overall examination of the books and records of the company, the funds raised on short term basis prima facie have not been used for long term investments. No long term funds have been used to finance short-term assets.
- xviii) The company has not made any preferential allotment of shares during the financial year to any party.
- xix) The company has not issued any debentures during the financial year.
- xx) The company has not raised any money by public issues during the financial year.
- xxi) On the basis of the audit procedures carried out and information and explanations given by the management, we state that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For P. SRINIVASAN & Co.**  
Chartered Accountants

Place : Chennai  
Date : 21st May, 2013

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

**BALANCE SHEET AS AT MARCH 31, 2013**

(₹ in Lacs)

	Note No.	As at March 31, 2013	As at March 31, 2012
<b>I EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
(a) Share Capital	1	640.72	640.72
(b) Reserves and Surplus	2	1,346.07	1,850.90
<b>2 Non - Current liabilities</b>			
(a) Long - term borrowings	3	351.38	643.37
(b) Deferred tax liabilities (Net)	4	103.66	309.16
(c) Other long term liabilities	5	26.50	30.50
(d) Long - term provisions	6	11.14	11.36
<b>3 Current liabilities</b>			
(a) Short - term borrowings	7	2,767.89	3,217.09
(b) Trade payables	8	2,507.96	1,462.23
(c) Other current liabilities	9	664.89	614.57
(d) Short - term provisions	10	53.59	24.31
TOTAL		<u>8,473.80</u>	<u>8,804.21</u>
<b>II ASSETS</b>			
<b>1 Non - current assets:</b>			
<b>(a) Fixed Assets</b>			
(i) Tangible assets	11	2,544.87	2,928.50
(ii) Intangible assets		9.62	9.66
(iii) Capital work-in-progress		25.97	32.94
(b) Non current investments	12	0.00	4.20
(c) Long term loans and advances	13	108.37	86.82
<b>2 Current assets</b>			
(a) Current investments	14	45.45	42.53
(b) Inventories	15	1,916.42	1,823.83
(c) Trade receivables	16	3,349.20	3,455.66
(d) Cash and Bank balances	17	79.33	54.25
(e) Short-term loans and advances	18	394.57	365.82
TOTAL		<u>8,473.80</u>	<u>8,804.21</u>

See accompanying notes forming part of financial statements

As per our Report of even date

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

Chartered Accountants

**CA. P. SRINIVASAN**

Partner

Membership No. : 2090

FRN. 004054S

Place: Chennai

Date : 21st May, 2013

**V. SRINIVASAN**

Chairman of the Meeting

**MURALI VENKATRAMAN**

Vice-Chairman

**CA. S.K. SUBRAMANYAN**

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



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013**

	Note No.	Year ended 31-03-2013	(₹ in Lacs) Year ended 31-03-2012
Revenue from operations ( Gross)	19	17,634.38	16,539.48
Less: Excise duty		1,976.43	1,529.45
I Revenue from operations ( Net)		15,657.95	15,010.03
II Other Income	20	83.63	14.36
III Total revenue ( I+II)		15,741.57	15,024.39
<b>IV Expenses</b>			
Cost of materials consumed	21	13,636.37	11,998.99
Purchases of stock-in-trade	22	—	77.77
Changes in inventories of finished goods and work-in-progress	23	(155.26)	186.25
Employee benefits expense	24	694.33	654.56
Finance costs	25	697.12	655.61
Depreciation and amortisation expense		281.85	267.94
Other expenses	26	1,297.49	1,196.78
Total Expenses		16,451.90	15,037.90
V (Loss)/Profit before exceptional and extraordinary items and tax (III-IV)		(710.33)	(13.51)
VI Exceptional items		—	—
VII (Loss)/Profit before extraordinary items and tax (V-VI)		(710.33)	(13.51)
VIII Extraordinary items		—	—
IX (Loss)/Profit before tax (VII-VIII)		(710.33)	(13.51)
X Tax expenses			
1. Current tax		—	—
2. Deferred tax		(205.50)	(16.00)
XI (Loss)/Profit for the year (IX-X)		(504.83)	2.49
XII Earnings per Equity Share			
1. Basic		(7.88)	0.04
2. Diluted		(7.88)	0.04

See accompanying notes forming part of financial statements

As per our Report of even date

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

Chartered Accountants

**CA. P. SRINIVASAN**

Partner

Membership No. : 2090

FRN. 004054S

Place: Chennai

Date : 21st May, 2013

**V. SRINIVASAN**

Chairman of the Meeting

**MURALI VENKATRAMAN**

Vice-Chairman

**CA. S.K. SUBRAMANYAN**

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

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

		(₹ in Lacs)	
		Current Year	Previous Year
<b>A. Cash Flow arising from Operating Activities</b>			
	Net Profit Before Tax and Extraordinary items	(710.33)	(13.51)
Add:	a) Depreciation and amortisation expense	281.85	267.94
	b) Finance costs paid	697.12	655.61
	c) Loss on sale of fixed assets	6.99	24.81
		<u>985.96</u>	<u>948.36</u>
		275.63	934.85
Deduct:	a) Dividend and other income	2.92	3.85
	b) Profit on sale of fixed assets	71.25	1.78
	c) Interest received	9.46	8.74
		<u>83.63</u>	<u>14.37</u>
	Operating Profit before Working Capital Changes	192.00	920.48
Add:	a) Increase in Trade and other payables	754.80	—
	b) Decrease in Trade and other receivables	28.42	133.35
	c) Decrease in inventories	—	282.91
		<u>783.22</u>	<u>416.26</u>
		975.22	1,336.74
Deduct:	a) Increase in Inventories	92.59	—
	b) Decrease in Trade and other payables	—	560.71
	c) Increase in Trade and other receivables	—	—
		<u>92.59</u>	<u>560.71</u>
		882.63	776.03
Deduct:	Direct taxes paid	—	15.59
	Net Cash inflow(outflow) from Operating Activities	<u>882.63</u>	<u>760.44</u>
<b>B. Cash Flow arising from Investing Activities</b>			
Inflow:	a) Disposal of fixed asset	448.95	38.45
	b) Dividend and other income	2.92	3.85
	c) Interest received	9.46	8.74
	d) Sale of Investments	4.20	—
		<u>465.53</u>	<u>51.04</u>
		465.53	51.04
Outflow:	a) Acquisition of fixed assets	275.90	123.95
	b) Purchase of investments	—	22.57
		<u>275.90</u>	<u>146.52</u>
	Net Cash Outflow in the course of Investing Activities	<u>189.63</u>	<u>(95.48)</u>

(₹ in Lacs)

		Current Year	Previous Year
<b>C. Cash Flow arising from Financing Activities</b>			
Inflow:	a) Increase in long term borrowings	28.22	—
	b) Increase in hire purchase finance	15.19	39.05
	c) Increase in short term borrowings	—	269.89
		43.41	308.94
Outflow:	a) Repayment of long term borrowings	404.45	304.71
	b) Repayment of hire purchase finance	13.84	13.45
	c) Finance costs paid	697.12	655.61
		1,115.41	973.77
Net Cash inflow(outflow) in the course of Financing Activities		(1,072.00)	(664.83)
Net (Decrease)/increase in cash and bank balances (A+B+C)		0.26	0.13
Add: Cash and bank balances at the beginning of the year		3.27	3.14
Cash and bank balances at the close of the year		3.53	3.27

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 : 21st May, 2013

**V. SRINIVASAN**

Chairman of the Meeting

**MURALI VENKATRAMAN**

Vice-Chairman

**CA. S.K. SUBRAMANYAN**

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

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### A. Statement of significant accounting policies

#### (i) Accounting Convention:

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

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

#### (ii) Use of Estimates:

- In the preparation of financial statements, certain estimates and assumptions are made by the management to conform with the generally accepted accounting principles. The actual results could differ from these estimates.
- In case of Trade Receivables, Provision for Bad & Doubtful Debts has been made for receivables

outstanding more than one year after considering the present status and probability of collection.

- In case of Inventories, Provision has been made for non moving inventories more than one year.

#### (iii) Revenue Recognition :

Revenue is recognised as under:

- Sales of products: On despatch of the product to the customers which generally coincides with transfer of ownership. Sales are inclusive of excise duty and net of discounts.
- Sale of services represents commission accrued on orders booked with principals and executed.
- Interest: On a time proportion basis taking into account the amount outstanding and the rate applicable.
- 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 their working condition for intended use.
- b) Capital work-in-progress represents expenditure incurred for new projects/capex under implementation. Resultant expenditure (including borrowing costs, if any) incurred for these projects up to the date of commencement of commercial production have been considered as part of the project cost.

**(v) Depreciation and amortisation expenses:**

Depreciation is charged under straight line method on buildings, plant and machinery, electrical installations and intangible assets and under W.D.V. method on other assets at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956. Premium on leasehold land is amortised over the period of lease.

**(vi) Borrowing Costs :**

The borrowing costs incurred on loans taken for acquisition of qualifying assets are capitalised up to the date of commencement of commercial production/till the asset is ready for its intended use.

**(vii) Investments :**

Non current Investments are stated at cost and current investments are stated at Net Asset Value.

**(viii) Inventories :**

1. Inventories as taken and certified by the Management are valued at "lower of cost and estimated net realisable value" using the following cost formulae:

- a) Raw materials and packing materials : Weighted Average Cost
- b) Store and Spares parts : At cost
- c) Materials in Bond : At cost (exclusive of customs duty)
- d) Finished goods and Work-In-Progress : Material cost plus appropriate share of production overheads
- e) Finished goods are inclusive of applicable excise duty.

2. The items of inventories remaining dormant for more than one year are considered as 'non-moving inventories' and due allowance is made for the same against the closing inventories.

**(ix) Trade Receivables :**

Trade Receivables outstanding for more than one year are reviewed as to their prevailing status and

probability of recovery and necessary provision is made for the receivables which are doubtful of recovery.

**(x) Research and Development :**

Revenue expenditure pertaining to Research and Development is expensed. Capital expenditure is treated as forming part of fixed assets.

**(xi) Foreign Currency Transactions :**

Foreign currency transactions are recorded at the rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at year - end rates. Exchange differences arising on settlement of transactions and translation of monetary items are recognised as income or expense. In respect of liability relating to acquisition of fixed assets loss/gain, if any, arising out of such conversion, is adjusted to the cost of the fixed assets. Depreciation on the revised unamortised depreciable amount is provided prospectively in accordance with Schedule XIV of the Companies Act, 1956.

**(xii) 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.

**(xiii) Segment Reporting :**

The company has identified Reinforced Polypropylene as the only reportable business segment.

**(xiv) Employee Benefit : As per AS 15 (Revised)**

The Company has adopted "Employee Benefits" as per AS 15 (Revised).

**(xv) Related party disclosures :**

The related party relationships and / or transactions with them have been identified in accordance with Accounting Standard (AS 18)

**(xvi) Impairment of Assets :**

The company determines whether there is any indication of impairment of the carrying amount of its assets. The recoverable amount of such assets are estimated, if any indication exist and impairment loss is recognized wherever the carrying amount of the assets exceeds it recoverable amount.

**(xvii) Earnings per share :**

The Paid up share capital of the company consists only of equity shares. The basic and diluted earnings per equity share are disclosed.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

(₹ in Lacs)

As at 31-03-2013

As at 31-03-2012

**Note: 1. Share Capital****Authorised:**

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

**Total**

2,100.00

2,100.00

**Issued, Subscribed and Paid up:**

6,407,204 Equity Shares of ₹ 10/- each fully paid up	640.72	640.72
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**Total**

640.72

640.72

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

Name of the shareholder	As at 31st March 2013		Name of the shareholder	As at 31st March 2012	
	Nos.	% of Holding		Nos.	% of Holding
Mrs. Vidya Srinivasan	1,464,390	22.86	Mrs. Vidya Srinivasan	1,418,390	22.14
Mrs. Vidya Srinivasan & Mr. Murali Srinivasan Venkatraman	932,000	14.55	Mr. Murali Srinivasan Venkatraman	932,300	14.55
Mrs. Vidya Srinivasan & Mr. Narayan Sethuramon	799,700	12.48	Mr. Narayan Sethuramon	800,000	12.49
M/s.Narbod Constructions (P) Ltd.	400,000	6.24	M/s.Narbod Constructions (P) Ltd.	400,000	6.24

- iii) The company bought back in aggregate 118425 number of equity shares during the financial years 2008-2009 and 2009-2010.

**Note: 2. Reserves and Surplus****Capital Reserve:**

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

As per last Balance Sheet	87.09	86.84
(4900) forfeited equity shares cancelled	—	0.25
	87.09	87.09

**Securities Premium Account:**

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

As per last Balance Sheet	41.50	41.50
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**General Reserve:**

As per last Balance Sheet	1,081.26	1,081.26
Add: Transferred during the year	—	—
	1,081.26	1,081.26

(₹ in Lacs)  
As at 31-03-2012

	As at 31-03-2013	As at 31-03-2012
Surplus:		
Opening Balance	104.80	102.32
Add : Profit / (Loss) for the year	(504.83)	2.49
Less : Appropriations		
Transfer to General Reserve	—	—
Transfer to Special General Reserve	—	—
Proposed Dividend	—	—
Tax on Proposed Dividend	—	—
Closing Balance	(400.03)	104.80
<b>Total</b>	<b>1,346.07</b>	<b>1,850.90</b>

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

### Note: 3. Long - term borrowings

a) Rupee Term Loans ( Secured )		
- From Banks	322.30	612.12
b) Hire Purchase finance	29.08	31.25
<b>Total</b>	<b>351.38</b>	<b>643.37</b>

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

- i) ₹ Nil (₹ 25.68 Lacs); between April 2014 to December 2014
- ii) ₹ 181.00 Lacs (₹ 411.00 Lacs); between April 2014 to December 2014
- iii) ₹ 115.44 Lacs (₹ 175.44 Lacs); between April 2014 to March 2016
- iv) ₹ 25.86 Lacs (₹ Nil); between April 2014 to December 2017

Instalments falling due in respect of all the above loans upto 31.03.2014 have been grouped under "Current maturities of long term debt"

#### Details of Security

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

B. Hire purchase finance relating to vehicles are secured by hypothecation of the said vehicles.

### Note: 4. DEFERRED TAX LIABILITIES ( NET )

<b>a) Deferred tax liabilities</b>		
Depreciation on fixed assets	346.88	489.81
<b>b) Deferred tax assets</b>		
Unabsorbed Depreciation	237.81	174.23
Employee benefits	5.41	6.42
Sub Total	243.23	180.65
Net	103.66	309.16

	As at 31-03-2013	(₹ in Lacs) As at 31-03-2012
<b>Note: 5. Other long-term liabilities</b>		
Earnest Money Deposits	26.50	30.50

**Note: 6. Long-term provisions**

Employee benefits	11.14	11.36
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**Note: 7. Short-term borrowings**

From Banks (secured)		
Cash Credit	2,683.35	2,715.49
Buyer's credit arrangement in foreign currency	84.54	501.60
<b>Total</b>	<b>2,767.89</b>	<b>3,217.09</b>

**Security:** Cash credit, Buyers credit and other working capital facilities from banks are secured against hypothecation of inventories (including those lying in the warehouses), book debts, documentary bills and supply bills and collaterally secured by second charge on the present and future fixed assets of the company at Pudukkottai, Puducherry, Jejuri & Manesar.

**Note: 8. Trade payables**

2,507.96	1,462.23
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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.

**Note: 9. Other current liabilities**

(a) Current Maturities of long term debt	297.35	383.76
(b) Current Maturities of other borrowings - HP Liabilities	16.96	13.44
(c) Interest accrued but not due on borrowings	0.48	0.74
(d) Interest accrued and due on borrowings	11.37	13.40
(e) Unpaid Dividends	3.50	4.25
(f) Statutory dues	65.92	67.24
(g) Payable for capital goods	20.32	3.07
(f) Other Payables	249.00	128.67
<b>Total</b>	<b>664.89</b>	<b>614.57</b>

**Note: 10. Short term provisions**

Dividend Payable	—	—
Tax on Distributable Profit	—	—
For expenses	53.59	24.31
<b>Total</b>	<b>53.59</b>	<b>24.31</b>

The Company received a notice from the labour department, Government of Puducherry seeking reasons as to why the settlement towards backwages and bonus entitlements to certain ex workers of the Puducherry plant of the company in respect of industrial disputes raised by them consequent to the closure of operations of the Puducherry plant in 2002, should not be recovered as arrears of land revenue. Though the company has taken up this matter with the Higher authorities, by way of prudence, a lumpsum provision of ₹ 41.60 lacs has been made under "Short Term Provisions".

**Note: 11. FIXED ASSETS**

(₹ in Lacs)

DESCRIPTION OF ASSET	GROSS BLOCK			DEPRECIATION / AMORTISATION				NET BLOCK		
	As at 01-04-2012	Additions	Deletions / Adjustments	As at 31-03-2013	Upto 01-04-2012	For the year	On Withdrawals	Upto 31-03-2013	As at 31-03-2013	As at 31-03-2012
(a) Tangible Assets										
Land - Freehold	20.94	24.62	13.95	31.62	—	—	—	—	31.62	20.94
Lease hold	37.11	—	—	37.11	1.82	0.36	—	2.18	34.93	35.30
Buildings	1,169.12	7.75	—	1,176.86	253.42	38.65	—	292.07	884.79	915.70
Plant, Machinery and equipments	3,506.67	204.03	600.74	3,109.97	1,670.79	213.59	230.30	1,654.08	1,455.88	1,835.88
Furniture & Fixtures	76.15	17.06	1.02	92.19	41.09	5.91	0.91	46.10	46.09	35.05
Vehicles	74.71	13.47	0.35	87.83	26.78	11.47	0.29	37.96	49.86	47.93
Office equipments	52.36	8.51	0.46	60.41	26.88	3.60	0.35	30.13	30.28	25.49
Computer systems	83.85	4.14	0.30	87.68	71.63	4.93	0.30	76.27	11.42	12.22
Total	5,020.92	279.58	616.83	4,683.67	2,092.40	278.52	232.14	2,138.80	2,544.87	2,928.51
(b) Intangible Assets										
Computer Software	77.99	3.29	—	81.27	68.33	3.32	—	71.65	9.62	9.66
Total	77.99	3.29	—	81.27	68.33	3.32	—	71.65	9.62	9.66
(c) Capital work-in-progress	32.94	—	6.97	25.97	—	—	—	—	25.97	32.94
<b>GRAND TOTAL</b>	<b>5,131.85</b>	<b>282.87</b>	<b>623.80</b>	<b>4,790.91</b>	<b>2,160.73</b>	<b>281.85</b>	<b>232.14</b>	<b>2,210.45</b>	<b>2,580.46</b>	<b>2,971.10</b>
Previous Year's Total	5,262.20	147.22	277.57	5,131.85	2,104.45	267.94	211.66	2,160.73	2,971.09	3,157.33

Note :

- A) Capital Work In Progress includes ₹ 23.25 lacs being the lease amount paid to WBIDC for the lease hold land at Singhur. The possible consequential impact on the valuation of the asset is yet to quantified.
- B) Consequent to the shutting down of the operations of the pultrusion division, some of the assets were sold and certain other assets were put to use in the other division. The asset not being able to be put to use, book value of the assets amounting to ₹ 21.61 lacs is considered as "Impairment of Assets" and provided accordingly.



	As at 31-03-2013	(₹ in Lacs) As at 31-03-2012
<b>Note: 12.Non - Current Investments</b>		
Equity Instruments at cost (Non trade - unquoted)		
(42,000) Equity Shares of ₹ 10/- each fully paid up in S&S Minerals (P) Limited	—	4.20
Aggregate amount	<u>—</u>	<u>4.20</u>

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

(a) Capital Advances	8.88	4.18
(b) Security Deposits	77.34	56.03
(c) Bank Deposits*	14.40	18.05
(d) Others	7.75	8.56
Total	<u>108.37</u>	<u>86.82</u>

\*Represents Cash and cash equivalents restricted from being exchanged or used to settle a liability for more than 12 months from the balance sheet date and are under lien to the company's bankers.

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

453047.041 (423990.729) units of ₹ 10 each

'HDFC Cash Management Fund'	45.45	42.53
<b>Aggregate amount (NAV)</b>	<u>45.45</u>	<u>42.53</u>

**Note: 15.Inventories**

Raw & Packing Materials	755.82	1,078.26
Raw Materials in Transit	169.63	140.06
Materials in Bond	272.25	19.82
Work-In-Progress	34.53	48.54
Finished Goods	611.00	441.73
Stores and Spares	73.19	95.42
	<u>1,916.42</u>	<u>1,823.83</u>

For mode of valuation refer annexure I (viii)

	As at 31-03-2013	(₹ in Lacs) As at 31-03-2012
<b>Note: 16. Trade Receivables ( Unsecured )</b>		
Outstanding for a period exceeding six months from the date due for payment		
Considered good	39.48	43.36
Considered doubtful	27.46	32.15
	66.94	75.51
Less: Provision for Doubtful Debts	27.46	32.15
Sub-total	39.48	43.36
Outstanding for a period of less than six months from the date due for payment		
Considered good	3,309.72	3,412.30
Considered doubtful	24.43	—
	3,334.15	3,412.30
Less: Provision for Doubtful Debts	24.43	—
Sub-total	3,309.72	3,412.30
Total	3,349.20	3,455.66

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

i) Cash and Cash equivalents		
a) Balances with Banks	3.01	2.32
b) Cash on hand	0.52	0.95
Sub total	3.53	3.27
ii) Other Bank Balances		
a) Unpaid Dividend accounts	3.50	4.25
b) Deposit accounts*	72.30	46.73
Sub total	75.80	50.98
Total	79.33	54.25

Note:

\*Deposit accounts are under lien to the company's bankers.

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

Balance with Central Excise department etc.,	91.93	98.37
Advance Tax (Net of provisions)	42.11	41.89
Others (Prepaid exp, Claims receivable etc.,)	260.53	225.56
Total	394.57	365.82

	Year ended 31-03-2013	(₹ in Lacs) Year ended 31-03-2012
<b>Note: 19. Revenue from operations (Gross)</b>		
(a) Sale of products	17,566.36	16,470.48
(b) Sale of services	68.02	69.00
Total Revenue from operations	<u>17,634.38</u>	<u>16,539.48</u>

**Note: 20. Other Income**

Interest Income	9.46	8.74
Income from current investments		
Dividend income	2.92	2.57
Profit on sale of fixed assets	71.25	1.78
Others	—	1.28
Total	<u>83.63</u>	<u>14.36</u>

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

Inventory at the beginning of the Year	1,238.14	1,359.84
Add: Purchases	13,595.93	11,877.29
	<u>14,834.07</u>	<u>13,237.13</u>
Less: Inventory at the end of the year	1,197.70	1,238.14
Cost of Raw Material consumed	<u>13,636.37</u>	<u>11,998.99</u>

**Imported and indigenous raw materials consumed**

	%		%	
Imported	23.65	3,225.51	24.62	2,957.30
Indigenous	76.35	10,410.87	75.38	9,041.69
Total	100.00	<u>13,636.37</u>	100.00	<u>11,998.99</u>

**Details of raw materials consumed**

Polymers	10,559.76	9,389.21
Others	3,076.61	2,609.78
Total	<u>13,636.37</u>	<u>11,998.99</u>

	Year ended 31-03-2013	(₹ in Lacs) Year ended 31-03-2012
<b>Note: 22. Purchase of stock - in - trade</b>		
Masterbatches	0.00	77.77
Total	<u>0.00</u>	<u>77.77</u>

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

Opening Stock		
Finished Goods	393.08	587.99
Work - in - Progress	48.54	27.79
	<u>441.62</u>	<u>615.79</u>
Closing Stock		
Finished Goods	543.75	393.08
Work - in - Progress	34.53	48.54
	<u>578.28</u>	<u>441.62</u>
Changes in Inventories	(136.66)	174.17
Add: Variation in Excise duty on Opening and Closing Stock of Finished Goods	(18.61)	12.08
Total	<u>(155.26)</u>	<u>186.25</u>

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

Salaries, Wages, Bonus and compensated absences	613.53	564.16
Contributions to:		
Provident, ESI, Super annuation and Gratuity funds	35.18	40.44
Staff Welfare Expenses	45.62	49.96
Total	<u>694.33</u>	<u>654.56</u>

**Note. 25. Finance costs**

Interest	596.05	565.18
Other borrowing costs	30.20	12.10
Loss in foreign currency transactions / translation	70.86	78.33
	<u>697.12</u>	<u>655.61</u>

	Year ended 31-03-2013		(₹ in Lacs) Year ended 31-03-2012	
<b>Note: 26. Other Expenses</b>				
Consumption of stores and spare parts*		86.74		90.97
Power and fuel **		279.02		241.86
Rent		24.44		26.90
Insurance		27.03		23.74
Repairs and Maintenance				
Buildings		9.86		9.46
Plant and Machinery		40.13		32.04
Others assets (excluding electrical installations)		56.88		60.13
Rates and Taxes		9.97		13.04
Travelling and Conveyance		86.61		80.80
Professional & Consultancy Charges		87.79		38.09
Freight Outwards		337.45		318.14
Research and Development		33.02		44.44
Loss on sale / discard of fixed assets		6.99		24.81
Miscellaneous Expenses		211.57		192.36
		<u>1,297.50</u>		<u>1,196.78</u>
* Consumption of stores and spare parts	%		%	
Imported	1.63	1.41	17.82	16.21
Indigenous	98.37	85.33	82.18	74.76
	100.00	<u>86.74</u>	100.00	<u>90.97</u>

\*\* Power charges is net of ₹ 80.85 (₹ 89.19) being nominal value of power generated by the Wind Energy Generators located at Tirunelveli.

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

a) Letters of credit	457.07	452.19
b) Letters of guarantee	6.62	6.62
c) Commitment on capital accounts	1.54	4.61
d) Customs duty on materials-in-bond	15.72	2.11
e) Custom duty disputed in appeals	26.78	26.78
f) Income Tax disputed in appeals	61.54	16.94
g) Sales Tax disputed in appeals	12.75	—
h) Excise duty & Service Tax disputed in appeals	14.96	12.58

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

a) Statutory audit	1.50	1.40
b) Certification and taxation matters	0.65	0.50
c) Tax audit	0.35	0.35
	<u>2.50</u>	<u>2.25</u>

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

	Gratuity		Leave Encashment	
	Current Year	Previous Year	Current Year	Previous Year
<b>a) Reconciliation of present value of obligations</b>				
Present value of the obligation as at the beginning of the year	42.63	44.17	11.40	10.87
Interest Cost	3.41	3.53	0.91	0.87
Current Service Cost	4.78	4.62	0.40	0.44
Benefits Paid	11.08	10.01	—	2.04
Actuarial (Gain) / Loss on obligation	3.79	0.32	0.07	1.26
Present value of the obligation as at the end of the year	43.53	42.63	12.78	11.40
<b>b) Fund movements</b>				
Fair value of plan assets as at the beginning of the year	46.64	47.21	12.49	12.20
Expected return on plan assets	4.05	4.00	1.16	1.09
Contributions	5.31	5.43	0.29	1.24
Benefits Paid	11.08	10.01	—	2.04
Actuarial Gain / (Loss) on planned assets	—	—	—	—
Fair value of plan assets as at the end of the year	44.93	46.64	13.94	12.49
<b>c) Amounts recognised in Balance Sheet</b>				
Present value of the obligation at the end of the year	43.53	42.63	12.78	11.40
Fair value of the plan assets	44.93	46.64	13.94	12.49
Funded status of the plan assets	1.39	4.00	1.16	1.09
<b>Net Asset recognised in the Balance Sheet</b>	<b>1.39</b>	<b>4.00</b>	<b>1.16</b>	<b>1.09</b>
<b>d) Cost for the period recognised in the P&amp;L a/c</b>				
Current Service Cost	4.78	4.62	0.40	0.44
Interest Cost	3.41	3.53	0.91	0.87
Expected return on plan assets	4.05	4.00	1.16	1.09
Net actuarial loss recognised in the year	3.79	0.32	0.07	1.26
<b>(Income)/Expense recognised in the statement of profit and loss relating to current year</b>	<b>7.93</b>	<b>4.46</b>	<b>0.23</b>	<b>1.48</b>
<b>e) Actuarial assumptions</b>				
Discount rate	8.00%	8.00%	8.00%	8.00%
Salary escalation	5.00%	5.00%	5.00%	5.00%
Rate of Return on Plan Assets	9.50%	9.50%	9.50%	9.50%
Resignations Rate (Per Annum)	2.50%	2.50%	2.50%	2.50%
Income / Expenses Recognised as per AS 15 (Revised)	2.61	(0.97)	(0.06)	0.24

**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) Both the Group Gratuity and the Superannuation Fund respectively have been constituted through Hydro S & S Employees Group Gratuity Trust and Hydro S & S Employee Superannuation Trust in which two of the Company's directors are Trustees.
- (e) Leave encashment is provided as per the Company's policies and is expensed as under :
  1. The leave accumulation upto 60 days is funded through a policy with LIC of India.
  2. The encashment of leave accumulated beyond 60 days is borne by the company.
  3. Any difference arising out of actuarial valuation is expensed.

**Note: 30. Related Party Disclosures:**

**(i) Related parties : Names & Descriptions**

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

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

(₹ in Lacs)

Description	Key Management Personnel	Associates	Others
Purchase of asset	—	22.21	—
Payments for services rendered	—	1.50	1.20
Remuneration	22.46	—	—
Sitting fees	—	—	0.93
Outstanding (from/to) as at 31.03.2013	Nil	Nil	Nil

(₹ in Lacs)

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

	Current Year	Previous Year
(i) Raw materials	3,224.38	2,896.93
(ii) Capital goods & Spares	1.30	52.60

**Note: 32. Expenditure in Foreign Currency during the year**

(i) Travelling expenses	11.12	11.19
(ii) Testing charges	6.65	5.77
(iii) Interest paid to Banks	13.27	15.70

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

The amount of exchange differences (Gains) included in the net (loss) profit for the year	3.67	8.06
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**Note: 34. Earnings in Foreign Currency**

FOB value of goods exported	23.30	7.57
Commission received	64.37	65.63

**Note: 35. Earnings Per Share**

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

	31-Mar-13 Amount ₹	31-Mar-12 Amount ₹
Nominal Value of share (₹)	10.00	10.00
Net profit after Taxes	(505)	2.49
Weighted average number of shares	6,407,204	6,407,204
Basic and diluted earnings per share (₹)	(7.88)	0.04

**Note: 36.** Previous year's figures (including those given within brackets) have been regrouped / reclassified wherever necessary to correspond to the current year's classification / disclosure. Figures in the financial statements have been shown ₹ in lacs except per share data.






**Hydro S & S Industries Limited**  
**(A Kingfa Group Company)**

Regd. Office : Dhun Building, III Floor, 827, Anna Salai,  
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Phone : 044 – 28521736 (4 Lines) Fax : 044 – 28520420  
Works : Pudukkottai, Puducherry, Pune & Manesar

FORM A  
ANNUAL AUDIT REPORT

1.	Name of the Company	Hydro S & S Industries Limited
2.	Annual financial statements for the year ended	31 <sup>st</sup> March, 2013
3.	Type of Audit observation	Un-qualified / Matter of Emphasis - Nil
4.	Frequency of observation	Whether appeared first time .... / Repetitive .... / Since how long period .... - Not Applicable
5.	Signed by  Auditor of the Company	<b>For P. SRINIVASAN &amp; Co.,</b> Chartered Accountants   <b>P. SRINIVASAN</b> Partner 