

Hydro S & S

Draft Letter of Offer
For equity shareholders of our company

HYDRO S&S INDUSTRIES LIMITED

(A **KINGFA** Group Company)

Our Company was incorporated as 'S & S Filled Fibers Limited' under the provisions of the Companies Act, 1956 vide Certificate of Incorporation dated November 10, 1983, issued by the Registrar of Companies, Chennai, Tamil Nadu. The name of Company was changed to 'Hydro S & S Industries Limited' and the Company received certificate of change of name dated October 17, 1989. The Corporate Identification Number (CIN) of Company is L25209TN1983PLC010438. For further details, please see section "History and Other Corporate Matters" on page 86 of this Draft Letter of Offer.

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Contact Person: Mr. S.K. Subramanyan, Company Secretary and Compliance Officer

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PROMOTER OF THE COMPANY: KINGFA SCI. & TECH. CO., LTD.

FOR PRIVATE CIRCULATION TO THE EQUITY SHAREHOLDERS OF OUR COMPANY ONLY

ISSUE OF [●] EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH AT A PRICE OF ₹ [●] (INCLUDING PREMIUM OF ₹ [●] PER EQUITY SHARE) FOR AN AMOUNT AGGREGATING UPTO ₹ 10,000 LACS ON A RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF HYDRO S&S INDUSTRIES LIMITED ("THE COMPANY" OR THE "ISSUER") IN THE RATIO OF [●] EQUITY SHARE FOR EVERY [●] FULLY PAID-UP EQUITY SHARE(S) HELD (I.E., [●]) BY THE EXISTING EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS ON [●], 2015 (THE "ISSUE").

THE ISSUE PRICE IS [●] TIMES THE FACE VALUE OF ₹ 10/- EACH.

FOR FURTHER DETAILS, PLEASE SEE "TERMS OF THE ISSUE" ON PAGE 170 OF THIS DRAFT LETTER OF OFFER.

GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, Investors must rely on their own examination of our Company and the Issue including the risks involved. The securities being offered in the Issue have not been recommended or approved by Securities and Exchange Board of India (the "SEBI") nor does SEBI guarantee the accuracy or adequacy of this Draft Letter of Offer. **Investors are advised to refer to the "Risk Factors" on page 9 of this Draft Letter of Offer before making an investment in the Issue.**

ISSUER'S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Letter of Offer contains all information with regard to our Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Letter of Offer as a whole, or any of such information or the expression of any such opinions or intentions, misleading in any material respect.

LISTING

The existing equity shares of our Company are listed on BSE Ltd. ("BSE"). We have received "in-principle" approval from BSE for listing the equity shares arising from the Issue vide its letter dated [●]. For the purposes of the Rights Issue, the Designated Stock Exchange is BSE.

LEAD MANAGER TO THE ISSUE

REGISTRAR TO THE ISSUE

KEYNOTE



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SEBI Registration No.: INM 000003606

M/s. Integrated Enterprises (India) Limited

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SEBI Registration No.: INR000000544

ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS	ISSUE CLOSES ON
[●]	[●]	[●]

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

Definitions

In this Draft Letter of Offer, unless the context otherwise requires, the terms defined and abbreviations expanded herein below shall have the same meaning as stated in this section.

In this Draft Letter of Offer, unless otherwise indicated or the context otherwise requires, all references to “Hydro S&S Industries Limited”, “Hydro S&S”, “HSSIL”, the/our “Company”, “we”, “our”, “us” or similar terms are to Hydro S&S Industries Limited or, as the context requires, and references to “you” are to the equity shareholders and/ or prospective investors in the Equity Shares.

Conventional/ General Terms

Term	Description
Companies Act	The Companies Act, 2013 and rules issued thereunder, as amended
Depositories Act	The Depositories Act, 1996 and amendments thereto
Erstwhile Companies Act	The Companies Act, 1956, which has been repealed and replaced by the New Companies Act
EPS	Earnings Per Share
IT Act	The Income Tax Act, 1961 and amendments thereto
Indian GAAP	Generally Accepted Accounting Principles In India
NAV	Net Asset Value per share
PAT	Profit After Tax
RONW	Return on Net Worth
SEBI Act, 1992	Securities and Exchange Board of India Act, 1992 and amendments thereto
SEBI Regulations/ SEBI ICDR Regulations	The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and amendments thereto
Securities Act	United States Securities Act of 1933, as amended
Takeover Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and amendments thereto
Wealth Tax Act	The Wealth Tax Act, 1957 and amendments thereto.

Issue related terms

Term	Description
Abridged Letter of Offer	The abridged letter of offer to be sent to the Equity Shareholders as on the Record Date with respect to this Issue in accordance with SEBI Regulations
Allotment	Unless the context requires, the allotment of Equity Shares pursuant to the Issue
Allottees	Persons to whom Equity Shares are issued pursuant to the Issue
Application Supported by Blocked Amount/ ASBA	The application (whether physical or electronic) used compulsorily by QIB and those investors who have applied for Equity Shares for a cumulative amount of more than ₹ 2 lacs and optionally by Retail Individual Investors to make an application authorizing the SCSB to block the amount payable on application in their specified bank account
ASBA Account	Account maintained with a SCSB which will be blocked by such SCSB to the extent of the appropriate amount in relation to an application by an ASBA Investor
ASBA Investor	An investor (either Equity Shareholder or Renouncee) who is intending to subscribe the Equity Shares of our Company under this Issue applying through blocking of funds in a bank account maintained with SCSBs.
	All QIBs and Non-Institutional Investors, complying with the above

Term	Description
	conditions, must mandatorily invest through the ASBA process. All Retail Individual Investors complying with the above conditions may optionally apply through the ASBA process
Banker to the Company	Citi Bank N.A.
Bankers to the Issue	[●]
Composite Application Form / CAF/ Application Form/ Application	The form used by an Investor to make an application for the Allotment of Equity Shares in the Issue
Consolidated Certificate	In case of holding of Equity Shares in physical form, the certificate that our Company would issue for the Equity Shares Allotted to one folio
Controlling Branches of the SCSBs	Such branches of the SCSBs which coordinate with the Lead Manager, the Registrar to the Issue and the Stock Exchanges, a list of which is available on http://www.sebi.gov.in/pmd/scsb.html
Designated Stock Exchange	Bombay Stock Exchange Limited or BSE
Draft Letter of Offer/ DLOF	The Draft Letter of Offer dated [●] filed with SEBI for its observations.
NECS	National Electronic Clearing Services
Equity Share(s) or Share(s)	Equity shares of our Company having a face value of ₹ 10 each unless otherwise specified in the context thereof
Equity Shareholder / Shareholder	Means a holder of Equity Shares of our Company
Financial Year/ Fiscal/ Fiscal Year/ FY	Any period of twelve months ended March 31 of that particular year, unless otherwise stated.
Issue/ Rights Issue	Issue of [●] Equity Shares with a face value of ₹ 10 each at a premium of ₹ [●] per Equity Share for an amount aggregating upto ₹10,000 lacs on a rights basis to the existing Equity Shareholders in the ratio of [●] Equity Share for every [●] fully paid-up Equity Share(s) held (i.e., [●]) by the existing Equity Shareholders on the Record Date. The issue price is [●] times the face value of the Equity Shares.
Investor(s)	Equity Shareholders as on Record Date and/or Renouncees applying in the Issue.
Issue Closing Date	[●]
Issue Opening Date	[●]
Issue Price	₹ [●] per Equity Share.
Issue Proceeds	The proceeds of the Issue that are available to our Company
Issue Size	The issue of [●] Equity Shares for an amount aggregating to ₹ 10,000 lacs
Lead Manager/ LM	Keynote Corporate Services Limited
Letter of Offer	The final letter of offer to be filed with the Stock Exchange after incorporating the observations received from the SEBI on the Draft Letter of Offer
Listing Agreement	The listing agreements entered into between our Company and the Stock Exchange
MSE	Madras Stock Exchange Limited
MICR	Magnetic Ink Character Recognition.
Non Institutional Investors	All Investors including sub-accounts of FIIs/ FPIs registered with SEBI, which are foreign corporate or foreign individuals, that are not QIBs or Retail Individual Investors and who have applied for Equity Shares for a cumulative amount more than ₹ 2 lacs
Promoter	The Promoter of our Company, being M/s. Kingfa Sci. & Tech. Co., Limited, having its registered office at No. 33 Ke Feng Road Scientific Centre, Guangzhou Hi-tech Industrial Development Zone, Guangzhou City, China.
Promoter Group	Unless the context requires otherwise, the entities forming part of the promoter group in accordance with the SEBI Regulations and which are

Term	Description
	disclosed by our Company to the Stock Exchanges from time to time
Offer Document	Means Draft Letter of Offer/ Letter of Offer/ Abridged Letter of Offer
QIBs or Qualified Institutional Buyers	Qualified institutional buyers as defined under Regulation 2(1)(zd) of the SEBI (ICDR) Regulations, 2009.
Record Date	[●]
Refund through electronic transfer of funds	Refunds through NECS, Direct Credit, RTGS, NEFT or ASBA process, as applicable
Registrar of Companies/ RoC	The Registrar of Companies, Chennai, Tamil Nadu: Block No.6,B Wing 2nd Floor, Shastri Bhawan 26, Haddows Road, Chennai - 600034
Registrar to the Issue	M/s. Integrated Enterprises (India) Limited
Renouncees	Any persons who have acquired Rights Entitlements from the Equity Shareholders through renunciation
Retail Individual Investors	Individual Investors who have applied for Equity Shares for an amount not more than ₹ 2 lacs (including HUFs applying through their Karta)
Rights Entitlement	The number of Equity Shares that an Investor is entitled to in proportion to the number of Equity Shares held by the Investor on the Record Date
RTGS	Real Time Gross Settlement
SAF(s)	Split Application Form(s)
SCSB(s)	A Self Certified Syndicate Bank registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers the facility of ASBA, including blocking of bank account. A list of all SCSBs is available at http://www.sebi.gov.in

Company Related and Industry Related Terms

Term	Description
ABS	Acrylonitrile Butadiene Styrene
Articles/ Articles of Association/ AoA	The articles of association of our Company, as amended
Air Act	Air (Prevention and Control of Pollution) Act, 1981
Auditor	M/s. P. Srinivasan & Co., our statutory auditors
Board/ Board of Directors	Board of Directors of our Company including any committees thereof.
BIFR	Board for Industrial and Financial Reconstruction
CFL	Compact Fluorescent Lamp
DG Sets	Diesel Generator Sets
KVA	KiloVolt Ampere
LED	Light-emitting Diode
MTPA	Metric Tonnes Per Annum
Memorandum/Memorandum of Association/ MOA/ MoA	The memorandum of association of our Company, as amended
NOC	No Objection Certificate
OEM	Original Equipment Manufacturer
PA	Polyamide
PBT	Polybutylene terephthalate
PMMA	Poly (methyl methacrylate)
PP	Polypropylene
TPA	Tonnes Per Annum
Water Act	Water (Prevention and Control of Pollution) Act, 1974

Abbreviations

Term	Description
ADR	American Depository Receipt
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
CIPET	Central Institute of Plastics Engineering & Technology
DIN	Director Identification Number
DP	Depository Participant
DR	Depository Receipts
EGM	Extraordinary General Meeting
ESDM	Electronic system design and manufacturing
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws.
FIPB	Foreign Investment Promotion Board
FPIs	Foreign Portfolio Investors
GDR	Global Depository Receipt
HKD	Hong Kong Dollar
HUF	Hindu Undivided Family
ICD	Inter Corporate Deposits
ICL	Inter Corporate Loans
ICPE	Indian Centre for Plastics in the Environment
ISIN	International Securities Identification Number
IT	Information Technology
JV	Joint Venture
Ltd	Limited
MSE	Madras Stock Exchange Limited
NAV	Net Asset Value
NR	Non Resident
NRI(s)	Non Resident Indian(s)
NSDL	National Securities Depository Limited
OCB	Overseas Corporate Body
PAN	Permanent Account Number
PBT	Profit Before Tax
PCPIR	Petroleum, Chemicals, Petrochemicals Investment Regions
PLR	Prime Lending Rate
PVT/ Pvt	Private
RBI	Reserve Bank of India
Regulation S	Regulation S of the U.S. Securities Act of 1933, as amended
Re./₹/Rupees/INR/ ₹	Indian Rupees
RMB	Renminb
SCORES	SEBI Complaints Redress System
SEBI	Securities and Exchange Board of India
Stock Exchange	BSE
STT	Securities Transaction Tax
TP Act	The Transfer of Property Act, 1882

NOTICE TO OVERSEAS SHAREHOLDERS

The rights and the securities of our Company have not been and will not be registered under the Securities Act, or any U.S. state securities laws and may not be offered, sold, resold or otherwise transferred within the United States of America or the territories or possessions thereof (the “United States” or “U.S.”), except in a transaction exempt from the registration requirements of the Securities Act. The rights referred to in the Draft Letter of Offer are being offered in India, but not in the United States. The offering to which the Draft Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or rights for sale in the United States or as a solicitation therein of an offer to buy any of the said Equity Shares or rights. Accordingly, the Letter of Offer or Abridged Letter of Offer and the enclosed CAF should not be forwarded to or transmitted in or into the United States at any time.

Neither our Company nor any person acting on behalf of our Company will accept subscriptions or renunciation from any person, or the agent of any person, who appears to be, or who our Company or any person acting on behalf of our Company has reason to believe is in the United States when the buy order is made. Envelopes containing a CAF should not be postmarked in the United States or otherwise dispatched from the United States or any other jurisdiction where it would be illegal to make an offer, and all persons subscribing for the Equity Shares and wishing to hold such Equity Shares in registered form must provide an address for registration of the Equity Shares in India. Our Company is making the issue of Equity Shares on a rights basis to Equity Shareholders of our Company on the Record Date and the Letter of Offer and CAF will be dispatched only to Equity Shareholders who have an Indian address. Any person who acquires rights and the Equity Shares will be deemed to have declared, represented, warranted and agreed, (i) that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States when the buy order is made, (ii) it does not have a registered address (and is not otherwise located) in the United States, and (iii) it is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations.

Our Company reserves the right to treat as invalid any CAF which: (i) does not include the certification set out in the CAF to the effect that the subscriber does not have a registered address (and is not otherwise located) in the United States and is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations; (ii) appears to our Company or its agents to have been executed in or dispatched from the United States; (iii) where a registered Indian address is not provided; or (iv) where our Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements; and our Company shall not be bound to allot or issue any Equity Shares or Rights Entitlement in respect of any such CAF.

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA AND CURRENCY OF PRESENTATION

In this Draft Letter of Offer, unless otherwise indicated or the context otherwise requires, all references to “Hydro S&S Industries Limited”, “Hydro S&S”, “HSSIL”, the/our “Company”, “we”, “our”, “us” or similar terms are to Hydro S&S Industries Limited or, as the context requires, and references to “you” are to the prospective investors in the Equity Shares.

Unless stated otherwise, the financial data in this Draft Letter of Offer is derived from the audited financial information of our Company which has been prepared in accordance with Indian GAAP and are included in the Draft Letter of Offer. The financial year of our Company commences on April 1 and ends on March 31.

In this Draft Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures.

Unless stated otherwise, industry data used throughout this Draft Letter of Offer has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Draft Letter of Offer is reliable, it has not been independently verified.

Currency of Presentation

All references in the Draft Letter of Offer to “Rupees”, “Rs.”, “₹”, “Indian Rupees” and “INR” are to Indian Rupees, the official currency of the Republic of India. All references to “U.S.\$”, “U.S. Dollar”, “USD” or “\$” are to United States Dollars, the official currency of the United States of America.

Please Note:

One million is equal to 1,000,000/10 lacs;
One billion is equal to 1,000 million/100 crores;
One lac is equal to 100 thousand;
One crore is equal to 10 million/100 lacs

Conversion rate considered for disclosing/ converting the financial data of the promoter and also the group Companies is as on December 31 of the respective year ends, which are as mentioned under:

- 1 RMB = ₹ 10.1808118763 (2014)
- 1 RMB = ₹ 10.2179251801 (2013)
- 1 RMB = ₹ 8.8025064656 (2012)
- 1 RMB = ₹ 8.4298556969 (2011)

(Source: www.xe.com)

Fluctuations in the exchange rate between the Rupee and the U.S. Dollar will affect the U.S. Dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. Dollars of any cash dividends paid in Rupees on the Equity Shares.

FORWARD LOOKING STATEMENTS

We have included statements in this Draft Letter of Offer which contain words or phrases such as “will”, “may”, “aim”, “is likely to result”, “believe”, “expect”, “continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “pursue” and similar expressions or variations of such expressions, that are “forward looking statements”.

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- General economic conditions
- Changes in political and social conditions in India
- The outcome of legal or regulatory proceedings that we are or might become involved in
- Contingent liabilities, environmental problems and uninsured losses
- Increasing competition in the industry;
- Developments affecting the Indian economy
- Changes in laws and regulations that apply to the industry
- Uncertainty in global financial markets

For a further discussion of factors that could cause the actual results to differ, see “Risk Factors” on page 9 of this Draft Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor the Lead Manager nor any of their respective affiliates or advisors have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI and Stock Exchange’ requirements, our Company and Lead Manager shall ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchange.

SECTION II – RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Draft Letter of Offer, including the risks and uncertainties described below, before making an investment in the Equity Shares. The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However there are a few risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors. The ordering of the risk factors has been done based on materiality and does not in any manner indicate the importance of one risk factor over the other. To obtain a complete understanding, you should read this section in conjunction with the chapters titled “Business Overview”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the section titled “Financial Information” on page 68,144 and 199 respectively as well as the other financial and statistical information contained in this Draft Letter of Offer.

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The Equity Shares have not been recommended or approved by SEBI nor does SEBI guarantee the accuracy or adequacy of this Draft Letter of Offer.

The occurrence of any of the following events could have a material adverse effect on our business, results of operations, financial condition and prospects and cause the market price of the Equity Shares to fall significantly, and you may lose all or part of your investment. Additionally, our business operations could also be affected by additional factors that are not presently known to us or that we currently consider as immaterial to our operations. The following factors have been considered for determining the materiality:

- 1. Some events may not be material individually but may be found material collectively;*
- 2. Some events may have material impact qualitatively instead of quantitatively;*
- 3. Some events may not be material at present but may have material impact in future.*

RISKS ASSOCIATED WITH OUR BUSINESS

- 1. Our Company is currently involved in certain litigations/disputes and any adverse decision in such proceedings may have a material adverse effect on the financial condition.**

Our Company is involved in certain litigations that are civil in nature. There are outstanding litigations against our company that includes income-tax, central excise, service tax, Tamil Nadu General Sales tax Act, 1959, Customs Act, 1962 cases relating to show cause cum demand notices and a legal notice from Industrial Tribunal. These notices have been contested by us. We can give no assurance that these litigations will be decided in favour of our Company. Any adverse outcome in any or all of these proceedings may have a material adverse effect on our business, results of operations and financial condition. A summary of litigations are as follows:

Category	No of proceedings	Amount (₹ in Lacs)
Labour related	1	52.66
Land related	1	Not quantifiable
Custom duty disputed in appeals	1	26.78
Income Tax disputed in appeals	5	45.03
Sales Tax disputed in appeals	5	12.04
Excise duty & Service Tax disputed in appeals	10	15.34

For further information relating to these proceedings, please see the section titled “Outstanding Litigations and Defaults” on page 152.

2. Contingent liabilities, not provided for, could affect our financial condition.

The contingent liabilities not provided for as on December 31, 2014 are as follows:

Particulars	Amount (₹ In lacs)
Letters of credit	20.97
Letters of guarantee	7.37
Commitment on capital accounts	134.31
Customs duty on materials-in-bond	45.32
Custom duty disputed in appeals	26.78
Income Tax disputed in appeals	52.06
Sales Tax disputed in appeals	12.75
Excise duty & Service Tax disputed in appeals	15.05
Total	314.61

In the event, any of the above contingent liabilities materialize it may have an effect on our financial condition and future financial performance.

3. Our Company has experienced negative cash flows.

Our Company has experienced negative cash flows, the details of which are summarized below:

Particulars	(₹ in lacs)					
	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
Net cash from Operating Activities	(558.23)	(2,428.86)	882.63	760.44	(137.05)	561.16
Net cash from Investing Activities	(226.96)	(70.18)	189.63	(95.48)	(210.52)	(21.74)
Net cash from Financing Activities	817.35	2,511.06	(1,072)	(664.83)	346	(573)

Any negative cash flows in future could adversely affect our company's results of operation and financial condition. For further details please see the section titled "Financial Information" and the chapter titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 119 and 144 respectively.

4. We have incurred losses in past resulting in erosion of fifty percent of the peak net worth. Consequently, our company has notified BIFR in 2014 under SICA. As on March 31, 2014 our outstanding accumulated loss aggregates to ₹1,247.75 lacs.

We have incurred losses in past which has led to a decrease in our Reserves & Surplus from ₹ 1,850.90 Lacs as on March 31, 2012 to ₹ 90.05 Lacs as on December 31, 2014. During the period F.Y.2013 to 2014 our company went through a troubled phase on account of various internal and external factors such as increase in crude prices resulting in delay in realizing dues for customers, further the sales volumes have been flat in 3 years and our company has a thin margin. In the meantime the cost increased, including interest etc. resulting in losses and erosion of fifty percent of our peak networkth during the preceding 5 financial years.

The deteriorating financial health of our company led to notification of the case with BIFR in the year 2014. Subsequently, during the normal course of business our Company's financial health improved. Thereafter our company has initiated steps to induct capital into the company. However, we cannot provide any assurance that Company may make profits in future. There may be various factors which may impact the business operations such as stagnation of demand in the automotive industry, competition resulting in lower demand of our product, non availability of working capital finance or any such other factors

5. ***The unsecured loan availed by our Company from various banks/ financial institutions namely CITI Bank N.A., Chennai and Industrial and Commercial Bank of China Limited, Mumbai Branch maybe recalled at any given point of time.***

Our Company has availed unsecured loans from CITI Bank N.A., Chennai and Industrial and Commercial Bank of China Limited, Mumbai Branch. The total outstanding unsecured loans payable to the aforesaid bankers as on December 31, 2014 amounts to ₹ 6088.95 lacs. These outstanding loans can be recalled at any given point of time during ordinary course of business and thus may affect the business operations and financial performance of our Company.

6. ***We do not have a lease deed for our registered office. Further, the properties located at Pune (Jejuri) and Gurgaon (Manesar) where our manufacturing facilities are located are not owned by us and we have only leasehold rights over it. In the event we lose such rights, our business, financial condition and results of operations could be adversely affected.***

We do not have a lease deed for our registered office. We pay monthly rent of ₹ 1,03,900 *excluding taxes* for our registered office. Further, the properties located at Pune (Jejuri) and Gurgaon (Manesar) where our manufacturing facilities are located are not owned by us. The property located at Pune (Jejuri) has been leased to us by Maharashtra Industrial Development Corporation (MIDC) for a period of 95 years from April 01, 2007. The quantum of lease premium we may be required to pay, post completion of lease period may be higher than the present rate. Further, the property located at Gurgaon (Manesar) has been leased to us by group of individuals. In the event any of the lessors decide to terminate the arrangement, we may suffer a disruption in our operations. Also, in the event, we are required to vacate the premises, we will have to seek a new premises at short notice and for a price that may be much higher than what we are currently paying. This may affect our ability to conduct our business and may lead to an increase in our operating costs.

7. ***Our Project has not been appraised by any Bank or Financial Institution. Any significant deviation in the project cost could adversely impact our operations and sustainability in absence of any independent monitoring agency.***

We have estimated fund raising to the extent of ₹ 10000/- lacs to finance the 'Objects of the Issue' (including expenses to the issue). The proposed project for which the funds are being raised has not been appraised by any Bank or Financial Institution and the fund requirements are based primarily on Management estimates. There is no guarantee that our estimates will prove to be accurate and any significant deviation in the project cost could adversely impact our operations and sustainability in the absence of any independent monitoring agency.

8. ***We are dependent on the performance of the automotive sector in India, particularly the market for four-wheelers, and any adverse changes in the conditions affecting these markets can impact our business, results of operations and financial condition.***

Presently, majority of our products are supplied to the Tier 1 of the OEMs in the automotive industry which increases our dependency on the automotive industry in India, particularly the four-wheeler market. While we are in the process of expanding our operations and cater to industries other than the Automotive industry like appliances (front loading washing machines), air conditioners, LED & CFL lightings and engineering plastic applications in the automotive industry, currently 95% of our revenue comes from the Automotive industry.

Hence, in the event of a decrease in demand for four-wheelers, or any developments that make the sale of components in the four-wheeler market less economically beneficial, we may experience more pronounced effects on our business, results of operations and financial condition. Although we propose to reduce our dependence, our business, results of operations and financial condition have been and will continue to be dependent on the performance of, and the prevailing conditions affecting, the four-wheeler market in India. The automotive market in India may perform differently, and be subject to market and regulatory developments that are dissimilar to the automotive markets in other parts of the world. We cannot assure you that the demand for our products in India will grow, or will not decrease, in the future. The automotive market is affected by, among others, changes in government policies, economic conditions, demographic trends, employment and income levels and interest rates, which may negatively affect the demand for and the valuation of our products. These

and other factors may negatively contribute to changes in the prices of and demand for our products in India and may negatively affect our business, results of operations and financial condition.

9. *Our business is dependent on our key customers & suppliers and the loss of any significant customer or supplier could adversely affect our financial results.*

Our company does not have any contract with customers and the demand of our product is based on the requirements and orders received from them. For the financial year ended March 31, 2014, our top five customers accounted for 47.44 % of our revenue from operations. We cannot assure you that we can maintain the same historical levels of business from these customers or that we will be able to replace these customers in case we loose any of them. The loss of a significant customer or customers would have a material adverse effect on our financial results.

Further, during F.Y.2013-14, approx 42.66% of the value of raw material was procured from Reliance Industries Ltd. Though there are other players in the market who may supply us the required raw material, the availability of the same at acceptable prices may affect production and also have material adverse effect on our financials.

10. *We may require certain approvals, licenses, registrations and permits for our business and the failure to renew or obtain them in a timely manner may adversely affect our operations.*

Applications for certain statutory approvals and/or license that is required for carrying out operations have been made by our Company and the same is still pending with the issuing authorities. In future our company would require renewal of existing licenses and approvals to continue our business operations and also apply for new licenses and approvals as required under the applicable laws from time to time. While we believe that we shall be able to obtain the required licenses and approvals as and when required, there can be no assurance that the relevant authority shall renew the same on timely basis.

Presently, our Company has made an application for obtaining NOC from State Fire Prevention and Safety Act for the Gurgaon Factory and the same is pending for approval. However, our company has been conducting periodic check for fire instruments from independent consultants. In the event there is any fire accident in our Company the insurance companies may deny the claim on account of non-compliance of safety norms. Our Company may also be liable for legal action in this regard.

Further, any delay in issuance of approvals or any non issuance of certain approvals could interrupt our operations and may have an adverse material effect on our business and financial position. For details of licenses and approvals please refer chapter on ‘Government Approvals’ appearing on page 157.

11. *We have in past entered into related party transactions and may continue to do so in future.*

We have, in the course of our business, entered into transactions with related parties including entities forming part of our Promoter and group companies. There can be no assurance that we could not have achieved more favorable terms had such transactions not been entered into with related parties.

Such related party transactions may give rise to potential conflicts of interest with respect to dealings between us and the related parties. Furthermore, it is likely that we will continue to enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations.

For details of related party transactions entered into by us please see “Auditor’s Report – Related Party Transaction” on page 138 of this Draft Letter of Offer.

12. Our promoter and promoter group have promoted ventures that are permitted to carry similar line of business. Any future plans of these companies to enter into the similar line of business may result in conflict of interest.

Our promoter and promoter group and all its subsidiaries are in the similar line of business. Although these companies operate in China, we cannot assure you that they may not enter into India for manufacturing of similar products which may result in direct competition and impact our market share. It may also lead to potential conflict of interest which may favour group companies thus affecting the business operations and financials of our Company.

13. Some of our group companies have made losses in last three financial years

Our Company has twenty six group companies (including our promoter) as on date. Of these, some of the group companies have made net losses during last three financial years. The details of such loss making group companies are as under:

(in million)

Sl. No	Name of Group Company	Year ended December 31, 2014		Year ended December 31, 2013		Year ended December 31, 2012	
		RMB	₹	RMB	₹	RMB	₹
1	Guangzhou KingfaSci& Tech Venture Capital Investment Co., Ltd.	-0.70	-7.13	-0.32	-3.28	-0.30	-2.62
2	Guangzhou Kingfa New Carbon Fiber Material Development Co., Ltd.	-5.55	-56.50	-0.41	-4.23	-	-
3	Guangdong KingfaTechnology Co.,Ltd.	-28.42	-289.34	-1.06	-10.81	-	-
4	Guangzhou KingfaSuyuan New Material Development Co., Ltd.	-0.82	-8.35	-1.29	-13.15	-0.91	-8.04
5	Guangzhou Lesco-Kingfa WPC Technology Co., Ltd.	-14.97	-152.41	-14.37	-146.87	-10.99	-96.78
6	Guangzhou Jinchun Photoelectric New Materials Co.,Ltd.	-0.09	-0.92	-0.01	-0.07	0.003	0.02
7	KunshanKingfa Technology Development Co. Ltd.	0.00	0.00	0.00	-0.02	-	-
8	Guangzhou Dynamic Chemical Materials Co., Ltd.	0.26	2.65	-8.79	-89.77	-1.42	-12.54
9	MianyangDongte Technology Co., Ltd	0.12	1.22	-1.32	-13.53	-1.94	-17.09
10	Zhuhai Wantong Chemical Co., Ltd	-11.74	-119.52	-16.37	-167.31	-17.03	-149.91
11	Foshan NanhaiLesco Building materials Co., Ltd.	-2.62	-26.67	-0.27	-2.77	-0.19	-1.70
12	LESCO Technology Pte Ltd.	-0.67	-6.82	-2.05	-20.99	-0.20	-1.79
13	Jiangsu Kingfa New Material Co.Ltd.	103.76	1056.36	20.52	209.67	-17.27	-151.98
14	Jilin Jingu Fine Chemical Industry Co.,Ltd	0.00	0.00	26.68	272.61	25.72	226.42

For further details about the top five group companies, please refer section Promoter & Promoter Group appearing on page 101 of this Draft Letter of Offer

- 14. *We have not yet placed orders for part of the plant & machinery and equipment requirements for our proposed project; as specified in the Objects of the Issue. Any delay in procurement of plant & machinery, equipment, etc. may delay the implementation schedule which may also lead to increase in prices of these equipments, further affecting our costs, revenue and profitability.***

We propose to purchase plant & machinery worth ₹2802.78 lacs from the proceeds of this Issue. Though we have procured quotations for them, we are yet to place orders for the plant & machinery; as specified in the section 'Objects of the Issue'. Any delay in procurement of plant & machinery, equipment, etc may delay the implementation schedule. We may also be subject to risks on account of inflation in the price of plant & machinery and other equipments that we require. Hence our project could face time and cost over-run which could have an adverse effect on the operations of our Company. Further, our working capital requirements based on proposed expansion have not tied-up. We shall approach the banks for future working capital requirements at an appropriate time after the expansion has been completed.

- 15. *We are dependent on our management team for success whose loss could seriously impair our ability to continue to manage and expand business efficiently. The loss of service of the senior management could impair the ability to continue to manage and expand the business efficiently.***

Our success depends on our ability to retain our senior executives and key management personnel. Our continued success will depend on our ability to attract, recruit and retain a large group of experienced professionals and staff. If any senior executives or key employees were to leave, they may not be easily and quickly replaced. Furthermore, we do not maintain "key person" insurance with respect to any of our personnel. Certain members of our key personnel are, and we expect will continue to be, employed by other Group Companies and there can be no assurance that they will continue to devote a sufficient amount of their time to us and our business. In addition, certain members of our key personnel have joined us, or have been transferred to us from other Group Companies, in the recent past and so have been associated with our Company only for a brief period. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

- 16. *Our manufacturing activities are dependent upon availability of skilled labor. Further, in respect of our plant located at Gurgaon, we rely on contract labor for our manufacturing.***

Our manufacturing activities are dependent on availability of skilled labor. Non-availability of labor and/or any disputes between the labor and the management may affect our business operations. We have 25 skilled workers at our Gurgaon facilities and none of them are on our permanent payrolls. In case we are not able to retain these workers the production at our factory may suffer until we find new skilled workers and train them as per our requirement.

- 17. *Our Promoter and Promoter Group shall continue to exercise significant control over our business which will allow them to determine the outcome of certain matters.***

Our Promoters and Promoter Group viz; M/s Kingfa SCI and Tech Co. Ltd. holds 74.99% of our equity share capital. As a result, they are able to exercise significant control over the matters requiring shareholder approval, including significant corporate structuring exercises such as mergers or demergers, sale of assets, etc. Further, our promoters may take decision which may be in conflict of interest or detrimental to minority shareholders. Our promoter and promoter group have also undertaken to subscribe the undersubscribed portion of the Issue, subject to obtaining any approvals required under applicable law. Under the present applicable regulations, our promoter will be able to subscribe in addition to their entitlement in such a way that their holding, post Rights Issue does not exceed 75% of equity share capital..

- 18. *We are required to have at least one managing director or one whole-time director as per the Companies Act, 2013 else the company and the officers in charge may have to pay a penalty.***

Our company is required to appoint at least one managing director in whose absence a whole-time director under section 269 of Companies Act, 1956 and 196 of the Companies Act, 2013. Our company appointed Mr. Bo Jingen as our managing director and Mr. Xiaohui Wu as a whole-time director at the Board meeting held on 03rd July 2013 subject to the approval of the shareholders and the Central Government, as the appointees were

non-residents. The shareholders approved the appointment at the Annual General meeting held on September 18, 2013. However, the Central Government had not awarded the approval, as the non-residents were not holding employment visa. Our Company re-appointed Mr. Bo Jingen and Mr. Xiaohui Wu as our managing directors and whole-time director, respectively at the Board Meeting held on October 31, 2014 subject to the approval of the shareholders at the ensuing General Meeting and the Central Government. Our Managing Director Mr Bo Jingen and Our Whole-time Director Mr. Xiaohui Wu has made a suo-motu application before the Honorable Company Law Board, Chennai Bench for compounding an offense under section 269 of the Companies Act, 1956 and 203 of Companies Act, 2013 on May 20, 2015, for holding the position of the Managing Director after the Central Government did not accord the approval of its appointment as Managing Director and Whole-time Director respectively in the Company, as the appointees did not possess an employment visa. The Honorable Chennai bench of Company Law Board could levy a maximum penalty of Rs 5,000 per day the offense continued. Our company is also in the process of re-applying for approval from the Central Government, as one of the directors has already obtained the employment visa and other director is in the process of obtaining the same. In case the approval sought is not awarded, the Company will have to appoint another person in the designation of Managing Director and Whole-time director.

19. *Our insurance coverage may not adequately protect us against certain operating hazards and this may have a material adverse effect on our business.*

Operating and managing a business involves many risks that may adversely affect our Company's operations, and the availability of insurance is therefore important to our operations. Our Company believes that our insurance coverage is generally consistent with industry practice. However, to the extent that any uninsured risks materialize or if it fails to effectively cover it for any risks, we could be exposed to substantial costs and losses that would adversely affect financial condition. In addition, our Company cannot be certain that the coverage will be available in sufficient amounts to cover one or more large claims, or that our insurers will not disclaim coverage as to any claims. A successful assertion of one or more large claims against our Company that exceeds our available insurance coverage or that leads to adverse changes in our insurance policies, including premium increases or the imposition of a large deductible or coinsurance requirement, could adversely affect our financial condition and results of operations. Our Company has however, not availed key man insurance policies

20. *Our Primary raw material viz; Polymer resin is a petroleum based product leading to higher susceptibility to price fluctuations in future. Price volatility of raw materials used for manufacturing our products may materially affect our business*

The main raw material for our product is Polymer resin which is a petro chemical based and hence the prices are linked with international crude oil prices. Any volatile fluctuations in the demand and/or supply of any and/or all such raw materials may impact the purchase price of the raw materials. The price of the raw material is directly proportionate to the price of petroleum/ crude oil. Crude oil prices behave much as any other commodity with price swings in times of shortage or oversupply. The crude oil price cycle may extend over several years responding to changes in demand as well as OPEC and non-OPEC supply.

21. *Any failure to keep abreast with the latest trends in technology may adversely affect our cost competitiveness and ability to develop new products.*

Technology by its very nature is dynamic and our Company being technological oriented would always be trying to keep abreast with the technological environment. There are no major changes in the materials used for our business and all upgradation in processing machinery. Government pricing regulations on petroleum products from time to time may also impact the use of certain raw materials in preparation of polymer products. Any failure to keep abreast with these developments on our part could have a bearing on our ability to compete efficiently, our cost competitiveness, ability to develop new products and the consequential quality of our products, and could also impact our sales & profitability.

22. *Any failure to keep our self updated on the latest developments in the industries to which we cater to may adversely affect our cost competitiveness and ability to develop new products.*

Presently, majority of our products are supplied to the Tier 1 of the OEMs in the automotive industry and hence 95% of our revenue comes from the Automotive industry. The demand of products in the automotive industry includes cyclical nature of demand for the products which depends on the ability of the consumer to spend. The spending ability of the consumers are dependent on the continued growth in the Indian economy, adequate allocation of Government funds for development of infrastructure including roads and highways “Global” design concepts being used in the new models proposed to be launched by the car and commercial vehicle companies, continued positive climate for foreign investment into the economy etc.

Hence, there is a need for continuous process and product up-gradation, based on the market demand. Further we need to anticipate the demand of any particular product and be equipped to fulfill the same as and when it arrives in order to enable us to face the competition. Hence, if we fail to keep our selves updated on the latest developments in the industries we may not be able to cash the opportunity, which may affect our financials and competitiveness.

23. *We may not be able to manage our working capital requirements, as we presently do.*

Our operations & the structure of inputs and outputs need significant alteration of working capital with due concentration on debtors. To mitigate the consequent risks, debtors are managed through judicious payment terms. Inventories are also managed dynamically through lean management principles with some leniency to face any unforeseen circumstances like input supply disruptions and swings in customer off-take from plan. Through the proposed Rights Issue our liquidity position is likely to improve substantially. We would be able to repay some of the debts and would be better equipped to leverage our position in times to come. However, we cannot guarantee that we may be able to continue the same in future as we expand our operations.

24. *Foreign currency volatility may impact our financial condition*

Some of our raw materials like Polyamide 6 & PBTP, Glass Fibre and Elastomers are imported by us from countries like China, Malasia, Singapore, etc. Any volatility in global financial markets may have an impact on our business, as we have to make payments in foreign exchange for our imports. In the event we are unable to manage the fluctuation in the foreign exchange, it may negatively impact on our financial condition.

RISKS ASSOCIATED WITH INDIA AND INVESTMENTS IN INDIAN COMPANIES

25. *Our business is substantially affected by prevailing economic conditions in India.*

We are incorporated in India, and all of our assets and employees are located in India. As a result, we are highly dependent on prevailing economic conditions in India and our results of operations are significantly affected by factors influencing the Indian economy. Factors that may adversely affect the Indian economy, and hence our results of operations, may include:

- any increase in Indian interest rates or inflation;
- any scarcity of credit or other financing in India, resulting in an adverse impact on economic conditions in India;
- prevailing income conditions among Indian consumers and Indian corporations;
- volatility in, and actual or perceived trends in trading activity on, India’s principal Stock Exchanges;
- changes in India’s tax, trade, fiscal or monetary policies;
- political instability, terrorism or military conflict in India or in countries in the region or globally, including in India’s various neighboring countries;
- prevailing regional or global economic conditions, including in India’s principal export markets; and
- other significant regulatory or economic developments in or affecting India or its forging industry.

Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could adversely impact our business and financial performance and the price of the Equity Shares.

26. *Any downgrading of India's sovereign debt rating or a decline in India's foreign exchange reserves may adversely affect our ability to raise debt financing.*

Any adverse revisions by international rating agencies to the credit ratings of the Indian national government's sovereign domestic and international debt may adversely affect our ability to raise additional financing by resulting in a change in the interest rates and other commercial terms at which we may obtain additional financing. This could have a material adverse effect on our capital expenditure plans, business and financial performance. A downgrading of the Indian national government's debt rating may occur, for example, upon a change of government tax or fiscal policy outside our control.

27. *A significant change in the Government of India's economic liberalization and deregulation policies could disrupt our business and cause the price of the Equity Shares to decline.*

Our assets and customers are located in India. The government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including the Equity Shares. Any significant change in the government's policies could adversely affect business and economic conditions in India and could also adversely affect our business, our financial performance and the price of the Equity Shares.

RISKS ASSOCIATED WITH THE EQUITY SHARES AND THIS ISSUE

28. *Future issues or sales of Equity Shares by our Company may significantly affect the trading price of the Equity Shares.*

The future issue of Equity Shares or the disposal of Equity Shares by any of our major Equity Shareholders or the perception that such issues or sale may occur may significantly affect the trading price of the Equity Shares. There is no restriction on our ability to issue Equity Shares or the relevant Equity Shareholders' ability to dispose of their Equity Shares, and there can be no assurance that we will not issue Equity Shares or that any such Equity Shareholder will not dispose of, encumber, or pledge, its Equity Shares.

23. *There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect your ability to sell, or the price at which you can sell, Equity Shares at a particular point in time.*

We are subject to a daily "circuit breaker" imposed by all Stock Exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian Stock Exchanges. The percentage limit on our circuit breakers is set by the Stock Exchanges based on the historical volatility in the price and trading volume of our Equity Shares.

The Stock Exchanges do not inform us of the percentage limit of the circuit breaker in effect from time to time, and may change it without our knowledge. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

PROMINENT NOTES

1. Our Company was incorporated as 'S & S Filled Fibers Limited' under the provisions of the Companies Act, 1956 vide Certificate of Incorporation dated November 10, 1983, issued by the Registrar of Companies, Chennai, Tamil Nadu. The name of Company was changed to 'Hydro S & S Industries Limited' and the Company received certificate of change of name dated October 17, 1989. The Corporate Identification Number (CIN) of Company is L25209TN1983PLC010438
2. This is an Issue of [●] Equity Shares at a premium of ₹ [●] per Equity Share for an amount aggregating upto ₹ 10,000 lacs on a rights basis to the existing Equity Shareholders of our Company in the ratio of [●] Equity

Share for every [●] fully paid-up Equity Share(s) held (i.e., [●]) by the existing Equity Shareholders on the Record Date.

- The net worth of our Company ((Equity Share capital + securities premium + reserves and surplus (excluding revaluation reserve) – miscellaneous expenditure (to the extent not adjusted or written off) – deficit in profit and loss account)) as on March 31, 2014 and for the Nine months period December 31, 2014 is ₹ 1139.07 lacs and ₹730.77 lacs respectively. The net asset value per share (net worth / number of Equity Shares outstanding) of our Company as on March 31, 2014 and for the nine months period December 31, 2014 is ₹ 17.78 and ₹ 11.41, respectively.
- Our Company, in the course of business has entered into transactions with related parties. The details of related party transactions are as under:

(₹ in lacs)

Nature of Transaction	Particulars	Nine months period ended 31 st December 2014	Year ended				
			31 st March 2014	31 st March 2013	31 st March 2012	31 st March 2011	31 st March 2010
Interest	Holding Company	42.91	16.36	-	-	-	-
External Commercial Borrowings	Holding Company	-	1,488.35	-	-	-	-
Purchase Of Materials	Holding Company	854.62	112.28	-	-	-	-
	Associates	1,062.31	29.68	-	-	-	-
Purchase of Assets Advances Received for Supplies	Holding Company	9.68					
	Associates	-	-	22.21	-	-	-
	Associates		435.89				
Sale Of Materials	Holding Company	13.14	2.41	-	-	-	-
	Associates	-	3.94	-	-	-	5.00
	Others	-	-	-	8.10	15.19	35.44
Sale of Assets	Associates	-	-	-	3.98	-	-
Managerial Remuneration	Key Management Personnel	5.79	5.38	22.46	22.83	21.44	18.60
	Others	-	-	-	0.48	1.59	-
Sitting Fees	Key Management Personnel	1.76	0.14	-	-	-	0.05
	Others	-	0.34	0.93	0.98	1.08	-
Services Rendered	Associates	-	-	1.50	4.85	3.12	2.70
	Others	-	-	1.20	1.20	1.20	1.20
Outstanding	Key Management Personnel	-	-	-	-	(5.94)	(0.98)
	Holding Company	(2,378.29)	(1,614.58)	-	-	-	-
	Associates	(1,032.33)	(461.62)	-	-	-	-
	Others	-	-	-	-	-	(10.13)

- There has been no financing arrangement whereby the Promoter Group, the Directors of our Company who are our Promoters and our Directors and their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of the Draft Letter of Offer with SEBI.

6. All information shall be made available by the Lead Manager and our Company to the public and investors at large and no selective or additional information would be available only to a section of investors in any manner whatsoever.
7. The Lead Manager and our Company shall update this Draft Letter of Offer and keep our shareholders / public informed of any material changes till listing and trading permission in respect of the Equity Shares is received.

Investors may contact the Lead Manager for any complaint, clarifications and information pertaining to the Issue. Any clarification or information relating to this Issue shall be made available by the Lead Manager to the public and investors at large and no selective or additional information would be made available only to a section of the investors in any manner. All grievances relating to ASBA process may be addressed to the Registrar to the Issue, with a copy to the relevant SCSBs, giving full details such as name, address of the applicants, application number, number of Equity Shares applied for, application amounts blocked, ASBA Account number and the Designated Branch of the SCSBs where the Application Form has been submitted by the ASBA Investor. For contact details please see “General Information” on page 33.

SECTION III – INTRODUCTION

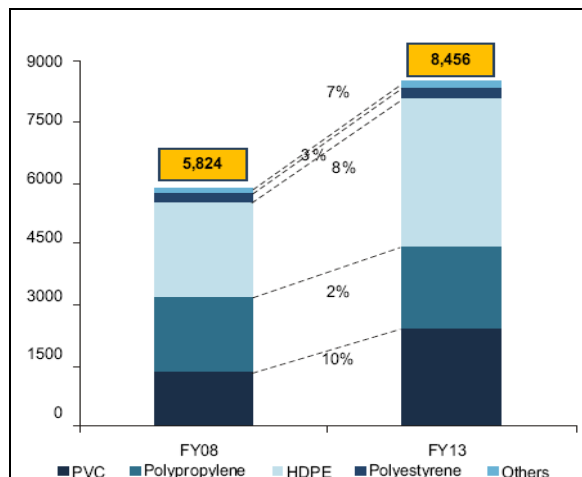
SUMMARY OF INDUSTRY

The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries, industry websites and publicly available industry reports. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Draft Letter of Offer is reliable, it has not been independently verified.

Accordingly, our Company and the Lead Manager do not take any responsibility for the data, projections, forecasts, conclusions or any other information contained in this section. Certain information contained herein pertaining to prior years is presented in the form of estimates as they appear in the respective reports/ source documents. The actual data for those years may vary significantly and materially from the estimates so contained.

Industry Structure**Indian Plastic Industry**

Plastic industry is one of the fastest growing industry in India (Source: FICCI – A Report on Plastic Industry: Potential Of Plastics Industry In Northern India With Special Focus On Plasticulture And Food Processing -2014). The industry is classified into upstream (manufacturing of polymers) and downstream (conversion of polymers in plastic articles). Upstream polymer manufacturers have put forth globally competitive state of art technology to cater to the global demands. The downstream conversion is highly fragmented and is mainly dominated by the MSM (Micro, small and medium) entities. Commodity plastics mainly consists of Polyethylene (PE), Polypropylene (PP), Polyvinyl chloride (PVC) and Polystyrene.

Size of Industry**Indian Plastic Industry**

(Source: FICCI – A Report on Plastic Industry; Potential Of Plastics Industry In Northern India With Special Focus On Plasticulture And Food Processing -2014)

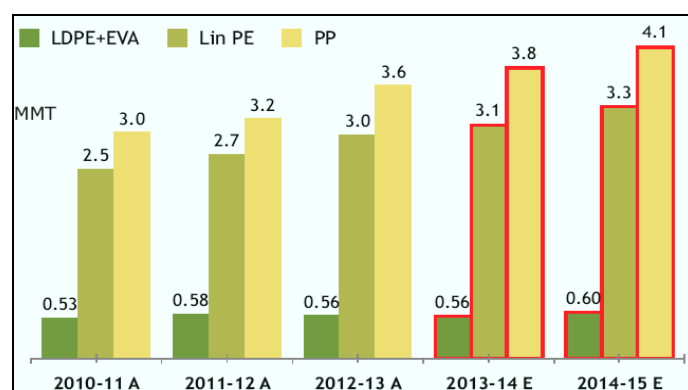
This ever increasing consumption has led to overall deficit in plastics and hence there is huge import of these components to meet the domestic demand. Also there is a surge in the automobile demand in India, hence meeting the demands of the automobile industry is also of prime importance.

Polymer Processing Industry

India Per capita consumption (Virgin Polymer)	9.7kg
India Per capita consumption (Recycled materials)	3.3kg
Per capita consumption in 13-14 (Virgin + Recycled)	13kg
Virgin Polymer consumption in 13-14	12.2 MMT
No of Processing units	about 30,000
No of processing Machines	~ 119,350
Processing Capacity	33 MMT
Processing Capacity CARG	11 % last 5 years
No. of plastics machinery manufacturing units	~ 200
Investment in Machinery	~ US \$ 5 Billion
Investment required for next 5 yrs	~ US \$ 10Bn (Projected.)

(Source: PlastIndia Foundation Report on Indian Plastic Industry dated, November, 2014)

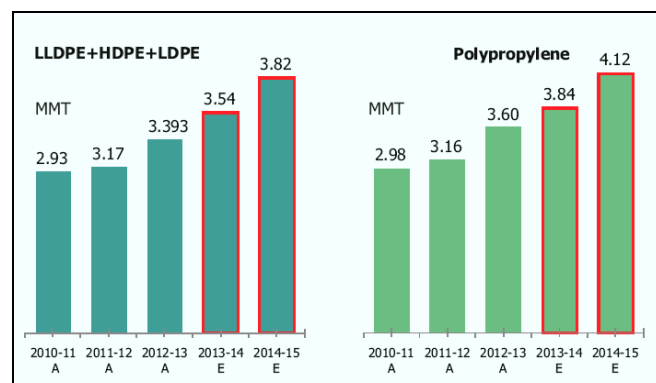
The domestic polymer industry is dominated by the Polyolefin's (Polyethylene and Polypropylene) which represents around 74% off commodity resins consumed in 2012-13. These polymers raked up a demand growth of 11.4% in the year 2012-13 compared to that of 5.9% in 2011-12. It is estimated to grow 6.2% and 7.8% approximately in the years 2013-14 and 2014-15. (Source: Indian Petrochemical Industry, Country paper from India, APIC 2014)



(Source: Indian Petrochemical Industry conference – CPMA; Indian Petrochemical Industry, Country paper from India, APIC 2014)

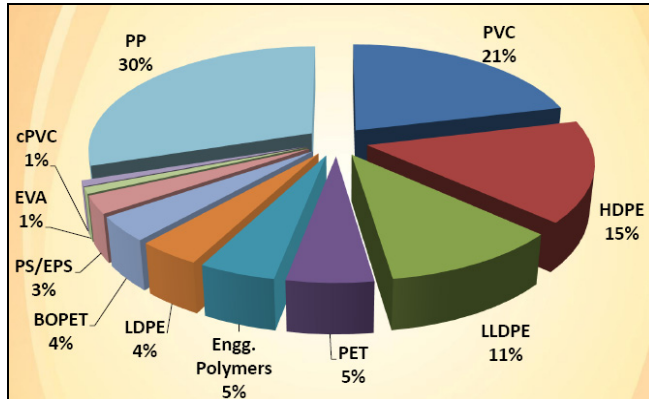
The main drivers for polymer demands are automobiles, packaging, construction, health care, etc. Polypropylene modified by the addition of reinforcements has enabled it to establish itself as a metal substitute in engineering applications. Because polypropylene (PP) is low in cost but has outstanding mechanical properties and moldability, it accounts for more than half of all the plastic materials used in automobiles.

Polyethylene and Polypropylene demand grew 12% and 15% respectively in the year 2012-13



(Source: Indian Petrochemical Industry conference – CPMA; Indian Petrochemical Industry, Country paper from India, APIC 2014)

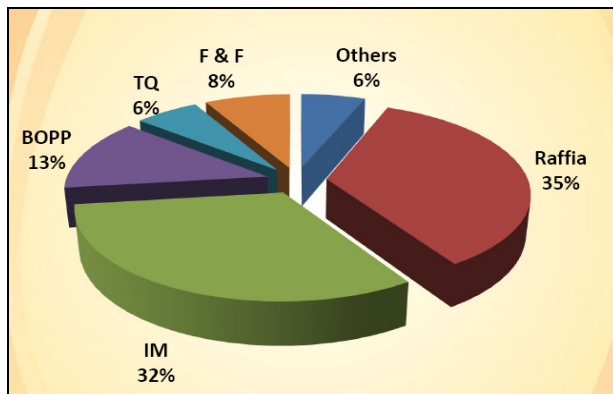
Thermoplastic Polymer consumption



(Source: PlastIndia Foundation; Report on Indian Plastic Industry dated, November, 2014)

The thermoplastic polymer demand in 2013/14 is 11 MT (Million Metric Tonnes) and it is expected to grow at a CAGR of around 11% to 16.5 MMT in 2017/18.

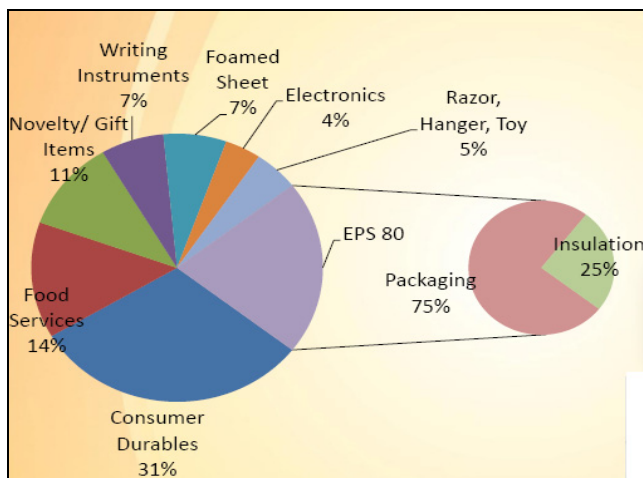
Polypropylene (PP) Sector-wise consumption



(Source: PlastIndia Foundation Report on Indian Plastic Industry dated, November, 2014)

Polypropylene is one of the most widely used thermoplastic polymers. Its demands are pegged to surge at a CAGR of around 11% from 3.4 MMT in 2013/14 to 4.89 MMT in 2017/18. There is tremendous growth potential in this particular product. (Source: PlastIndia Foundation Report on Indian Plastic Industry dated, November, 2014)

Engineering Plastics sector-wise consumption



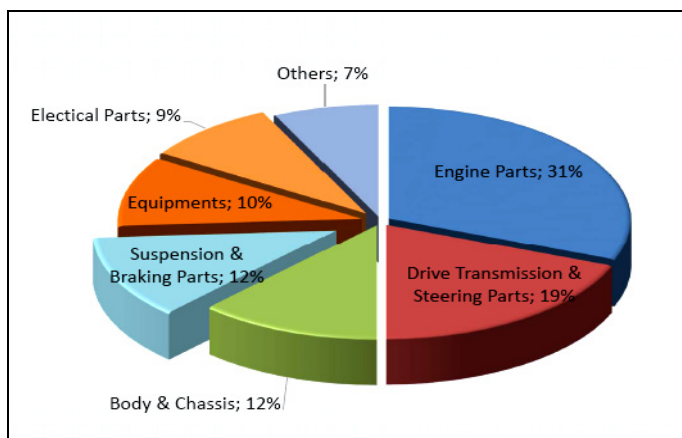
(Source: PlastIndia Foundation Report on Indian Plastic Industry dated, November, 2014)

Engineering plastics are used in wide variety of products such as automobile, electronic appliances, industrial equipments, consumer goods, packaging, etc. Thus, this particular product is of prime importance as it caters to a huge variety of sectors. Its demand is estimated to grow at a CAGR of around 6% from 310KT (Kilo Tonnes) in 2013/14 to 385KT in 2017/18.

Indian Auto component Industry

The Indian auto component industry has had a positive effect on the economic growth. The industry has the potential to manufacture a plethora of range of automotive products such as engine parts, body & chassis, drive transmission, steering parts, etc. Till the 1990s, the auto component industry was solely dependent on the domestic automobile industry to drive the demand for ancillary products. This composition of the market however is undergoing radical changes with global outsourcing gaining momentum. In recent times, exports has emerged as a significant driver of growth, and the demand emanating from global OEMs and Tier I manufacturers has opened new opportunities for the auto component industry in India. At the same time, a bright outlook for the domestic automobile industry also offers significant growth potential, given the fast rising income levels with a rapidly growing middle and high income consumers. The industry is highly extensive and fragmented.

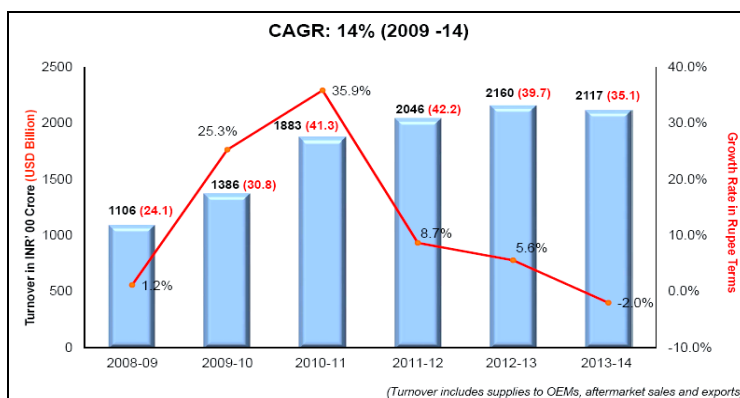
The industry produces high quality – low cost components in all the segments mentioned in the figure below, which shows the product range of auto-component industry.



(Source: ACMA; Auto Component Industry in India: Capabilities & Growing Opportunities)

The global auto components industry is estimated at US\$1.2 trillion. The Indian auto component sector has been growing at 20% per annum since 2000 and is projected to maintain the high-growth phase of 15-20% till 2015. The industry has recorded a turnover of ₹ 2,11,765 crores (USD 35.13 billion) in FY 2013-14, and a CAGR of 14% over the last six years. The export stands at ₹ 61,487 crores (USD 10.2 billion) in FY 2013-14.

Turnover Auto – component industry 2009-14



Competitive conditions existing in industry

India has not only has established itself as home for petrochemicals, it has also made its mark in the derived polymer products. Polymer compounding industry is experiencing massive competition from global players such as Dupont, Rhodia, DSM, etc. Availability of technology, manpower and machines in India, equivalent to global standards, has been the driving force for these global players to establish their own polymer compounding units supplying not only within the country but also catering to supply to other Asian countries thus creating a healthy competitive environment.

A host of FMCG products, the packaging industry too has innovated. Organisations are setting up their own R&D facilities to develop new materials and efficient production techniques to further lower the costs of packaging materials. It has led to several players coming up in this domain. This is a perfectly competitive market and hence, the entry barrier is minimal.

Key Demand Drivers

1. *India a vibrant economy:*

India is the largest democracy in the world with a population of more than 1.2 billion. India's average GDP growth rate for the past 5 years has been over 7%. Also, India has the 3rd largest investor base in the world. India also has a robust legal and banking infrastructure. The macro-economic scenario of the country have improved significantly since the new government has commenced power. (Source: ACMA Auto Component Industry in India: Capabilities & Growing Opportunities)

2. *Surge in the manufacturing sector:*

The manufacturing sector in India is experiencing a growth with the "Make in India" campaign gaining importance. Catering to the huge population requires innovation and manufacturing. The industry requires the production of huge amount of polymer compounds to cater to the manufacturing of electronics, equipments, etc. The campaign will also bolster the auto component industry to create a global brand for auto – components.

3. *Global demand:*

The country now is not only supplying polymer products but also leading the way in providing innovative polymer products to the world. Many low cost polymer products which have been quite successful in India are now being used in the developed world and other developing countries.

4. *Increase in fuel efficiency:*

The use of plastics in manufacturing the exterior and the interior components of the automobiles will help in reducing the overall weight of the automobile. This will help in improving the fuel efficiency of the vehicle considerably.

Opportunities and Threats

1. *Growing automobile component industry*

The automobile component industry in India is estimated to reach USD 115 billion by 2020. Massive domestic and overseas demand being the key reason for the growth. Many auto companies are looking to replace the metal parts in the automobiles with plastic components. There is huge potential in this sector particularly as it is coupled with the automobile industry of India. (Source: ACMA Auto Component Industry in India: Capabilities & Growing Opportunities).

2. *Availability of counterfeit auto-components*

Trade in fake and counterfeit auto-components are gradually on the rise. It comprises of grills, hubcaps and also

critical components like brakes. Value of fake spare parts in the after-market at ₹ 10,500-14,000 crore, against about ₹ 8,500 crore three years ago. (Source: *Fighting fakes in auto parts – ET Auto article dated 24th March, 2015*).

3. Global customers

Polymer products are used in a variety of industries such as automobile, electronic appliances, consumer durables, etc. The exports of auto – components have increased around 16.7% in 2013/14 to ₹ 61,487 crores. Along with the increasing domestic demand, the demands from global customers also needs to be met. (Source: *ACMA Press Release Industry performance; <http://www.acma.in/docmgr/press.php>*).

4. Huge scope for innovation

In order to succeed in the global market, Indian companies needs to set up its own research and development facilities in order to create its own products. Bringing in innovative approaches in development of new products will help this industry compete and also grow on the global scale. Investment into R&D is very essential to succeed in the long run. In India the auto components manufacturers typically invest less than 1% in R&D compared to that of Europe which invests almost 4-5%. (Source: *Business Standard Article dated 12th September, 2014: Auto component industry to grow 5-6% in FY15*).

5. Weak infrastructure:

The infrastructure facilities in India are very feeble and this is a cause of concern. Poor road connectivity, availability of ports and lack of power supply in many areas poses a huge challenge. The plastic consumption in North India is around 27% compared to that of Western India which accounted to 47% of the consumption. The main reason behind this is the poor connectivity between the ports. Investments in these sectors are a necessity. (Source: *FICCI – A Report on Plastic Industry: Potential Of Plastics Industry In Northern India With Special Focus On Plasticulture And Food Processing -2014*).

6. Lack of required technology

Plastic processing requires sophisticated technology in order to address the increasing demand for these products. India is moving from low output/low technology machines to high output/high technology machines. However, there is a requirement of huge investments in addressing this issue. Also, new technology is a must for recycling plastic waste.

7. Environmental myths

While the usage and benefits of plastics are huge, there is always a myth regarding it polluting the environment. Indiscriminate dumping of plastic on land makes the land infertile due to its barrier properties. Also, burning of plastics causes emission of various dangerous byproducts. These issues need to be addressed with the help of proper recycling mechanisms.

For further details on the industry in which we operate the business, please see “Industry Overview” on page 57 of this Draft Letter of Offer.

SUMMARY OF BUSINESS

Overview

Our Company is engaged in the manufacturing and supply of high quality Modified Engineering thermoplastics based on Polypropylene (PP), Polybutylene terephthalate (PBT), Polyamide (PA) and Thermoplastics Elastomers. We presently operate through our three state-of-art manufacturing units situated at Puducherry, Pune and Manesar (Gurgaon). The units have a combined capacity of over 40,000 TPA. Our Company is a TS-16949 Certified company employing over 150 employees. We have approvals from all major Trans-National and Indian OEM's viz; Ford India Pvt. Ltd. Tata Motors Limited, Renault Nissan, etc. Subsequent to the acquisition of the company by Kingfa, the Company has further ventured into manufacturing of Engineering Plastics like PBT (Used in Lighting, electrical applications), Polyamides (automotive, Electrical applications) at its plant at Pune.

Our Company was originally incorporated as a public limited company on November 10, 1983 in the name of 'S & S Filled Fibers Limited' in Technical Collaboration with the Performance Plastics Division of Norsk Hydro Polymers, UK to manufacture Polypropylene Compounds. The name of our Company was later changed to Hydro S & S Industries Limited on October 17, 1989. Our Company earlier belonged to the WS Group, an industrial group in South India with interests in Electrical Transmission, Distribution and Engineering Plastics. During May 2013, Kingfa Sci. & Tech. Co., Ltd. (**'Kingfa'**) acquired controlling stake in our Company, by way of a Share Purchase Agreement with the then existing promoters and also made an Open Offer in terms of the applicable SEBI Regulations. Post Open offer, Kingfa Sci. & Tech. Co., Ltd. has been named as the promoter of our Company.

Founded in the year 1993, Kingfa is a large modified plastic enterprise. Kingfa provides flame retardant resins, reinforced and toughened resins, polymeric alloys, functional master batches (Flame Retardant and Color MasterBatch), Bioplastics and partial recycled resins. Kingfa is an A-share company listed in Shanghai Stock Exchange. Kingfa has received an ISO/ IEC 17025:2005 certification for competence of testing and calibration laboratories. It is a GB/T 19001-2008/ ISO9001: 2000, ISO 14001:2004 + Cor. 1:2009 , OHSAS 18001:2007 and ISO / TS 16949: 2009 certified enterprise.

Competitive Strengths

We are into the business of manufacturing and supply of high quality Modified Polypropylene Compounds, Thermoplastics Elastomers and Re-Inforced Thermoplastics. We are an TS-16949 certified Company, with a legacy of over 31 years of presence in the industry. We believe that following are our principal competitive strengths:-

1. **Strong management Team:** Our Company is managed by a team of professionals which includes an ideal combination of directors from India and experienced professionals representing our promoter 'Kingfa'. The promoter and the senior management team of our Company have significant industry experience and are confident that they will be successful in directing the business of the Company and implementing the strategies planned by them.
2. **Relationship with established players in industry:** Our customer base includes a diverse set of industries including Automotive, Home Appliances, Lighting, and other Industries. Our products have found wide acceptance in the markets across India – *North, South and West*. Our Top Ten customer base based on the sales value of the products supplied to them for the year ended March 31, 2014 are as disclosed on page no 74 of this Offer Document. The Company is well poised to benefit from this strong relationship with the industry players enabling the Company to provide better services to its customers.
3. **Selling and Distribution network:** We have gradually developed our selling and distribution network over a period of time. We have successfully developed an extensive clientele in sectors such as automotive, Home appliances, Electrical and Lighting segments. We have developed our marketing network in various cities such as Chennai, Pune, Bengaluru, Noida, and Gurgaon by appointing marketing personnel in the respective areas/states who are on the permanent rolls of the Company. The marketing team caters to the clients with timely offering of modified thermoplastic material solutions and delivery of products. Most of our products are sold directly to the actual processors and customers.
4. **Locational Advantages:** Our plants are located at Puducherry, Jejuri - Pune and Manesar. These units are at close proximity to the user industry. Our manufacturing units are very well connected by road and rail. The Puducherry unit is in close proximity to the Chennai seaport and the Jejuri – Pune unit is close to the

Nhavasheva Port). The Manesar unit is close to the largest passenger car manufacturer in India Maruti-Suzuki and also the largest 2 wheeler manufacturing base for HERO Motors, HONDA 2 Wheelers etc. This facilitates efficient movement of raw materials and finished products. Our location also helps us to service wide array of customers. Manesar is close to the largest passenger car manufacturer in India Maruti-Suzuki and also has 2 wheeler manufacturing base for HERO Motors, HONDA 2 Wheelers etc.

5. **Local brand Equity and acceptance by OEM's:** We have been in existence for about 30 year and have been supplying our products to various Tier 1 suppliers who in turn supply to some of the well known OEMs. For supplying to such Tier 1 we have to undergo audit from the OEMS. Due to our longterm relationships with our customers, we have developed acceptability with these customer in the market which also help us to reach out to new customers.
6. **Technical Strength to develop cost effective formulations for Automotive backed by our research and development team:** Our former association with Norsk Hydro Polymers has assisted us to strengthen our technical process. Post acquisition by Kingfa, we have received backing from our international promoter whereby they were able to bring into our Company their international exposure and experience. Our Company has its research and development wing, which is our backbone. We also have our backing from the research and development team of Kingfa which assists us to resolve difficulties, if any.
7. **Standardized and documented internal processes:** Our Company is in continuous process industry and the production is carried out in batches for which batch manufacturing records are maintained. There are standard operating procedures for manufacturing, quality control and quality assurance for the products manufactured. Our company also has preventive maintenance plans for smooth manufacturing operations.

Under the guidance of the skilled management, the company documented its internal processes and methodologies which ensures that each department and each employee of the company are aware of their respective roles and obligations, and each activity of construction and development is as per the standards of quality that has been set. This also ensures uniformity in all the processes.
8. **Experienced Management and Employees:** Our Company is managed and run by a team of experienced professionals.
9. **Established Reputation for Quality Projects:** Our Company has obtained various certifications for ensuring quality standards at its facilities. The quality certifications include TS-16949 and IS-14001.

Products

Our Company is into manufacturing and supply of:

- a. Polypropylene based compounds
- b. Engineering Plastics Compounds.
- c. Thermoplastic Elastomers compounds.

a. Polypropylene

We manufacture a wide range of Reinforced Polypropylene compounds under the 'HYFIL' brand Polypropylene modified by the addition of reinforcements such as talc, chalk, mica and glass fibre has enabled it to establish itself as a metal substitute in engineering applications.

Different types of Polypropylenes manufactured by us and their applications in the industries are as mentioned below:

Product Description	Application	Industry
Modified PP compound	Bumpers	Automotive
Modified PP compound	Instrument Panel	Automotive
Modified PP compound	Door Trims	Automotive
Modified PP compound	A,B, C Pillar Trims	Automotive
Modified PP compound	Horn Pads	Automotive

Product Description	Application	Industry
Reinforced PP Compound	Grab Handle, Fans	Automotive
Reinforced PP Compound	Washing Machine TUBS	Home Appliances

b. Engineering Plastics Compounds

We manufacture different types of Engineering Plastic compounds viz: Glass Fibre reinforced, Flame retardant, Impact Modified, Dimensionally Stable, Hydrolytically Stable modified thermoplastics based on Polybutylene Terephthalate, Polyamide 6, Polyamide 66, Polycarbonate/ABS alloys, ABS/PMMA alloys etc. These products are used in following industry/ applications:

Product Description	Industry
Glass Fibre reinforced flame retardant PBTP	Home Appliances (CFL Housings, LED light housings, MCB's etc)
Glass Fibre reinforced PBTP	Home Appliances (CFL Housings and Connectors)
Flame Retardant Filled Polyamide 6	Home Appliances Molded Circuit Breakers Contactors and Switches)
Glass Fibre reinforced Polyamide 66	Automotive
Polycarbonate/ABS alloy	Automotive
ABS/PMMA	Home Appliances (Televisions)

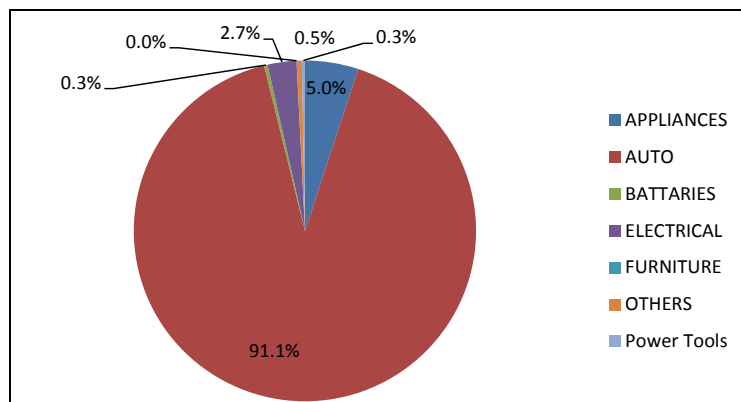
c. Thermoplastic Elastomers

Thermoplastic Elastomers are material which exhibit greater Elasticity and behave like rubber. Typically supplies are in the Hardness of between 50 Shore A to 40 Shore D. These are supplied in different hardness and elongation for different application as detailed below

Grade	Application
Thermoplastic Elastomer with low Creep	Pen Grips, Bushes
Thermoplastic Elastomer with high Compression set	Bellows for 2 wheelers, pads etc
Thermoplastic Elastomer =Shore A 50	Seals, strips , washers etc

Industry breakup

Breakup of Industry where we supplied our products as on 2013-14 (the % of various products given below are approximate basis):



For complete details of the business chapter, please refer chapter on 'Business Overview' beginning on page 68.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our restated audited financial information for and as of the financial year ended March 31, 2014, March 31, 2013, March 31, 2012, March 31, 2011 and March 31, 2010 and for the nine months period ended December 31, 2014. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations and are presented in “Auditor’s Report” beginning on page 119 of this Draft Letter of Offer.

SUMMARY STATEMENT OF ASSETS AND LIABILITIES

(₹ in Lacs)

	PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
I	EQUITY AND LIABILITIES						
1	Shareholders' Funds						
	(a) Share capital	640.72	640.72	640.72	640.72	640.97	640.97
	(b) Reserves and Surplus	90.05	498.35	1,346.07	1,850.90	1,848.17	1,788.19
	Sub Total 1	730.77	1,139.07	1,986.79	2,491.62	2,489.14	2,429.16
2	Non - Current Liabilities						
	(a) Long - term borrowings	1,516.94	1,456.70	351.38	643.37	1,001.75	1,198.08
	(b) Deferred Tax Liabilities (Net)	(499.18)	(277.22)	103.66	309.16	325.16	331.16
	(c) Other Long term liabilities	8.50	5.50	26.50	30.50	3.00	-
	(d) Long - term provisions	14.57	12.49	11.14	11.36	10.15	9.42
	Sub Total 2	1,040.84	1,197.47	492.68	994.39	1,340.06	1,538.66
3	Current liabilities						
	(a) Short - term borrowings	6,088.95	4,740.88	2,767.89	3,217.09	2,947.20	2,177.30
	(b) Trade payables	3,315.82	2,802.79	2,507.96	1,462.23	1,980.59	1,262.10
	(c) Other current liabilities	530.62	299.37	664.89	614.57	538.73	311.65
	(d) Short - term provisions	48.33	43.69	53.59	24.31	68.92	18.73
	Sub Total 3	9,983.72	7,886.73	5,994.33	5,318.20	5,535.44	3,769.78
	TOTAL	11,755.32	10,223.27	8,473.80	8,804.21	9,364.64	7,737.63
II	ASSETS						
1	Non - current assets:						
	(a) Fixed Assets						
	(i) Tangible Assets	2,393.83	2,413.31	2,544.87	2,928.50	3,119.30	3,095.35
	(ii) Intangible Assets	7.48	11.48	9.62	9.66	10.32	4.23
	(iii) Capital work-in-progress	26.09	24.27	25.97	32.94	28.11	44.38
	(b) Non- Current Investments	-	-	-	4.20	4.20	4.20
	(c) Long term loans and advances	115.84	109.25	108.37	86.82	78.10	65.74
	Sub Total 1	2,543.24	2,558.31	2,688.83	3,062.12	3,240.03	3,213.90
2	Current assets						
	(a) Current Investments	-	-	45.45	42.53	19.96	87.03
	(b) Inventories	3,437.27	2,295.42	1,916.42	1,823.83	2,106.74	1,547.68
	(c) Trade Receivables	5,178.07	4,707.72	3,349.20	3,455.66	3,452.92	2,402.89
	(d) Cash and Bank balances	50.63	142.93	79.33	54.25	117.79	98.99
	(e) Short-term loans and advances	546.11	518.89	394.57	365.82	427.20	387.14
	Sub Total 2	9,212.08	7,664.96	5,784.97	5,742.09	6,124.61	4,523.73
	TOTAL	11,755.32	10,223.27	8,473.80	8,804.21	9,364.64	7,737.63

Note: Above Statement should be read with the statement of significant Accounting Policies and Notes on Accounts as detailed in the section ‘Financial Information’ beginning on page no 119.

PROFIT AND LOSS ACCOUNT STATEMENT

(₹ in Lacs)

	PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
I	Revenue from operations (Gross)	18,272.92	19,933.00	17,634.38	16,539.48	15,468.06	11,871.34
	Less: Excise duty	2,016.06	2,150.44	1,976.43	1,529.45	1,456.44	930.81
	Revenue from operations (Net)	16,256.86	17,782.56	15,657.95	15,010.03	14,011.62	10,940.52
	Other Income	0.36	23.26	83.63	14.36	12.14	16.75
	Total revenue (I+II)	16,257.23	17,805.82	15,741.57	15,024.39	14,023.76	10,957.27
II	Expenses						
	Cost of Materials consumed	13,612.01	15,523.74	13,636.37	11,998.99	11,502.06	8,545.93
	Purchases of Stock- in-Trade	364.70	59.12	-	77.77	91.72	175.21
	Changes in Inventories of Finished Goods and Work-in- progress	(189.17)	(26.14)	(155.26)	186.25	(181.28)	42.16
	Employee benefits expense	634.92	729.04	660.34	654.56	640.50	535.73
	Finance Costs	596.03	656.36	697.12	655.61	465.09	441.13
	Depreciation and amortisation expense	248.98	265.73	281.85	267.94	269.09	257.68
	Other expenses	1,620.02	1,826.55	1,331.48	1,196.78	1,105.78	980.95
	Total Expenses	16,887.48	19,034.40	16,451.90	15,037.90	13,892.96	10,978.80
III	Profit/(Loss) before exceptional and extraordinary Items and tax (III- IV)	(630.25)	(1,228.59)	(710.33)	(13.51)	130.80	(21.52)
IV	Exceptional items	-	-	-	-	-	-
V	Profit/(Loss) before extraordinary Items and tax (V-VI)	(630.25)	(1,228.59)	(710.33)	(13.51)	130.80	(21.52)
VI	Extraordinary Items	-	-	-	-	-	-
VII	Profit/(Loss) before tax (VII-VIII)	(630.25)	(1,228.59)	(710.33)	(13.51)	130.80	(21.52)
VIII	Tax expenses						
	1.Current tax	-	-	-	-	32.00	-
	2.Deferred tax	(221.95)	(380.88)	(205.50)	(16.00)	(6.00)	(20.00)
		(221.95)	(380.88)	(205.50)	(16.00)	(6.00)	(20.00)
IX	Profit for the year (IX-X)	(408.30)	(847.72)	(504.83)	2.49	104.80	(1.52)

Note: Above Statement should be read with the statement of significant Accounting Policies and Notes on Accounts as detailed in the section 'Financial Information' beginning on page no 119.

STATEMENT OF CASH FLOW

(₹ in Lacs)

PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
A. CASH FLOW FROM OPERATING ACTIVITIES:						
Net Profit before Tax and Extraordinary Items	(630.25)	(1,228.59)	(710.33)	(13.51)	130.80	(21.52)
Adjustment for						
Depreciation and amortisation expense	248.98	265.73	281.85	267.94	269.09	258.77
Finance costs paid	596.03	656.36	697.12	655.61	465.09	441.13
Loss on sale of fixed asset	-	2.85	6.99	24.81	0.04	0.26
Dividend and Other Income	-	(1.25)	(2.92)	(3.85)	(2.94)	(5.57)
Profit on sale of fixed assets	-	(0.35)	(71.25)	(1.78)	(1.28)	(1.67)
Interest received	(0.36)	(21.64)	(9.46)	(8.74)	(7.93)	(9.51)
Operating Profit before Working Capital Changes	214.39	(326.89)	192.00	920.48	852.87	661.89
Adjustment for						
Trade and other payables	748.92	(379.00)	754.80	(560.71)	624.78	431.96
Trade and other receivables	(470.35)	(187.67)	28	133.35	(1,039.94)	(572.48)
Decrease in Deposits	124.47	-	-	-	-	-
Inventories	(1,141.85)	(1,535.30)	(92.59)	282.91	(559.07)	39.79
Short Term Loans & Advances	(27.22)	-	-	-	-	-
Long Term Loans & Advances	(6.59)	-	-	-	-	-
Direct taxes paid	-	-	-	(15.59)	(15.69)	-
NET CASH FROM OPERATING ACTIVITIES (A)	(558.23)	(2,428.86)	882.63	760.44	(137.05)	561.16
B. CASH FLOW FROM INVESTING ACTIVITIES:						
Disposal of fixed asset		1.63	448.95	38.45	4.16	8.38
Dividend and other income		1.25	2.92	3.85	2.94	5.57
Interest received	0.36	21.64	9.46	8.74	7.93	9.51
Redemption of investments	-	45.45	4.20	-	85.00	171.00
Acquisition of fixed assets	(227.32)	(140.15)	(275.90)	(123.95)	(292.61)	(185.62)
Purchase of investments				(22.57)	(17.94)	(30.57)
NET CASH FROM INVESTING ACTIVITIES (B)	(226.96)	(70.18)	189.63	(95.48)	(210.52)	(21.74)
C. CASH FLOW FROM FINANCING ACTIVITIES:						
Long Term Borrowings	65.32	1,124.66	(376.23)	304.71	42.36	148.00
Hire Purchase Finance	(11.36)	(14.77)	1.35	25.60	(1.20)	(3.20)
Short Term Borrowings & Finance costs paid	763.39	1,401.17	(697.12)	(385.72)	304.81	(422.02)
NET CASH FROM FINANCING ACTIVITIES 'C'	817.35	2,511.06	(1,072)	(664.83)	346	(573)
Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	32.17	12.02	0.26	0.13	(1.60)	(33.80)
CASH AND CASH EQUIVALENTS:						
Opening Balance in the beginning of the year	15.55	3.53	3.27	3.14	4.74	38.54
Closing Balance at the end of the year	47.72	15.55	3.53	3.27	3.14	4.74
NET INCREASE/ (DECREASE) IN CASH & CASH EQUIVALENTS	32.17	12.02	0.26	0.13	(1.60)	(33.80)

THE ISSUE

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in “Terms of the Issue” on page 170 of this Draft Letter of Offer.

Equity Shares outstanding prior to the Issue	64,07,204 Equity Shares
Equity Shares outstanding after the Issue (assuming full subscription for and allotment of the Rights Entitlement)	[●] Equity Shares
Rights Entitlement	[●] Equity Shares for every [●] fully paid-up Equity Shares held on the Record Date i.e., [●]
Record Date	[●]
Face Value per Equity Share	₹ 10 each
Issue Price per Equity Share	₹ [●] each
Terms of the Issue	For more information, please see “Terms of the Issue” on page 170 of this Draft Letter of Offer.
Use of Issue Proceeds	For further information, please see “Objects of the Issue” on page 46 of this Draft Letter of Offer.

Terms of Payment

The full amount of ₹ [●] per Equity Share is payable on application.

Book closure/ Record Date and other details

Book closure/ Record Date	[●]
Purpose	[●]
Ex-Right	[●]

Issue Schedule

Issue Opening Date:	[●]
Last date for receiving requests for split forms:	[●]
Issue Closing Date:	[●]

GENERAL INFORMATION

Registered Office of our Company

Dhun Building,
III Floor, 827, Anna Salai,
Chennai – 600 002
Tel: +91 044 28521736;
Fax: +91 044 28520420
Website: www.hssil.com

Corporate Identification No.: L25209TN1983PLC010438

Address of the Registrar of Companies

Block No.6,B Wing 2nd Floor, Shastri Bhawan 26, Haddows Road, Chennai – 600034

Board of Directors

Our Board comprises of :

Name, Designation and Occupation	Date of Birth	DIN	Address
Mr. BO Jingen <i>Managing Director</i>	07/03/1982	06617986	No. 76, Gaopu Road, Tianhe District, Guangzhou, 510520, China
Employed			
Mr. Xiaohui Wu <i>Whole-time Director</i>	09/04/1979	06617977	No. 25, Gaoan Road, Xuhui District, Shanghai, 200032, China
Employed			
Mr. Delin Nie <i>Director</i>	08/08/1973	06619565	No.24, Aiguo Road, Yuexiu, District, Guangzhou, Guangzhou, 510095, China
Employed			
Mr. N Subramanian <i>Independent Director</i>	17/03/1954	03602858	Flat 1C Ramcons Rajam, No 90 Bazullah Road, T-Nagar, Chennai, 600 017, Tamil Nadu
Chartered Accountant			
Ms. Kamana Srikanth <i>Independent Director</i>	15/09/1982	02133068	New No 11, Subbaraya Aiyer Avenue, Chennai – 600 018, Tamil Nadu
Lawyer			

Brief Profile of the Board of Directors

Please see “Management” on page 91 of this Draft Letter of Offer.

Company Secretary & Compliance Officer

Mr. S.K. Subramanyan
Dhun Building, III Floor,
827, Anna Salai, Chennai – 600 002
Tel: +91 044 28521736
Fax: +91 044 28520420
Website: rights@hssil.com
Email: www.hssil.com

Statutory Auditors of our Company

Ms. P. Srinivasan & Co.,
Chartered Accountants
N0 6/24, Sambasivam Street,
T Nagar, Chennai 600017
Tel: +91 – 044- 2815 1105
Email: psc.gopalan@gmail.com
Contact Person: Mr. S .Gopalan, Partner
Membership No.: 021007
Firm Registration Number: 004054S

Bankers to our Company

Citibank N.A.,
3Floor, No.2 ClubHouse Road,
Chennai-600002, India
Tel: +91- 044-4222 6000
Fax: +91-044-2846 0002
Email: sahana.jv@citi.com
Contact Person: Mrs. J.V. Sahana

Industrial and Commercial Bank of China Limited (ICBC)

Level 1, East Wing, Wockhardt Tower, C-2,
G Block, Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
Tel: +91 – 022 -3315 5903
Fax: +91 – 022 – 3315 5900
Email: luozan@india.icbc.com.cn
Contact Person: Mr. Luo Zan

Lead Manager to the Issue

Keynote Corporate Services Limited
The Ruby, 9th Floor,
Senapati Bapat Marg, Dadar (W)
Mumbai 400 028
Maharashtra, India.
Tel: +91 22 3026 6000-3
Fax: +91 22 30266088
E-mail : mbd@keynoteindia.net
Website : www.keynoteindia.net
Contact Person : Mr. Janardhan Wagle
SEBI Registration Number: INM 000003606

Legal Advisors to the Issue

LSA Legal LLP s
No 81 Greams Road,
MNO Complex, Chennai - 600006
Tel : +044 28292272/ 73, **Fax :** +044 28292273
E mail: admin@lsa-india.com
Contact Person: Ms. Lakshmmi Subramanian

Bankers to the Issue

[●]

Registrar to the Issue**M/s. Integrated Enterprises (India) Limited**

2nd Floor, Kences Towers,
No. 1, Ramakrishna Street,
North Usman Road,
T. Nagar, Chennai - 600 017.

Tel: +91-44- 28140801-3

Fax: +91-44- 28142479

E-mail: yuvraj@integratedindia.in

Website: www.integratedindia.in

Contact Person: Mr. S Yuvaraj

SEBI Registration Number: INR000000544

Self Certified Syndicate Banks

All QIBs and Non-Institutional Investors must mandatorily and Retail Individual Investors may optionally apply through the ASBA process provided that they hold Equity Shares as on the Record Date in dematerialised form. The ASBA Investors are required to fill the ASBA Form and submit the same to their Self Certified Syndicate Banks ("SCSB") which in turn will block the amount as per the authority contained in the ASBA Form and undertake other tasks as per the specified procedure. The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided in the SEBI website at <http://www.sebi.gov.in/pmd/scsb.html>. Details relating to designated branches of SCSBs collecting the ASBA forms are available at the above mentioned link. On allotment, the amount would be unblocked and the account would be debited only to the extent required to pay for the Equity Shares allotted.

For further details on the ASBA process, please refer to details given in ASBA form and also see "Terms of the Issue" on page 170 of this Draft Letter of Offer.

Investors may please contact the Registrar to the Issue or our Company Secretary and Compliance Officer for any pre-issue /post-issue related matter such as non-receipt of Abridged Letter of Offer / CAF / letter of allotment / share certificate(s) / credit of allotted shares in the respective beneficiary account / refund orders etc. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount blocked, ASBA Account number and the Designated Branch of the SCSB where the CAF was submitted by the ASBA Investors.

Allocation of responsibilities

Keynote Corporate Services Limited is the sole Lead Manager to this issue and hence Interse allocation of responsibilities is not applicable. However the list of major responsibilities of Keynote Corporate Services Limited inter alia, is as follows:

SI No.	Activity
1.	Capital structuring with the relative components and formalities such as composition of debt and equity, type of instruments.
2.	Drafting and design of the offer document and of advertisement / publicity material including newspaper advertisements and brochure / memorandum containing salient features of the offer document. To ensure compliance with the SEBI Regulations and other stipulated requirements and completion of prescribed formalities with Stock Exchange and SEBI.
3.	Marketing of the issue will cover, inter alia, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) bankers to the issue, (iii) collection centres (iv) distribution of publicity and issue material including composite application form and the Abridged Letter of Offer and the Draft Letter Of Offer to the extent applicable.
4.	Selection of various agencies connected with the issue, namely Registrar to the Issue, Bankers to the Issue, printers, and advertisement agencies, etc.

Sl No.	Activity
5.	Follow-up with bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.
6.	The post-issue activities will involve essential follow-up steps, which must include finalization of basis of allotment / weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as registrars to the issue, bankers to the issue, and bank handling refund business. Even if many of these post-issue activities would be handled by other intermediaries, the Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Issuer.

Credit rating

As the Issue is a rights issue of equity shares, no credit rating is required.

Monitoring Agency

Since the Issue size does not exceed ₹ 50,000 Lacs, the appointment of a monitoring agency as per Regulation 16 of the SEBI Regulations is not required.

Appraisal

The objects of this Issue have not been appraised by any bank or any other independent financial institution.

Principal Terms of Loan and Assets charged as security

For details of the principal terms of loans and assets charged as security, please see “Financial Indebtedness” on page 151 of this Letter of Offer.

Experts

Except for the reports of the Auditor of our Company on the audited financial information and statement of tax benefits, included in the Draft Letter of Offer, our Company has not obtained any expert opinions.

Underwriting

This Issue of Equity Shares is not being underwritten and/or no standby support is being sought for the said Issue.

CAPITAL STRUCTURE

The capital structure of our Company and related information as on date of this Draft Letter of Offer, prior to and after the proposed Issue, is set forth below:

(₹ in lacs except per share data)

Particulars	Aggregate Nominal Value	Aggregate Value at Issue Price
Authorised share capital:		
1,80,00,000 equity shares of ₹ 10 each	1,800	
300,000 16% cumulative redeemable preference shares of ₹ 100 each	300	
Total	2100	
Issued, subscribed and paid up capital before the Issue		
64,07,204 equity shares of ₹ 10 each	640.72	
Present Issue being offered to the Equity Shareholders through the Letter of Offer		
[●] equity shares of ₹10/- each at an Issue Price of [●] per Equity Share (premium of ₹ [●] per Equity Share)	[●]	[●]
Paid up capital after the Issue		
[●] equity shares of ₹10 each	[●]	[●]
Securities premium account		
Before the Issue	516.48	[●]
After the Issue	[●]	[●]

Details of increase in the Authorized Share Capital since incorporation

Sl No.	Particulars	Date of the shareholders resolution
1	The authorized share capital of ₹ 1,00,00,000 comprising of 10,00,000 equity shares of ₹ 10 each	Incorporation
2	The authorized share capital of our company of ₹ 1,00,00,000 comprising of 10,00,000 Equity Shares of ₹ 10 each was further increased to ₹ 2,00,00,000 comprising of 20,00,000 equity shares of ₹ 10 each	January 03, 1986
3	The authorized share capital of our company of ₹ 2,00,00,000 comprising of 20,00,000 Equity Shares of ₹ 10 each was further increased to ₹ 3,00,00,000 comprising of 30,00,000 equity shares of ₹ 10 each	September 16, 1991
4	The authorized share capital of our company of ₹ 3,00,00,000 comprising of 30,00,000 Equity Shares of ₹ 10 each was further increased to ₹ 5,00,00,000 comprising of 50,00,000 equity shares of ₹ 10 each	December 20, 1991
5	The authorized share capital of our company of ₹ 5,00,00,000 comprising of 50,00,000 Equity Shares of ₹ 10 each was further increased to ₹ 10,00,00,000 comprising of 1,00,00,000 equity shares of ₹ 10 each	September 01, 1994

Sl No.	Particulars	Date of the shareholders resolution
6	The authorized share capital of our company of ₹ 10,00,00,000 comprising of 1,00,00,000 Equity Shares of ₹ 10 each was further increased to ₹ 13,00,00,000 comprising of 1,00,00,000 equity shares of ₹ 10 each and 3,00,000 Redeemable cumulative preference shares of ₹ 100 each	September 04, 1995
7	The authorized share capital of our company of ₹ 13,00,00,000 comprising of 1,00,00,000 equity shares of ₹ 10 each and 3,00,000 16% Redeemable cumulative preference shares of ₹ 100 each was further increased to ₹ 21,00,00,000 comprising of 1,80,00,000 equity shares of ₹ 10 each and 3,00,000 Redeemable cumulative preference shares of ₹ 100 each	September 16, 2008

Notes to the Capital Structure

1. Share Capital History

Date of allotment of the Equity Shares	No. of Equity Shares allotted	Face Value (₹)	Issue Price (₹)	Nature of consideration	Nature of Allotment	Issued Equity Capital (₹)	Cumulative number of Equity Shares
February 22, 1984	900	10	10	Cash	Initial Allotment based on subscription to Memorandum of Association	9,000	900
June 28, 1985	43,530	10	10	Cash	Further allotment of equity shares	4,35,300	44,430
December 24, 1986	1,009,980	10	10	Cash	Public Issue of Equity Shares	1,00,99,800	10,54,410
July 06, 1988	351470	10	10	Cash	Further allotment of equity shares	35,14,700	14,05,880
August, 03 1989	-4900	10	NA	NA	Forfeiture *	(49,000)	14,00,980
December 04, 1991	514870	10	10	Cash	Further allotment of equity shares	51,48,700	19,15,850
May 08, 1992	402328	10	10	Cash	Rights issue of equity shares	40,23,280	23,18,178
May 10, 1994	1738634	10	15	Cash	Rights issue of equity shares	1,73,86,340	40,56,812
May 23, 1994	323400	10	10	Cash	Conversion of term loan into equity by ICICI Ltd	32,34,000	43,80,212
October 15, 1994	242550	10	15	Cash	Further Allotment of equity Shares to ICICI Ltd.	24,25,500	46,22,762
December 06, 1996	529737	10	40	Cash	Rights issue of equity shares	52,97,370	51,52,499
June 30, 1997	1373130	10	31	Cash	Preferential Allotment of equity Shares	1,37,31,300	65,25,629
Refer Note Below	-118425	10	NA	NA	Buyback of equity shares	(11,84,250)	64,07,204

* Forfeiture of 4900 equity shares pursuant to board resolution dated August 03, 1989.

Note: Buyback of 1,18,425 Equity Shares pursuant to the Resolution passed by the Board of Directors at their meeting held on September 16, 2008. The said buy back offer through Open Market route commenced on February 02, 2009 and closed on September 09, 2009.

2. Share capital build-up for the shareholding of the Promoter(s) in the Company

Kingfa SCI and Tech Co Ltd

Date of allotment/transfer	Number of equity shares allotted/acquired/(sold)/(transferred)	Face Value (in ₹)	Acquisition Price/Sale Price (in ₹)	Nature of transaction (Cash, Consideration other than cash)	Allotment/Transfer	Pre Issue Capital (%)	Post Issue Capital (%)
July 03, 2013	42,60,700	10	25	Cash	Acquisition from erstwhile promoters vide Share Purchase Agreement dated May 20, 2013	66.50	[•]
October 04, 2013	10,41,405	10	42.70	Cash	Acquisition pursuant to open offer made in terms of Takeover Regulations (shares received in demat mode)	16.25	
November 06, 2013	2,927	10	42.70	Cash	Acquisition pursuant to open offer made in terms of Takeover Regulations (shares received in physical mode)	0.05	
December 16, 2014	(2,58,930)	10	199.50 *	Cash	Offer for sale through Stock Exchange mechanism	(4.04)	
January 15, 2015	(2,41,070)	10	194.15 *	Cash	Offer for sale through Stock Exchange mechanism	(3.76)	
Total	48,05,032					74.99	

* Average selling rate (net of brokerage, stamp duty, STT, service tax)

3. The shareholding pattern of our Company as on March 31, 2015 (in terms of clause 35 of the Listing Agreement):

Partly Paid-up Shares	No. of Partly paid-up Shares	As a % of total No. of partly paid-up Shares	As a % of total No. of Shares of the Company
Held by promoter / promoter group	NA	NA	NA
Held by Public	NA	NA	NA
Total	NA	NA	NA
Outstanding Convertible Securities	No. of Outstanding securities	As a % of total No. of Outstanding Convertible Securities	As a % of total No. of Shares of the Company, assuming full conversion of the convertible securities
Held by promoter / promoter group	NA	NA	NA
Held by Public	NA	NA	NA
Total	NA	NA	NA
Warrants	No. of Outstanding securities	As a % of total No. of Outstanding Convertible Securities	As a % of total No. of Shares of the Company, assuming full conversion of the convertible securities
Held by promoter / promoter group	NA	NA	NA
Held by Public	NA	NA	NA
Total	NA	NA	NA
Total paid-up capital of the Company, assuming full conversion of warrants and convertible securities		6,40,72,040	

Category Code	Category of Shareholder	No. of Shareholders	Total No. of shares	No. of shares held in Dematerialised Form	Total No. of shareholding as a percentage of Total No. of shares		Post Issue shareholding
					As a percentage of (A+B) (VI)	As a percentage of (A+B+C) (VII)	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	
A	Promoter and promoter group						
(1)	Indian						
a	Individual/Hindu Undivided Family						
b	Central Government/ State Governments						
c	Bodies Corporate						
d	Financial Institutions / Banks						
e	Any other (Specify)						
	Sub Total A(1)	0	0	0	0.00	0.00	[•]
(2)	Foreign						
a	Individual (Non resident Individuals / Foreign individuals)						
b	Bodies Corporate	1	4805032	4805032	74.99	74.99	[•]
c	Institutions						
d	Qualified Foreign Investor						

Category Code (I)	Category of Shareholder (II)	No. of Shareholders (III)	Total No. of shares (IV)	No. of shares held in Dematerialised Form (V)	Total No. of shareholding as a percentage of Total No. of shares		Post Issue shareholding
					As a percentage of (A+B) (VI)	As a percentage of (A+B+C) (VII)	
e	Any other (Specify)						
	Sub Total A(2)	1	4805032	4805032	74.99	74.99	[●]
	Total shareholding of Promoter and Promoter Group (A)= (A)(1) +(A)(2)	1	4805032	4805032	74.99	74.99	[●]
B	Public Shareholding	-					
(1)	Institutions						
a	Mutual Funds/ UTI						
b	Financial Institutions / Banks	1	200		0.00	0.00	[●]
c	Central Government/ State Governments						
d	Venture capital Funds						
e	Insurance Companies						
f	Foreign Institutional Investors						
g	Foreign Venture Capital Investors						
h	Qualified Foreign Investor						
i	Any other						
	Sub Total B(1)	1	200	0	0.00	0.00	[●]
(2)	Non-Institutions						
a	Bodies Corporate	86	134867	133938	2.10	2.10	[●]
b	Individuals						
(i)	Individual Shareholders holding Nominal Share Capital upto ₹ 1 Lakh	2966	768819	618145	12.00	12.00	[●]
(ii)	Individual Shareholders holding Nominal Share Capital in excess of ₹ 1 Lakh	14	535398	513810	8.36	8.36	[●]
(c)	Qualified Foreign Investor						
(d)	Any other **						
(d)(i)	Clearing member	7	831	831	0.01	0.01	[●]
(d)(ii)	Corporate cm/tm - client margin a/c	7	136397	136397	2.13	2.13	[●]
(d)(iii)	Corporate cm/tm - client beneficiary a/c	14	25121	25121	0.39	0.39	[●]
(d)(iv)	Individual-Margin Trading Account	1	39	39	0.00	0.00	[●]
(d)(v)	Limited liability partnership	1	500	500	0.01	0.01	[●]
		3096	1601972	1428781	25.00	25.00	[●]

Category Code (I)	Category of Shareholder (II)	No. of Shareholders (III)	Total No. of shares (IV)	No. of shares held in Dematerialised Form (V)	Total No. of shareholding as a percentage of Total No. of shares		Post Issue shareholding
					As a percentage of (A+B) (VI)	As a percentage of (A+B+C) (VII)	
	Total Public Shareholding (B) = (B)(1) + (B)(2)	3097	1602172	1428781	25.01	25.01	[●]
	TOTAL (A) + (B)	3098	6407204	6233813	100.00	100.00	[●]

Shareholding of securities (including shares, warrants, convertible securities) of persons belonging to the category Promoter and Promoter Group as on March 31, 2015. This table has to be read in connection with the above table.

Sl. No	Name of the Shareholders	Details of Shares held		Encumbered shares (*)			Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
		No. of Shares held	As a % of grand total (A)+(B)+(C)	No	As a percentage	As a % of grand total (A)+(B)+(C) of sub-clause (I)(a)	Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	As a % total number of convertible securities of the same class	
1	Kingfa SCI and Tech Co Ltd	4805032	74.99	0	0.00	0.00	0	0.00	0	0.00	74.99
	Total	4805032	74.99	0	0.00	0.00	0	0.00	0	0.00	74.99

Shareholding of securities (including shares, warrants, convertible securities) of persons belonging to the category Public and holding more than 1% of the total number of shares as on March 31, 2015

Sl. No.	Name of the Shareholder	No. of Shares held	Shares as % of Total No. of Shares	Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
				Number of warrants held	As a % total number of warrants of the same class	Number of convertible securities held	% w.r.t total number of convertible securities of the same class	
1	V Rajkumari	100000	1.56	-	-	-	-	1.56
2	SSJ Finance & Securities Limited	87155	1.36	-	-	-	-	1.36
3	Vimachand A	86351	1.35	-	-	-	-	1.35
	Total	273506	4.27	0	0.00	0	0.00	4.27

The Promoter has confirmed that it intends to subscribe to the full extent of their Rights Entitlement in the Issue. Our Promoter Kingfa Sci. and Tech. Co. Ltd. presently holds 74.99% of the paid-up equity share capital of our Company. As per the terms of the Rights Issue Kingfa Sci. and Tech. Co. Ltd. would be entitled to 74.99% of the rights issue as well. In terms of the present regulations, promoters will not be able to subscribe to any additional shares and/or subscribe to any unsubscribed portion in this rights issue as such subscription may reduce the public shareholding below the applicable limits of 25% for compliance with the continuous listing requirements as per provisions of Rule 19(2) (b) of Securities Contracts (Regulation) Rules, 1957. In case the rights issue remains unsubscribed and minimum subscription is not achieved, the Board of Directors may dispose of such unsubscribed portion in the best interest of the Company in a transparent manner.

Details of locked-in, pledged, encumbered shares of the Promoter and Promoter Group

None of the shares held by Promoter and Promoter Group are under lock in or pledged or encumbered.

4. Top Ten Shareholders

a) The top ten shareholders of our Company and the number of Equity Shares held by them as on the date this Offer Document:

Sl No	Shareholder	Total No. of Equity Shares held	%
1.	Kingfa Sci. And Tech. Co. Ltd	48,05,032	74.99
2.	V Rajkumari	1,00,000	1.56
3.	SSJ Finance & Securities Pvt. Ltd.	87,155	1.36
4.	Vimalchand A .	86,351	1.35
5.	Mita Dipak Shah	56,700	0.88
6.	Param Capital Research Pvt Ltd	50,000	0.78
7.	Umesh Chamdia	49,294	0.77
8.	SSJ Finance & Securities Pvt. Ltd.	48,331	0.75
9.	Arwa Umesh	42,500	0.66
10.	Vijay Kumar Jain	34,000	0.53

b) The top ten shareholders of our Company and the number of Equity Shares held by them ten days prior to the date this Offer Document:

Sl No	Shareholder	Total No. of Equity Shares held	%
1.	Kingfa Sci. And Tech. Co. Ltd	48,05,032	74.99
2.	V Rajkumari	1,00,000	1.56
3.	SSJ Finance & Securities Pvt. Ltd.	87,155	1.36
4.	Vimalchand A .	86,351	1.35
5.	Mita Dipak Shah	56,700	0.88
6.	Param Capital Research Pvt Ltd	50,000	0.78
7.	Umesh Chamdia	49,294	0.77
8.	SSJ Finance & Securities Pvt. Ltd.	48,331	0.75
9.	Arwa Umesh	42,500	0.66
10.	Vijay Kumar Jain	34,000	0.53

c) *Our top ten shareholders and the number of Equity Shares held by them two years prior to the date this Offer Document:*

Sl No	Shareholder	Total No. of Equity Shares held	%
1.	Vidya Srinivasan	3,196,090	49.89
2.	Narbod Constructions Private Limited	4,00,000	6.24
3.	Vensunar Holdings Private Limited	2,49,370	3.89
4.	Machino Transport Private Ltd.	1,28,306	2.00
5.	Venkataraman Srinivasan	82,500	1.29
6.	Murali Venkatraman	82,300	1.28
7.	Narayan Sethuramon	82,300	1.28
8.	Raj Kumar Lohia	80,381	1.25
9.	Galaxy Investments Private Limited	78,913	1.23
10.	Vijay Kumar Jain	66,000	1.03

- There are no financing arrangements whereby our Promoter/ Promoter Group, our Group Companies, our Directors and their relatives have financed the purchase by any other person of the Equity Shares of our Company during the period of 6 months immediately preceding the date of filing of the Draft Letter of Offer with SEBI.
- The Issue being a rights issue, as per Regulation 34(c) of the SEBI Regulations, the requirement of promoters' contribution and lock-in are not applicable.
- The aggregate number of specified securities purchased or sold by the promoter- promoter group and/or by the directors of our company and their immediate relatives within six months immediately preceding the date of filing of draft offer document with the Board are as follows:

Name of Entity	No. of Shares Purchased	No. of Shares Sold *	Sale Price (₹) & relevant dates*
Kingfa Sci. and Tech. Co. Ltd	Nil	2,58,930	₹ 199.50 ** 16 th December 2014
	Nil	2,41,070	₹ 194.15 ** 15 January 2015

* Offer for Sale through stock exchange mechanism, to achieve minimum public shareholding

** The Average net rate per equity share (net of brokerage, stamp duty, STT, service tax)

- Our Company has not raised any bridge loans that shall be payable from issue proceeds.
- Neither our Company, nor the Directors or the Promoters, or the Lead Manager have entered into any buy-back and/or standby arrangements for the purchase of Equity Shares of our Company.
- There are no outstanding warrants, financial instruments or any rights, which would entitle the Promoters or the shareholders of our Company or any other person any option to acquire any of the Equity Shares.
- The Equity Shares of our Company are fully paid up and there are no partly paid up Equity Shares as on the date of this Draft Letter of Offer.
- We do not have any proposal or intention to alter the equity capital structure of our Company by way of split/ consolidation of the denomination of the Equity Shares, or the issue of securities on a preferential basis or issue of bonus or rights or further public issue of securities or qualified institutions placement within a period of six (6) months from the date of opening of the Issue. However, if business needs of the Company so require, we may alter the capital structure of the Company by way of split / consolidation of the denomination of the Equity Shares / issue of Equity Shares on a preferential basis or issue of bonus or rights or public or preferential issue of Equity Shares or any other securities during the period of six (6) months from the date of opening

- of the Issue or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required.
13. Further, our Company has no intention to alter the equity capital structure by way of split/consolidation of the denomination of the shares, or issue of shares on preferential basis or issue of bonus rights or public issue of shares or any other securities for a period of six months from the date of opening of the Issue.
 14. Except as disclosed in the chapter titled “Management” on page 91 of the Draft Letter of Offer, none of our Directors or Key Managerial Personnel hold any Equity Shares.
 15. Our company has not issued or allotted any equity shares under any Scheme of Arrangement.
 16. Our Company has not revalued its fixed assets since incorporation.
 17. Our Company, Directors, Promoters or Promoter Group shall not make any payments direct or indirect, discounts, commissions, allowances or otherwise under this Issue.
 18. There shall be only one denomination of Equity Shares, unless otherwise permitted by law. Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
 19. As of March 31, 2015, the total number of holders of Equity Shares is 3,098.
 20. We have not made any issue of equity shares during the preceding one year from the date of filing of this Draft Letter of Offer
 21. Except for sale of Equity Shares of the Company to the public shareholders by way of Offer for Sale through stock Exchange mechanism, held on December 16, 2014 and January 15, 2015, there has been no acquisition, sale or transfer of Equity Shares by the Promoters in the last one (1) year preceding the date of filing of this Draft Letter of Offer.
 22. As on the date of the Draft Letter of Offer, the lead manager to the Issue does not hold any Equity Shares of our Company.
 23. Till date our Company has not introduced any Employees Stock Option Schemes/ Employees Stock Purchase Schemes.

SECTION IV – PARTICULARS OF THE ISSUE

OBJECTS OF THE ISSUE

Our Company intends to deploy the Issue Proceeds to finance the fund requirements for:

1. Repayment of short term loans availed by our Company;
2. Setting up of additional facilities at the existing locations i.e. Pune and Pondicherry;
3. The Issue expenses

The objects clause of our Memorandum of Association enables us to undertake our existing activities and the activities for which funds are being raised by us through this Issue.

The fund requirement and deployment are based on internal management estimates and have not been appraised. These are based on current conditions and are subject to change in light of changes in external circumstances or costs, or in other financial condition, business or strategy.

In case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue.

We intend to utilise the Issue Proceeds for financing the objects as set forth below:

<i>(₹ in lacs)</i>	
Expenditure Items	Amount
Repayment of short term loans	5400.00
Setting up of additional facilities at the existing facilities at Pune and Puducherry	4554.46
Issue expenses	[•]
Total	[•]

Means of finance

<i>(₹ in lacs)</i>	
Expenditure Items	Amount
Proceeds of the Issue	10,000.00
Internal Accruals	[•]
Total	[•]

The entire requirements of the objects detailed above are intended to be funded from the Issue Proceeds. Accordingly, our Company confirms that there is no requirement for it to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised through the Issue.

Further, our promoters hold 75% of the equity capital in the Company and would be entitled to 75% of our rights issue. Our promoters have undertaken to subscribe to the rights entitlement in full. The promoters may bring their contribution in the rights issue by way of share application money in advance which can be utilized towards the objects of the issue, by the Company. In such an event the amount of share application money so brought in by the promoters in advance would be adjusted towards their rights entitlement.

Cost of the Project

<i>(₹ in Lacs)</i>			
Particulars	Pune	Pondicherry	Total
Repayment of Short Term Loan			5,400.00
Setting up of additional facilities at the existing locations			
• Factory Building	1203.43	409.93	1613.36
• Plant & Machinery	2019.43	783.35	2802.78
• Other expenses			50.00

Particulars	Pune	Pondicherry	Total
Sub-total			9,866.14
• Contingency			88.32
Issue Expenses			[•]
Total			[•]

Details of the Objects of the Rights Issue

1. Repayment of Short Term Loans

We propose to utilize an amount of ₹ 5400 lacs out of the Issue proceeds for the repayment of the outstanding loans.

We are in the business of manufacturing of high quality Reinforced Polypropylene Compounds, Thermoplastics Elastomers and Fibre Re-Inforced composites.

As per the audited financials as on December 31, 2014, our Company had a total unsecured borrowings in the form of revolving short term loan amounting to ₹ 6088.95 lacs. Of which of ₹ 4288.95 lacs was availed from CITI Bank N.A. ('CITI Bank') and ₹ 1800 lacs from Industrial and Commercial Bank of China Limited ('ICBC Bank') as against the sanctioned amount of ₹ 6000 lacs and ₹ 1800 lacs vide their letters bearing reference dated 10.01.2014 and 12.08.2014, respectively.

Of the aforesaid loans, we propose to prepay part of the loan, to the extent of ₹ 3900 Lacs to CITI Bank and the balance ₹ 1500 to ICBC Bank.

Principal terms and conditions of the aforesaid Short term loans are as follows:

Bank	CITI Bank	ICBC Bank
Nature of Loan Facility	Working capital credit facilities (short term)	Working capital term loan (short term)
Amount Sanctioned	₹ 6000 lacs	₹ 1800 lacs
Rate of Interest	10.75 % p.a. (fixed) with monthly rests	10.40 % p.a. (fixed) with monthly rests
Amount outstanding as on December 31, 2014	₹ 4288.95 lacs	₹ 1800 lacs
Sanction details	Agreement dated January 25, 2014	Letter dated July 30, 2014
Tenure	Six months with a validity of 1 year. Facility to be renewed periodically. Validity extended till January 23, 2016	One year. Facility to be renewed periodically
Security	Unsecured	Unsecured

Loan from CITI Bank

Earlier, we have availed loan from a nationalized bank with an interest rate of 16% pa. As our operations are increased we required funds in the form of working capital. In order to mitigate the operational constraints we availed a limit of ₹ 60 crores from CITI Bank, Chennai which helped us to meet the working capital gap vide their letter dated January 10, 2014. Further, the said facility was availed at an interest rate of 10.75% which comparatively reduced our interest cost. The said loan is being utilised for funding our working capital requirements. As on December 31, 2014 the outstanding loan is ₹ 4288.95 lacs.

Loan from ICBC Bank

ICBC Bank vide their letter dated July 30, 2014 sanctioned us a working capital term loan of ₹ 1800 lacs at an interest rate of 10.40% in order to meet our short term working capital requirements and also to reduce the interest costs of the company as whole. The outstanding balance as on December 31, 2014 stood at ₹ 1800 lacs. By repayment of the aforementioned loans to the extant mentioned, will go a long

way in reducing the debt burden of the Company and save interest outgo of about ₹ 575.25 lacs per annum.

2. Setting up of additional facilities at the existing locations i.e. Pune and Pondicherry

We propose to expand the capacities at our manufacturing capabilities at Pune and Pondicherry units for which we propose to utilise ₹ 4554.46 Lacs out of the proceeds of the proposed rights issue. We propose to install additional three (3) manufacturing lines at our Pune facility and One (1) additional manufacturing line at our Pondicherry facility. The said expansion is proposed to be carried out at our existing units as the additional land is already available with us. For the said expansion we propose to utilise an area of 1900 sq. Mt (approx) & 1000 sq. Mt (approx) of land as the existing site at our Pune and Pondicherry facilities, respectively.

The cost of the proposed expansion under various heads are as follows:

Particulars	Cost (₹ In Lacs)		
	Pune	Pondicherry	Total
Building	1203.43	409.93	1613.36
Plant & Machinery	2019.43	783.35	2802.78
Sub-Total	3352.86	1277.85	4416.14
Other expenses			50.00
Contingencies			88.32
Grand Total			4554.46

Building

We propose to utilise ₹ 1613.36 lacs towards construction of Pune and Pondicherry buildings.

Pune

The cost estimates based on the quotation dated March 25, 2015 provided by M/s SatyaVel Constructions are as under:

Unit Description	Pune		
	Area (Sq. Mts.)	Construction Cost (₹/sq.Mt.)	Cost (₹ in lacs)
Building G+2	5600 Sq. Mts	16000	896.00
Office+ Lab Building	1500 Sq. Mts	14000	210.00
Land Filling	4000 Sq. Mts	700	28.00
Road Concreting Cementing	450 Sq. Mts	4000	18.00
Boundary wall	1400 Ft	300	4.20
Architect Fees *	-	-	47.23
Sub-Total			1203.43

* 4.27 % of the cost of 'Building G+2' & 'Office+ Lab Building', based on the quotation dated March 10, 2015 from Anand Oak & Rupa Oak, Architects)

Pondicherry

The cost estimates based on the quotation dated March 31, 2015 provided by Unique Infracon are as under:

Unit Description	Pondicherry		
	Area (Sq. Mts.)	Construction Cost (₹/sq.Mt.)	Cost (₹ in lacs)
G+2 Storage Facility	2090 Sq. Mts	17000	355.30
Water Storage 20000 Liters	38 Cu. Mtr.	714	2.90

Unit Description	Pondicherry		
	Area (Sq. Mts.)	Construction Cost (₹/sq.Mt.)	Cost (₹ in lacs)
Cement Road Concreting	400 Sq. Mts	4000	16.00
Architect Fees	2090 Sq. Mts	4.40%	15.63
Boundary wall *	1500 Ft	300	4.50
Architect Fees	-	-	15.60
Sub-Total			409.93

* Company estimate

Plant & Machinery

We propose to utilize ₹ 2802.78 lacs towards installation of plant and machineries (Including other expenses) at our proposed facilities at Pune and Pondicherry.

Pune Facility

An amount of ₹ 2019.43 lacs is proposed to be invested in the plant and machinery for the proposed expansion at our facility based at Pune. The quotations of the machineries to be installed have been sourced through various suppliers and includes imported machineries. No second hand equipments has been purchased or is proposed to be purchased through the proceeds of the issue

Imported

Item Description	Qty	Supplier	Date of quotation	Basic Cost (in lacs)	Cost (₹ in Lacs)
Twin Screw Extruder	1	Coperion GmbH, Germany	March 26, 2015	€ 4.41	387.05
Die Phase Cutter	3	Gala Industries Inc, USA	March 06, 2015	\$ 1.93 (Plus additional attachments of \$0.10 lacs)	473.03
K-Tron Gravimetric Feeders	12	ICE (Asia) Pvt. Ltd. (product of Coperion K-Tron (Schweiz) GmbH., Switzerland)	March 09, 2015	CHF 0.93	232.49
Metal Detector	1	JISL, Cassel Metal Detector Co. Ltd, Thailand	March 31, 2015	€ 0.06	5.48
Ceas Impact tester	1	Venture- Instron Ceas Division, Italy	May 04, 2015	€ 0.40	35.36
Melt Flow Tester	1	Venture Technologies (product of Instron Ceas Division, Italy)	May 04, 2015	€ 0.17	14.67
Macbeth Color reader with Software	1	X-rite Asia Pacific Ltd, Hong Kong	March 28, 2015	\$ 0.32	25.21
Sub Total	(Includes countervailing duty (12.5%), Customs Duty (10%) and Special Additional Duty (4%))				1173.29

Conversion rate taken as on March 27, 2015, which are:

- USD = 62.6069 (Source: RBI)
- Euro = 68.1476 (Source: RBI)
- CHF = 64.6284 (Source: Bloomberg)

Indigenous

Item Description	Qty	Supplier	Date of quotation	Cost (₹ in Lacs)
Twin Screw Extruder	2	Steer Engineering Pvt Ltd	May 05, 2015	579.48 * (Includes additional attachments worth ₹ 10 Lacs)
Color Mixer	1	Arun Enterprises	January 09, 2015	2.95
SS water Bath with roller & SS Stand	3	Raj Fab	March 09, 2015	6.45
DoubLe Decker Vibro Screen	3	ETA Engg Services	May 12, 2015	10.50
High Speed Mixer	3	Neoplast	May 05, 2015	43.47 *
Power Connections in Jejuri (Cabling, Panel etc)	1	Rachana Electricals & Elevators	April 23, 2015	37.33 (Includes Service Tax @12.36%)
Transformer	1	Rachana Electricals & Elevators	April 23, 2015	11.10
Crane 1MT cpapacity	1	S CraneEngg. Works	March 12, 2015	8.62 *
Fullset of ISO/Specimen molds with inserts	1	K AR Moulds	April 24, 2015	12.38 *
Silos with Vacuum loader	2	Prasad Kochtechnik Pvt.Ltd	March 31-2015	47.66
Air conditioning of office/Lab	1	<i>Company Estimates</i>	-	69.61
Sub Total				829.55
<i>Add: Sales Tax @ 2% (CST)</i>				<i>16.59</i>
Grand Total				846.14

* Includes countervailing duty @12.5%

Pondicherry Facility

An amount of ₹ 783.35 lacs is proposed to be invested in the plant and machinery for the proposed expansion at our facility based at Pondicherry. These machineries have been sourced through various suppliers and includes imported machineries. No second hand equipments have been purchased or is proposed to be purchased.

Imported

Item Description	Qty	Supplier	Quote Date	Basic Cost (in Lacs)	Cost (₹ in Lacs)
Twin Screw Extruder	1	Coperion GmbH, Germany	March 26, 2015	€ 4.41	387.05
Die Phase Cutter	1	Gala Industries Inc, USA	March 06, 2015	\$ 1.93 (Plus additional attachments of \$0.10 lacs)	157.68
K-Tron Gravimetric Feeders	4	ICE (Asia) Pvt. Ltd. (product of Coperion K-Tron (Schweiz) GmbH., Switzerland)	March 09, 2015	CHF 0.93	77.50
Metal Detector	1	JISL, Cassel Metal Detector Co. Ltd, Tahiland	March 31, 2015	€ 0.06	5.48
QUV weatherometer	1	Venture Technologies (Product of Q Lab Corporation, USA)	May 04, 2015	\$ 0.61	49.47

Item Description	Qty	Supplier	Quote Date	Basic Cost (in Lacs)	Cost (₹ in Lacs)
Macbeth Color reader with Software	1	X-rite Asia Pacific Ltd, Hong Kong	March 28, 2015	\$ 0.32	25.21
Sub Total	(Includes countervailing duty (12.5%), Customs Duty (10%) and Special Additional Duty (4%))				702.39

Conversion rate taken as on March 27, 2015, which are:

- USD = 62.6069 (Source: RBI)
- Euro = 68.1476 (Source: RBI)
- CHF = 64.6284 (Source: Bloomberg)

Indigenous

Item Description	Qty	Supplier	Quote Date	Cost (₹ in Lacs)
Color Mixer	1	Arun Enterprises	May 05, 2015	2.95
SS water Bath with roller and SS stand	1	Raj Fab	March 09, 2015	2.15
DoubLe Decker Vibro Screen	1	ETA Engg Services	May 12, 2015	3.50
High Speed Mixer	1	Neoplast	May 05, 2015	14.49*
Crane 1MT capacity	1	S Crane Engg. Works	March 12, 2015	8.62*
Silos with Vacuum loader	2	Prasad Kochtechnik Pvt. Ltd	March 31 2015	47.66
Sub-Total				79.37
<i>Add: Sales Tax @ 2% (CST)</i>				<i>1.59</i>
Grand Total				80.96

* Includes countervailing duty @12.5%

Other expenses

We have estimated an amount of ₹ 50.00 lacs towards Electrification & Cabling, Software integration, miscellaneous fixed assets etc. The amount of ₹ 50.00 lacs is based on the estimates of the management and no quotations have been obtained for the same.

Contingences

The company has earmarked contingency of an amount of ₹ 92.61 lacs which is 2% of the cost of site development, Building and plant & machinery.

Issue Related Expenses

The Issue related expenses include, among others, fees to various intermediaries, printing and distribution expenses, advertisement expenses, and registrar and depository fees. The estimated Issue related expenses are as follows:

Particulars	Approximate Amount (₹ in lacs)	As percentage of total expenses	As a percentage of Issue size
Fees of the Intermediaries	[•]	[•]	[•]
Advertising, Printing and stationery expenses (including courier and distribution charges)	[•]	[•]	[•]
Others (listing fees, depositories' fees, auditor fees, out of pocket expenses, etc)	[•]	[•]	[•]
Total	[•]	[•]	[•]

Schedule of Implementation and Deployment of Funds

Our Company proposes to repay the loan funds at the earliest from the date of receipt of Issue proceeds. We further propose to utilize the Issue proceeds towards the other Object mentioned above as under:

Particulars	Month/ Year of Commencement		Month/ Year of Completion	
	Pune	Pondicherry	Pune	Pondicherry
Factory building	October 2015	September 2015	September 2016	September 2016
Plant & Machinery	December 2015	December 2015	September 2016	September 2016
Trail runs	March 2016	March 2016	September 2016	September 2016
Commencement of commercial production	August 2016	August 2016	September 2016	September 2016

Year wise break-up of proceeds to be used

We intend to utilize the entire proceeds of the issue as under:

Particulars	FY 2014-15	FY 2015-16	FY 2016-17	Total
Repayment of Short Term Loans	-	5400.00	-	5400.00
Setting up of facilities at Existing Facilities i.e. Pune and Pondicherry	-	2469.06	2130.10	4599.16
Issue expenses	7.50	[•]	-	[•]

Funds deployed till date

As per the certificate dated May 12, 2015 issued by M/s P. Srinivasan & Co., our Statutory Auditors, our company has deployed an amount of ₹ 10.00 lacs till May 12, 2015 towards issue expenses. The same has been financed out of the internal accruals of our company.

Interim use of funds

The management of our Company, in accordance with the policies established by our Board from time to time, will have flexibility in deploying the Issue Proceeds. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including investments in mutual funds, deposits with banks and other investment grade interest bearing securities. Such investments would be in accordance with investment policies approved by our Board from time to time. Our Company confirms that pending utilization of the Issue Proceeds it shall not use the funds for any investments in the equity markets.

Appraisal

The Objects of the Issue have not been appraised by any bank or financial institution.

Bridge Financing Facilities

We have not availed any bridge financing facilities for financing the Objects of the Issue.

Monitoring of the utilization of funds

Since the Issue size does not exceed ₹50,000 Lacs, the appointment of a monitoring agency as per Regulation 16 of the SEBI Regulations is not required. Our Company shall on a quarterly basis disclose to the Audit Committee the uses and applications of the Issue Proceeds. On an annual basis, our Company shall prepare a statement of funds utilized for purposes other than those stated in the Draft Letter of Offer and place it before the Audit Committee. Such disclosure shall be made only until such time that the Issue proceeds have been utilised in full. The statement shall be certified by the statutory auditors of our Company. Furthermore, in accordance with clause 43A of the Listing Agreement our

Company shall furnish to the Stock Exchange on a quarterly basis, a statement including material deviations if any, in the utilisation of the proceeds of the Issue from the objects of the Issue as stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results, after placing the same before the Audit Committee.

Variation in Objects

In accordance with section 27 of the Companies Act, 2013, read with Rule 7 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, our Company shall not vary the objects of the Fresh Issue without our Company being authorised to do so by the shareholders by way of a special resolution through a postal ballot. In addition, the notice issued to the Shareholders in relation to the passing of such special resolution (“**Postal Ballot Notice**”) shall specify the prescribed details as required under the Companies Act, 2013. The Postal Ballot Notice shall simultaneously be published in the newspapers, one in English and one in the vernacular language of the jurisdiction where the registered office of our Company is situated. , Our Promoters have undertaken to provide an exit opportunity to such shareholders, who do not agree to the above stated proposal at a price as may be prescribed by SEBI, in this regard.

Other confirmations

No part of the proceeds of this Issue will be paid by us as consideration to our Promoters, our Promoter Group, our Directors, key managerial personnel or companies promoted by our Promoters.

BASIS OF ISSUE PRICE

The Issue Price has been determined by our Company, in consultation with the Lead Manager, on the basis of market conditions and on the basis of the following quantitative and qualitative factors. The information presented in this section is for the nine months period ended December 2014 and Fiscal 2012, 2013 and 2014 is derived from our Company's audited financial information, prepared in accordance with Indian GAAP and the Companies Act and in accordance with the SEBI Regulations. You should read the following summary with the sections titled "Risk Factors", "Business Overview" and "Financial Information" on pages 9, 26 and 119, respectively, of this Draft Letter of Offer, to get a more informed view before making an investment decision. The trading price of the Equity Shares could decline and you may lose all or part of your investments

Quantitative Factors**1. Basic and Diluted Earnings per Share (EPS)**

Period	Basic and Diluted EPS (₹)	Weight
Fiscal 2012	0.04	1
Fiscal 2013	(7.88)	2
Fiscal 2014	(13.23)	3
Weighted Average	Negative	
Nine months ended December 31, 2014	(6.37)	

Note:

- The figures disclosed above are based on the financial information statement as disclosed in this draft letter of offer.
- EPS calculation have been done in accordance with Accounting Standard 20- "Earning per share" issued by the Institute of Chartered Accountants of India
- The above statement should be read with Significant Accounting Policies and the Notes to the audited financial information as appearing in Chapter "Auditor' Report" on page 119 of this Draft Letter of Offer.

2. Price Earnings Ratio (P/E) in relation to the Issue price of ₹ [●] per Equity Share of ₹ 10 each

The P/E ratio based on the basic and diluted EPS for the Fiscal Year 2014 at the Issue Price is [●].

3. Return on Net Worth (RoNW)

Period	RoNW (%)	Weight
Fiscal 2012	(0.10)	1
Fiscal 2013	(25.41)	2
Fiscal 2014	(74.42)	3
Weighted Average	Negative	
Nine months ended December 31, 2014	(55.87)	

Minimum Return on increased Net Worth required to maintain Pre-Issue EPS for Fiscal 2014 at the Issue Price on the basic and diluted EPS – [●] %

Net Asset Value

Period	₹
Fiscal 2014	17.78
As on December 31, 2014	11.41

Issue Price	₹[●] per Equity Share
NAV after the Issue	₹[●] per Equity Share

Industry P/E

Our Company is into manufacturing and supply of high quality Modified Engineering thermoplastics based on Polypropylene (PP), Polybutylene terephthalate (PBT), Polyamide (PA) and Thermoplastics Elastomers. Presently, majority of our products are supplied to the Tier 1 of the OEMs in the automotive industry. We could not find any listed entity which is exactly into the same line of business. However since the automobile industry contributes to around 95% of our revenue and our products can be broadly classified under the plastic industry, we have included companies belonging to the 'Plastic Products' and 'Auto Ancillaries' and which are similar in size.

Auto Ancillaries Industry

	P/E Ratio	Name of the Company	Face Value of the equity shares (₹)
Highest	61.10	Kar Mobiles Limited	10
Lowest	10.14	Talbros Automotive Components Ltd	10
Average	43.3		

Source: Capital Market: May 11-24, 2015; Industry: Auto Ancillaries

Plastic Products Industry

	P/E Ratio	Name of the Company	Face Value of the equity shares (₹)
Highest	42.90	Flexituff International	10
Lowest	10.87	Kalpena Industries Ltd.	10
Average	25.4		

Source: Capital Market Magazine May 11-24, 2015; Industry: Plastic Products & Annual Report for F.Y. 2013-14, available on BSE Website

Comparison of Accounting Ratios with Industry Peers

Name of the company	Face Value (₹ per share)	EPS (₹)	P/E Ratio [^]	RoNW (%)	NAV (₹ per share)
Hydro S&S Industries Limited*	10	-13.23	-	(74.42)	17.78

Peer Group****Auto Ancillaries Industry**

PPAP Automotive Ltd.	10	3.90	24.37	-1.1	134.9
India Motor Parts & Accessories Ltd.	10	35.51	19.01	15.9	236.6
Kar Mobiles Limited	10	6.15	61.80 ^{^^}	4.5	139.8
Talbros Automotive Components Limited	10	12.77	10.14	7.8	92.3

Plastic Products Industry

Shaily Engineering Plastics Ltd	10	9	34.44	16.8	81.3
Kalpena Industries Ltd.	10	10.36	10.87	8.8	121.8
Time Technoplast Ltd	1	3.82	11.19	10.9	36.6
Supreme Industries Limited	2	22.15	30	31.9	75.9
Ester Industries Limited	5	1.34	14.48	3.27	41.16
Flexituff International Ltd.	10	5.44	42.90	6.8	144.7

*As the Financial information for F.Y.2013-14 as disclosed in the draft letter of offer

**Source: Annual Report for F.Y. 2013-14 available on BSE Website & Capital Market Magazine: May 11-24, 2015

[^]calculated based on the closing price of 12th May, 2015; ^{^^} calculated based on the closing price of 24th April, 2015

The issue price of ₹ [●] per share is [●] times the face value of ₹10/- per equity share. Further, as on May 21, 2015 the 52 week high & low prices of our Equity Shares on BSE is ₹ 332.50 & ₹ 47.00 respectively. Thus, considering the above quantitative factors, the Issue Price is justified.

STATEMENT OF TAX BENEFITS

Statement of possible special direct tax benefits available to Hydro S & S Industries Limited and its shareholders

To,
The Board of Directors
Hydro S & S Industries Limited
Dhun Building, 3rd floor,
827, Anna Salai,
Chennai 600 002

Dear Sirs,

Sub: Proposed Rights Issue (the “Issue”) of equity shares (the “Equity Shares”) of Hydro S & S Industries Limited (the “Company”)

We report that there are no possible special direct tax benefits available to the Company and its shareholders under the Income-tax Act, 1961 and Wealth-tax Act, 1957, presently in force in India.

This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Issue. Neither we are suggesting nor advising the investor to invest money based on this statement.

The contents of this statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

We hereby give consent to include this statement of tax benefits in the Draft Letter of Offer, the Letter of Offer and in any other material used in connection with the Issue.

For **P Srinivasan & Company,**
Chartered Accountants

Sd/-

S .Gopalan,
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Peer Review Certificate No.: 004585

Place: Chennai
Date: 17/04/2015

SECTION V – ABOUT US

INDUSTRY OVERVIEW

The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries, industry websites and publicly available industry reports. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Draft Letter of Offer is reliable, it has not been independently verified.

Accordingly, our Company and the Lead Manager do not take any responsibility for the data, projections, forecasts, conclusions or any other information contained in this section. Certain information contained herein pertaining to prior years is presented in the form of estimates as they appear in the respective reports/ source documents. The actual data for those years may vary significantly and materially from the estimates so contained.

Evolution of the industry

The plastic industry in India began its operations in the year 1957 with the production of polystyrene. The industry expanded by entering into the production of LDPE (Low-density polyethylene) in 1959, PVC (Polyvinyl chloride) in the year 1961, HDPE (High density polyethylene) in 1968 and PP (Polypropylene) in the year 1978. The Indian plastic industry is making a remarkable impact on the economic development certain key industries such as automobile, electronics, construction, etc. and also the overall economic growth of the country. The industry is of massive importance as it provides raw materials to a various sectors. The demand for polymers is estimated to reach 16.5 MT (million metric tonnes) by 2016-17. After the LPG (Liberalization, Privatization and Globalization) of 1991, large number of international companies have set up their business in India in varied sectors such as automobile, telecommunication, infrastructure, healthcare, etc. This has helped the Indian plastic industry to grow over the years. Compared to countries such as USA, China, Brazil, the Indian plastic industry is still at its nascent stage and hence has huge growth potential. (Source: D&B: Leading SMEs of India 2012)

The Indian automobile industry on the other hand, comprises of the two-wheeler and the four-wheeler categories. Previously, the automobile components were also manufacture by the OEMs. Later, this job was outsourced to companies which specialized in automobile components manufacturing as it started getting uneconomical for the OEMs. The Indian auto component industry has been subject to rapid changes over the years. It is mainly driven by global competition coupled with a shift in focus of global automobile manufacturers. The economic reform of 1991 has helped this particular industry in a great way.

The Electronics Industry in India took off around 1965 with an orientation towards space and defence technologies which was rigidly controlled and initiated by the government. This was followed by developments in consumer electronics mainly with transistor radios, Black & White TV, Calculators and other audio products. Colour Televisions soon followed. In 1982 the government allowed colour TV imports. 1985 saw the birth of Computers and Telephone exchanges. Between 1984 and 1990 the industry witnessed exponential growth. From In 1997 the ITA agreement was signed at the WTO where India committed itself to total elimination of all customs duties on IT hardware by 2005. In the subsequent years, a number of companies turned sick and had to be closed down. (Source: ELCINA-<http://www.elcina.com/industry.asp> .

Industry Structure

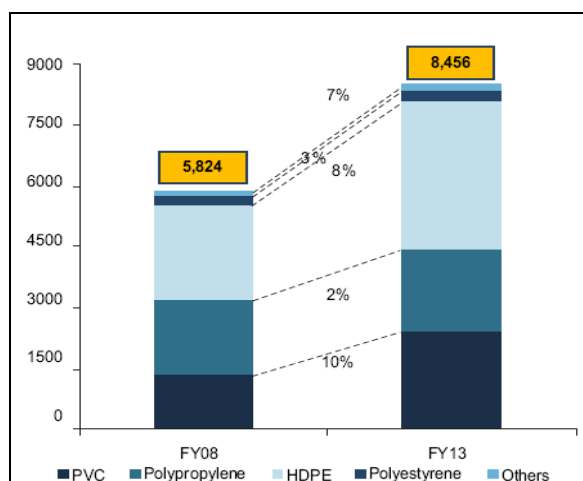
Indian Plastic Industry

Plastic industry is one of the fastest growing industry in India (Source: FICCI – A Report on Plastic Industry: Potential Of Plastics Industry In Northern India With Special Focus On Plasticulture And

Food Processing -2014). The industry is classified into upstream (manufacturing of polymers) and downstream (conversion of polymers in plastic articles). Upstream polymer manufacturers have put forth globally competitive state of art technology to cater to the global demands. The downstream conversion is highly fragmented and is mainly dominated by the MSM (Micro, small and medium) entities. Commodity plastics mainly consists of Polyethylene (PE), Polypropylene (PP), Polyvinyl chloride (PVC) and Polystyrene.

Size of Industry

Indian Plastic Industry



(Source: FICCI – A Report on Plastic Industry; Potential Of Plastics Industry In Northern India With Special Focus On Plasticulture And Food Processing -2014)

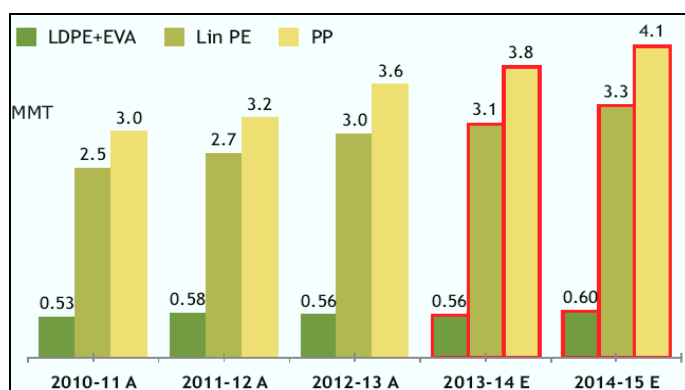
This ever increasing consumption has led to overall deficit in plastics and hence there is huge import of these components to meet the domestic demand. Also there is a surge in the automobile demand in India, hence meeting the demands of the automobile industry is also of prime importance.

Polymer Processing Industry

India Per capita consumption (Virgin Polymer)	9.7kg
India Per capita consumption (Recycled materials)	3.3kg
Per capita consumption in 13-14(Virgin + Recycled)	13kg
Virgin Polymer consumption in 13-14	12.2 MMT
No of Processing units	about 30,000
No of processing Machines	~ 119,350
Processing Capacity	33 MMT
Processing Capacity CARG	11 % last 5 years
No. of plastics machinery manufacturing units	~ 200
Investment in Machinery	~ US \$ 5 Billion
Investment required for next 5 yrs	~ US \$ 10Bn (Projected.)

(Source: PlastIndia Foundation Report on Indian Plastic Industry dated, November, 2014)

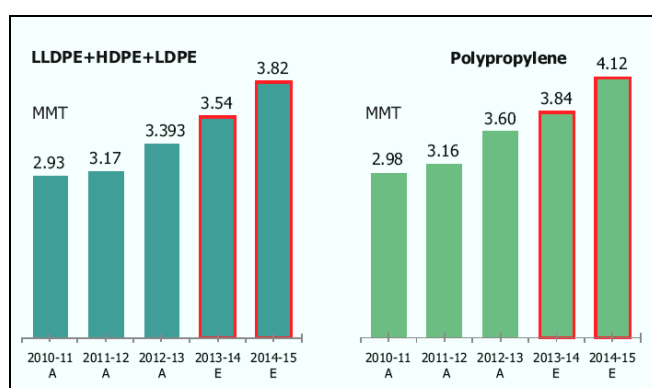
The domestic polymer industry is dominated by the Polyolefin's (Polyethylene and Polypropylene) which represents around 74% off commodity resins consumed in 2012-13. These polymers raked up a demand growth of 11.4% in the year 2012-13 compared to that of 5.9% in 2011-12. It is estimated to grow 6.2% and 7.8% approximately in the years 2013-14 and 2014-15. (Source: Indian Petrochemical Industry, Country paper from India, APIC 2014)



(Source: Indian Petrochemical Industry conference – CPMA; Indian Petrochemical Industry, Country paper from India, APIC 2014)

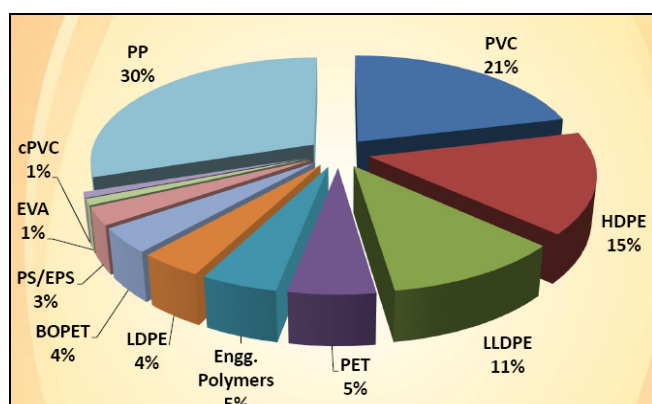
The main drivers for polymer demands are automobiles, packaging, construction, health care, etc. Polypropylene modified by the addition of reinforcements has enabled it to establish itself as a metal substitute in engineering applications. Because polypropylene (PP) is low in cost but has outstanding mechanical properties and moldability, it accounts for more than half of all the plastic materials used in automobiles.

Polyethylene and Polypropylene demand grew 12% and 15% respectively in the year 2012-13



(Source: Indian Petrochemical Industry conference – CPMA; Indian Petrochemical Industry, Country paper from India, APIC 2014)

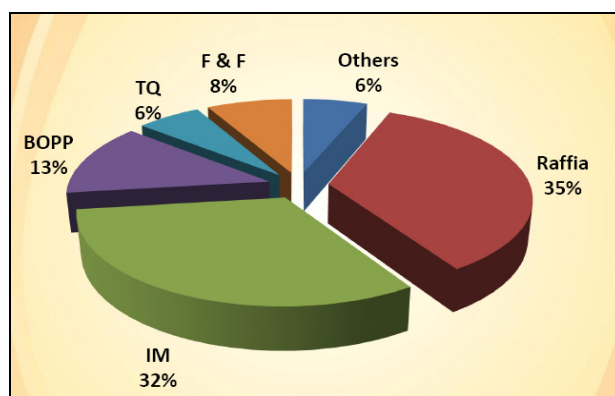
Thermoplastic Polymer consumption



(Source: PlastIndia Foundation; Report on Indian Plastic Industry dated, November, 2014)

The thermoplastic polymer demand in 2013/14 is 11 MT (Million Metric Tonnes) and it is expected to grow at a CAGR of around 11% to 16.5 MMT in 2017/18.

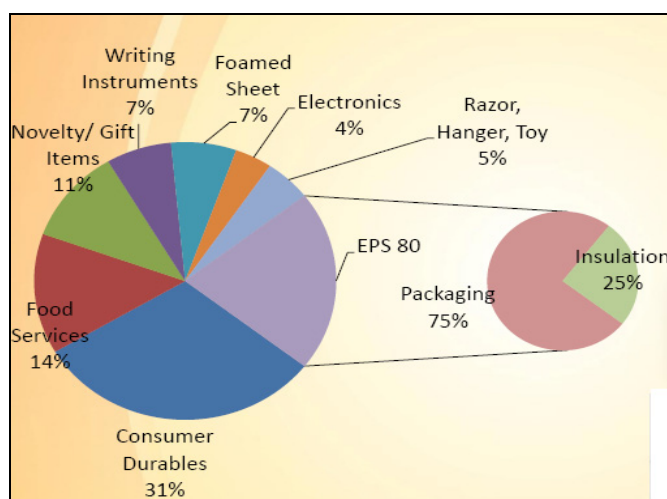
Polypropylene (PP) Sector-wise consumption



(Source: PlastIndia Foundation Report on Indian Plastic Industry dated, November, 2014)

Polypropylene is one of the most widely used thermoplastic polymers. Its demands are pegged to surge at a CAGR of around 11% from 3.4 MMT in 2013/14 to 4.89 MMT in 2017/18. There is tremendous growth potential in this particular product. (Source: PlastIndia Foundation Report on Indian Plastic Industry dated, November, 2014)

Engineering Plastics sector-wise consumption



(Source: PlastIndia Foundation Report on Indian Plastic Industry dated, November, 2014)

Engineering plastics are used in wide variety of products such as automobile, electronic appliances, industrial equipments, consumer goods, packaging, etc. Thus, this particular product is of prime importance as it caters to a huge variety of sectors. Its demand is estimated to grow at a CAGR of around 6% from 310KT (Kilo Tonnes) in 2013/14 to 385KT in 2017/18.

Use of Plastics in Automobile

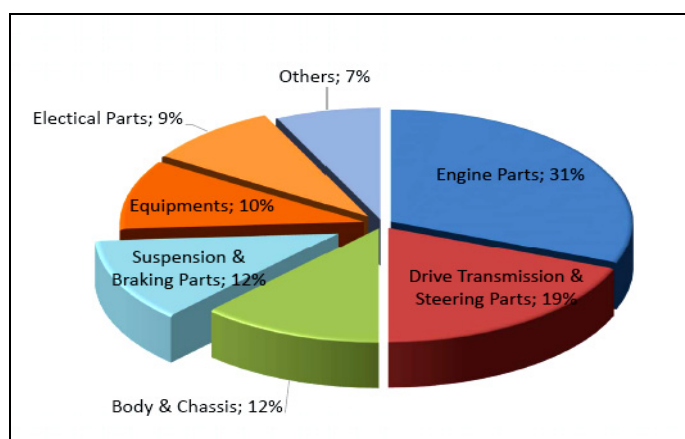
A car on an average consumes about 60-130 kg of plastic. There have been several advances in plastics technology and a number of conventional metal parts like fuel tanks have been replicated in plastic. Automobile makers are beginning to ask for plastic mainly to reduce weight, which in turn contributes to improved fuel efficiency. Plastics have revolutionized interior and exterior automotive design. They allow engineers greater flexibility in styling, building, and assembling components as well as combine several complex parts into a single integrated component, while lowering manufacturing costs. New technology and processes enable use of recycled materials, making it highly cost effective. Today there is burgeoning demand for a wide variety of plastics such as modified polypropylene are used in the manufacture of various car interiors and exteriors.

Plastics have commodity and engineering application through compounds like Polypropylene (PP), Polyethylene (PE), Polyamides and Polyacetal. These being low density compounds, they have the capability to reduce coefficient of linear thermal expansion, improve scratch and mar resistance, higher flow material with excellent impact / stiffness balance, and improved control of crystallinity/ paintability/ decorative capability. Typical interior plastic components include the dashboard, console, door and pillar trim, sun visor, steering wheel, grab handles, mirrors, headlining and the parcel shelf. The exterior and chassis-mounted plastic components are used in fuel lines, bumpers and grilles, outer handles, mirrors, headlamps, taillamps, spoiler, brakelines, foot step, wheel liners, and mud flaps. Plastic components also find their way under the bonnet include the cylinder head cover, pulley cover, engine cover, containers for fluids, battery intake manifold, fuel rail, radiator fans and tanks, and the timing belt cover. Increasing the use of plastics in automobiles will decrease the overall weight of the car considerably thus improving the automobile's fuel efficiency.

Indian Auto component Industry

The Indian auto component industry has had a positive effect on the economic growth. The industry has the potential to manufacture a plethora of range of automotive products such as engine parts, body & chassis, drive transmission, steering parts, etc. Till the 1990s, the auto component industry was solely dependent on the domestic automobile industry to drive the demand for ancillary products. This composition of the market however is undergoing radical changes with global outsourcing gaining momentum. In recent times, exports has emerged as a significant driver of growth, and the demand emanating from global OEMs and Tier I manufacturers has opened new opportunities for the auto component industry in India. At the same time, a bright outlook for the domestic automobile industry also offers significant growth potential, given the fast rising income levels with a rapidly growing middle and high income consumers. The industry is highly extensive and fragmented.

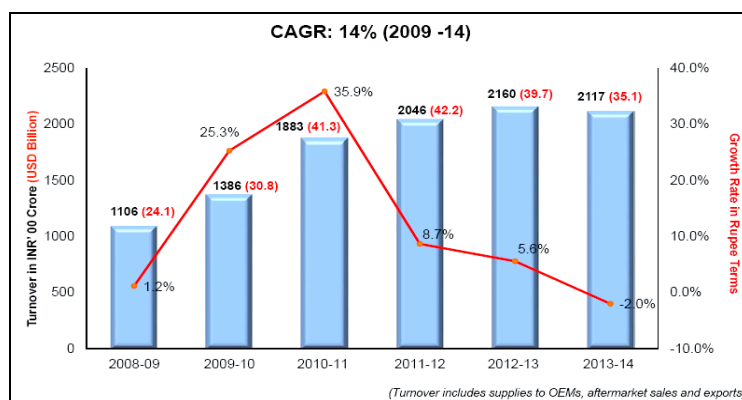
The industry produces high quality – low cost components in all the segments mentioned in the figure below, which shows the product range of auto-component industry.



(Source: ACMA; Auto Component Industry in India: Capabilities & Growing Opportunities)

The global auto components industry is estimated at US\$1.2 trillion. The Indian auto component sector has been growing at 20% per annum since 2000 and is projected to maintain the high-growth phase of 15-20% till 2015. The industry has recorded a turnover of ₹ 2,11,765 crores (USD 35.13 billion) in FY 2013-14, and a CAGR of 14% over the last six years. The export stands at ₹ 61,487 crores (USD 10.2 billion) in FY 2013-14.

Turnover Auto – component industry 2009-14



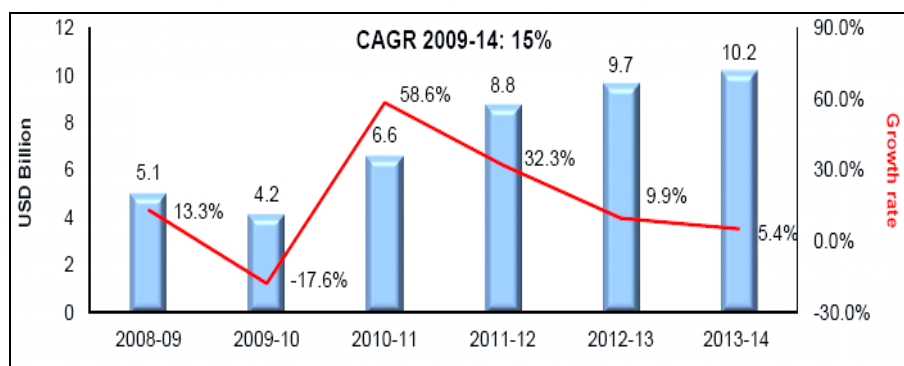
Exports: The external demand for auto components have increased tremendously. There is a huge demand for auto-components globally. Exports of auto components grew by 16.7% to ₹ 61,487 crores (USD 10.2 billion) from ₹ 52,690 crores (USD 9.7 billion) in 2012-13. Europe accounted for 38 % of exports followed by Asia at 25 % and North America at 21%. Exports to Europe increased by 14.5% over the previous fiscal, while exports to Latin America and Asia registered a growth of 16.5% and 5.4% respectively. The main components which are exported are engine parts, transmission parts, brake system & components, body parts, exhaust systems, turbochargers etc. (Source: ACMA Press Release Industry performance <http://www.acma.in/docmgr/press.php>)

Major Auto – components exports

1. Hydraulic power steering system & steering gear systems and parts.
2. Gear boxes and parts thereof.
3. Wheels and components for consumption & Earthmoving equipments.
4. Drive-axels and parts thereof.
5. Gas compressors.
6. Brakes and servo-brakes and parts thereof.
7. Brake linings and pads.
8. Valves, inlets and exhaust.
9. Injection pump for diesel engines.
10. Crank shafts for engines.
11. Suspension systems and parts thereof.

OEM/Tier 1 account for around 80% while the aftermarket accounts for 10% of the exports of auto-components

Exports Auto – component 2009-14



Global OEM's and Tier 1 Procuring from India

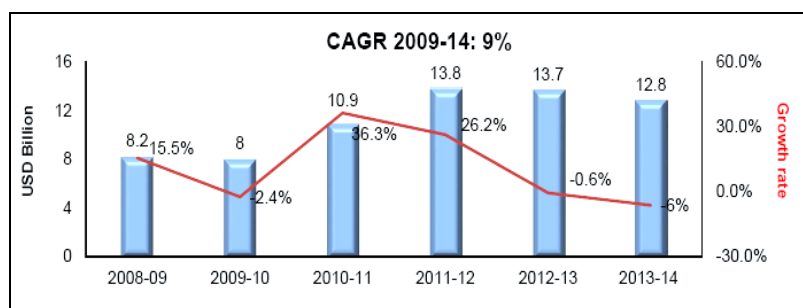
OEMs

- BMW
- Caterpillar
- Ford
- Fiat
- GM
- John Deere
- MAN
- Mercedes – Benz
- Nissan
- Peugeot
- Renault
- Toyota
- Volkswagen

Tier 1 Component Manufacturers

- Bosch
- Continental
- Cummins
- Dana
- Delphi
- Denso
- Eaton
- Getrag
- GE
- Kohler
- Kolbenschmidt
- Magna
- Meritor
- TRW
- Valeo

Imports: The domestic market is increasing and so is the import of auto components. Imports of auto components grew by 3.6% to ₹ 77,160 crores (USD 12.8 billion) in 2013-14 from ₹74,463 crores (USD 13.7 billion) in 2012-13. Asia and Europe contributed to 57% and 34% of the imports respectively. Within Asia - China, Japan, South Korea and Thailand contributed to maximum imports while from Europe the main contributors were Germany, France, UK, Italy and Spain (Source: ACMA Press Release Industry performance; <http://www.acma.in/docmgr/press.php>).

Imports Auto – component 2009-14

(Source: ACMA Press Release Industry performance <http://www.acma.in/docmgr/press.php>)

Capacity Addition: For the fiscal 2013-14 an estimated investment of around USD 0.5-0.7 billion was witnessed in the auto component sector. Due to moderation in vehicle sales and depressed market sentiments, the investment in 2013-14 declined compared to the previous year. Capex in 2012-13 stood at around USD 1.2-1.7 billion. (Source: ACMA Press Release Industry performance <http://www.acma.in/docmgr/press.php>)

Industry financial snapshot for the past 6 years

(Figure in INR'00 Crs)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Turnover	1,106	1,386	1,883	2,046	2,160	2,117
Growth rate(%)	1.2	25.3	35.9	8.7	5.6	-2.00%
Export	234	189	303	427	526	614
Growth rate(%)	29.4%	-19.2%	60.3%	40.9%	23.2%	16.7%
Import	376	360	497	667	744	771
Growth rate(%)	31.9%	-4.3%	38.1%	34.2%	11.5%	3.6%
Investment	4	77	91-102	72-92	69-95	32-44

(Source: ACMA Press Release Industry performance <http://www.acma.in/docmgr/press.php>)

Note: Turnover data represents the entire supplies from the auto component industry to the on-road and off-road vehicle manufacturers and the aftermarket in India as well as overseas from ACMA member and non-member companies. This would include component suppliers captive to the OEMs and the unorganized & smaller players.

Electronic appliances/consumer durables industry

India has a huge Electronic system design and manufacturing market - demand projected at \$94.2 billion by 2015. The Indian ESDM industry was estimated to be \$68.31 billion in 2012; anticipated to be \$94.2 billion by 2015; CGAR of 9.68% between 2011 and 2015. ESDM industry in India comprises the four key components: Electronics Products; Electronic Components; Semiconductor Design and Electronics Manufacturing Services (EMS). Top 10 electronic products contributing about 70% by total revenue - Mobile Phones; Flat Panel TVs; Notebooks; Desktops; Digital Camera; Inverters and UPS; Memory Cards & USB Drivers; 4W EMS; LCD Monitors and Servers. (Source: Department of Electronics and Information Technology, <http://deity.gov.in/content/fact-sheet-esdm-industry>)

Competitive conditions existing in industry

India has not only has established itself as home for petrochemicals, it has also made its mark in the derived polymer products. Polymer compounding industry is experiencing massive competition from global players such as Dupont, Rhodia, DSM, etc. Availability of technology, manpower and machines in India, equivalent to global standards, has been the driving force for these global players to establish their own polymer compounding units supplying not only within the country but also catering to supply to other Asian countries thus creating a healthy competitive environment.

A host of FMCG products, the packaging industry too has innovated. Organisations are setting up their own R&D facilities to develop new materials and efficient production techniques to further lower the costs of packaging materials. It has led to several players coming up in this domain. This is a perfectly competitive market and hence, the entry barrier is minimal.

Key Demand Drivers**1. India a vibrant economy:**

India is the largest democracy in the world with a population of more than 1.2 billion. India's average GDP growth rate for the past 5 years has been over 7%. Also, India has the 3rd largest investor base in the world. India also has a robust legal and banking infrastructure. The macro-economic scenario of the country have improved significantly since the new government has commenced power. (Source: ACMA Auto Component Industry in India: Capabilities & Growing Opportunities)

2. Surge in the manufacturing sector:

The manufacturing sector in India is experiencing a growth with the “Make in India” campaign gaining importance. Catering to the huge population requires innovation and manufacturing. The industry requires the production of huge amount of polymer compounds to cater to the manufacturing of electronics, equipments, etc. The campaign will also bolster the auto component industry to create a global brand for auto – components.

3. Global demand:

The country now is not only supplying polymer products but also leading the way in providing innovative polymer products to the world. Many low cost polymer products which have been quite successful in India are now being used in the developed world and other developing countries.

4. Increase in fuel efficiency:

The use of plastics in manufacturing the exterior and the interior components of the automobiles will help in reducing the overall weight of the automobile. This will help in improving the fuel efficiency of the vehicle considerably.

Opportunities and Threats

1. Growing automobile component industry

The automobile component industry in India is estimated to reach USD 115 billion by 2020. Massive domestic and overseas demand being the key reason for the growth. Many auto companies are looking to replace the metal parts in the automobiles with plastic components. There is huge potential in this sector particularly as it is coupled with the automobile industry of India. (Source: ACMA Auto Component Industry in India: Capabilities & Growing Opportunities).

2. Availability of counterfeit auto-components

Trade in fake and counterfeit auto-components are gradually on the rise. It comprises of grills, hubcaps and also critical components like brakes. Value of fake spare parts in the after-market at ₹ 10,500-14,000 crore, against about ₹ 8,500 crore three years ago. (Source: Fighting fakes in auto parts – ET Auto article dated 24th March, 2015).

3. Global customers

Polymer products are used in a variety of industries such as automobile, electronic appliances, consumer durables, etc. The exports of auto – components have increased around 16.7% in 2013/14 to ₹ 61,487 crores. Along with the increasing domestic demand, the demands from global customers also needs to be met. (Source: ACMA Press Release Industry performance; <http://www.acma.in/docmgr/press.php>).

4. Huge scope for innovation

In order to succeed in the global market, Indian companies needs to set up its own research and development facilities in order to create its own products. Bringing in innovative approaches in development of new products will help this industry compete and also grow on the global scale. Investment into R&D is very essential to succeed in the long run. In India the auto components manufacturers typically invest less than 1% in R&D compared to that of Europe which invests almost 4-5%. (Source: Business Standard Article dated 12th September, 2014: Auto component industry to grow 5-6% in FY15).

5. *Weak infrastructure:*

The infrastructure facilities in India are very feeble and this is a cause of concern. Poor road connectivity, availability of ports and lack of power supply in many areas poses a huge challenge. The plastic consumption in North India is around 27% compared to that of Western India which accounted to 47% of the consumption. The main reason behind this is the poor connectivity between the ports. Investments in these sectors are a necessity. (Source: FICCI – *A Report on Plastic Industry: Potential Of Plastics Industry In Northern India With Special Focus On Plasticulture And Food Processing - 2014*).

6. *Lack of required technology*

Plastic processing requires sophisticated technology in order to address the increasing demand for these products. India is moving from low output/low technology machines to high output/high technology machines. However, there is a requirement of huge investments in addressing this issue. Also, new technology is a must for recycling plastic waste.

7. *Environmental myths*

While the usage and benefits of plastics are huge, there is always a myth regarding it polluting the environment. Indiscriminate dumping of plastic on land makes the land infertile due to its barrier properties. Also, burning of plastics causes emission of various dangerous byproducts. These issues need to be addressed with the help of proper recycling mechanisms.

Policy Environment

Plastic sector

The domestic plastic sector has been deregulated and delicensed. Compulsory licensing is required for the following three items only viz. Hydrocyanic acid and its derivatives, Isocyanates and Di-isocyanates and Phosgene and its derivatives, some of which are used in the production of polymers. 100% Foreign Direct Investment (FDI) is allowed through the automatic route without any sectoral cap. Specific approvals are required from Foreign Investment Promotion Board (FIPB) in the following three cases:

- a. proposals which require compulsory license,
- b. when the proposed foreign investment is more than 25% in equity capital of a company manufacturing items reserved for the small scale sector; and
- c. proposals relating to the acquisition of existing shares in an Indian company.

The PCPIR (Petroleum, Chemicals, Petrochemicals Investment Regions) policy put forth by the Government, would reap the benefits of co-siting, networking and greater efficiency through the use of common infrastructure and support services.

Indian Centre for Plastics in the Environment(ICPE) and Central Institute of Plastics Engineering & Technology (CIPET) have brought out a comprehensive monograph entitled "Plastics for Environment & Sustainable Development" with an objective to propagate advantages of Plastics in modern society by focusing on various contentious issues concerning sustainability of Plastics materials and assessment of the impact on environment. (Source: CIPET: http://cipet.gov.in/pdfs/Growth_of_plastic_Industries.pdf, http://cipet.gov.in/plastics_environment.html, PCPIR)

Auto Policy 2002 and Auto Mission Plan 2006-16 – framework for automotive manufacturing in India

1. Manufacturing and import free from licensing and approval
 2. WTO complain policies (no import restrictions and reduced tariff levels)
 3. Robust legal system and stable Foreign exchange regime
 4. Joined UN-ECE WP 29 for Global Standard in Technology
 5. Increased budget for R&D activities
 6. 100% FDI permitted without prior Government approval
- (Source: ACMA *Auto Component Industry in India: Capabilities & Growing Opportunities*)

Electronics Systems Design and Manufacturing Sector

1. 100 % FDI is allowed under the automatic route in Electronics Systems Design & Manufacturing sector subject to all the applicable regulations and laws
2. In case of defence electronics items, FDI up to 26% Is under the government approval route and above 26% is allowed through approval of cabinet committee on security (this is on case to case basis; investments should ensure access to modern and 'state-of-art' technology in the country).

(Source: Department of Electronics and Information Technology, <http://deity.gov.in/content/fact-sheet-esdm-industry>)

BUSINESS OVERVIEW

Overview

Our Company is engaged in the manufacturing and supply of high quality Modified Engineering thermoplastics based on Polypropylene (PP), Polybutylene terephthalate (PBT), Polyamide (PA) and Thermoplastics Elastomers. We presently operate through our three state-of-art manufacturing units situated at Puducherry, Pune and Manesar (Gurgaon). The units have a combined capacity of over 40,000 TPA. Our Company is a TS-16949 Certified company employing over 150 employees. We have approvals from all major Trans-National and Indian OEM's viz; Ford India Pvt. Ltd. Tata Motors Limited, Renault Nissan etc. Subsequent to the acquisition of the company by Kingfa, the Company has further ventured into manufacturing of Engineering Plastics like PBT (Used in Lighting, electrical applications), Polyamides (automotive, Electrical applications) at its plant at Pune.

Our Company was originally incorporated as a public limited company on November 10, 1983 in the name of 'S & S Filled Fibers Limited' in Technical Collaboration with the Performance Plastics Division of Norsk Hydro Polymers, UK to manufacture Polypropylene Compounds. The name of our Company was later changed to Hydro S & S Industries Limited on October 17, 1989. Our Company earlier belonged to the WS Group, an industrial group in South India with interests in Electrical Transmission, Distribution and Engineering Plastics. During May 2013, Kingfa Sci. & Tech. Co., Ltd. ('Kingfa') acquired controlling stake in our Company, by way of a Share Purchase Agreement with the then existing promoters and also made an Open Offer in terms of the applicable SEBI (SAST) Regulations. Post Open offer, Kingfa Sci. & Tech. Co., Ltd. has been named as the promoter of our Company.

Founded in the year 1993, Kingfa is a large modified plastic enterprise. Kingfa provides flame retardant resins, reinforced and toughened resins, polymeric alloys, functional master batches (Flame Retardant and Color MasterBatch), Bioplastics and partial recycled resins. Kingfa is an A-share company listed in Shanghai Stock Exchange. Kingfa has received an ISO/ IEC 17025:2005 certification for competence of testing and calibration laboratories. It is a GB/T 19001-2008/ ISO9001: 2000, ISO 14001:2004 + Cor. 1:2009 , OHSAS 18001:2007 and ISO / TS 16949: 2009 certified enterprise.

Competitive Strengths

We are into the business of manufacturing and supply of high quality Modified Polypropylene Compounds, Thermoplastics Elastomers and Re-Inforced Thermoplastics. We are an TS-16949 certified Company, with a legacy of over 31 years of presence in the industry. We believe that following are our principal competitive strengths:-

1. **Strong management Team:** Our Company is managed by a team of professionals which includes an ideal combination of directors from India and experienced professionals representing our promoter 'Kingfa'. The promoter and the senior management team of our Company have significant industry experience and are confident that they will be successful in directing the business of the Company and implementing the strategies planned by them.
2. **Relationship with established players in industry:** Our customer base includes a diverse set of industries including Automotive, Home Appliances, Lighting, and other Industries. Our products have found wide acceptance in the markets across India – *North, South and West*. Our Top Ten customer base based on the sales value of the products supplied to them for the year ended March 31, 2014 are as disclosed on page no 74 of this Offer Document. The Company is well poised to benefit from this strong relationship with the industry players enabling the Company to provide better services to its customers.
3. **Selling and Distribution network:** We have gradually developed our selling and distribution network over a period of time. We have successfully developed an extensive clientele in sectors such as automotive, Home appliances, Electrical and Lighting segments. We have developed our marketing network in various cities such as Chennai, Pune, Bengaluru, Noida, and Gurgaon by appointing marketing personnel in the respective areas/states who are on the permanent rolls of the Company. The marketing team caters to the clients with timely offering of modified thermoplastic material

solutions and delivery of products. Most of our products are sold directly to the actual processors and customers.

4. ***Locational Advantages:*** Our plants are located at Puducherry, Jejuri - Pune and Manesar. These units are at close proximity to the user industry. Our manufacturing units are very well connected by road and rail. The Puducherry unit is in close proximity to the Chennai seaport and the Jejuri – Pune unit is close to the Nhavasheva Port). The Manesar unit is close to the largest passenger car manufacturer in India Maruti-Suzuki and also the largest 2 wheeler manufacturing base for HERO Motors, HONDA 2 Wheelers etc. This facilitates efficient movement of raw materials and finished products. Our location also helps us to service wide array of customers. Manesar is close to the largest passenger car manufacturer in India Maruti-Suzuki and also has 2 wheeler manufacturing base for HERO Motors, HONDA 2 Wheelers etc.
5. ***Local brand Equity and acceptance by OEM's:*** We have been in existence for about 30 year and have been supplying our products to various Tier 1 suppliers who in turn supply to some of the well known OEMs. For supplying to such Tier 1 we have to undergo audit from the OEMS. Due to our longterm relationships with our customers, we have developed acceptability with these customer in the market which also help us to reach out to new customers.
6. ***Technical Strength to develop cost effective formulations for Automotive backed by our research and development team:*** Our former association with Norsk Hydro Polymers has assisted us to strengthen our technical process. Post acquisition by Kingfa, we have received backing from our international promoter whereby they were able to bring into our Company their international exposure and experience. Our Company has its research and development wing, which is our backbone. We also have our backing from the research and development team of Kingfa which assists us to resolve difficulties, if any.
7. ***Standardized and documented internal processes:*** Our Company is in continuous process industry and the production is carried out in batches for which batch manufacturing records are maintained. There are standard operating procedures for manufacturing, quality control and quality assurance for the products manufactured. Our company also has preventive maintenance plans for smooth manufacturing operations.

Under the guidance of the skilled management, the company documented its internal processes and methodologies which ensures that each department and each employee of the company are aware of their respective roles and obligations, and each activity of construction and development is as per the standards of quality that has been set. This also ensures uniformity in all the processes.
8. ***Experienced Management and Employees:*** Our Company is managed and run by a team of experienced professionals.
9. ***Established Reputation for Quality Projects:*** Our Company has obtained various certifications for ensuring quality standards at its facilities. The quality certifications include TS-16949 and IS-14001.

Products

Our Company is into manufacturing and supply of:

- a. Polypropylene based compounds
- b. Engineering Plastics Compounds.
- c. Thermoplastic Elastomers compounds.

a. Polypropylene

We manufacture a wide range of Reinforced Polypropylene compounds under the 'HYFIL' brand Polypropylene modified by the addition of reinforcements such as talc, chalk, mica and glass fibre has enabled it to establish itself as a metal substitute in engineering applications.

Different types of Polypropylenes manufactured by us and their applications in the industries are as mentioned below:

Product Description	Application	Industry
Modified PP compound	Bumpers	Automotive
Modified PP compound	Instrument Panel	Automotive
Modified PP compound	Door Trims	Automotive
Modified PP compound	A,B, C Pillar Trims	Automotive
Modified PP compound	Horn Pads	Automotive
Reinforced PP Compound	Grab Handle, Fans	Automotive
Reinforced PP Compound	Washing Machine TUBS	Home Appliances

b. Engineering Plastics Compounds

We manufacture different types of Engineering Plastic compounds viz: Glass Fibre reinforced, Flame retardant, Impact Modified, Dimensionally Stable, Hydrolytically Stable modified thermoplastics based on Polybutylene Terephthalate, Polyamide 6, Polyamide 66, Polycarbonate/ABS alloys, ABS/PMMA alloys etc. These products are used in following industry/ applications:

Product Description	Industry
Glass Fibre reinforced flame retardant PBTP	Home Appliances (CFL Housings, LED light housings, MCB's etc)
Glass Fibre reinforced PBTP	Home Appliances (CFL Housings and Connectors)
Flame Retardant Filled Polyamide 6	Home Appliances Molded Circuit Breakers Contactors and Switches)
Glass Fibre reinforced Polyamide 66	Automotive
Polycarbonate/ABS alloy	Automotive
ABS/PMMA	Home Appliances (Televisions)

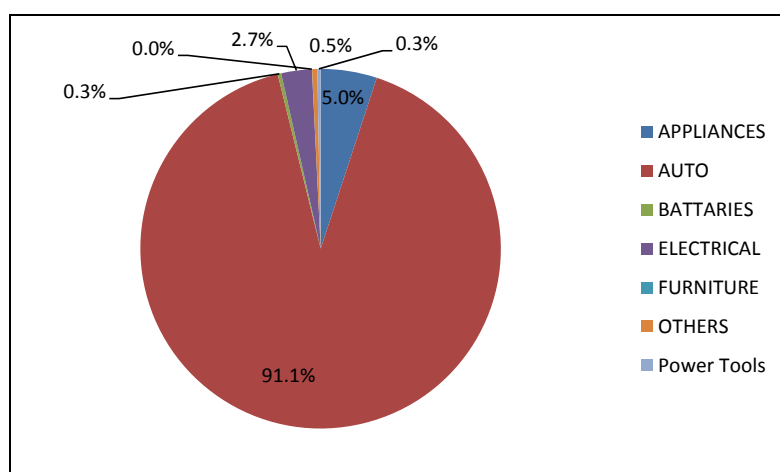
c. Thermoplastic Elastomers

Thermoplastic Elastomers are material which exhibit greater Elasticity and behave like rubber. Typically supplies are in the Hardness of between 50 Shore A to 40 Shore D. These are supplied in different hardness and elongation for different application as detailed below

Grade	Application
Thermoplastic Elastomer with low Creep	Pen Grips, Bushes
Thermoplastic Elastomer with high Compression set	Bellows for 2 wheelers, pads etc
Thermoplastic Elastomer =Shore A 50	Seals, strips , washers etc

Industry breakup

Breakup of Industry where we supplied our products as on 2013-14 (the % of various products given below are approximate basis):



Facilities

Plant Location	Activities	Installed Capacity
RS No. 38/1, Sedarapet Industrial Area, Sedarapet, Puducherry – 605 111	Modified PP compounds	15000 MTPA Presently operational 9000 MTPA
G 34, Addl. Jejuri Industrial Area, Jejuri, Tal. Purandar, Pune – 412 303	Modified PP compounds and Engineering Plastics compounds.	15000 MTPA
Plot No-406, Sector-8, IMT Manesar, Gurgaon – 122050, Haryana	Modified PP compounds	6000 MTPA

Apart from above we have one manufacturing facility located at Pudukkottai (Plot No. 15C, SIPCOT Indl. Complex, Pudukkottai – 622 002) with a capacity of 4000 MTPA for manufacturing PP Modified Compounds. As a part of company's policy towards capacity optimization, we have closed the operations at the said facility, since May 2014. Further as a part of the optimization policy one of the lines at the said Pudukkottai unit has been shifted to Gurgaon facility which caters mostly to the customers based in the northern region of India.

Plant and Machinery

i. Puducherry

Sl. No.	Description/ Name of the Machine	Unit (in Nos.)
1	Steer Twin Screw Extruder- 1 ton output	2 no
2	Farrell FTX Twin screw Extruder- 0.5 ton/hr	1 no
3	K-Tron Feeder Systems	3nos
4	625 KVA Cummins DG set	1 no
5	Lunarmech Online Pelletiser	3nos
6	Videojet Bag printing m/c	1 no
7	Polymechplast Injection Moulding m/c	1 no
8.	International Equipment MFI Tester	1 no
9.	Premier Color scan Color Booth	1 no
10.	International Equipment Impact Tester	1no
11.	International Equipment UTM m/c	1 no
12	International Equipment Muffle Furnace	1 no.

ii. Jejuri, Pune

Sl. No.	Description/ Name of the Machine	Unit (in Nos.)
1	Steer Twin Screw Extruder- 1 Ton output	2 nos.
2	Steer Twin Screw Extruder - 0.5 ton output	1 no.
3	K-Tron Feeder Systems	2 nos
4	Brabender Feeder System	1 no.
5	625 KVA Powerica DG set	1 no
6	Lunarmech pelletiser	3 nos
7	Polymechplast Injection Moulding m/c	1 no
8.	International Equipment MFI Tester	2 nos.
9.	Hunterlab Spectrophotometer	1 no
10.	Ceast Impact Tester and notch cutter	1 no
11.	Instron UTM machine	2nos.
12.	Windsor Injection Moulding machine	1 no
13.	Precia Moisture Analyser	1 no.
14.	Premier color scan /Color Booth	1 no.
15.	Advance Equipment Muffle Furnace	1 no.

iii. IMT Manesar

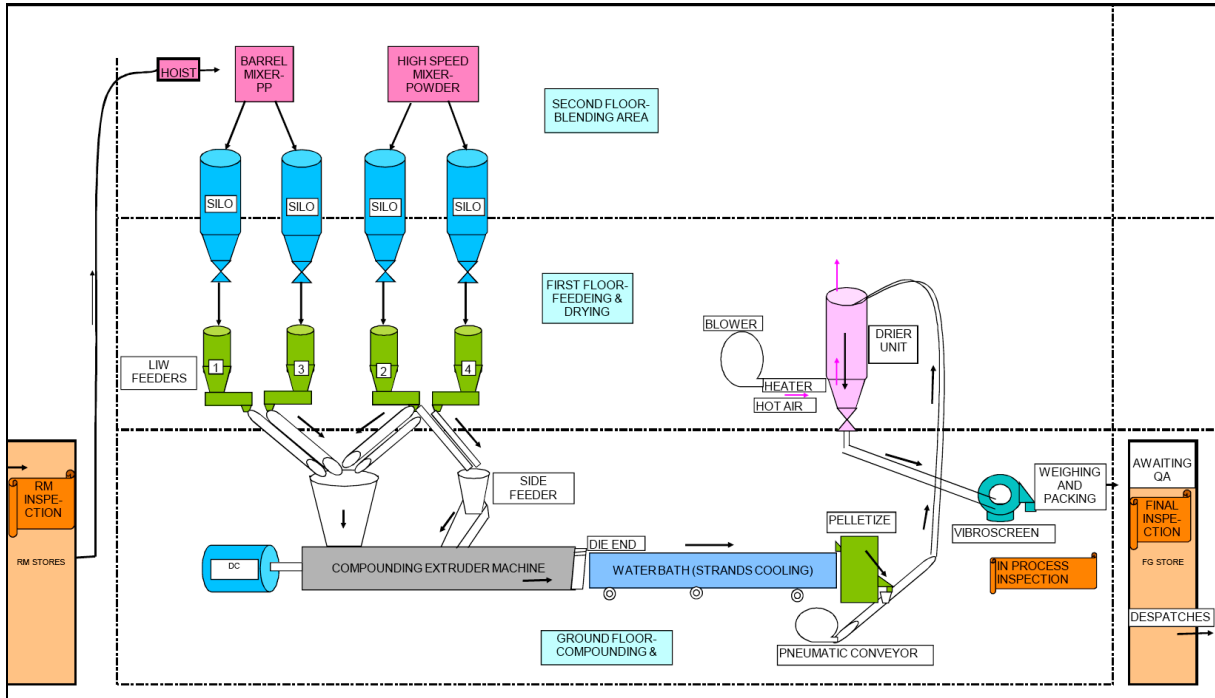
Sl. No.	Description/ Name of the Machine	Unit (in Nos.)
1	ZSK Coperion Twin Screw Compounder 900 KGS	1 no
2	320 KVA Cummins Diesel Generating Set	1 no
3.	K-Tron Feeder System	1 no.
4	Polymechplast Injection Moulding m/c	1 no
5	Interntional Equipment UTM	1 no
6	Macbeth Spectro Photometer	1 no
7	Videojet Bag Printing M/c	1 no
8	Ceast Impact Tester	1 no.

iv. Application Development Centre

Sl. No.	Description/ Name of the Machine	Unit (in Nos.)
1	Atlas Weatherometer	1 no
2	Ceast Impact Tester	1 no.
3	Davenport MFI measuring Equipment	1 no.
4	Konica Spectro Photometer	1 no.
5	Instron UTM machine	1no.
6	Hot Air Oven	1 no.
7	Ceast HDT Tester	1 no.
8.	UL Chamber for flammability	1 no.
9.	Hot and Cold Chamber	1 no.
10.	Injection Moulding Machine- Polymechplast	1 no.
11.	Color Booth	1 no.
12.	Pilot Plant twin screw Extruder	1 no.
13.	Environmental Chamber	1 no.
14.	H W Wallace Die and Compression	1 no.
15.	Fog and Scratch Resistance Tester	1 no.

For details regarding new Plant& machineries proposed to be bought by our Company, please refer to section 'Objects of the Issue' on page no 46.

Process Flow



Raw Materials

Major raw materials required for manufacturing the compounds are Polymer resin, fillers like talc, glass fibre, chalk besides additives, elastomers, oxidizing agents besides pigments required to meet the desired colour specifications. The proportion of the various raw materials would depend on the final compound which in turn depends on the application which is proposed to be used.

Stage 1: Charging of raw materials

The above said raw materials are suitably blended in high speed mixers and charged in the silos. We would have a provision for 4 silos for each of the extruding machines. The material is fed into the compounding machine by the gravity force from the silos and the rate of flow of the materials are controlled through loss-in-weight feeders which are electronically set up.

Stage 2: Compounding Process

Compounding is a process of melt blending plastics with other additives. This process changes the physical, thermal, electrical or aesthetic characteristics of the thermoplastic. The final product is called a compound or composite. Compounding starts with a base resin or polymer. Depending on the performance requirement and the economics the right base resin is selected that would best fit the final application requirements.

By incorporating an extensive range of additives, fillers, and reinforcements, a wide range of properties can be achieved such as:

1. Uniform shrinkage for critical dimensionally stable moldings
2. High Gloss and Color for application requiring high aesthetics
3. Higher Strength with reinforcements for structural and load bearing applications
4. Thermal stability for applications requiring continuous exposure to heat
5. Modification to enhance molding of thin walled parts having the required strength and part integrity
6. Flame retardant and low smoke density for electrical and safety requirements
7. Lower friction for moving parts

Based on the end use requirements a wide range of additives and modifiers are used and compounded with base resin. The technology is the formulation that gives the desired effects and performance and the manufacturing of the same by using the right compounding and feeding techniques. The compounded resin is validated for different properties to ensure that it finally meets the customers processing and performance requirements.

The raw materials are fed into the compounding extruder machines. The extruders are powered by a DC motor and they have 3 – 4 temperature zones in them with temperature ranging from 150°C to 230°C. The material, on passing into the extruders, the Polymer melts and mixes with the various fillers, additives, pigments materials by the shearing action of the conveying screw in the extruder. The conveying screw subsequently pushes the material outside and thereby ensures homogenized mixing of the materials. The molten mix that comes out of the extruder is led through a multihole die. This then transforms into the strands. The strands are taken through a water bath for cooling and they are passed through a pelletiser on line where the strands are cut into pellets. To enable this process smoothly, the speed of the pelletiser is set to match the output from the extruder machine. There are electric heaters fitted in the machine to generate the required heat for the process and there are cooling systems also to cool the material if the temperature goes beyond the set points. Both the heating and cooling are controlled through temperature controllers. Since the heating is using electrical power, it is pollution free – No smoke etc.

Technical and Financial Collaboration

Presently our company has not entered into any technical and financial collaboration with any parties.

Raw Materials

The main raw material required for our business is Polypropylene, Polyamide 6, PBTP, Glass Fibre, elastomers and Talc. Following are some of our major suppliers:

- Polypropylene: Mainly from Reliance Industries Limited, Indian Oil Corporation Ltd. and Basell International Trading FZE (a LyonnellBasell Company), Dubai.
- Polyamide 6 & PBTP: Kingfa, China.
- Glass Fibre: Nippon Electric Glass (Malaysia) Sdn. Bhd., Malaysia & Ju-shin, India
- Polyolefin Elastomers: Dow Chemical Pacific, Singapore & Mitsui Elastomers Singapore Pte. Ltd., Singapore
- Talc : Golcha Minerals (India) Private Limited, India

75% of our raw material consists of Polypropylene.

Top ten customers for the Financial Year 2013-14

- Hanil Automotive India Pvt Ltd
- Bright Autoplast Ltd -Group
- Renault Nissan Automotive India Pvt Ltd
- Mutual Industries Ltd. - Group
- Tata Autocomp Systems Limited - Group
- Sundaram Auto Components Limited
- Plastic Omnium Auto Exteriors (India) Pvt Ltd
- Varroc Polymers Pvt Ltd
- Ttk Prestige Limited
- Visteon Automotives Systems (I) Pvt Ltd

Infrastructure Facilities**Power*****Puducherry Facility***

We have been sanctioned 750KVA from Puducherry Electricity Department Board for our facility. However to avoid any disruption in the power supply, our Company has already installed DG sets.

Pune Facility

We have been sanctioned 925KVA from Maharashtra State Electricity Distribution Co Ltd. For our facility situated at Jejuri. However to avoid any disruption in the power supply, our Company has already installed DG sets.

Gurgaon Facility

We have been sanctioned 400KVA from Dakshin Haryana Bijli Vitran Nigam Ltd for our facility situated at IMT Manesar, Gurgaon. However to avoid any disruption in the power supply, our Company has already installed DG sets.

Water

Water is required only for product cooling. The same is sourced through the local authorities.

Manpower

Our Company has adequate manpower at all levels at present and does not envisage any difficulty in getting the requisite personnel for our business operations at existing locations. Following are the details of our manpower:

Category	Head Office	Puducherry Facility	Pune Facility	Manesar Facility	R&D (Puducherry)	Total
Manager & Executives	21	9	14	6	7	57
Office Staff	5	6	4	1	-	16
Supervisor	-	16	12	7	3	38
Skilled Worker	-	20	8	-	-	28
Trainees	4	-	1	-	-	5
Top Management	6	1	1	1	-	9
Grand Total	36	52	40	15	10	153
<i>Contract Worker</i>	-	23	35	25	11	-

Details of manpower proposed to be appointed, post expansion

We propose to add the following staff after expansion and shall take the necessary steps for recruitment of additional manpower shortly:

Category	2015-16	2016-17	2017-18
Manager & Executives	6	5	2
Supervisor	3	4	-
Total	9	9	2
<i>Contract Worker</i>		4	4

Effluent Treatment and Disposal

The Company has obtained necessary approvals from Pollution control boards. Although our manufacturing process does not generate any effluents, we have necessary arrangements with the local authorities for disposal of waste oil, cotton waste, etc generated during the process.

Environmental Clearance

We have got all the necessary approvals from the local authorities to operate our business. For details relating to the license and approvals, please refer chapter on 'Government Approvals' appearing on page no. 157.

Competition

Our Company operates in competitive environment and has a number of competitors who are engaged in the similar business, namely Machino Polymers Ltd, Sabic Innovative Plastics I Ltd., DSM Engineering Plastics India Private Ltd., BASF (India), E.I.DuPont India Private Limited, Styrolution ABS (India) Limited etc. The listed players manufacturing similar products include PPAP Automotive Ltd., Supreme Industries Limited, Ester Industries Limited and Flexituff International Limited

Marketing and Selling Arrangements

We do not have any special marketing and selling arrangements. We have long term relation with our customers and have been receiving repeat orders from them. We also receive orders from new customers through mouth publicity. We work with the automotive OEMs directly for approval and specification of our grades for use in their various passenger car/ truck models. The automotive OEM formally approves the grade (model/ application/ grade) and recommends the same to the Tier 1 (direct supplier to the OEMs). Based on this we get orders from Tier 1 to which we supply directly.

Apart from this we also represented Tosaf Compounds Limited (Israel) for marketing of functional and performance master batches used in the packaging industry. The Company had entered into a marketing agreement with Tosaf Compounds Limited during February 18, 2005. Subsequent to the acquisition of the Company by Kingfa, both the parties have mutually decided to terminate the agreement w.e.f May 01, 2015 via Termination Agreement dated March 31, 2015 entered into by Tosaf Compounds Limited (Israel) and our Company. We are bound by a non-compete clause of the said agreement.

Export Obligation

Our Company does not have any export obligation and as such there is no pending obligation to be met by our Company.

Quality Certifications

Our Company gives utmost importance to the quality of products as in our industry one gets repeat orders only if the previous orders have passed the minimum quality standards. Various regulatory organizations have certified units of our company for quality and environmental management system, details of which are given as under.

SI No.	Certificate	Office/ Plant	Authority	Validity
1	ISO / TS 16949 : 2009	Registered Office, Plants situated at Puducherry & Pudukottai	Det Norske Veritas Management System Certificate (DNV), Texas, USA (IATF)	10-06-2015
2	ISO / TS 16949 : 2009	Registered Office, Plants situated at Puducherry, IMT-Manesar	Management System Certificate DNV GL	16-11-2017
2	ISO / TS 16949 : 2009	Registered Office, Plants situated at Pune, Puducherry &	Det Norske Veritas Management	10-06-2015

Sl No.	Certificate	Office/ Plant	Authority	Validity
		Pudukottai	System Certificate (DNV), Texas, USA (IATF)	
4	ISO 14001 : 2004	Registered Office, Pucuhcerry, and Pune	Management System Certificate DNV GL	21-01-2018
5	OHSAS 18001:2007	Registered Office, Pucuhcerry, and Pune	Management System Certificate DNV GL	21-01-2018

Intellectual Property Rights

Our Company doesn't own any intellectual property rights (IPR) and neither is it entitled to any intellectual property rights other than those mentioned under section 'Government Approvals' appearing on page no 157 of this Offer Document.

Our Business Strategy

We are into the business of manufacturing and supply of high quality Modified Engineering thermoplastics based on Polypropylene (PP), Polybutylene terephthalate (PBT), Polyamide (PA) and Thermoplastics Elastomers. Although we currently supply to various industry segments, 95% of our revenue comes from the Automotive industry.

Going forward, we want to focus on increasing our revenue contribution from industries other than the Automotive industry. Hence, we now plan to focus on high growth manufacturing segments which are expected to grow faster than the GDP of the Country. Industry segments like appliances (front loading washing machines), air conditioners, LED & CFL lightings and engineering plastic applications in the automotive industry (our existing association would make it easier). Hence, we want to leverage our strength to our benefit in future so as to become an effective player in our industry. This would enable us to spread our risk and have a multiproduct offering to different industries which would reduce our risks to a certain extent. The same will also help us to capitalize the growth in the industry with which we are associated.

Capacity and Capacity Utilization

Particulars	Actual			Projected		
	2011-12 (Actual)	2012-13 (Actual)	2013-14 (Actual)	2014-15 (Projected)	2015-16 (Projected)	2016-17 (Projected)
Existing Installed capacity of Polypropylene (in Tonnes)	30000	30000	30000	30000	36000	42000
Capacity Utilisation (%)	51%	52%	54%	61%	71%	86%
Production (MT)	15061	15632	16224	18300	25500	36000
Existing Installed capacity of Engineering Plastics Compounds (in Tonnes)				3000	9000	15000
Capacity Utilisation (%)	-	-	-	5%	45%	60%
Production (MT)	-	-	-	150	4000	4000
Existing Installed capacity of Thermoplastic Elastomers (in Tonnes)	1200	1200	1200	1200	1200	1200
Capacity Utilisation (%)	20%	20%	19%	22%	33%	50%
Production (MT)	228	229	215	260	400	600

Property**Registered Office:**

Registered Office	Owned/ Leased	Lessor	Date of Purchase / Lease	Area (sq. ft)	Activities
Dhun Building, 3 rd floor, 827, Anna Salai Chennai 600002	Leased	Tarapore & Company, Engineers and contractors	Since 1992 *	4145	Registered & corporate Office

Other Property owned / leased by the company are as follows:

Property Description	Owned/ Leased/ Rented	Seller/Lessor	Date of Purchase / Lease	Area (Sq. mt)	Activities
Puducherry, Tamil Nadu	Owned	WS. Industries (India) Ltd.	November 10, 1993 & October 17, 2012	9,169.96	Manufacturing facility
Jejuri, Pune	Leased	Maharashtra Industrial Development Corporation (MIDC)	July 15, 2008 (Ninety Five Years computed from April 01, 2007)	13,700	Manufacturing facility
Manesar, Gurgaon	Leased	Mr. Amrit Pal Singh, Mr. Arvinder Singh, Mr. Amar Pal Singh, Mr. Sumeet Singh & Mr. Gundeep Singh Anand	September 27, 2012 (Five years from the date of agreement)	4050	Manufacturing facility
Pudukkottai, Tamil Nadu		State Industries Promotion Corporation of Tamil Nadu (SIPCOT)	November 20, 1984 (Ninety Nine years from the date of agreement)	28,408.9	Manufacturing facility (Operations at the said facility has been closed since May 2014)

KEY INDUSTRY REGULATIONS

The following description is a summary of the relevant regulations and policies as prescribed by the GoI and other regulatory bodies that are applicable to the manufacturing business. The information detailed below has been obtained from various legislations, including rules and regulations promulgated by regulatory bodies, and the bye laws of the respective local authorities that are available in the public domain. The regulations set out below may not be exhaustive and are merely intended to provide general information to the shareholders and neither designed, nor intended to substitute for professional legal advice. For details of government approvals obtained by us, see the section titled "Government and Other Approvals" on page 157 of this Draft Letter of Offer.

Approvals from Local Authorities

Setting up of a factory or manufacturing / housing unit entails the requisite planning approvals to be obtained from the relevant Local Panchayat(s) outside the city limits and appropriate Metropolitan Development Authority within the city limits. Consents are also required from the state pollution control board(s), the relevant state electricity board(s), the state excise authorities, sales tax, among others, are required to be obtained before commencing the building of a factory or the start of manufacturing operations.

Shops and Establishments Legislations

The provisions of various shops and establishments legislations, applicable in the states in which the establishments are set up, regulate the work and employment of the workers employed in shops and establishments, including commercial establishments, and provide for fixation of working hours, rest intervals, overtime, holidays, leave, termination of service, maintenance of shops and establishments, and other rights and obligations of the employers and employees.

Foreign Investment Regulations

The new industrial policy was formulated in 1991 to implement the Government's authorized ion programme and consequent industrial policy reforms relaxed the industrial licensing requirements and restrictions on foreign investment.

Foreign investment in India is governed primarily by the provisions of the FEMA and the rules, regulations and notifications thereunder, read with the presently applicable Consolidated FDI Policy (effective from April 1, 2011 to September 30, 2011) as issued by the Department of Industrial Policy and Promotion, ("DIPP").

The RBI, in exercise of its powers under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended ("**FEMA Regulations**") to prohibit, restrict, regulate, transfer by, or issue of security, to a person resident outside India.

At present, investments in manufacturing companies fall under the RBI automatic approval route for foreign direct investment up to 100%.

SEBI (Foreign Portfolio Investors) Regulations, 2014

In order to harmonize the various available routes for foreign portfolio investment in India, the Indian securities market regulator i.e. Securities Exchange Board of India ("**SEBI**") has introduced a new class of foreign investors in India known as the Foreign Portfolio Investors ("**FPIs**"). This class has been formed by merging the existing classes of investors through which portfolio investments were previously made in India namely, the Foreign Institutional Investors1 ("**FIIs**"), Qualified Foreign Investors ("**QFIs**") and sub-accounts of the FIIs. Previously portfolio investment was governed under different laws i.e. the SEBI (Foreign Institutional Investors) Regulations, 1995 ("**FII Regulations**") for FIIs and their subaccounts and SEBI circulars dated August 09, 2011 and January 13, 2012 governing QFIs, which are now repealed under the SEBI (Foreign Portfolio Investors) Regulations ("**FPI Regulations**")

that govern FPIs. SEBI has, thus, intended to simplify the overall operation of making foreign portfolio investments in India.

Environmental Laws

The business of the Company is subject to various environment laws and regulations. The applicability of these laws and regulations varies from operation to operation and is also dependent on the jurisdiction in which the Company operates. Compliance with relevant environmental laws is the responsibility of the occupier or operator of the facilities.

The operations of the Company require various environmental and other permits covering, among other things, water use and discharges, stream diversions, solid waste disposal and air and other emissions. Major environmental laws applicable to the business operations include:

The Environment (Protection) Act, 1986, as amended (the “EPA”)

The EPA is an umbrella legislation in respect of the various environmental protection laws in India. The EPA vests the GoI with the power to take any measure it deems necessary or expedient for protecting and improving the quality of the environment and preventing and controlling environmental pollution. This includes rules for, inter alia, laying down the quality of environment, standards for emission of discharge of environment pollutants from various sources as given under the Environment (Protection) Rules, 1986, inspection of any premises, plant, equipment, machinery, examination of manufacturing processes and materials likely to cause pollution. Penalties for violation of the EPA include fines up to ₹ 100,000 or imprisonment of up to five years, or both. The imprisonment can extend up to seven years if the violation of the EPA continues.

There are provisions with respect to certain compliances by persons handling hazardous substances, furnishing of information to the authorities in certain cases, establishment of environment laboratories and appointment of Government analysts.

The Water (Prevention and Control of Pollution) Act, 1974, as amended (the “Water Act”)

The Water Act aims to prevent and control water pollution as well as restore water quality by establishing and empowering the Central Pollution Control Board and the State Pollution Control Boards. Under the Water Act, any person establishing any industry, operation or process, any treatment or disposal system, use of any new or altered outlet for the discharge of sewage or new discharge of sewage, must obtain the consent of the relevant State Pollution Control Board, which is empowered to establish standards and conditions that are required to be complied with. In certain cases the State Pollution Control Board may cause the local Magistrates to restrain the activities of such person who is likely to cause pollution. Penalty for the contravention of the provisions of the Water Act include imposition of fines or imprisonment or both.

The Central Pollution Control Board has powers, inter alia, to specify and modify standards for streams and wells, while the State Pollution Control Boards have powers, inter alia, to inspect any sewage or trade effluents, and to review plans, specifications or other data relating to plants set up for treatment of water, to evolve efficient methods of disposal of sewage and trade effluents on land, to advise the State Government with respect to the suitability of any premises or location for carrying on any industry likely to pollute a stream or a well, to specify standards for treatment of sewage and trade effluents, to specify effluent standards to be complied with by persons while causing discharge of sewage, to obtain information from any industry and to take emergency measures in case of pollution of any stream or well. A central water laboratory and a state water laboratory have been established under the Water Act.

The Air (Prevention and Control of Pollution) Act, 1981, as amended (the “Air Act”)

Pursuant to the provisions of the Air Act, any person, establishing or operating any industrial plant within an air pollution control area, must obtain the consent of the relevant State Pollution Control Board prior to establishing or operating such industrial plant. The State Pollution Control Board is required to grant consent within a period of four months of receipt of an application, but may impose conditions relating to

pollution control equipment to be installed at the facilities. No person operating any industrial plant in any air pollution control area is permitted to discharge the emission of any air pollutant in excess of the standards laid down by the State Pollution Control Board.

The penalties for the failure to comply with the provisions of the Air Act include imprisonment of up to six years and the payment of a fine as may be deemed appropriate. If an area is declared by the State Government to be an air pollution control area, then, no industrial plant may be operated in that area without the prior consent of the State Pollution Control Board.

Hazardous Waste (Management and Handling) Rules, 1989 (“Hazardous Waste Act”)

The Company being an industrial establishment is responsible for safe and environmentally sound handling of hazardous waste generated in the establishment. As per the Hazardous Waste Act, environmentally sound management of hazardous wastes means taking all steps required to ensure that the hazardous wastes are managed in a manner, which shall protect health and the environment against the adverse effects, which may result from such waste.

Every person who is engaged in generation, processing, treatment, package, storage, transportation, use, collection or the like of the hazardous waste shall require to obtain an authorization from the State Pollution Control Board. The State Pollution Control Board is required to grant consent within a period of 120 days from the receipt of an application.

The penalties for the failure to comply with the provisions of the Hazardous Waste Act shall be a financial penalty as deemed appropriate by the State Pollution Control Board.

State Fire Safety Act

The Fire safety Acts have been enacted by each state separately, which is applicable to the Establishment which is likely to cause a risk of fire falling within the jurisdiction of that particular state. Under the Acts, every factory is required to obtain a ‘No Objection Certificate’ from the Fire Service Department for establishment and running of the factory. The said certificate is valid for a period of one year from the date of its issue.

The penalties for the failure to comply with the provisions of the Fire Safety Act shall be levied on every person in-charge of and was responsible to the Company for the conduct of the business of the Company as well as the Company be guilty of the offence and shall be proceeded against and punished accordingly.

Laws relating to Employment

As part of business of the Company it is required to comply from time to time with certain laws in relation to the employment of labour. A brief description of certain labour legislations which are applicable to the Company is set forth below:

Factories Act, 1948, as amended (the “Factories Act”)

The Factories Act defines a ‘factory’ to be any premises including the precincts thereof, on which on any day in the previous 12 months, 10 or more workers are or were working and in which a manufacturing process is being carried on or is ordinarily carried on with the aid of power; or where at least 20 workers are or were working on any day in the preceding 12 months and on which a manufacturing process is being carried on or is ordinarily carried on without the aid of power. State governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the ‘occupier’ of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use,

handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions. If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment or with a fine or with both.

Employees (Provident Fund and Miscellaneous Provisions) Act, 1952, as amended (the "EPF Act")

The EPF Act applies to factories employing over 20 employees and such other establishments and industrial undertakings as notified by the GoI from time to time. It requires all such establishments to be registered with the State provident fund commissioner and requires such employers and their employees to contribute in equal proportion to the employees' provident fund the prescribed percentage of basic wages and dearness and other allowances payable to employees. The EPF Act also requires the employer to maintain registers and submit a monthly return to the State provident fund commissioner.

Employees State Insurance Act, 1948, as amended (the "ESIC Act")

The ESI Act, provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

Payment of Gratuity Act, 1972, as amended (the "Gratuity Act")

The Gratuity Act establishes a scheme for the payment of gratuity to employees engaged in every factory, mine, oil field, plantation, port and railway company, every shop or establishment in which ten or more persons are employed or were employed on any day of the preceding twelve months and in such other establishments in which ten or more employees are employed or were employed on any day of the preceding twelve months, as notified by the Central Government from time to time. Penalties are prescribed for non-compliance with statutory provisions.

Under the Gratuity Act, an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement, resignation, superannuation, death or disablement due to accident or disease.

However, the entitlement to gratuity in the event of death or disablement will not be contingent upon an employee having completed five years of continuous service. The maximum amount of gratuity payable may not exceed ₹ 1 million.

Minimum Wages Act, 1948, as amended (the "MWA")

The MWA provides a framework for State governments to stipulate the minimum wage applicable to a particular industry. The minimum wage may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any.

Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government. Contravention of the provisions of this legislation may result in imprisonment for a term up to six months or a fine up to ₹ 500 or both.

Industrial Disputes Act, 1947, as amended (the "ID Act")

The ID Act provides the procedure for investigation and settlement of industrial disputes. When a dispute exists or is apprehended, the appropriate Government may refer the dispute to a labour court, tribunal or arbitrator, to prevent the occurrence or continuance of the dispute, or a strike or lock-out while a proceeding is pending. The labour courts and tribunals may grant appropriate relief including ordering modification of contracts of employment or reinstatement of workmen.

Payment of Bonus Act, 1965, as amended (the “PoB Act”)

The PoB Act provides for payment of minimum bonus to factory employees and every other establishment in which 20 or more persons are employed and requires maintenance of certain books and registers and filing of monthly returns showing computation of allocable surplus, set on and set off of allocable surplus and bonus due.

Contract Labour (Regulation and Abolition) Act, 1970, as amended (the “CLRA Act”)

In respect of each of its facilities, the Company uses the services of certain licensed contractors who in turn employ contract labour whose number exceeds 20 in respect of each facility. Accordingly, the Company is regulated by the provisions of the CLRA Act which requires the Company to be registered as a principal employer and prescribes certain obligations with respect to welfare and health of contract labour. The CLRA Act requires the principal employer of an establishment to which the CLRA Act applies to make an application to the concerned officer for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment.

Likewise, every contractor to whom the CLRA Act applies is required to obtain a license and not to undertake or execute any work through contract labour except under and in accordance with the license issued. The CLRA Act imposes certain obligations on the contractor in relation to establishment of canteens, rest rooms, drinking water, washing facilities, first aid, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be levied for contravention of the provisions of the CLRA Act.

The Explosives Act, 1884 and the rules framed thereunder

This Act extends to the whole of India and regulates the manufacture, possession, use, sale, transport, import and export of explosives. It stipulates that no person shall import, export, transport, manufacture, possess, use or sell any explosive which is not an authorized explosive. The Act also prescribes safety standards and qualifications required in order to obtain a license for the manufacture, use, possession, sale etc., of explosives.

Fiscal Regulations***Foreign Trade (Development and Regulation) Act, 1992 (“FTA”)***

FTA seeks to increase foreign trade by regulating the imports and exports to and from India. FTA read with the Indian Foreign Trade Policy provides that no export or import can be made by a person or company without an importer exporter code number unless such person or company is specifically exempt. An application for an importer exporter code number has to be made to the office of the Joint Director General of Foreign Trade, Ministry of Commerce. An importer-exporter code number allotted to an applicant is valid for all its branches, divisions, units and factories.

Foreign Trade Policy

Under the FTA, the Central Government is empowered to periodically formulate the Export Import Policy (“EXIM Policy”) and amend it thereafter whenever it deems fit. All exports and imports have to be in compliance with such EXIM Policy. The current EXIM Policy covers the period from 2009-2014.

The Duty exemption Scheme enables duty free imports of inputs required for production of export products by obtaining Advance license (AL).

The Duty Remission Scheme enables post export replenishment/ remission of duty on inputs used in the export product. This scheme consists of Duty Free Remission Certificate (DFRC) and Duty Entitlement Pass Book (DEPB).

While DFRC enables duty free replenishment of inputs used for manufacturing of export products, under

DEPB Scheme, exporters on the basis of notified entitled rates are granted duty credit, which would entitle them to import goods except Capital Goods, without duty. The current DEPB rates for saleable products to be manufactured by us are ranging from 2% to 6%.

The imports of inputs under AL and DFRC for the products exported by the company are subject to Input and Output norms as prescribed in EXIM Policy.

EPCG Scheme allows imports of capital goods at 0% duty subject to export obligation which is linked to the amount of duty saved at the time of import of such capital Goods as per the provisions of EXIM Policy.

Excise Regulations

The Central Excise Act, 1944 seeks to impose an excise duty on excisable goods which are produced or manufactured in India. The rate at which the said duty is sought to be imposed is contained in the Central Excise Tariff Act, 1985. However, the Government has the power to exempt certain specified goods from excise duty, by notification.

Customs Regulations

All imports in the country are subject to duties under the Customs Act, 1962 at the rates specified under the Customs Tariff Act, 1975. However, the Government has the power to exempt certain specified goods from excise duty, by notification.

Central Sales Tax Act, 1956 (“Central Sales Tax Act”)

The Central Sales Tax Act formulates principles for determining (a) when a sale or purchase takes place in the course of inter-state trade or commerce; (b) when a sale or purchase takes place outside a State and (c) when a sale or purchase takes place in the course of imports into or export from India. This Act provides for levy, collection and distribution of taxes on sales of goods in the course of inter-state trade or commerce and also declares certain goods to be of special importance in inter-State trade or commerce and specifies the restrictions and conditions to which State laws imposing taxes on sale or purchase of such goods of special importance (called as declared goods) shall be subject. Central Sales tax is levied on inter State sale of goods. Sale is considered to be inter-state when (a) sale occasions movement of goods from one State to another or (b) is effected by transfer of documents during their movement from one State to another.

A sale or purchase of goods shall be deemed to take place in the course of inter-state trade or commerce if the sale or purchase is affected by a transfer of documents of title to the goods during their movement from one state to another. When the goods are handed over to the carrier, he hands over a receipt to the seller. The seller sends the receipt to buyer. The buyer gets delivery of goods on submission of the receipt to the carrier at other end. The receipt of carrier is ‘document of title of goods’. Such document is usually called Lorry Receipt (LR) in case of transport by Road or Air Way Bill (AWB) in case of transport by air. Though it is called Central Sales Tax Act, the tax collected under the Act in each State is kept by that State only. Central Sales Tax is payable in the State from which movement of goods commences (that is, from which goods are sold). The tax collected is retained by the State in which it is collected. The Central Sales Tax Act is administered by sales tax authorities of each State. The liability to pay tax is on the dealer, who may or may not collect it from the buyer.

The Shops and Establishments Legislations

Under the provisions of local shops and establishments legislations applicable in the states in which establishments are set up, establishments are required to be registered. Such legislations regulate the working and employment conditions of the workers employed in shops and establishments including commercial establishments and provide for fixation of working hours, rest intervals, overtime, holidays, leave, termination of service, maintenance of shops and establishments and other rights and obligations of the employers and employees. Our Company’s offices have to be registered under the shops and

establishments laws of the state where they are located.

Competition Act, 2002, as amended (the “Competition Act”)

The Competition Act prohibits anti competitive agreements, abuse of dominant positions by enterprises and regulates “combinations” in India. The Competition Act also established the Competition Commission of India (the “CCI”) as the authority mandated to implement the Competition Act. The provisions of the Competition Act relating to combinations were notified on March 4, 2011 and have come into effect on June 1, 2011. Combinations which are likely to cause an appreciable adverse effect on competition in a relevant market in India are void under the Competition Act. A combination is defined under Section 5 of the Competition Act as an acquisition, merger or amalgamation of enterprise(s) that meets certain asset or turnover thresholds. There are also different thresholds for those categorized as ‘Individuals’ and ‘Group’. The CCI may enquire into all combinations, even if taking place outside India, or between parties outside India, if such combination is likely to have an appreciable adverse effect on competition in India. Effective June 1, 2011, all combinations have to be notified to the CCI within 30 days of the execution of any agreement or other document for any acquisition of assets, shares, voting rights or control of an enterprise under Section 5(a) and (b) of the Competition Act (including any binding document conveying an agreement or decision to acquire control, shares, voting rights or assets of an enterprise); or the board of directors of a company (or an equivalent authority in case of other entities) approving a proposal for a merger or amalgamation under Section 5(c) of the Competition Act. The obligation to notify a combination to the CCI falls upon the acquirer in case of an acquisition, and on all parties to the combination jointly in case of a merger or amalgamation.

Property related laws

The Company is required to comply with central and state laws in respect of property. Central Laws that may be applicable to our Company’s operations include the Land Acquisition Act, 1894, the Transfer of Property Act, 1882, Registration Act, 1908, Indian Stamp Act, 1899, and Indian Easements Act, 1882.

In addition, regulations relating to classification of land may be applicable. Usually, land is broadly classified under one or more categories such as residential, commercial or agricultural. Land classified under a specified category is permitted to be used only for such specified purpose. Where the land is originally classified as agricultural land, in order to use the land for any other purpose the classification of the land is required to be converted into commercial or industrial purpose, by making an application to the relevant municipal or town and country planning authorities. In addition, some State Governments have imposed various restrictions, which vary from state to state, on the transfer of property within such states.

Land use planning and its regulation including the formulation of regulations for building construction, form a vital part of the urban planning process. Various enactments, rules and regulations have been made by the Central Government, concerned State Governments and other authorized agencies and bodies such as the Ministry of Urban Development, State land development and/or planning boards, local municipal or village authorities, which deal with the acquisition, ownership, possession, development, zoning, planning of land and real estate.

Each state and city has its own set of laws, which govern planned development and rules for construction (such as floor area ratio or floor space index limits). The various authorities that govern building activities in states are the town and country planning department, municipal corporations and the urban arts commission.

Other regulations

In addition to the above, the Company is required to comply with the provisions of the Companies Act, and FEMA and other applicable statutes imposed by the Centre or the State for its day-to-day operations.

HISTORY AND OTHER CORPORATE MATTERS

Corporate Profile and Brief History

Our Company was incorporated as S&S Filled Fibers Limited under the provisions of the Companies Act, 1956 vide Certificate of Incorporation dated November, 10, 1983, issued by the Registrar of Companies, Chennai. The Company was originally promoted by V Srinivasan and family to manufacture mineral filled and cable sheathing compounds in technical collaboration with Norsk Hydro Polymers. The first plant of the Company was located at Pudukottai, Tamil Nadu and the production of our Company commenced with an initial capacity of 2000 MTPA, which was subsequently enhanced to 3500 MTPA in 1991.

Subsequently Norsk Hydro invested in the company upto 25% of the equity and the Company was renamed as Hydro S & S Industries Ltd. The name of Company was later changed to Hydro S&S Industries Limited pursuant to special resolution passed in Annual general meeting dated September 25, 1989 and received certificate of change of name dated October 17, 1989 from Registrar of Companies, Chennai. The Corporate Identification Number of Company is L25209TN1983PLC010438.

During the year 1995 we invested in a new facility at Puducherry, to focus on production of polypropylene compounds for the furniture segment, with an additional capacity of 2500 MTPA.

In the year 1986, our Company made an Initial Public Offer and the equity shares of our Company were listed at BSE Ltd. and Madras Stock Exchange Limited. (SEBI vide its exit order no. WTM/RKA /MRD/47/2015 dated May 14, 2015 has allowed exit of Madras Stock Exchange Limited as a stock exchange.) Presently the equity shares of our Company are listed and traded only at BSE.

Subsequently in 1997, Norsk Hydro Polymers increased their stake in the company to 51 %. During 1997, the capacity of our Company was enhanced by 2500 MTPA at Pudukottai, taking the locational capacity of processing to 6000 MTPA. Capacity was also enhanced at our Pondicherry plant during 1999 by 3500 MTPA, making the location capacity to 6000 MTPA. At this stage the combined capacity of our Company stood at 12000 MTPA.

However, Norsk divested from the petrochemical business but retained their investment in the company until 2002, when it was sold to the JV partners i.e; V Srinivasan and family.

In the financial year 2003-04 the company shifted its line of business from furniture to the automotive segment. The company entered into agreement with Advanced Elastomers Systems (subsequently merged into Exxon Mobil) for procurement of RC compounds for manufacture of Thermoplastic Elastomer Compounds.

Between 2003 and 2007, to meet the enhanced requirements of the automobile customers, capacity was enhanced by 6000 MTPA at Pudukottai and another 6000 MTPA at Puducherry thus the combined processing capacity stood at 24,000 MTPA.

In 2007, work commenced on setting up a greenfield facility at Jejuri, near Pune and the same became operational in the last quarter of 2008 with a capacity of 6000 MTPA.

Hydro S & S through an MOU signed with TOSAF Compounds Ltd, Israel, have been promoting their products (Masterbatches) in India. In 2010, a new State of Art Application Development Centre was set up at Puducherry. The same houses the latest in testing equipments to test and develop the compounds and moldings.

In the year 2012, work was initiated to realign capacity in line with geographical requirements and a new facility at Manesar, Gurgaon was established during 2013 with production capacity being moved from Pudukottai. As part of the realignment of capacity, it was further decided in 2014 that the operations of Pudukottai would be suspended.

In the meanwhile, the company has set up warehouses managed by the third party service providers at Chennai, Gurgaon, Ahmedabad and Bangalore.

In the year 2013, by virtue of a Share Purchase agreement, the entire shareholding of the erstwhile promoters was transferred to Kingfa Sci & Tech Co. Ltd. (**'Kingfa'**), China and hence Kingfa became the promoters of the company. In accordance with Regulation 3(1) and 4 of the Securities and Exchange Board of India (Substantial Acquisition of shares and takeovers) Regulation, 2011 Kingfa made an open offer vide a public announcement dated May 20, 2013 to acquire 16,65,874 (26%) shares of our company from the public shareholders at an offer price of ₹ 42.70 per share. However, the public offered 10,44,332 equity shares (16.30%) in the open offer. Post open offer, the holding of our Promoter stood at 82.80%. The holding exceeded the maximum threshold limit as prescribed by the Regulations and the same was required to be maintained below 75% of the total outstanding share capital of the Company. Hence, in order to comply with the Minimum Public Shareholding (MPS) and also the continuous listing requirement, Kingfa offered its equity shares to public via 'offer for sale' through stock exchange mechanism. The said Offer for Sale was completed in two tranches the first one being in December 2014 and the Second in January 2015. On completion of the said offer for sale (two tranches) the shareholding of Kingfa was reduced to 74.99% of the total outstanding share capital of the Company.

QUALITY SYSTEMS:

The Company initially obtained its ISO 9000 certification during 1994 and these certification were obtained for the newly added locations also.

During 1999, the company obtained the TS 16949 certification with the focus shifting towards the automotive customers.

During 2009, the company obtained the ISO 14001 and the OHSAS 18001 certifications.

INFRASTRUCTURE

The Company has Manufacturing facilities at the following locations:

- Pudukottai - TamilNadu, on the land leased by SIPCOT for 85 years.
- Puducherry facility is a freehold one.
- Jejuri- Near pune- Maharashtra , facility also is a leasehold property entered into with MSIDC.
- Manesar- Gurgaon, Haryana , is a on a short private lease of 5 years with option to renew.

Warehouses of the Company (Managed by Third Party Logistics Providers) are located in Chennai, Gurgaon, Ahmedabad and Bangalore

Plant locations are connected through Multi-Protocol Label Switching (MPLS) connectivity.

Warehouses are connected using Virtual Private Networks (VPN) provided to them.

Main Objects of our Company

The main objects of our Company are:

1. to carry on the business of producing, refining, modifying, developing, manufacturing, buying, selling-including exporting from and importing into India supplying and otherwise dealing in all kinds of plastics and resins including compounds, intermediates, derivatives and by-products thereof;
2. to carry on the business of producing, refining, developing, manufacturing, buying, selling-including exporting from and importing into India-supplying and otherwise dealing in all kinds of moulding compounds of plastics and resins of every description;
3. to carry on the business of designing, developing, manufacturing, buying, selling including

exporting from and importing into India, supplying and otherwise dealing in, and the provision of services with regard to all kinds of products made from resins, plastics and moulding compounds;

4. to design, develop, manufacture, buy, sell including exporting from and importing into India, supply, exchange, alter, manipulate and otherwise deal in plastic processing equipments including components, sub-assemblies and spares;
5. compounding of all types of plastic including the manufacture of, buying of, selling of, supplying of and otherwise dealing in, and the provision of services with regard to, all kinds of plastic alloys;
6. to carry on the business of designing, developing, manufacturing, buying, selling including exporting from and importing into India, supplying and otherwise dealing in, and the provision of services with regard to master-batches for all applications.

Amendments to our Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of EGM/ AGM	Nature of Amendment
January 03, 1986	Substituted the following clause in place of Existing Clause III B(25) of Memorandum of Association of the company at the General Meeting held on 3rd January, 1986 by way of Special Resolution and duly confirmed by Company Law Board by their Order dated 4th January, 1988 “To sell, exchange, mortgage, lease, grant licences, easements, and other rights with respect to or dispose of the undertaking, property and assets of the Company or any part thereof for such consideration as the Company may think fit and in particular for shares of any other company.”
January 03, 1986	The authorized share capital of our company viz., ₹ 1,00,00,000/-divided into 10,00,000 Equity Shares of ₹ 10/- Each was further increased to ₹ 2,00,00,000/-divided into 20,00,000 Equity Shares of ₹ 10/- Each.
September 25, 1989	Change of name of the Company - S&S Filled Fibers Limited to Hydro S&S Industries Limited
September 16, 1991	The authorized share capital of our company viz., ₹ 2,00,00,000/-divided into 20,00,000 Equity Shares of ₹ 10/- Each was further increased to ₹ 3,00,00,000/-divided into 30,00,000 Equity Shares of ₹ 10/- Each.
December 20, 1991	The authorized share capital of our company viz., ₹ 3,00,00,000/-divided into 30,00,000 Equity Shares of ₹ 10/- Each was further increased to ₹ 5,00,00,000/-divided into 50,00,000 Equity Shares of ₹ 10/- Each.
September 01, 1994	The authorized share capital of our company viz., ₹ 5,00,00,000/-divided into 50,00,000 Equity Shares of ₹ 10/- Each was further increased to ₹ 10,00,00,000/-divided into 1,00,00,000 Equity Shares of ₹ 10/- Each.
September 04, 1995	The authorized share capital of our company viz., ₹ 10,00,00,000/-divided into 1,00,00,000 Equity Shares of ₹ 10/- Each was further increased to ₹ 13,00,00,000/-divided into 1,00,00,000 Equity Shares of ₹ 10/- each and ₹ 3,00,00,000/- divided into 3,00,000 Redeemable Preference Shares of ₹ 100/- each
September 16, 2008	The authorized share capital of our company viz., ₹ 13,00,00,000/-divided into 1,00,00,000 Equity Shares of ₹ 10/- Each and ₹ 3,00,00,000/- (Rupees Three Crores only) divided into 3,00,000 Redeemable Preference Shares of ₹ 100/- each was further increased to ₹ 21,00,00,000/-divided into 1,80,00,000 Equity Shares of ₹ 10/- each and ₹ 3,00,00,000/- divided into 3,00,000 Redeemable Preference Shares of ₹ 100/- each

Changes in the Registered Office of our Company

Since inception, there has been no change in the registered office address of our Company.

Major events in the history of our Company

YEAR	EVENT
1986	Public Issue
1988	Norsk Hydro Polymers UK acquired 25% stake in the company.
1989	Name of the Company has been changed from S & S filled Fibers Limited to Hydro S & S Industries Limited
1991	Production commenced with an initial capacity of 2000 MTPA, which was subsequently enhanced to 3500 MTPA
1992	Rights Issue of 402328equity Shares of ₹ 10 each
1994	Rights issue of 1738634Equity Shares of ₹ 10 each Obtained its ISO 9000 certification
1995	Company invested in a new facility at Puducherry to focus on production of polypropylene compounds for the furniture segment with an additional capacity of 2500 MTPA.
1996	Rights issue of 529737 Equity shares of ₹ 10 each
1997	Norsk Hydro Polymers increased their stake in the company to 51 %.
1999	Capacity was enhanced by 2500 MTPA at Pudukottai , making the location capacity to process 6000 MTPA. Capacity was also enhanced at Pondicherry by 3500 MTPA making the location capacity to 6000 MTPA. The combined capacity stood at 12000 MTPA. Obtained the TS 16949 certification with the focus shifting towards the automotive customers
2002	Norsk divested from the petrochemical business but retained their investment in the company, when it was sold to the JV partners
2003 – 2007	Capacity was enhanced by 6000 MTPA at Pudukottai and another 6000 MTPA at Puducherry thus the combined processing capacity stood at 24000 MTPA.
2007	Work commenced on setting up a Greenfield facility at Jejuri, near Pune and the same became operational in the last quarter of 2008
2009	Obtained the ISO 14001 and the OHSAS 18001 certifications
2010	New State of Art Application Development Centre was set up at Puducherry. The same houses the latest in testing equipments to test and develop the compounds and mouldings
2012	Bork was initiated to realign capacity in line with geographical requirements and a new facility is getting ready at Manesar, Gurgaon with production capacity being moved from Pudukottai
2013	By virtue of a Share Purchase agreement, the entire shareholding of the erstwhile promoters was transferred to KingfaSci& Tech Co. Ltd., China and thence Kingfa became the promoters of the company
2014	As part of the realignment of capacity, it was decided to suspend the operations at Pudukottai.

Our Shareholders

As on March 31, 2015, the total number of holders of Equity Shares is 3,098. For further details of our share holding pattern, please see “Capital Structure” on page 37 of the Draft Letter of Offer

Revaluation of Assets

Our Company has not revalued its fixed assets since incorporation.

Issuance of Equity or Debt

Other than as information disclosed in “Capital Structure” on page 37 of the Draft Letter of Offer, our Company has not issued any capital in the form of equity or debt. For details on the description of our Company’s activities, the growth of our Company, please see “Business Overview”, “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” and “Basis of Issue Price” on pages 68, 144 and 54 of this Draft Letter of Offer.

Awards, Achievements and Certifications

Our Company has received the following awards/certifications in the past:

1. Best Supplier Award by TATA AUTOCOMP – 2006
2. Awarded Business by TATA MOTORS for NANO car in 2007/2008
3. Preferred supplier for Tata Motor Limited for compounded PP materials required for Small Car Dashboard & Bumper Skins vide their letter dated February 21, 2007.
4. Rated best Supplier with 100% Rating on all aspects by Visteon in 2011

Changes in the activities of our Company during the last five years

Since inception, there has been no change in the activities of our Company.

Defaults or Rescheduling of borrowings with financial institutions/ banks

Our Company had not defaulted in the repayment of any loan.

Lock-out or strikes

In the year 2002 our plant situated at Puducherry was closed due to technical reasons for two months and was subsequently reopened after sorting out the technical issues. Consequently some workers preferred to raise an Industrial dispute in the labour tribunal. The same is pending. For more details please refer to the section ‘Outstanding Litigations and Defaults’ appearing on page no 152.

Business Acquisitions

As on the date of the Draft Letter of Offer, our Company has not made any business acquisitions.

Subsidiaries

As on the date of the Draft Letter of Offer, our Company does not have any subsidiaries.

Shareholders’ Agreement

As on the date of the Draft Letter of Offer, our Company has not entered into any shareholders’ agreement.

Material Agreements

There are no material agreements, apart from those entered into in the ordinary course of business carried on or intended to be carried on by us.

Strategic Partners

As on the date of the Draft Letter of Offer, our Company does not have any strategic partners.

Financial Partners

As on the date of the Draft Letter of Offer, apart from the various arrangements with bankers and lenders which our Company undertakes in the ordinary course of business, our Company does not have any other financial partners.

MANAGEMENT

Board of Directors

The Articles of Association of our Company provides that our Company shall have not less than three and not more than eight Directors on our Board. Our Company currently has five Directors on our Board.

The following table sets forth details regarding the Board of Directors as on the date of this Draft Letter of Offer:

Name, Address, Occupation, Date of Appointment, Term and DIN	Nationality	Age (years)	Designation	Other directorships in Companies, partnerships etc
Mr. BO Jingen Address: No. 76, Gaopu Road, Tianhe District,, Guangzhou, 510520, China Occupation: Employed Term: Appointed as Managing Director for a term of three years w.e.f July 03, 2013, and is Liable to retire by rotation DIN: 06617986	Chinese	33	Managing Director	<i>Companies</i> NIL <i>Partnership/HUF</i> NIL
Mr. Xiaohui Wu Address: No. 25, Gaoan Road, Xuhui District, Shanghai, 200032, CHINA Occupation: Employed Term: Appointed as Whole-time Director for a term of three years w.e.f July 03, 2013, and is Liable to retire by rotation DIN: 06617977	Chinese	35	Whole-time Director	<i>Companies</i> NIL <i>Partnership/HUF</i> NIL
Mr. Delin Nie Address: No.24, Aiguo Road, Yuexiu, District, Guangzhou, Guangzhou, 510095, CHINA Occupation: Employed Term: Appointed w.e.f July 03, 2013, and is Liable to retire by rotation DIN:06619565	Chinese	41	Non-executive non-independent Director	1. KingfaSci& Tech Co., Ltd

Name, Address, Occupation, Date of Appointment, Term and DIN	Nationality	Age (years)	Designation	Other directorships in Companies, partnerships etc
Mr. N Subramanian Address: Flat 1C Ramcons Rajam, No 90 Bazullah Road, T-nagar, chennai, 600017, Tamil Nadu Occupation: Chartered Accountant Term: Appointed w.e.f May 16, 2014, to hold office till May 15, 2019 DIN: 03602858	Indian	61	Independent Director	1. Shasun Pharmaceuticals Limited 2. IEC Fabchem Limited
Ms. Kamana Srikanth Address: New No 11, Subbaraya Aiyer Avenue, Chennai - 600018 Occupation: Lawyer Term: Appointed w.e.f February 13, 2015, to hold office till February 12, 2020 DIN: 02133068	Indian	32	Independent Director	1. Chendur Forgings Limited

Confirmations

None of the Directors is or was a director of any listed company in India during the last five years preceding the date of filing of the Draft Letter of Offer, whose shares have been or were suspended from being traded on the BSE or the NSE, during the term of their directorship in such company.

None of the Directors is or was a director of any listed company, which has been or was delisted from any recognised stock exchange in India during the term of their directorship in such company.

Relationship between Directors

None of the other Directors are related to each other.

Brief Profile

Mr. BO Jingen, aged 33 years, is the Managing Director of our Company. He hold Master's Degree in Polymer Science. He has been working for KingfaSci& Tec Co Ltd in Marketing and Sales for 7 years and he was nominated by the promoter of our company as Managing Director who is presently incharge of overall operations of our Company.

Mr. Xiaohui Wu, aged 35 years, is the whole-time director of our Company. He hold Master's Degree in Applied Chemistry. He has been working as Technical Engineer and became the Technical Manager of our promoter company's Shanghai factory for 10 years as an automotive specialist. He was nominated by the promoter of our company as Whole-time Director who is presently in-charge of product development and sourcing for our Company.

Mr. Delin Nie, aged 41 years, is a non-executive and non-independent director of our Company. He holds Master's Degree in Applied Chemistry and has 15 years of experience in Technical and management field working for Kingfa Sci & Tech Co Ltd. He is presently on the Board of Directors of Kingfa Sci & Tech Co Ltd.

Ms. Kamana Srikanth, aged 32 years, is non-executive and independent director of our Company. She Holds an LLB degree from ILS Law College Pune and is practicing law in Chennai for the past 8 years.

Mr. N Subramanian, aged 61, is a Chartered Accountant by Profession having rich experience in Accounts, Finance, Audit, Taxation and Corporate law matters for 20 years. He is currently a partner of Vivekandan & Associates. Prior to commencing practice independently, he has been working in Corporate Sector for 11 years.

Borrowing Powers of the Board

Pursuant to resolution passed by our shareholders in the general meeting held on July 25, 2014 and in accordance with the provisions of the Companies Act, 2013 our Board has been authorised to borrow money for the purposes upon such terms and conditions with/without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by our Company (apart from the temporary loans obtained from our Company's bankers in the ordinary course of business) shall not exceed, at any time, a sum of ₹ 15,000.00 lacs.

Details of Service Contracts for providing benefits upon termination

Our Company has not entered into any service contracts with the present Board of Directors for providing benefits upon termination.

Compensation to Managing Director

Pursuant to board resolution dated July 31, 2013 and Employment Agreement dated July 31, 2013, following are the terms and conditions of remuneration payable to the Managing Director of our Company, Mr. Bo Jingen:

Salary :

₹ 95,000/- (Rupees Ninety Five Thousand Only) per month.

Perquisites :

₹ 30,167/- (Rupees Thirty Thousand One Hundred and Sixty Seven Only) per month.
(The Perquisites shall include Special Allowance, Leave Travel Concession and Entertainment.)

Personal Accident Insurance Premium, subject to a limit of ₹ 4,000 per annum and Mediclaim Insurance Premium, subject to a limit of ₹ 8,000 per annum.

Contribution

Contribution to Provident Fund to be in accordance with rules and regulations in force from time to time. Contribution to Provident Fund, shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act.

Gratuity

As per rules of the Company.

Car and Telephone

Entitled to a company leased car and the operational expenses thereof to discharge his official responsibilities.

Use of telephone at residence for official purposes.

The aggregate remuneration payable, as detailed above, to the Managing Director will not in any case, exceed the limits laid down under clause 1(A) and 1(B) of Section II, Part II of Schedule XIII of the Companies Act, 1956.

In the event of the Company making adequate profits, the Board of Directors/ Remuneration Committee constituted by the Board, be and hereby authorized to revise, amend, alter and vary the terms of the remuneration and/or perquisites payable to the employee, at its absolute discretion, subject to the guidelines or ceilings wherever applicable, within the applicable provisions of the Companies Act, 1956 and the amount of remuneration shall be within the overall ceiling of 5% or 10% of the net profits of the Company, calculated in the manner specified in the Act and the same shall not be less than the terms as given in item (a) and (b) above.

However, no Compensation has been paid to the Managing Director till date at his insistence.

Whole-time Director

Pursuant to board resolution dated July 31, 2013 and Employment Agreement dated July 31, 2013, following are the terms and conditions of remuneration payable to the whole-time Director, Mr. Xiaohui Wu:

Salary :

₹ 90,000/- (Rupees Ninety Thousand Only) per month.

Perquisites :

₹ 30,167/- (Rupees Thirty Thousand One Hundred and Sixty Seven Only) per month. (The Perquisites shall include Special Allowance, Leave Travel Concession and Entertainment.)

Personal Accident Insurance Premium, subject to a limit of ₹ 4,000 per annum and Mediclaim Insurance Premium, subject to a limit of ₹ 8,000 per annum.

Contribution

Contribution to Provident Fund to be in accordance with rules and regulations in force from time to time. Contribution to Provident Fund, shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act.

Gratuity

As per rules of the Company.

Car and Telephone

Entitled to a company leased car and the operational expenses thereof to discharge his official responsibilities.

Use of telephone at residence for official purposes.

The aggregate remuneration payable, as detailed above, to the Whole-time Director will not in any case, exceed the limits laid down under clause 1(A) and 1(B) of Section II, Part II of Schedule XIII of the Companies Act, 1956.

In the event of the Company making adequate profits, the Board of Directors/ Remuneration Committee constituted by the Board, be and hereby authorized to revise, amend, alter and vary the terms of the remuneration and/or perquisites payable to the employee, at its absolute discretion, subject to the guidelines or ceilings wherever applicable, within the applicable provisions of the Companies Act, 1956 and the amount of remuneration shall be within the overall ceiling of 5% or 10% of the net profits of the Company, calculated in the manner specified in the Act and the same shall not be less than the terms as given in item (a) and (b) above.

However, no Compensation has been paid to the Whole-time Director.

Non-Executive Directors

The Non-Executive Directors were not paid any remuneration except sitting fees for attending the meetings of the Board of Directors and / or committees thereof. The details of the sitting fees paid to the Non-Executive Directors in F.Y.2014-15 is as under:

Name of the Director	Sitting fees (₹ in lacs)
Mr. DelinNie	0.66
Mr. N Subramanian	1.40
Ms. KamanaSrikanth	0.20

ESOP

Our Company has not implemented any ESOP scheme.

Shareholding of Directors in our Company

None of our directors hold Equity Shares of our Company:

Payment or benefit to Directors of our Company

Except as disclosed in the “Related Party Transactions” in “Auditor’s Report” on page 138 of the Draft Letter of Offer, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration or sitting fees for services rendered as Directors, officers or employees.

Interest of the Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by and allotted to the companies, firms, and trusts, if any, in which they are interested as directors, members, promoters, and /or trustees pursuant to this Issue.

Except of Mr. Nie Delin who holds directorship in the Promoter Company i.e; Kingfa Sci& Tech Co., Ltd, none of the directors holds the directorship position in the Promoter and Promoter Group.

None of our Directors have been appointed on our Board pursuant to any arrangement with our major shareholders, customers, suppliers or others other than Mr. BO Jingen, Mr. Xiaohui Wu and Mr. Nie Delin nominated by our promoter shareholder Kingfa Sci& Tech Co., Ltd.

Except as stated in this section “Management” or the chapter titled “Related Party Transactions in Financial Information” on page 91 and 138 of the Draft Letter of Offer and described herein to the extent of shareholding in our Company, if any, our Directors do not have any other interest in our business. Our Company has not acquired any property within two years of the date of the Draft Letter of Offer.

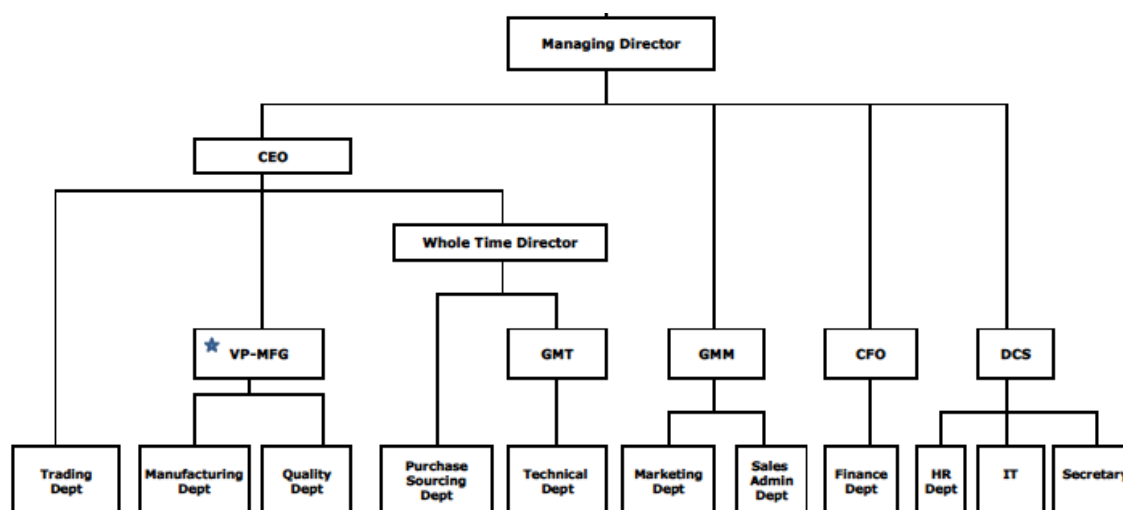
Our Directors are not interested in the appointment of or acting as Registrar and Bankers to the Issue or any such intermediaries registered with SEBI.

Changes in the Board in the last three years

There have been changes in the Board of Directors during last three years, which are detailed as follows:

Sr. No	Name of the Directors	Date of appointment	Date of cessation	Designation	Reason
1	Mr. Narayan Sethuraman	July 29, 2009	July 23, 2012	Director	Cessation
2	Mr. Venkatraman Srinivasan	November 25, 1983	July 03, 2013	Director	Resigned
3	Mr. Murali Venkataraman Srinivasan	June 25, 1987	July 03, 2013	Director	Resigned
4	Mr. Dinshaw Keku Parakh	October 23, 2003	July 03, 2013	Director	Resigned
5	Mr. Subramanyan Sekharipuran Krishnamoorthy	October 01, 2000	03.07.2013	Whole-time Director	Resigned
6	Mr. Delin Nie	July 03, 2013	-	Director	Appointed
7	Mr. Jingen Bo	July 03, 2013	-	Managing Director	Appointed
8	Mr. Xiaohui Wu	July 03, 2013	-	Whole-time director	Appointed
9	Mr. Thirupathi Venkatachlam	March 24, 2003	07.04.2014	Independent Director	Cessation
10	Mr. Gopalan Balasubramaniyan	September 06, 2007	07.04.2014	Independent Director	Cessation
11	Mr. Narayanaswamy Subramanian	May 16, 2014	-	Independent Director	Appointed
12	Ms. Kamana Srikanth	February 13, 2015	-	Independent Director	Appointed

Management Organisation Structure



★ Handle Special projects, including manufacturing and other strategic initiatives. Directly report to MD

Corporate Governance

Our Company is in compliance with corporate governance code in accordance with Clause 49 to the extent possible. Currently, the Board has five directors of which two are independent directors and one is a non-independent director. This is in compliance with the requirements of Clause 49 of the Listing Agreement

In terms of the Clause 49 of the Listing Agreement and applicable provisions of Companies Act, 2013, our Company is in compliance with the following.

Audit Committee

The Audit Committee was constituted at the Board meeting held on 07th September 2001 originally. The audit committee was reconstituted on 13th February 2015 and comprises of three directors viz. Mr. Subramanian N, Ms. Kamana Srikanth & Mr. Nie Delin as members of the Audit Committee. The Members present will appoint one of the independent director members to chair at every meeting.

The role of the Committee has been defined to include the following activities:

1. Oversight of the Issuer's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - i. Matters required to be included in the Director's Responsibility Statement to be included in the
 - ii. Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;
 - iii. Changes, if any, in accounting policies and practices and reasons for the same;
 - iv. Major accounting entries involving estimates based on the exercise of judgment by management;
 - v. Significant adjustments made in the financial statements arising out of audit findings;
 - vi. Compliance with listing and other legal requirements relating to financial statements;
 - vii. Disclosure of any related party transactions; and
 - viii. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9. Discussion with internal auditors any significant findings and follow up there on.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

13. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
14. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
15. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee is presented with mandatory information on matters pertaining to working of the Company which include

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

The Audit Committee last met on 13th February 2015.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was constituted at the Board meeting held on 24th March 2003. The committee was reconstituted on February 13, 2015. And it comprises of 3 Directors Mr. Subramanian N, Ms. Kamana Srikanth and Mr. Nie Delin as the members of the Committee

The terms of reference of the Nomination and Remuneration Committee are as follows:

- (a) Determining the quantum and components of the remuneration to be paid to the Managing Director / Whole-time Directors.

The Nomination Committee last met on February 13, 2015.

Stakeholders' Relationship Committee

The Stakeholder's Relationship Committee was constituted at the Board meeting held on 27th March 1987. It comprises of two directors in which Mr. Nie Delin is a chairman of the committee and Mr. Bo Jingen is the member of the committee

Functions of the Stakeholders' Relationship Committee:

1. Consideration and redressal of grievances of the security holders of the Company, including complaints in respect of transfer of shares, non-receipt of declared dividends, balance sheets of the Company, etc.;
2. Approval of transfer or transmission of equity shares, debentures or any other securities;
3. Issue of duplicate certificates and new certificates on split/consolidation/renewal, etc.; and
4. Carrying out any other function contained in the equity listing agreements as and when amended from time to time.

The Company also undertakes to comply with the other requirements of clause 49 of the Listing Agreement to be entered into with the Stock Exchange.

There are 3098 shareholders in the company as on March 31, 2015. The company has received 3 complaints from any shareholder/investor, which was tabled before the committee in its meeting held on 31st October 2014.

The stakeholder's relationship Committee last met on 31st October 2014.

Key Managerial Personnel

Apart from the Managing Director and the Whole-time director whose profile are in page 91, the following are the other Key managerial personnel of the Company:

Mr. S K Subramanyam – Company Secretary & Compliance Officer

Mr. Subramanyam, aged 56 years, is a qualified Chartered accountant and Company Secretary. He joined our company on May 05, 1998 as General Manager Finance & Company Secretary. Subsequently, he was elevated as Whole Time Director, Chief Finance Officer & Company Secretary. Subsequent to the change in management of our Company in 2013, he is presently acting as the Company Secretary. Prior to joining our Company he was associated with M K Electric India Ltd (part of Honeywell group). He is responsible for secretarial and compliance function of our Company. He has a total work experience of about 32 years. Mr. S K Subramanyam was paid a remuneration of ₹ 28.65 lacs in the Financial Year 2014-2015.

Mr. NK Ramaswamy – Chief Executive Officer

Mr. N K Ramaswamy, aged 53 years, holds a Bachelor degree in Science & Technology. He joined our Company as the Chief Executive Officer since May 04, 2009. Prior to joining our Company he was with SABIC Innovative Plastics (Earlier known as GE Plastics). He is responsible for new project implementation & the strategic marketing of our company. He has a total work experience of about 28 years. Mr. NK Ramaswamy was paid a remuneration of ₹ 50.46 lacs in the Financial Year 2014-2015.

Mr. Xie Dongming – Chief Financial Officer

Mr. Xie Dongming, aged 31 years, is an Finance Graduate and has been appointed as the Chief Financial Officer in our company on July 03, 2013. Prior to joining our Company he was employed with our holding Company Kingfa Sci. and Tech. Co., Ltd. He has a total work experience of about 8 years. Mr. Xie Dongming was paid a remuneration of ₹ 16.27 lacs in the Financial Year 2014-2015.

Mr. J Shanmugam – Sr Vice President (Operations)

Mr. J Shanmugam, aged 56 years, hold a Bachelor's degree in Electrical & Electronics Engineering and a Masters in Business Management with specialization in Operation Research . He joined the company on June 23, 1999 as a Plant Manager. He was subsequently elevated to the position of Sr. Vice President (Operations). Prior to joining our Company he was employed with Tanfac Industries Cuddalore. He has a total work experience of about 28 years. Mr. J Shanmugam was paid a remuneration of ₹ 28.39 lacs in the Financial Year 2014-2015.

Mr. D Balaji – General Manager Marketing

Mr. D Balaji, aged 52 years, is a Post Graduate in Plastic Processing Technology and holds a Masters Degree in Business Administration with specialization in Marketing. He was appointed as the General Manager (Marketing) on January 30, 2012. Prior to our Company, he was employed with SRF Limited. He has total experience of about 29 years. Mr. D Balaji was paid a remuneration of ₹ 22.10 lacs in the Financial Year 2014-2015.

Mr R Jeevanandam – General Manager Technical

Mr. R Jeevanandam, aged 52 years, holds a Post Graduate Diploma in Plastic Processing and Technology. He joined the company on May 03, 1987 in our Technical Development and was subsequently elevated to the position of General Manager (Technical). He has total experience of about 26 years. He has been associated with the Company since 1987. Mr. R Jeevanandam was paid a remuneration of ₹ 24.03 lacs in the Financial Year 2014-2015.

All the Key Managerial Personnel mentioned in the above table are permanent employees of our Company.

Nature of any family relationship between the Key Managerial Personnel

None of the Key Managerial Personnel are in any way related to each other.

Shareholding of Key Managerial Personnel

None of the Key Managerial Personnel hold Equity Shares of our Company as on date except for Mr. Balaji who holds 201 equity shares of the Company.

Changes in Key Managerial Personnel

The following are the changes in Key Managerial Personnel during the last three years:

Sl No.	Name of employee	Designation	Date of change	Reason
1	S K Subramanyan	CFO and Company Secretary	03 rd July 2013	Change in management resulting in appointment of a new CFO. However there is no change in his designation as Company Secretary
2	Mr. Xie Dongming	CFO	03 rd July 2013	Appointed by virtue of change in management
3	Mr. BO Jingen	Managing Director	03 rd July 2013	Appointed by virtue of change in management
4	Mr. Xiaohui Wu	Whole-time Director	03 rd July 2013	Appointed by virtue of change in management

Bonus or profit sharing plan for Directors and Key Managerial Personnel

Our Company does not have a performance linked bonus or a profit sharing plan for the present Directors and Key Managerial Personnel.

Interest of Key Managerial Personnel

The Key Managerial Personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business.

Arrangements and Understanding with Major Shareholders

None of our key management personnel have been selected pursuant to any arrangement or understanding with any major shareholders, customers or suppliers of our Company, or others.

Payment of Benefits to Officers of our Company

Except as disclosed in the Draft Letter of Offer, other than statutory payments and remuneration, in the last two years our Company has not paid or has intended to pay any non-salary amount or benefit to any of its officers.

Loans taken by Directors / Key Managerial Personnel

None of the Directors / Key Managerial Personnel has taken loan from our Company.

PROMOTER AND PROMOTER GROUP

KINGFA SCI.& TECH .CO.,LTD is the present promoter of the company

Corporate information

Hydro S&S Industries Limited was originally promoted by Mr. V. Srinivasan & associates. During May 2013, Kingfa Sci. & Tech. Co., Ltd. (**Kingfa**) entered into a Share Purchase Agreement (SPA) with the persons belonging to the then promoter group of Hydro S&S Industries Limited to acquire 66.50% of the equity share capital. Subsequent to entering into the SPA, Kingfa made an Open Offer to acquire additional 26% the paid-up share capital of the Company, in terms of the applicable SEBI (SAST) Regulations 2011. The Offer opened on July 10, 2013 and closed on July 23, 2013. Post the SPA and the open offer the holding of Kingfa in Hydro S&S Industries Limited was 82.80%. Thereafter to comply with Rule 19A of Securities Contracts (Regulation) (Amendment) Rules, 2010 with regards to minimum public shareholding, Kingfa made two rounds of Offer for Sale on the Stock Exchange during December 2014 and February 2015. Consequently Kingfa holds 74.99% of the present paid up equity Share capital of Hydro S&S Industries Limited.

Kingfa, previously called Guangzhou Tianhe Hi-tech Industrial Development Zone Kingfa Sci. And Tech Development Co., Ltd., was incorporated on May 22, 1993 under the Chinese Law. In January 1996, Kingfa changed its name to Guangzhou Kingfa Sci. And Tech. Development Co., Ltd., further on December 5, 2002 changed to Guangzhou Kingfa Sci. and Tech. Co., Ltd., and finally to Kingfa Sci. and Tech. Co., Ltd. in September 2007. Kingfa is registered with Guangzhou Administration for Industry and Commerce, registration no. 440101000176979. Kingfa is listed on the Shanghai Stock Exchange since June 2004. Kingfa is engaged in modified plastics related business. It has its registered office is situated at No.33 Ke Feng Road, Scientific Centre, Guangzhou Hi-tech Industrial Development Zone, Guangzhou City.

As of December 31, 2014, Kingfa had issued a total of 2,560.00 million shares and its registered capital is RMB 2,560.00 million. Its business scope comprises of dealing in plastics, chemical products, machinery, metal products, new product development, R&D, processing, manufacturing, technology service, and technology transfer; recycling waste plastics; real estate development and management; property management; investment with its own funds; wholesale and retail trade (except for government restricted commodities); import and export business (business scope limited by SUIWAIJINGMAO[1999] NO.227 Article).

Mr. Yuan Zhimin is the founder of Kingfa. The other promoters of Kingfa are Mr. Yuan Zhimin, Mr. Song Ziming, Ms. Xiong Haitao, Mr. Xia Shiyong, Mr. Li Nanjing & Ms Xiong Lingyao.

Kingfa is currently having manufacturing facilities at five locations in China and has consistently scaled up its production capacity from 770000 mts. per year in 2008 to 1260000 mts in the year 2014 through strategic development spreading over eastern, Western, Southern and Northern part of China.

Shareholding Pattern

The shareholding pattern of Kingfa Sci.& Tech .Co., Ltd. as on March 31, 2015 is as follows:

Name of the shareholder	No. of equity shares of RMB 1each	Percentage of total equity
Yuan Zhimin	451,323,366	17.63
Song Ziming	252,975,038	9.88
XiongHaitao	216,241,359	8.45
LI Nanjing	90,169,754	3.52
Xia Shiyong	70,764,046	2.76
XiongLingyao	47,938,214	1.87

Name of the shareholder	No. of equity shares of RMB 1each	Percentage of total equity
Fourone three of the national social security fund portfolio	28,000,000	1.09
GF Securities Limited by Share Ltd	26,662,258	1.04
Shenzhen City Quantang Industrial Development	22,106,125	0.86
Shenzhen City Yuanfa Industrial Limited	20,089,838	0.78
Public shareholders	1,333,730,002	52.12
Total	2,560,000,000	100

The Details of Board of Directors of Kingfa as on the date of this Offer Document are as follows:

- Mr. Yuan Zhimin
- Mr. Li Nanjing
- Ms. Xiong Haitao
- Mr. Nie Delin
- Mr. Cai Tongmin
- Mr. Ning Hongtao
- Mr. Chen Yi
- Mr. Qi Jianguo (independent)
- Ms. Lu Xin (independent)
- Ms. Chen Shu (independent)
- Mr. DuanXue (independent)

Brief bio-data of the Executive Directors of Kingfa :

Mr. Yuan Zhimin, founded KINGFA Sci. & TECH.CO., LTD. In 1993, He holds a masters degree in Flame retardant. He has over 20 Years of experience in the field of polymers modification & compound. He is acting as chairman since 1993, and concurrently served as director of National Enterprise Technical Center. He was awarded titles of honor like Outstanding Contribution Award of The 11th Five-Year Plan National science and technology plan execution, Labor Model of both Guangdong Province and Guangzhou city, Guangdong Outstanding Constructor of Socialism with Chinese Characteristics and Guangzhou Outstanding Private Entrepreneurs, his work on R&D and industrialization program of new series of flame retardant thermoplastic resin products was awarded second prize of National Scientific and Technological Progress Award. For now, he holds social positions including Vice Chairman of China Association for Promotion of Non-governmental Sci-tech Enterprises, Vice Chairman of The Listed Companies Association of Guangdong, member of the standing committee of the 12th Guangdong People's Political Consultative Conference, chairman of Guangzhou Chamber of Commerce and Industry and Vice Chairman of Guangzhou Association for Science & Technology concurrently.

Mr. Li Nanjing, a Ph. D., Professor is the representative of the 9th Guangzhou congress of communist party representatives. He has 20 years experience in the field of administration. He joined Kingfa in October 1993, served as director and vice CEO from June 1998 to September 2009, and then acted as Director and CEO of the company. Since July 2006, he held the post of director of KINGFA Sci. & Tech.Co., Ltd. Sub-Committee of the Communist Party, and was awarded Guangzhou Scientific and Technological Progress Award twice. In June 2006, he was granted the honor of Guangdong Outstanding Friend of Employees by Guangdong Chamber of Commerce and Industry.

Ms. Xiong Haitao, holds a master's degree in management. She has 16 years experience in Administration. She had previously worked at Sichuan Changhong Electric Co., Ltd., Shenzhen Konka Group Co., Ltd., and joined Kingfa in 1997, acting as director and vice CEO, from September 2004 to January 2009 she held the post of vice director of National Enterprise Technical Center, since January 2009, she has been serving as director of the company. She was once awarded the honor of Woman Pace-setter, for now she holds the positions including representative of the 14th Guangzhou People's Congress, vice director of Guangzhou Tianhe District Chamber of Commerce and Industry and vice director of Tianhe District Association of Women Entrepreneur.

Mr. Ning Hongtao graduated from Sun Yat-sen University in July 1999, majoring in the administrative management. He joined the company in July 2000, served as the supervisor in January 2009, and served successively as minister of human resources, assistant for general manager, secretary to the Board and vice general manager and so on. Presently he is serving as the director of the board and vice general manager, of Guangdong Kingfa Technology Co.Ltd..

Mr. Nie Delin, holds a master's degree in applied Chemistry. He has 15 years of experience in technical and management field. He joined Kingfa after graduation from Sun Yat-Sen University in 1998 and worked in R&D. He acted as supervisor from September 2001 to January 2009, from September 2004 to January 2009 served as chairman of the board of supervisors and chief of Warehouse Planning and purchase department concurrently. Since January 2009, he acted as vice CEO. He was granted three Sci-tech awards on national, provincial and city level, among which the R&D and industrialization program of new series of flame retardant thermoplastic resin products was awarded second prize of National Scientific and Technological Progress Award. Since March 2011, has been serving as director and Vice CEO of the company.

Mr. Cai Tongmin, holds a master's degree in polymers. Being an advanced engineer and a professor he is entitled to receive special state allowance from the National Council. He joined Kingfa after graduation from South China University of technology in March, 1998, and worked in R&D and scientific and technological management. He held the post of manager of first department of technology and latter the director of technology department he acted as the chief technology officer, from September 2004 to January 2009 he served as supervisor of the company, from January 2009 to May 2010 & since May 2010 he held the post of director and vice CEO. He was awarded the second prize of National Scientific and Technological Progress Award, one golden prize of National Outstanding Patent Award, one golden prize of Guangdong Outstanding Patent Award, five Sci-tech awards on provincial and city level, the honor of Guangdong "May 4th Youth Medal" In May 2007, he was granted the honor of "National Innovation Master of employees" by All China Federation of Trade Unions.

Mr. Chen Yi, graduated from Guangdong University of Foreign Studies (previously called Guangzhou College of Foreign Languages) in June 1983. He has over 11 years of experience in marketing and sales. He joined the marketing department of the company and was in charge of international marketing, he once held the post of vice director of the marketing and development centre of National Enterprise Technical Center, chief officer of international operating. From January 2010 to May 2010 he acted as vice CEO of marketing centre. Since May 2010 he served as director and vice CEO of marketing centre.

Audited Financial information (consolidated)

In million except per share data

Particulars	For the years ended					
	December 31, 2014		December 31, 2013		December 31, 2012	
	RMB	₹	RMB	₹	RMB	₹
Equity capital (Face Value <u>RMB</u> 1 per share)	2,560.00	26,062.85	2,634.40	26,918.10	2,634.40	23,189.32
Reserves (excluding revaluation reserve)	5,426.40	55,245.09	5,169.68	52,823.40	5,189.46	45,680.26
Sales	16,093.62	1,63,845.93	14,425.98	1,47,403.58	12,240.15	1,07,744.00
PAT	498.35	5,073.60	754.95	7,714.02	775.20	6,823.70
Basic EPS	0.19	1.93	0.29	2.96	0.30	2.64
Diluted EPS	0.19	1.93	0.29	2.96	0.30	2.64
Net Asset Value per equity share	3.12	31.76	2.96	30.25	2.97	26.14

Share price Information

The shares of Kingfa are listed on the Shanghai Stock Exchange (SSE) since June 23, 2004. Redeemable bonds issued on July 24, 2008 are also listed on SSE.

Month	Market price of shares - face value of 1 RMB	
	High	Low
November 2014	6.32	5.24
December 2014	7.10	6.18
January 2015	7.51	6.53
February 2015	6.97	6.32
March 2015	9.08	6.80
April 2015	10.26	8.81

Year	High	Low
2014	7.21	4.27
2013	7.03	4.36
2012	13.70	4.00

Interest of Promoter

Kingfa is interested in Hydro S&S Industries Limited to the extent of its shareholding in the Company, being Promoters.

Further, Mr. Nie Delin, director on the board of Kingfa is also a Director on the Board of Hydro S&S Industries Limited.

None of our group company has entered into any contract, agreements or arrangements in which Kingfa is directly or indirectly interested and no payments have been made to Kingfa in respect of the contracts, agreements or no such contracts or agreements are proposed to be made with the Company. No part of the proceeds of the proposed rights issue is payable to Kingfa.

Payment or benefits to our Promoter in the last two years

Neither any benefit nor any payments have been made or given to Kingfa by Hydro S&S Industries Limited.

Other Confirmations

- Kingfa is not a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 applicable in India nor is a sick Company in terms of similar legal statutes applicable to us in China. Further there are no winding up proceedings been initiated against Kingfa.
- Neither Kingfa nor any of our Group Companies have become defunct in the five years preceding the filing of the Draft Letter of Offer
- Kingfa is not interested in any property acquired by Hydro S&S Industries Limited in the two years immediately preceding the date of this Draft Letter of offer.
- Kingfa is not interested in any property proposed to be acquired by Hydro S&S Industries Limited out of the proceeds of the issue.
- Kingfa has no interest in acquisition of land, construction of building and supply of machinery undertaken by Hydro S&S Industries Limited.
- Promoters or directors of Kingfa have not been declared as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past and no proceedings pertaining to such penalties are pending against them.
- Kingfa has confirmed that it has not been prohibited or debarred from accessing or operating in the capital markets for any reasons, or restrained from buying, selling or dealing in securities, under any order or directions made by SEBI or any other authorities and that no action has been taken against them or any entity promoted or controlled by them by any regulatory authorities.

- There has been no change in the control or management of Kingfa in the preceding three years prior to the filing of this Draft Letter of Offer with SEBI.
- None of Kingfa Promoter Group entities or persons in control of Hydro S&S Industries Limited or bodies corporate forming part of the Promoter Group of Hydro S&S Industries Limited have been (i) prohibited from accessing the capital markets under any order or direction passed by SEBI or any other authority or (ii) refused listing of any of the securities issued by such entity by any stock exchange, in India or abroad.

Common Pursuits

Both Kingfa & Hydro S & S Industries Ltd, are into similar business. The type of products dealt by Kingfa are more wider as compared to our Company. Our Company is a subsidiary of Kingfa.

Loans granted or taken from Kingfa

Our company has borrowed an External commercial Borrowings of \$ 2.4 Millions from Kingfa, during the year 2013-14 with the repayment term of 7 ½ years with interest of Libor plus 350bps.

Companies with which our Promoter has disassociated in the last three years

Nil

Promoter group entities

Subsidiaries

Other than Hydro S&S Industries Limited, we have Twenty Five (25) subsidiaries, brief details of which are as follows:

Sr. no.	Name & Place	Type & listing status	Nature of Business	Registered Capital	Turnover For the Year ended December 31, 2014 (Audited) (Rs. in million)
1	Shanghai Kingfa Technology Development Co. Ltd. Qingpu District, Shanghai	100% Subsidiary (Un-listed)	Plastic Industry	RMB 370 million	38534.37
2	Sichuan Kingfa Sci. and Tech. Co., Ltd. Mianyang High-tech. Zone	100% Subsidiary (Un-listed)	Plastic Industry	RMB 210 million	9753.22
3	Hong Kong Kingfa Development Co., Ltd. Mong Kok, Kowloon, Hong kong	100% Subsidiary (Un-listed)	Trade	HKD 80 million	10099.37
4	Tianjin Kingfa New Material Co., Ltd. Tianjin Konggang Logistic Processing	100% Subsidiary (Un-listed)	Plastic Industry	RMB 338 million	14283.68

Sr. no.	Name & Place	Type & listing status	Nature of Business	Registered Capital	Turnover For the Year ended December 31, 2014 (Audited) (Rs. in million)
	Zone				
5	Jiangsu Kingfa Technology New Material Co. Ltd. Kunshan, Jiangsu	100% Subsidiary (Un-listed)	Plastic Industry	RMB680 million	13082.34
6	Guangzhou Kingfa New Carbon Fiber New Material Development Co., Ltd.. Huangpu District, Guangzhou	100% Subsidiary (Un-listed)	New Materials	RMB 150 million	600.67
7	Guangzhou Kingfa Technology Venture Capital Co., Ltd. Guangzhou Science City	100% Subsidiary (Un-listed)	Investment	RMB 80 million	0.00
8	Guangdong Kingfa Technology Co., Ltd. Qingcheng District, Qingyuan	100% Subsidiary (Un-listed)	Plastic Industry	RMB 200 million	4876.61
9	Guangzhou Kingfa Suyuan New Materials Development Co., Ltd. Guangzhou Science City	(51%) 2nd Level Subsidiary (Un-listed)	New Materials	RMB10million	0.00
10	Guangzhou Jinchun Photoelectric New Materials Co.,Ltd. Tianhe District, Guangzhou	(100%) 2nd Level Subsidiary (Un-listed)	New Materials	RMB 10 million	0.00
11	KunshanKingfa Technology Development Co. Ltd. Kunshan Development Zone	(100%) 2nd Level Subsidiary (Un-listed)	New Materials	RMB 30 million	0.00
12	Guangzhou Dynamic Chemical Materials Co., Ltd.	100% Subsidiary (Un-listed)	Plastic Industry	RMB 31million	81.45

Sr. no.	Name & Place	Type & listing status	Nature of Business	Registered Capital	Turnover For the Year ended December 31, 2014 (Audited) (Rs. in million)
	Guangzhou Science City				
13	Foshan Nanhai Lesco Building materials Co., Ltd. Nanhai District, Foshan City	(100%) 3rd Level Subsidiary (Un-listed)	Trading	RMB 1million	10.18
14	Mianyang Eastern Special Engineering Plastics Co., Ltd. Mianyang High-tech Zone	100% Subsidiary (Un-listed)	Plastic Industry	RMB 60million	1863.09
15	MianyangDongte Technology Co., Ltd. Mianyang High-tech Zone	(100%) 2nd Level Subsidiary (Un-listed)	Plastic Industry	RMB 500Thousand	0.00
16	Zhuhai Wantong Chemical Co., Ltd. Jinwan District, Zhuhai	(51.22%) 2nd Level Subsidiary (Un-listed)	Plastic Industry	RMB 410million	926.45
17	LESCO Technology Pte Ltd. Singapore	(100%) 3rd Level Subsidiary (Un-listed)	Wood Plastic	SGD 250 million	0.00
18	Wuhan Kingfa Technology Co., Ltd. Economic and Technology development zone, Wuhan	100% Subsidiary	Plastic Industry	RMB 300 million	0.00
19	Wuhan Kingfa Technology Industry Co., Ltd. Economic and Technology development zone, Wuhan	100% Subsidiary	Plastic Industry	RMB1million	0.00
20	Wuhan Kingfa Technology Enterprise Technology Center Co., Ltd. Economic and	100% Subsidiary	Plastic Industry	RMB1million	0.00

Sr. no.	Name & Place	Type & listing status	Nature of Business	Registered Capital	Turnover For the Year ended December 31, 2014 (Audited) (Rs. in million)
	Technology development zone, Wuhan				
21	Qingyuan Cheng Jin New Materials Co., Ltd Qingcheng District, Qingyuan	100% Subsidiary	Plastic Industry	RMB1million	0.00
22	Qingyuan Jin Sheng New Materials Co., Ltd. Qingcheng District, Qingyuan	100% Subsidiary	Plastic Industry	RMB1million	0.00
23	QingyuanMeijin New Materials Technology Co., Ltd. Qingcheng District, Qingyuan	100% Subsidiary	Plastic Industry	RMB1million	0.00
24	Zhuhai Kingfa Da Shang Supply Chain Management Co., Ltd. Hengqin District, Zhuhai	100% Subsidiary	Service	RMB100million	0.00

Associates

Name of investee	Business type	Registration place	Legal representative	Business nature	Registered capital	Shareholding & Voting ratio in investee (%)	Relationship	Organization code
Guangzhou LuogangKingfa Petty Loans Co., Ltd.	Joint stock limited company	Guangzhou Science City	Mr. Yuan Zhimin	Finance	RMB 100 million	20.00	Non-consolidated related party	55668384-7
Shanghai Tiancai Plastics Technology Services Co., Ltd.	Limited liability company	Putuo District, Shanghai	Mr. Shen Yi	Plastics	RMB 1.25 million	20.00	Non-consolidated related parties	67624668-4
Shanghai Kingxi Laboratory Co., Ltd.	Limited liability company	Qingpu District, Shanghai	Mr. JiJiliang	Metering industry	RMB 20.00	30.00	Non-consolidated related party	56011163-0

Name of investee	Business type	Registration place	Legal representative	Business nature	Registered capital	Shareholding & Voting ratio in investee (%)	Relationship	Organization code
Shanxi Hengtian Technology Co., Ltd.	Limited liability company	Shanxi	-	-	RMB 1 million	45.00	Non-consolidated related party	
Guangzhou LESCO Aluminum and Wood Profiles Co., Ltd.	Limited liability company	Baiyun District, Guangzhou	Mr. Ye Pengzhi	Production of Aluminum & Wood products	RMB 0.90 million	45.00	Non-consolidated related party	66995485-0

Kingfa has confirmed that besides above, there are no other listed / unlisted group companies of Kingfa which fall under the definition of ‘Promoter Group’ and/or ‘Group Companies’ of Hydro S&S Industries Limited, as mentioned under SEBI (ICDR) Regulations, 2009.

Further, none of the aforementioned Companies mentioned under ‘Associates’ fall under the Top Five group Companies on the basis of its turnover, as mentioned in this Offer Document on page no 110.

Declaration

Our Company confirms that the PAN, Registration Number, bank account number of our Promoter and the name of the Registering authority whereby Kingfa is registered will be submitted to the Stock Exchange, at the time of filing this Draft Letter of Offer with the Stock Exchange.

Interest of Promoter in the Promotion of Hydro S&S Industries Limited

Hydro S&S Industries Limited is incorporated to carry on its present business. Kingfa is interested in the Company as “Promoter” and to the extent of its shareholding, directorship in the Company and the dividend declared (is any), by Hydro S&S Industries Limited.

Kingfas interest in Hydro S&S Industries Limited other than as Promoter

Kingfa does not have any interest in Hydro S&S Industries Limited other than being as its Promoter.

Litigations

NIL

Defunct Group Companies

None of the Group Companies of Kingfa remain defunct. Further, no application has been made to the regulatory authorities for striking off the name of any of the group Companies.

For information on details relating to the litigation in relation to our Promoter and Group Companies, see the section titled “Outstanding Litigations and Defaults” page 152.

Group Companies

Top five group companies.

The group companies of Kingfa comprises of its immediate subsidiaries, 2nd level subsidiaries and 3rd level subsidiaries as detailed on page 105.

Following are the details of our top five group companies which are all unlisted entities incorporated outside India. The top five group companies have been determined on the basis of the turnover in the last financial year.

All the companies as mentioned below are 100% subsidiary of Kingfa Sci & Tech. Co. Ltd. (Kingfa) and the promoter of all these companies and the issuer company is the same i.e Kingfa.

I. Shanghai Kingfa Sci. and Tech. Co., Ltd.

Corporate information

Shanghai Kingfa Sci. and Tech. Co., Ltd. was incorporated on October 11, 2001 as a private limited company under the Chinese law, registered with the Administration for Industry and Commence of Chinese government. The Corporate Identification Number of Shanghai Kingfa Sci. and Tech. Co., Ltd. is 3102290061317. Shanghai Kingfa Sci. and Tech. Co., Ltd. carry on the business plastic, new product development, R&D, processing, technology service, wholesale and retail trade etc.

Capital Structure

Particulars	No. of equity shares of <u>RMB 1 each</u>
Authorised capital	37,00,00,000
Issued, subscribed and paid-up	37,00,00,000

Shareholding Pattern

Shanghai Kingfa is the 100% subsidiary of Kingfa Sci.& Tech .Co. Ltd.

Board of Directors

Since Shanghai Kingfa Sci. and Tech. Co., Ltd. is an unlisted company, as per the Chinese law, it is not mandatory to set up board of Directors in the company and hence presently there is no Board of Directors in the company.

Audited Financial information

In million except per share data

Particulars	For the years ended					
	December 31, 2014		December 31, 2013		December 31, 2012	
	RMB	₹	RMB	₹	RMB	₹
Equity capital (Face Value <u>RMB 1</u> per share)	370.00	3766.90	370	3780.63	370	3256.93
Reserves (excluding revaluation reserve)	984.81	10026.15	843.99	8623.83	609.86	5368.30
Sales	3875.24	39453.04	3,684.10	37643.86	3,644.72	32082.67
PAT	154.78	1575.78	234.13	2392.32	286.35	2520.60
Basic EPS	0.41	4.17	0.63	6.44	0.77	6.78
Diluted EPS	0.41	4.17	0.63	6.44	0.77	6.78
Net Asset Value per equity share	3.66	37.26	3.28	33.51	2.65	23.33

Other Confirmations

Shanghai Kingfa is not a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 applicable in India nor is a sick Company interms of similar legal statues applicable to us in China. Further there are no winding up proceedings been initiated against Shanghai Kingfa.

There are business transactions between Hydro S & S Industries Ltd. and Shanghai Kingfa whereby Hydro S&S Industries Limited purchases materials from Shanghai Kingfa for selling in India. During the period of April 01, 2014 to December 31, 2014 Hydro S & S Industries Ltd. has purchased materials worth of ₹ 23.40 lacs from Shanghai Kingfa Development Co., Ltd. For further details please refer section “*Financial Statements – Statement of Related Party Transactions*” on page 138.

Shanghai Kingfa does not have any interest in the promotion of Hydro S & S Industries Limited.

Shanghai Kingfa does not have any interest in any property acquired by Hydro S & S Industries Limited within two years prior to this date or any property proposed to be acquired by Hydro S & S Industries Limited

Shanghai Kingfa does not have any interest in any transaction involving the acquisition of land, construction of building and supply of plant and machinery by Hydro S & S Industries Limited.

There are no payments or benefits received by Shanghai Kingfa from our company other than in the course of normal business

Litigation

Nil

Common Pursuits

Both Shanghai Kingfa& Hydro S & S Industries Ltd, are into similar business. However there may be conflict of interest.

II. Sichuan Kingfa Sci. and Tech. Co., Ltd (‘Sichuan Kingfa’)**Corporate information**

Sichuan Kingfa was incorporated on October 24, 2004 as a private limited company under the Chinese law and registered with the Administration for Industry and Commence of Chinese government. The Corporate Identification Number of Sichuan Kingfa is 51070600001898. Sichuan Kingfa is carrying on the business of plastic, chemical products, *etc.*

Capital Structure

Particulars	No. of equity shares of RMB
Authorised capital	24,00,00,000
Issued, subscribed and paid-up capital	24,00,00,000

Shareholding Pattern

Sichuan Kingfa is the 100% subsidiary of Kingfa Sci & Tech. Co. Ltd. (Kingfa).

Board of Directors

Since Sichuan Kingfa is an unlisted company, as per the Chinese law, it is not mandatory to set up Board of Directors in the company and presently there is no Board of Directors in the company.

Audited Financial information

#n million except per share data

Particulars	For the years ended					
	December 31, 2014		December 31, 2013		December 31, 2012	
	RMB	₹	RMB	₹	RMB	₹
Equity capital (Face Value <u>RMB</u> 1 per share)	240.00	2443.39	210	2145.76	210	1848.53
Reserves (excluding revaluation reserve)	238.41	2427.20	172.16	1759.12	102.51	902.34
Sales	958.01	9753.31	742.03	7582.01	510.68	4495.26
PAT	42.25	430.14	69.65	711.68	57.86	509.31
Basic EPS	0.18	1.83	0.33	3.37	0.28	2.46
Diluted EPS	0.18	1.83	0.33	3.37	0.28	2.46
Net Asset Value per equity share	1.99	20.26	1.82	18.60	1.49	13.12

Other Confirmations

Sichuan Kingfa is not a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 applicable in India nor is a sick Company in terms of similar legal statutes applicable to us in China. Further there are no winding up proceedings been initiated against Sichuan Kingfa.

There are no business transactions and no significance on the financial performance of Hydro S & S Industries Limited and Sichuan Kingfa till date.

Sichuan Kingfa does not have any business interest in Hydro S & S Industries Limited

Sichuan Kingfa does not have any interest in the promotion of Hydro S & S Industries Limited.

Sichuan Kingfa does not have any interest in any property acquired by Hydro S & S Industries Limited within two years prior to this date or any property proposed to be acquired by Hydro S & S Industries Limited

Sichuan Kingfa does not have any interest in any transaction involving the acquisition of land, construction of building and supply of plant and machinery by Hydro S & S Industries Limited.

During the current period of April 01, 2014 to December 31, 2014 there are no transactions of sale / purchase between Hydro S & S Industries Ltd. and Sichuan Kingfa.

There are no payments or benefits received by our company from Sichuan Kingfa.

Litigation

NIL

Common Pursuits

Both Sichuan Kingfa & Hydro S & S Industries Ltd, are into similar business. However there may be conflict of interest.

Payment or Benefit to our Group Company

There are no payments or benefits received by our company from Hydro S & S Industries Ltd.

III. HongKongKingfa Development Co., Ltd. (HongKongKingfa)

Corporate information

HongKongKingfa Development Co., Ltd. was incorporated on March 03, 2009 as a private limited company under the Companies Ordinance of Hong Kong registered with the Companies Registry in Hong Kong. The Corporate Identification Number of Hong Kong Kingfa Development Co., Ltd is NO.1350584. HongKongKingfa Development Co., Ltd is carrying on the business of trading in plastic.

Capital Structure

Particulars	No. of equity shares of HKD
Authorised capital	Hkd 8,00,00,000
Issued, subscribed and paid-up capital	Hkd 30,00,000

Shareholding Pattern

HongKongKingfa Development Co., Ltd. is the 100% subsidiary of Kingfa Sci.& Tech .Co. Ltd.

Board of Directors

The Details of Board of Directors of Hong Kong Kingfa as on the date consists of the following:

- Mr. Yuan Zhimin
- Ms. Xiong Haitao
- Mr.XiaShiyong

Audited Financial information

In million except per share data

Particulars	For the years ended					
	December 31, 2014		December 31, 2013		December 31, 2012	
	RMB	₹	RMB	₹	RMB	₹
Equity capital (Face Value <u>RMB 1</u> per share)	2.64	26.88	2.64	26.98	2.64	23.24
Reserves (excluding revaluation reserve)	27.48	279.77	25.61	261.68	24.46	215.31
Sales	992.47	10104.19	700.30	7155.61	512.14	4508.12
PAT	1.78	18.12	2.00	20.44	4.27	37.59
Basic EPS	0.67	6.82	0.76	7.77	1.62	14.26
Diluted EPS	0.67	6.82	0.76	7.77	1.62	14.26
Net Asset Value per equity share	11.4	116.06	10.69	109.23	10.25	90.23

Other Confirmations

Hong Kong Kingfa is not a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 applicable in India nor is a sick Company in terms of similar legal statutes applicable to us in Hong Kong. Further there are no winding up proceedings been initiated against Hong Kong Kingfa. , Act, 1995 nor is it in the process of winding up.

There are business transactions of Raw material purchases by Hydro S & S Industries Ltd. from Hong Kong Kingfa. During the current period of April 01, 2014 to December 31, 2014 Hydro S & S

Industries Ltd. has purchased raw materials worth of ₹ 1000.57 lacs from Hong Kong Kingfa Development Co., Ltd. For further details please refer section “*Financial Statements – Statement of Related Party Transactions*” on page 138.

Hong Kong Kingfa does not have any interest in the promotion of Hydro S & S Industries Limited.

Hong Kong Kingfa does not have any interest in any property acquired by Hydro S & S Industries Limited within two years prior to this date or any property proposed to be acquired by Hydro S & S Industries Limited

Hong Kong Kingfa does not have any interest in any transaction involving the acquisition of land, construction of building and supply of plant and machinery by Hydro S & S Industries Limited.

There are no payments or benefits received by Hong Kong Kingfa from our company other than in the course of normal business

Litigation

Nil

Common Pursuits

Both Hong Kong Kingfa & Hydro S & S Industries Ltd, are into similar business. However there may be conflict of interest.

IV. Tianjin Kingfa New Materials Co., Ltd. (Tianjin Kingfa)

Corporate information

Tianjin Kingfa New Materials Co., Ltd. was incorporated on November 20, 2009 as a private limited company under the Chinese law and registered with the Administration for Industry and Commerce of Chinese government. The Corporate Identification Number of Tianjin Kingfa New Materials Co., Ltd. is 1201922000048380. Tianjin Kingfa New Materials Co., Ltd. is carrying on the business plastic chemical products technology service, and technology transfer etc.

Capital Structure

Particulars	No. of equity shares of RMB
Authorised capital	35,30,00,000
Issued, subscribed and paid-up capital	35,30,00,000

Shareholding Pattern

Tianjin Kingfa is the 100% subsidiary of Kingfa Sci.& Tech .Co. Ltd.

Board of Directors

Since Tianjin Kingfa New Materials Co., Ltd. is an unlisted company, as per the Chinese law, it is not mandatory to set up Board of Directors in the company and presently there is no Board of Directors in the company.

Audited Financial information*In million except per share data*

Particulars	For the years ended					
	December 31, 2014		December 31, 2013		December 31, 2012	
	RMB	₹	RMB	₹	RMB	₹
Equity capital (Face Value RMB 1 per share)	353.00	3593.82	338.00	3453.66	338.00	2975.25
Reserves (excluding revaluation reserve)	731.21	7444.30	674.72	6894.24	651.60	5735.71
Sales	1403.23	14286.00	966.88	9879.51	601.78	5297.17
PAT	9.40	95.70	23.12	236.24	68.25	600.77
Basic EPS	0.03	0.31	0.07	0.72	0.20	1.76
Diluted EPS	0.03	0.31	0.07	0.72	0.20	1.76
Net Asset Value per equity share	3.07	31.26	3.00	30.65	2.93	25.79

Other Confirmations

TianjiKingfa is not a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 applicable in India nor is a sick Company interms of similar legal statues applicable to us in China. Further there are no winding up proceedings been initiated against Tianji Kingfa.

There are no business transactions and no significance on the financial performance of Hydro S & S Industries Limited and Tianji Kingfa

Tianji Kingfa does not have any interest in the promotion of Hydro S & S Industries Limited.

Tianji Kingfa does not have any interest in any property acquired by Hydro S & S Industries Limited within two years prior to this date or any property proposed to be acquired by Hydro S & S Industries Limited

Tianji Kingfa does not have any interest in any transaction involving the acquisition of land, construction of building and supply of plant and machinery by Hydro S & S Industries Limited.

There are no payments or benefits received by Tianji Kingfa from our company other than in the course of normal business

During the current period of April 01, 2014 to December 31, 2014 there are no transactions of sale / purchase between Hydro S & S Industries Ltd. and Tianji Kingfa.

Litigation

Nil

Common Pursuits

Both Tianji Kingfa & Hydro S & S Industries Ltd, are into similar business. However there may be conflict of interest.

V. Jiangsu Kingfa Technology New Materials Co., Ltd.**Corporate information**

Jiangsu Kingfa Technology New Materials Co., Ltd. (Jiangsu Kingfa) was incorporated on November 19, 2010 as a private limited company under the Chinese law and registered with Administration for

Industry and Commence of Chinese government. The Corporate Identification Number of Jiangsu Kingfa is 3058300413851. Jiangsu Kingfa is carrying on the business of polymer compounds, new product development, R&D, processing, technology service etc.

Capital Structure

Particulars	No. of equity shares of RMB 1 each
Authorised capital	68,00,00,000
Issued, subscribed and paid-up	68,00,00,000

Shareholding Pattern

Jiangsu Kingfa is the 100% subsidiary of Kingfa Sci.& Tech .Co. Ltd.

Interest of Promoters

The promoter of Jiangsu Kingfa and the issuer company is the same i.e Kingfa.

Board of Directors

Since Jiangsu Kingfa Technology New Materials Co., Ltd. is an unlisted company, as per the Chinese law, it is not mandatory to set up Board of Directors in the company and presently there is no Board of Directors in the company.

Audited Financial information

In million except per share data

Particulars	For the years ended					
	December 31, 2014		December 31, 2013		December 31, 2012	
	RMB	₹	RMB	₹	RMB	₹
Equity capital (Face Value RMB 1 per share)	680.00	6922.94	680.00	6948.19	680.00	5985.70
Reserves (excluding revaluation reserve)	822.87	8377.47	719.11	7347.81	698.59	6149.34
Sales	1285.15	13083.86	684.48	6993.97	110.15	969.60
PAT	103.76	1056.36	20.52	209.67	-17.27	-152.02
Basic EPS	0.15	1.53	0.03	0.31	-0.03	-0.26
Diluted EPS	0.15	1.53	0.03	0.31	-0.03	-0.26
Net Asset Value per equity share	2.21	22.50	2.06	21.05	2.03	17.87

Other Confirmations :

Jiangsu Kingfa is not a sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 applicable in India nor is a sick Company interms of similar legal statues applicable to us in China. Further there are no winding up proceedings been initiated against Jiangsu Kingfa.

There are business transactions between Hydro S & S Industries Ltd. and Jiangsu Kingfa whereby Hydro S&S Industries Limited purchases materials from Jiangsu Kingfa for selling in India. During the period of April 01, 2014 to December 31, 2014 Hydro S & S Industries Ltd. has purchased materials worth of ₹ 38.33 lacs from Jiangsu Kingfa Development Co., Ltd. For further details please refer section “Financial Statements – Statement of Related Party Transactions” on page 138.

Jiangsu Kingfa does not have any interest in the promotion of Hydro S & S Industries Limited.

Jiangsu Kingfa does not have any interest in any property acquired by Hydro S & S Industries Limited within two years prior to this date or any property proposed to be acquired by Hydro S & S Industries Limited

Jiangsu Kingfa does not have any interest in any transaction involving the acquisition of land, construction of building and supply of plant and machinery by Hydro S & S Industries Limited.

There are no payments or benefits received by Jiangsu Kingfa from our company other than in the course of normal business

Litigation

Nil

Common Pursuits

Both Jiangsu Kingfa & Hydro S & S Industries Ltd, are into similar business. However there may be conflict of interest.

Defunct Group Companies

None of the Group Companies remain defunct and no application has been made to the registrar of companies for striking off the name of any of the Group Companies, during the five years preceding the date of filing this Draft Letter of Offer with SEBI.

DIVIDEND POLICY

Under the Companies Act, an Indian company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders, who have the right to decrease but not to increase the amount of dividend recommended by the board of directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of the previous Fiscal Years or out of both. At the time of declaration of Dividend transfer to special general reserve under the provisions of Companies (Transfer of Profits to Reserves) Rules, 1975 is being followed.

Our Company does not have a formal dividend policy. Any dividends declared are recommended by the Board of Directors depending upon the financial condition, results of operations, capital requirements and surplus, contractual obligations and restrictions, the terms of the credit facilities and other financing arrangements of our Company at the time a dividend is considered, and other relevant factors and approved by the Equity Shareholders at their discretion.

We have not paid dividend during the last five financial years, except for the Financial Year 2010-11 where we had declared a dividend of 6% for our equity shareholders.

Dividends are payable within 30 days of approval by the Equity Shareholders at its annual general meeting. When dividends are declared, all the Equity Shareholders whose names appear in the register of members of our Company as on the “record date” are entitled to be paid the dividend declared by our Company. Any Equity Shareholder who ceases to be an Equity Shareholder prior to the record date, or who becomes an Equity Shareholder after the record date, will not be entitled to the dividend declared by our Company.

SECTION VI – FINANCIAL INFORMATION

AUDITOR'S REPORT

To
The Board of Directors
Hydro S & S Industries Limited
Dhun Building,
III Floor, 827, Anna Salai,
Chennai – 600 002

Dear Sirs,

1. We have examined the attached financial information('Financial Information') of Hydro S & S Industries Limited ('HSSIL' or 'the Company') as approved by the Board of Directors of the Company, prepared in accordance with the Accounting Standards notified under the Companies Act, 1956("the Act") (which continue to be applicable in respect of section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13,2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements)Regulations 2009, as amended to date('SEBI Regulations'), the Guidance note on "Reports in Company's Prospectus"(Revised) issued by the Institute of Chartered Accountants of India ('ICAI'),to the extent applicable ('Guidance note') and in terms of our engagement letter dated 05/03/2015in connection with the proposed rights issue of Equity shares of the Company.

2. This Financial Information has been extracted by the Management from the Audited Financial statements of the Company for the period ended December 31, 2014 and for the years ended March 2014, March 31, 2013, March 31, 2012, March 31, 2011 and March 31, 2010.

3. In accordance with the Accounting Standards notified under the Act, (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs) the SEBI regulations, Guidance Note and terms of our engagement agreed with you, we further report that:

The Summary of Statement of assets and liabilities, as at December 31, 2014 and for the years ended March 31, 2014, March 31, 2013, March 31, 2012 March 31, 2011, and March 2010 examined by us, as set out in Annexure I to this report, and the Summary of Statement of profit and loss, and the Summary of cash flows, for the period ended December 31, 2014 and for the years ended March 31, 2014, March 31, 2013, March 31, 2012 March 31, 2011, and March 2010 examined by us, as set out in Annexure II and III respectively to this report, read with the Notes to financial statement and Statement of significant accounting policies and notes forming part of accounts in Annexure IV (a) and Annexure IV(b) respectively have been prepared in accordance with the requirements of clause 1(b) of Section 26 of the Companies Act and the Regulations.

4. The Company has not declared any dividend during the period ended December 31, 2014 and for the financial year ended March 31, 2014, 2013 and 2012 due to accumulated losses. The Company declared dividend of ₹ 0.60 per share for the year ended 31.03.2011. The company did not declared any dividend for the year ended 31.03.2010 due to loss for that year.
5. We have also examined the following other financial information set out in the Annexures prepared by the Management and approved by the Board of Directors relating to the company for the period ended December 31, 2014 and for the financial years ended March 31, 2014, 2013, 2012, 2011 and 2010 :
 - i. Statement of Accounting Ratios, enclosed as Annexure V
 - ii. Statement of Capitalisation, as appearing in Annexure VI
 - iii. Statement of Tax Shelter, enclosed as Annexure VII

6. The accounts as given in the enclosed statements for the nine months ended 31.12.2014 and for the financial years ended March 31, 2014, 2013, 2012, 2011 and 2010 have been given as per the audited statement of accounts for those years and there has been no restatement in the accounts since :
- I. There have been no incorrect accounting policies followed by the company.
 - II. There are no audit qualifications
 - III. There are no adjustments relating to previous years
 - IV. There are no extra ordinary items which are needed to be disclosed separately
 - V. There have been no change in the accounting policies followed by the company.
7. In our opinion the financial information contained in Annexure V to VII of this report read along with the significant accounting policies and notes on accounts refer Annexure IV(b) has been prepared after regrouping as considered appropriate and have been prepared in accordance with ("The Act") and SEBI Regulations.
8. The report should not in any way be construed as a re-issuance or re-dating of any of the previous audit reports issued by us.
9. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
10. Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed rights issue of equity shares of the Company. Our report should not be used, referred to or distributed for any other purpose except with our prior consent in writing.

For **M/S. P. Srinivasan & Company,**
Chartered Accountants

Sd/-

CA. S. Gopalan
Partner

Membership No.: 021007
Firm Registration No. with ICAI: 004054S
Peer Review Certificate No.: 004585

Place : Chennai
Date: May 12, 2015

ANNEXURE I

SUMMARY STATEMENT OF ASSETS AND LIABILITIES

(₹ in Lacs)

	PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
I	EQUITY AND LIABILITIES						
1	Shareholders' Funds						
	(a) Share capital	640.72	640.72	640.72	640.72	640.97	640.97
	(b) Reserves and Surplus	90.05	498.35	1,346.07	1,850.90	1,848.17	1,788.19
	Sub Total 1	730.77	1,139.07	1,986.79	2,491.62	2,489.14	2,429.16
2	Non - Current Liabilities						
	(a) Long - term borrowings	1,516.94	1,456.70	351.38	643.37	1,001.75	1,198.08
	(b) Deferred Tax Liabilities (Net)	(499.18)	(277.22)	103.66	309.16	325.16	331.16
	(c) Other Long term liabilities	8.50	5.50	26.50	30.50	3.00	-
	(d) Long - term provisions	14.57	12.49	11.14	11.36	10.15	9.42
	Sub Total 2	1,040.84	1,197.47	492.68	994.39	1,340.06	1,538.66
3	Current liabilities						
	(a) Short - term borrowings	6,088.95	4,740.88	2,767.89	3,217.09	2,947.20	2,177.30
	(b) Trade payables	3,315.82	2,802.79	2,507.96	1,462.23	1,980.59	1,262.10
	(c) Other current liabilities	530.62	299.37	664.89	614.57	538.73	311.65
	(d) Short - term provisions	48.33	43.69	53.59	24.31	68.92	18.73
	Sub Total 3	9,983.72	7,886.73	5,994.33	5,318.20	5,535.44	3,769.78
	TOTAL	11,755.32	10,223.27	8,473.80	8,804.21	9,364.64	7,737.63
II	ASSETS						
1	Non - current assets:						
	(a) Fixed Assets						
	(i) Tangible Assets	2,393.83	2,413.31	2,544.87	2,928.50	3,119.30	3,095.35
	(ii) Intangible Assets	7.48	11.48	9.62	9.66	10.32	4.23
	(iii) Capital work-in-progress	26.09	24.27	25.97	32.94	28.11	44.38
	(b) Non- Current Investments	-	-	-	4.20	4.20	4.20
	(c) Long term loans and advances	115.84	109.25	108.37	86.82	78.10	65.74
	Sub Total 1	2,543.24	2,558.31	2,688.83	3,062.12	3,240.03	3,213.90
2	Current assets						
	(a) Current Investments	-	-	45.45	42.53	19.96	87.03
	(b) Inventories	3,437.27	2,295.42	1,916.42	1,823.83	2,106.74	1,547.68
	(c) Trade Receivables	5,178.07	4,707.72	3,349.20	3,455.66	3,452.92	2,402.89
	(d) Cash and Bank balances	50.63	142.93	79.33	54.25	117.79	98.99
	(e) Short-term loans and advances	546.11	518.89	394.57	365.82	427.20	387.14
	Sub Total 2	9,212.08	7,664.96	5,784.97	5,742.09	6,124.61	4,523.73
	TOTAL	11,755.32	10,223.27	8,473.80	8,804.21	9,364.64	7,737.63

ANNEXURE II

PROFIT AND LOSS ACCOUNT STATEMENT

(₹ in Lacs)

	PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
I	Revenue from operations (Gross)	18,272.92	19,933.00	17,634.38	16,539.48	15,468.06	11,871.34
	Less: Excise duty	2,016.06	2,150.44	1,976.43	1,529.45	1,456.44	930.81
	Revenue from operations (Net)	16,256.86	17,782.56	15,657.95	15,010.03	14,011.62	10,940.52
	Other Income	0.36	23.26	83.63	14.36	12.14	16.75
	Total revenue (I+II)	16,257.23	17,805.82	15,741.57	15,024.39	14,023.76	10,957.27
II	Expenses						
	Cost of Materials consumed	13,612.01	15,523.74	13,636.37	11,998.99	11,502.06	8,545.93
	Purchases of Stock- in-Trade	364.70	59.12	-	77.77	91.72	175.21
	Changes in Inventories of Finished Goods and Work-in- progress	(189.17)	(26.14)	(155.26)	186.25	(181.28)	42.16
	Employee benefits expense	634.92	729.04	660.34	654.56	640.50	535.73
	Finance Costs	596.03	656.36	697.12	655.61	465.09	441.13
	Depreciation and amortisation expense	248.98	265.73	281.85	267.94	269.09	257.68
	Other expenses	1,620.02	1,826.55	1,331.48	1,196.78	1,105.78	980.95
	Total Expenses	16,887.48	19,034.40	16,451.90	15,037.90	13,892.96	10,978.80
III	Profit/(Loss) before exceptional and extraordinary Items and tax (III- IV)	(630.25)	(1,228.59)	(710.33)	(13.51)	130.80	(21.52)
IV	Exceptional items	-	-	-	-	-	-
V	Profit/(Loss) before extraordinary Items and tax (V-VI)	(630.25)	(1,228.59)	(710.33)	(13.51)	130.80	(21.52)
VI	Extraordinary Items	-	-	-	-	-	-
VII	Profit/(Loss) before tax (VII-VIII)	(630.25)	(1,228.59)	(710.33)	(13.51)	130.80	(21.52)
VIII	Tax expenses						
	1.Current tax	-	-	-	-	32.00	-
	2.Deferred tax	(221.95)	(380.88)	(205.50)	(16.00)	(6.00)	(20.00)
		(221.95)	(380.88)	(205.50)	(16.00)	(6.00)	(20.00)
IX	Profit for the year (IX-X)	(408.30)	(847.72)	(504.83)	2.49	104.80	(1.52)

ANNEXURE III

STATEMENT OF CASH FLOW

(₹ in Lacs)

PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
A. CASH FLOW FROM OPERATING ACTIVITIES:						
Net Profit before Tax and Extraordinary Items	(630.25)	(1,228.59)	(710.33)	(13.51)	130.80	(21.52)
Adjustment for						
Depreciation and amortisation expense	248.98	265.73	281.85	267.94	269.09	258.77
Finance costs paid	596.03	656.36	697.12	655.61	465.09	441.13
Loss on sale of fixed asset	-	2.85	6.99	24.81	0.04	0.26
Dividend and Other Income	-	(1.25)	(2.92)	(3.85)	(2.94)	(5.57)
Profit on sale of fixed assets	-	(0.35)	(71.25)	(1.78)	(1.28)	(1.67)
Interest received	(0.36)	(21.64)	(9.46)	(8.74)	(7.93)	(9.51)
Operating Profit before Working Capital Changes	214.39	(326.89)	192.00	920.48	852.87	661.89
Adjustment for						
Trade and other payables	748.92	(379.00)	754.80	(560.71)	624.78	431.96
Trade and other receivables	(470.35)	(187.67)	28	133.35	(1,039.94)	(572.48)
Decrease in Deposits	124.47	-	-	-	-	-
Inventories	(1,141.85)	(1,535.30)	(92.59)	282.91	(559.07)	39.79
Short Term Loans & Advances	(27.22)	-	-	-	-	-
Long Term Loans & Advances	(6.59)	-	-	-	-	-
Direct taxes paid	-	-	-	(15.59)	(15.69)	-
NET CASH FROM OPERATING ACTIVITIES (A)	(558.23)	(2,428.86)	882.63	760.44	(137.05)	561.16
B. CASH FLOW FROM INVESTING ACTIVITIES:						
Disposal of fixed asset		1.63	448.95	38.45	4.16	8.38
Dividend and other income		1.25	2.92	3.85	2.94	5.57
Interest received	0.36	21.64	9.46	8.74	7.93	9.51
Redemption of investments	-	45.45	4.20	-	85.00	171.00
Acquisition of fixed assets	(227.32)	(140.15)	(275.90)	(123.95)	(292.61)	(185.62)
Purchase of investments				(22.57)	(17.94)	(30.57)
NET CASH FROM INVESTING ACTIVITIES (B)	(226.96)	(70.18)	189.63	(95.48)	(210.52)	(21.74)
C. CASH FLOW FROM FINANCING ACTIVITIES:						
Long Term Borrowings	65.32	1,124.66	(376.23)	304.71	42.36	148.00
Hire Purchase Finance	(11.36)	(14.77)	1.35	25.60	(1.20)	(3.20)
Short Term Borrowings & Finance costs paid	763.39	1,401.17	(697.12)	(385.72)	304.81	(422.02)
NET CASH FROM FINANCING ACTIVITIES 'C'	817.35	2,511.06	(1,072)	(664.83)	346	(573)
Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	32.17	12.02	0.26	0.13	(1.60)	(33.80)
CASH AND CASH EQUIVALENTS:						

PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
Opening Balance in the beginning of the year	15.55	3.53	3.27	3.14	4.74	38.54
Closing Balance at the end of the year	47.72	15.55	3.53	3.27	3.14	4.74
NET INCREASE/ (DECREASE) IN CASH & CASH EQUIVALENTS	32.17	12.02	0.26	0.13	(1.60)	(33.80)

ANNEXURE IV(a)**NOTES FORMING PART OF FINANCIAL STATEMENTS****I. 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 under section 133 and read with the relevant provisions of the Companies Act, 2013. 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 III to the Companies Act, 2013.

(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.
- The Trade receivables outstanding are reviewed as to their prevailing status of ageing and probability of recovery and necessary provision for receivables doubtful of recovery is made based on their ageing.
- 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.

(iii) Revenue Recognition :

Revenue is recognised as under:

- Sales of products: On despatch of the product to the customer 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 :

- 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.
- 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 II of the Companies Act, 2013. 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) Inventories :

Inventories as taken and certified by the Management are valued at "lower of cost and estimated net realizable 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

(viii) Research and Development :

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

(ix) 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 II of the Companies Act, 2013.

(x) 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.

(xi) Segment Reporting :

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

(xii) Employee Benefit : As per AS 15

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

(xiii) Related party disclosures:

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

(xiv) 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 exists and impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount.

(xv) Earnings per share :

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

ANNEXURE IV(b)**NOTES TO FINANCIAL STATEMENTS****NOTE 1 - Share capital****(₹ in Lacs)**

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
Authorised						
18,000,000 Equity Shares of Rs.10/- each	1,800.00	1,800.00	1,800.00	1,800.00	1,800.00	1,800.00
300,000 16% Cumulative Redeemable Preference shares of Rs.100/- each	300.00	300.00	300.00	300.00	300.00	300.00
	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00	2,100.00
Issued, subscribed and paid up						
6,407,204 Equity Shares of Rs.10/- each fully paid up	64,072.00	64,072.00	64,072.00	64,072.00	64,072.00	64,072.00
6,407,204 Equity Shares of Rs.10/- each fully paid up	640.72	640.72	640.72	640.72	640.72	640.72
Forfeited shares	-	-	-	-	0.25	0.25
Total	640.72	640.72	640.72	640.72	640.97	640.97

- The company is authorized to issue Equity and 16% Cumulative Redeemable Preference shares. However the company has One class of equity having a par value of Rs.10 each. Each shareholder is eligible for one vote per share. The dividend proposed by the Board of directors is subject to approval of shareholders, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive remaining assets of the company after distribution of all preferential amounts, in proportion of their shareholding.
- The company bought back in aggregate 118425 number of equity shares during the financial years 2008-2009 and 2009-2010.
- Pursuant to the Board resolution, 4900 partly paid up equity shares, which were forfeited in the past have been cancelled during the year

NOTE 2 - Reserve & Surplus

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
a) Capital Reserve:						
Subsidy received from SIPCOT, Tamil Nadu	19.77	19.77	19.77	19.77	19.77	19.77
Capital Redemption Reserve:	87.09	87.09	87.09	87.09	86.84	86.84
Securities Premium Account:	516.48	516.48	516.48	516.48	516.48	516.48
Less: Utilized towards Buy Back of Equity Shares						
Special General Reserve:	41.50	41.50	41.50	41.50	41.50	39.00
General Reserve:						
As per last Balance Sheet						
Add: Transferred during the year	1,081.26	1,081.26	1,081.26	1,081.26	1,081.26	981.26
Total (a)	1,746.10	1,746.10	1,746.10	1,746.10	1,745.85	1,643.35
b) Surplus:						
Opening Balance	(1,247.74)	(400.03)	104.80	102.32	144.84	146.37
Appropriations:: Profit /(loss) for the year	(408.30)	(847.72)	(504.83)	2.49	104.80	(1.52)
Total (b)	(1,656.05)	(1,247.75)	(400.03)	104.81	249.64	144.85
Transfer to General Reserve					(100.00)	
Transfer to Special General Reserve					(2.50)	
Proposed Dividend					(38.44)	
Tax on Proposed Dividend					(6.38)	
Balance	(1,656.05)	(1,247.75)	(400.03)	104.81	102.32	144.85
Total	90.05	498.35	1,346.07	1,850.90	1,848.17	1,788.19

NOTE 3 - Long Term Borrowings

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
Rupee Term Loans (Secured)						
- From Banks	-	-	322.30	612.12	996.10	1,183.64
- Loan from Related Party under ECB Scheme(Unsecured)	1,513.99	1,442.39	-	-	-	-
- Hire Purchase finance	2.95	14.31	29.08	31.25	5.65	14.44
Total	1,516.94	1,456.70	351.38	643.37	1,001.75	1,198.08

NOTE 4 : DEFERRED TAX LIABILITIES (NET)

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
Deferred Tax Liabilities						
Depreciation on fixed assets	311.92	332.36	346.88	489.81	496.81	505.33
Deferred Tax Assets						
Unabsorbed Depreciation	744.72	550.61	205.21	174.23	165.22	167.74
Employee benefits	66.38	58.97	38.01	6.42	6.43	6.43
Sub Total	811.10	609.57	243.21	180.65	171.65	174.17
NET TOTAL	(499.18)	(277.22)	103.66	309.16	325.16	331.16

NOTE 5 - Other Long Term Liabilities

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
a) Earnest Money Deposits	8.50	5.50	26.50	30.50	3.00	-
TOTAL	8.50	5.50	26.50	30.50	3.00	-

NOTE 6- Long Term Provision

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
a) Employee benefits	14.57	12.49	11.14	11.36	10.15	9.42
TOTAL	14.57	12.49	11.14	11.36	10.15	9.42

NOTE 7 - Short Term Borrowings

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
From Banks – secured						
Cash Credit	-	1,740.88	2,683.35	2,715.49	2,473.94	1,693.64
Buyer's credit arrangement in foreign currency	-	-	84.54	501.60	473.26	483.67
From Bank (Unsecured)						
Cash Credit	1,723.47	-	-	-	-	-
Buyer's credit arrangement in foreign currency	365.48	-	-	-	-	-
Working Capital Term Loan	4,000.00	3,000.00	-	-	-	-
Total	6,088.95	4,740.88	2,767.89	3,217.09	2,947.20	2,177.31

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 way of second charge on the present and future fixed assets of the company at Pudukkottai, Puducherry, Jejuri & Tirunelveli.

NOTE 8 - Trade Payables

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
a) Trade Payables	3,315.82	2,802.79	2,507.96	1,462.23	1,980.59	1,262.10
TOTAL	3,315.82	2,802.79	2,507.96	1,462.23	1,980.59	1,262.10

In the absence of information from the suppliers with regard to their registration with the specified authority, despite disclosure as required under the Micro, Small and Medium Enterprises development Act, 2006 is not furnished.

NOTE 9 - Other Current Liabilities

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
(a) Current Maturities of long term debt	-	-	297.35	383.76	304.71	148.00
(b) Current Maturities of other borrowings	14.77	14.77	16.96	13.44	14.44	3.57
(c) Interest accrued but not due on borrowings	54.40	11.49	0.48	0.74	-	-
(d) Interest accrued and due on borrowings	45.63	6.64	11.37	13.40	7.71	3.73
(e) Unpaid Dividends	2.91	2.91	3.50	4.25	4.47	5.04
(f) Statutory dues	104.38	102.78	65.92	67.24	61.07	32.76
(g) Payable for capital goods	2.48	2.37	20.32	3.07	8.14	-
(f) Other Payables	306.05	158.41	248.99	128.67	138.19	118.57
TOTAL	530.62	299.37	664.89	614.57	538.73	311.65

NOTE 10 - Short Term Provisions

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
Dividend Payable	-	-	-	-	38.44	-
Tax on Distributable Profit	-	-	-	-	6.38	-
For expenses	48.33	43.69	53.59	24.31	24.10	18.73
TOTAL	48.33	43.69	53.59	24.31	68.92	18.73

NOTE 11 - Non Current Investments

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
Equity Instruments at cost (Non trade - unquoted) 42,000 Equity Shares of Rs.10/- each fully paid up in S&S Minerals (P) Limited	-	-	-	4.20	4.20	4.20
Aggregate amount	-	-	-	4.20	4.20	4.20

NOTE 12 - Long Term Loan and Advances

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
(a) Capital Advances	0.00	0.00	8.88	4.18	24.91	0.00
(b) Security Deposits	113.55	104.94	77.34	56.03	48.34	52.95
(c) Bank Deposits*	0.00	0.24	14.40	18.05	1.21	9.09
(d) Others	2.29	4.07	7.75	8.56	3.64	3.72
Total	115.84	109.25	108.37	86.82	78.10	65.74

*Represents Cash and cash equivalents that are restricted from being exchanged or used to settle a liability for more than 12 months from the balance sheet date.

Deposit accounts are under lien to bankers.

Note: None of the loans and advances are related to the directors/promoters in any way

NOTE 13 - Current Investments

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
Mutual Funds Quoted)						
423990.729 (198922.634) units of Rs.10.each 'HDFC Cash Management Fund'	0.00	0.00	45.45	42.53	19.96	87.03
Aggregate amount (NAV)	0.00	0.00	45.45	42.53	19.96	87.03

NOTE 14 - Inventories

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
Raw & Packing Materials	1,297.33	1,114.24	755.82	1,078.26	1,153.33	781.77
Raw Materials in Transit	184.68	339.81	169.63	140.06	165.04	59.18
Materials in Bond	720.69	81.79	272.25	19.82	41.48	160.32
Work-In-Progress	90.93	39.95	34.53	48.54	27.79	62.42
Finished Goods	763.62	631.72	611.00	441.73	648.72	432.82
Stores and Spares	72.33	78.70	73.19	95.42	70.38	51.17
Trading Goods	307.67	9.21	-	-	-	-
TOTAL	3,437.27	2,295.42	1,916.42	1,823.83	2,106.74	1,547.67

NOTE 15 - Trade Receivables

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
Outstanding for a period exceeding six months from the date due for payment						
Considered good	287.24	160.05	39.48	43.36	28.51	48.04
Considered doubtful	50.69	45.49	27.46	32.15	58.03	40.57
	332.73	205.54	66.94	75.51	86.54	88.61
Less: Provision for Doubtful Debts	50.69	45.49	27.46	32.15	58.02	40.56
Sub-total	287.24	160.05	39.48	43.36	28.52	48.04
Outstanding for a period of less than six months from the date due for payment						
Considered good	4,890.83	4,547.67	3,309.72	3,412.30	3,424.40	2,354.85
Considered doubtful	41.03	46.23	24.43	-	-	-
	4,931.86	4,593.90	3,334.15	3,412.30	3,424.40	2,354.85
Less: Provision for Doubtful Debts	41.03	46.23	24.43	-	-	-

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
Sub-total	4,890.83	4,547.67	3,309.72	3,412.30	3,424.40	2,354.85
TOTAL	5,178.07	4,707.72	3,349.20	3,455.66	3,452.92	2,402.89

Note : None of the trade receivables are related to the directors/promoters in any way

NOTE 16 - Cash and Bank Balances

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
i) Cash and Cash equivalents						
a) Balances with Banks:	41.95	14.83	3.01	2.32	1.60	2.44
b) Cash on hand	5.78	0.72	0.52	0.95	1.54	2.29
Sub total	47.73	15.55	3.53	3.27	3.14	4.74
ii) Other Bank Balances						
a) Unpaid Dividend accounts	2.91	2.91	3.50	4.25	4.49	5.05
b) Deposit accounts*	-	124.47	72.30	46.73	110.16	89.20
Sub total	2.91	127.38	75.80	50.98	114.65	94.25
TOTAL	50.63	142.93	79.33	54.25	117.79	98.99

Note:

* Deposit accounts are under lien to bankers.

NOTE 17 - Short Term Loans & Advances

(₹ in Lacs)

PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
a) Balance with Central Excise department etc.,	216.34	203.70	91.93	98.37	175.78	148.29
b) Advance Tax and Fringe Benefit Tax	43.47	42.66	42.11	41.89	14.46	30.64
c) Others (Prepaid exp, Claims receivable etc.,)	286.30	272.54	260.53	225.56	236.96	208.22
TOTAL	546.11	518.89	394.57	365.82	427.20	387.14

NOTE 18 - Revenue from Operations

(₹ in Lacs)

PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
(a) Sale of Products	18,198.22	19,841.96	17,566.36	16,470.48	15,433.35	11,857.58
(b) Sale of services	74.70	91.04	68.02	69.00	34.71	13.75
TOTAL	18,272.92	19,933.00	17,634.38	16,539.48	15,468.06	11,871.34

NOTE 19 - Other Income

(₹ in Lacs)

PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
a) Interest Income	0.36	21.64	9.46	8.74	7.93	9.51
b) Dividend income	0.00	1.25	2.92	2.57	2.94	5.57
c) Profit on sale of fixed assets	0.00	0.35	71.25	1.78	1.28	1.67
d) Others	0.00	0.02	0.00	1.28	0.00	0.00
TOTAL	0.36	23.26	83.63	14.36	12.14	16.75

NOTE 20- Cost of Material Consumed

(₹ in Lacs)

PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
Raw Material						
Inventory at the beginning of the Year	1,535.84	1,197.70	1,238.14	1,359.84	1,001.26	957.97
Add: Purchases	14,278.87	15,861.88	13,595.93	11,877.29	11,860.64	8,589.22
	15,814.71	17,059.58	14,834.07	13,237.13	12,861.90	9,547.19
Less: Inventory at the end of the year	2,202.71	1,535.84	1,197.70	1,238.14	1,359.84	1,001.26
Cost of Raw Material consumed	13,612.00	15,523.74	13,636.37	11,998.99	11,502.06	8,545.93

NOTE 21 - Purchase of Stock-in- Trade

(₹ in Lacs)

PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
Purchase of Stock- in -trade - Polymers/Master batches	364.70	59.12	0.00	77.77	91.72	175.21
TOTAL	364.70	59.12	0.00	77.77	91.72	175.21

NOTE 22 - Changes in Inventories of Finished Goods, Work-in-Progress

(₹ in Lacs)

PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
Opening Stock						
Finished Goods	561.89	543.74	393.08	587.99	390.66	415.77
Work - in - Progress	39.95	34.53	48.54	27.79	62.42	150.53
Trading						12.06
Sub Total	601.84	578.27	441.62	615.79	453.08	578.36
Closing Stock						
Finished Goods	685.57	561.89	543.75	393.08	587.99	390.66
Work - in - Progress	90.93	39.95	34.53	48.54	27.79	62.42
Sub Total	776.50	601.86	578.28	441.62	615.79	453.08
Changes in Inventories	-174.66	-23.59	-136.66	174.17	-162.71	125.28

PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
Add/(Less): Variation in Excise duty on Opening and Closing Stock of Finished Goods	-14.51	-2.57	-18.61	12.08	-18.57	-83.12
TOTAL	-189.17	-26.14	-155.26	186.25	-181.28	42.16

NOTE 23 - Employee Benefit Expenses

(₹ in Lacs)

PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
Salaries, Wages Bonus and compensated absences	550.36	633.36	613.53	564.16	526.67	447.98
Contributions to:						
Provident, ESI, Super annuation and Gratuity funds	41.23	46.08	35.18	40.44	58.30	44.33
Staff Welfare Expenses	43.33	49.60	45.62	49.96	55.52	43.42
TOTAL	634.92	729.04	694.33	654.56	640.50	535.73

NOTE 24 - Finance Costs

(₹ in Lacs)

PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
Interest	486.24	609.89	596.05	565.18	478.52	441.13
Other borrowing costs	26.25	47.23	30.20	12.10	7.39	0.00
Loss (Gain) in foreign currency transactions / translation	83.54	-0.76	70.86	78.33	-20.82	0.00
TOTAL	596.03	656.36	697.12	655.61	465.09	441.13

NOTE 25- Other Expenses

(₹ in Lacs)

PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
a) Consumption of stores and spare parts	52.89	76.20	73.20	90.97	83.09	57.48
b) Power and fuel	252.26	383.20	271.94	241.86	213.73	172.79
c) Rent	65.70	84.07	24.44	26.90	35.09	32.03
d) Insurance	27.22	31.29	27.03	23.74	25.72	26.46
e) Repairs and Maintenance						
Buildings	3.12	6.99	9.86	9.46	12.53	4.85
Plant and Machinery	18.52	33.69	40.12	32.04	34.15	73.05
Others assets	49.23	54.26	56.88	60.13	66.97	62.93
f) Rates and Taxes	16.50	22.21	9.97	13.04	16.01	15.44
g) Travelling and Conveyance	135.35	119.95	86.61	80.80	79.07	62.53
h) Printing and Stationery						
i) Professional & Consultancy	504.14	320.02	87.79	38.09	39.36	42.69

PARTICULARS	9 months ended 31st December 2014	Year Ended 31st March 2014	Year Ended 31st March 2013	Year Ended 31st March 2012	Year Ended 31st March 2011	Year Ended 31st March 2010
Charges						
j) Freight Outwards	311.33	376.24	337.44	318.14	272.60	182.51
k) Research and Development	79.25	113.45	87.64	44.44	34.78	34.60
l) Loss on sale / discard of fixed assets	0.00	2.85	6.99	24.81	0.04	0.26
m) Miscellaneous Expenses	104.51	202.14	211.57	192.36	192.64	213.36
TOTAL	1,620.02	1,826.56	1,331.48	1,196.78	1,105.78	980.95

(₹ in Lacs)

	PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
26	Contingent Liabilities not provided for						
	a) Letters of credit	20.97	404.74	457.07	629.00	997.00	360.00
	b) Letters of guarantee	7.37	7.37	6.62	7.00	2.00	-
	c) Commitment on capital accounts	134.31	-	1.54	-	18.00	19.00
	d) Customs duty on materials-in-bond	45.32	6.31	15.72	2.00	3.00	11.00
	e) Custom duty disputed in appeals	26.78	26.78	26.78	27.00	27.00	27.00
	f) Income Tax disputed in appeals	52.06	45.05	18.67	17.00	17.00	6.00
	g) Sales Tax disputed in appeals	12.75	12.75	12.75	-	-	-
	h) Excise duty & Service Tax disputed in appeals	15.05	15.05	14.96	6.00	6.00	6.00
		314.61	518.05	554.11	688.00	1,070.00	429.00

(₹ in Lacs)

	PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
27	Remuneration to Auditors (included under Miscellaneous Expenses)						
	a) Statutory Audit	1.25	1.75	1.50	2.00	1.00	1.00
	b) Certification and taxation matters	0.25	0.50	0.35	-	-	-
	c) Tax Audit	0.75	0.75	0.65	-	-	-
		2.25	3.00	2.50	2.00	1.00	1.00

(₹ in Lacs)

	PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
28	C I F Value of Imports						
	(i) Raw materials	4,124.76	3,957.75	3,224.38	2,897.00	3,295.00	3,295.00
	(ii) Capital goods &	40.86	17.14	1.30	53.00	51.00	51.00

	PARTICULARS	As at 31st December 2014	As at 31st March 2014	As at 31st March 2013	As at 31st March 2012	As at 31st March 2011	As at 31st March 2010
	Spares						
	(iii) Trading Materials	643.61	14.41	-	-	-	-
29	Expenditure in Foreign Currency during the year						
	(i) Travelling expenses	30.47	9.05	11.12	12.00	12.00	12.00
	(ii) Testing charges	2.84	15.19	6.65	6.00	11.00	11.00
	(iii) Interest paid to Banks	6.36	6.76	13.27	16.00	14.00	14.00
	(iv) Others	-	-	-	-	-	-
30	Earnings in Foreign Currency						
	FOB value of goods exported	43.72	32.51	43.72	32.51	-	-
	Commission received	74.70	91.04	74.70	91.04	-	-
31	<p>(a) Figures for the current period relate to 9 months from 01.04.2014 to 31.12.2014 and are not directly comparable with those of previous year.</p> <p>(b) Previous year's figures (including those given within bracket) have been regrouped/ reclassified wherever necessary to correspond to the current period's classification/ disclosure. Figures in the financial statements have been shown Rs.in lacs except per share data.</p>						

32. Related Parties Disclosures :**(i) Related parties : Names and Descriptions**

(₹ in Lacs)							
	PARTICULARS	31 st December 2014	31 st March 2014	31 st March 2013	31 st March 2012	31 st March 2011	31 st March 2010
a)	Key Management Personnel	Mr. NieDelin	Mr. NieDelin (w.e.f 03.07.2013)				
		Mr. Bo Jingen	Mr. Bo Jingen (w.e.f. 03.07.2013)				
		Mr. Wu Xiaohui	Mr. Wu Xiaohui (w.e.f. 03.07.2013)				
							Mr. Narayan Sethuramon (upto 29.07.2009)
			Mr. S. K. Subramanyan (upto 02.07.2013)	Mr. S. K. Subramanyan	Mr. S. K. Subramanyan	Mr. S. K. Subramanyan	Mr. S. K. Subramanyan
b)	Holding Company	M/s Kingfa Sci. & Tech. Co., Ltd	M/s Kingfa Sci. & Tech. Co., Ltd (w.e.f. 03.07.2013)				
c)	Associates	M/s Shanghai KingfaSci And Tech Co Ltd	M/s Shanghai KingfaSci And Tech Co Ltd (w.e.f. 03.07.2013)	M/s.W.S. Industries (India) Ltd	M/s.W.S. Industries (India) Ltd	M/s.W.S. Industries (India) Ltd	M/s.W.S. Industries (India) Ltd
		M/s Jiangsu KingfaSci.&Tech. Advanced Material Co.,Ltd	M/s Jiangsu KingfaSci.&Tech. Advanced Material Co.,Ltd (w.e.f. 03.07.2013)				M/s.W.S. Industries (India) Ltd Unit II

	PARTICULARS	31 st December 2014	31 st March 2014	31 st March 2013	31 st March 2012	31 st March 2011	31 st March 2010
		M/s HongkongKingfa Development Co., Ltd	M/s HongkongKingfa Development Co., Ltd (w.e.f. 03.07.2013)				
			M/s.W.S. Industries (India) Ltd upto 02.07.2013)				
d)	Others	Nil	Mr. V. Srinivasan (upto 02.07.2013)	Mr. V. Srinivasan	Mr. V. Srinivasan	Mr. V. Srinivasan	Mr. V. Srinivasan
			Mr. MuraliVenkatraman (upto 02.07.2013)	Mr. MuraliVenkatraman	Mr. MuraliVenkatraman	Mr. MuraliVenkatraman	Mr. MuraliVenkatraman
			Mr. Narayan Sethuramon (upto 02.07.2013)	Mr. Narayan Sethuramon	Mr. Narayan Sethuramon	Mr. Narayan Sethuramon	Mrs. SuchitraMurali Balakrishnan
			M/s. W S International Pvt Ltd (upto 02.07.2013)	M/s. W S International Pvt Ltd	M/s. W S International Pvt Ltd	M/s. W S International Pvt Ltd	M/s. W S International Pvt Ltd
			M/s. Vensunar Holdings Pvt Ltd (upto 02.07.2013)	M/s. Vensunar Holdings Pvt Ltd	M/s. Vensunar Holdings Pvt Ltd	M/s. Vensunar Holdings Pvt Ltd	M/s. Vensunar Holdings Pvt Ltd

(ii) Related Party Transactions:

(₹ in Lacs)

Nature of Transaction	Particulars	31 st December 2014	31 st March 2014	31 st March 2013	31 st March 2012	31 st March 2011	31 st March 2010
Interest	Key Management Personnel	-	-	-	-	-	-
	Holding Company	42.91	16.36	-	-	-	-
	Associates	-	-	-	-	-	-
	Others	-	-	-	-	-	-
External Commercial Borrowings	Key Management Personnel	-	-	-	-	-	-
	Holding Company	-	1,488.35	-	-	-	-
	Associates	-	-	-	-	-	-
	Others	-	-	-	-	-	-
Purchase Of Materials	Key Management Personnel	-	-	-	-	-	-
	Holding Company	854.62	112.28	-	-	-	-
	Associates	1,062.31	29.68	-	-	-	-
	Others	-	-	-	-	-	-
Purchase of Assets	Key Management Personnel	-	-	-	-	-	-
	Holding Company	9.68	-	-	-	-	-
	Associates	-	-	22.21	-	-	-
	Others	-	-	-	-	-	-
Advances Received for Supplies	Key Management Personnel	-	-	-	-	-	-
	Holding Company	-	-	-	-	-	-
	Associates	-	435.89	-	-	-	-
	Others	-	-	-	-	-	-
Sale Of Materials	Key Management Personnel	-	-	-	-	-	-
	Holding Company	13.14	2.41	-	-	-	-
	Associates	-	3.94	-	-	-	5.00
	Others	-	-	-	8.10	15.19	35.44
Sale of Assets	Key Management Personnel	-	-	-	-	-	-
	Holding Company	-	-	-	-	-	-
	Associates	-	-	-	3.98	-	-
	Others	-	-	-	-	-	-
Managerial Remuneration	Key Management Personnel	5.79	5.38	22.46	22.83	21.44	18.60
	Holding Company	-	-	-	-	-	-
	Associates	-	-	-	-	-	-
	Others	-	-	-	0.48	1.59	-

Nature of Transaction	Particulars	31 st December 2014	31 st March 2014	31 st March 2013	31 st March 2012	31 st March 2011	31 st March 2010
Sitting Fees	Key Management Personnel	1.76	0.14	-	-	-	0.05
	Holding Company	-	-	-	-	-	-
	Associates	-	-	-	-	-	-
	Others	-	0.34	0.93	0.98	1.08	-
Services Rendered	Key Management Personnel	-	-	-	-	-	-
	Holding Company	-	-	-	-	-	-
	Associates	-	-	1.50	4.85	3.12	2.70
	Others	-	-	1.20	1.20	1.20	1.20
Outstanding	Key Management Personnel	-	-	-	-	(5.94)	(0.98)
	Holding Company	(2,378.29)	(1,614.58)	-	-	-	-
	Associates	(1,032.33)	(461.62)	-	-	-	-
	Others	-	-	-	-	-	(10.13)

Annexure V - Summary of Accounting Ratios

(₹ in Lacs)

Particulars	31st Dec 2014	31st March 2014	31st March 2013	31st March 2012	31st March 2011	31st March 2010
1. Net Profit Attributable to Equity Shareholders	(408.30)	(847.72)	(504.83)	2.49	104.80	(1.52)
Earnings Per Share (EPS) (Rs.) a/b	-6.37	-13.23	-7.88	0.04	1.64	-0.02
Return on Net Worth (%) (a/g %)	-55.87%	-74.42%	-25.41%	0.10%	4.21%	-0.06%
Weighted Average No. of Equity Shares	6407204	6407204	6407204	6407204	6407204	6407204
No. of Equity Shares outstanding	6407204	6407204	6407204	6407204	6407204	6407204
Paid up value of share	10	10	10	10	10	10
Note:						
Net Profit after tax adjustments (a)	(408.30)	(847.72)	(504.83)	2.49	104.80	(1.52)
Weighted Average No. of Equity Shares (b)	6407204	6407204	6407204	6407204	6407204	6407204
Total No. of Equity Shares for calculating Diluted EPS(d)	6407204	6407204	6407204	6407204	6407204	6407204
No. of Equity Shares at the end of the year/period e	6407204	6407204	6407204	6407204	6407204	6407204
Net Worth (g)	730.77	1139.07	1986.79	2491.62	2489.14	2429.16
Net Asset Value per Share (g/b)	11.41	17.78	31.01	38.89	38.85	37.91

2. Formula:

Earnings per Share (Rs.)	$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted Average number of equity shares outstanding during the period}}$
Net Asset Value Per Share (Rs.)	$\frac{\text{Net Worth excluding revaluation reserve at the end of the period}}{\text{Total Number of equity shares outstanding at the end of the year/period}}$
Return on Net Worth (%)	$\frac{\text{Net profit after tax adjustments}}{\text{Net worth at the end of the year/ period}}$
Net Asset Value	Equity Share Capital plus Reserves & Surplus less Miscellaneous Expenditure to the extent not written off/ total no. of equity shares outstanding at end of each year/ period

3. Earnings per share (EPS) calculation is in accordance with the notified Accounting Standard 20 'Earnings per Share' prescribed by the Companies (Accounting Standards) Rules, 2006

Annexure VI - Statement of Capitalisation *

(₹ in Lacs)

Particulars	Pre-issue as at 31-Dec-14	As adjusted for Issue*
Debts		*
Long Term Debt	1,516.94	
Short Term Debt	6,088.95	
Total Debt	7,605.89	
Equity (shareholder's funds)	640.72	
Equity Share Capital	90.05	
Total Equity	730.77	
Total Capitalization		
Long Term Debts/ Equity Ratio (x)	2.08	
Total Debt/ Equity Ratio (x)	10.41	

* To be updated at the time of filing of Letter of Offer

Annexure VII - Statement of Tax Shelter

(₹ in Lacs)

Particulars	31st December 2014	31st March 2014	31st March 2013	31st March 2012	31st March 2011	31st March 2010
A. Computation of Total Income under Regular provisions of the Act						
1. Business income						
Net profit as per profit and loss account	(630.25)	(1,228.59)	(710.33)	(13.51)	130.80	(21.52)
less: Incomes exempted/considered separately	0.36	22.89	12.38	11.30	10.86	16.74
Add : Depreciation as per books	248.98	265.73	281.85	267.94	268.73	257.68
Add: Inadmissibles / Disallowances	2.44	166.90	95.92	102.50	74.56	78.26
Less: Admissibles / Allowances	-	122.23	134.46	136.35	81.14	154.62
Less : Depreciation as per Income Tax	145.90	225.50	223.91	216.98	250.41	242.85
(Loss)/Income from Business as per IT Act	(525.09)	(1,166.59)	(703.32)	(7.71)	131.68	(99.80)
2. Income form Other sources						
Interest Income	0.36	21.64	9.46	8.74	7.93	11.17
Summary						
1. Business Loss	(379.19)	(941.09)	(479.41)	-	-	-
2.. Unabsorbed Depreciation	(145.90)	(225.50)	(223.91)	(7.71)		(99.80)
B. Computation of Book Profits u/s 115 JB of IT Act						
Net profit as per profit and loss account	(630.25)	(1,228.59)	(710.33)	(13.51)	130.80	(21.52)
Add: Net deductions/exclusions	-	41.79	16.82	(28.44)	14.53	19.33

Particulars	31st December 2014	31st March 2014	31st March 2013	31st March 2012	31st March 2011	31st March 2010
Book Profit (Taxable)	(630.25)	(1,186.81)	(693.51)	(41.96)	145.33	(2.20)
MAT (Rate)	18.50%	18.50%	18.50%	18.50%	18.00%	15.00%
MAT due u/s 115JB(Including SC and EC)	-	-	-	-	28.96	-
Provision for Current Taxes	-	-	-	-	32.00	-

Note: 1. The Company is having carried forward losses computed under the regular provisions of the Act, the tax at normal rate is therefore not applicable. Tax has been calculated and actual paid on the basis of Minimum Alternative Tax U/s. 115JB. In view of loss incurred in various years no tax is due under the MAT except for the assessment year 2011-12 for which Rs. 28.96 lakh has been paid under the MAT

Note: 2. MAT credit of Rs. 28.96 lacs is available for next 10 years subsequent to the assessment year 2011-12

CERTAIN OTHER FINANCIAL INFORMATION

In accordance with circular no. F.2/5/SE/76 dated February 5, 1977 issued by the Ministry of Finance, Government of India, as amended by Ministry of Finance, Government of India through its circular dated March 8, 1977, the information required to be disclosed for the period between the last date of financial statements provided to the shareholders and the date preceding one month from the date of Draft Letter of Offer is provided below:

1. Working Results of our Company for the period from January 01, 2015 to April 30, 2015

Sr. No.	Particulars	Amount (₹ in Lacs)
1.	Sales / turnover	7,604.71
2.	Other income	12.31
3.	Total income	7,617.02
4.	PBIDT	495.82
5.	Finance Charges	304.53
6.	Provision for Depreciation	94.63
7.	Provision for Tax	43.72
8.	Profit /(Loss) after Tax	52.94

2. Material changes and commitments, if any, affecting the financial position of our Company

Our operations maybe affected on account of downfall/volatility in crude oil prices resulting in volatility in raw material prices. This volatility in prices is likely to affect our margins and may also result in inventory /stock losses. Other than as mentioned above there are no circumstances have arisen since December 31, 2014 (i.e., the date of the last financial statement as disclosed in the Draft Letter of Offer) which are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months

3. Weekend Prices for last four weeks, current market price and highest & lowest prices of equity shares during the period with relative dates

- a. The week end closing prices of the equity shares for last four weeks on BSE are provided in the table below

Week ended on	Closing Price on BSE
15 th May, 2015	188.9
8 th May, 2015	200.5
30 th April, 2015	202.8
24 th April, 2015	208.6

**There has been no trading for the referred week*

- b. The closing current market price as May 12th, 2015 on BSE was ₹ 201.30 per share
- c. The highest and lowest price of the equity shares for last four weeks on BSE is provided in the table below

Highest (In ₹)	Date	Lowest (In ₹)	Date
250	17 th April, 2015	195	28 th April, 2015

The Issue Price of ₹ [●] has been arrived at by our Company in consultation with the Lead Manager.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

You should read the following discussion of our financial condition and results of operations together with our audited financial information for FY 2011, FY 2012, FY 2013 and FY 2014 including the notes thereto and the reports thereon, which are included in this Draft Letter of Offer. You should also read the sections titled "Risk Factors" and "Forward-Looking Statements" on page 9 and page 8, respectively, of this Draft Letter of Offer which discuss a number of factors and contingencies that could impact our financial condition and results of operations.

Overview of the Business

Our Company is engaged in the manufacturing and supply of high quality Modified Engineering thermoplastics based on Polypropylene (PP), Polybutylene terephthalate (PBT), Polyamide (PA) and Thermoplastics Elastomers. We presently operate through our three state-of-art manufacturing units situated at Puducherry, Pune and Manesar (Gurgaon). The units have a combined capacity of over 40,000 TPA. Our Company is a TS-16949 Certified company employing over 150 employees.

We supply our products to Tier 1 suppliers to automobile OEMs. We have approvals from all major Trans-National and Indian OEM's in the Automotive sector. Subsequent to the acquisition of the company by Kingfa, the Company has further ventured into manufacturing of Engineering Plastics like PBT (Used in Lighting, electrical applications), Polyamides (automotive, Electrical applications) at its plant at Pune..

Products & its application

We manufacture a wide range of Reinforced Polypropylene compounds under the 'HYFIL' brand Polypropylene modified by the addition of reinforcements such as talc, chalk, mica and glass fibre has enabled it to establish itself as a metal substitute in engineering applications. Our products are used mainly in Automotive & Home appliance industry.

Significant developments subsequent to the date of the last financial statement as disclosed in this Draft Letter of Offer

Our operations maybe affected on account of downfall/volatility in crude oil prices resulting in volatility in raw material prices. This volatility in prices is likely to affect our margins and may also result in inventory /stock losses. Other than as mentioned above there are no circumstances have arisen since December 31, 2014 (i.e., the date of the last financial statement as disclosed in the Draft Letter of Offer) which are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months

Factors that may affect results of the Operations

The following important factors could cause actual results to differ materially from the expectations include among others:

- General economic and business conditions;
- Volatility in raw material prices
- Increasing competition in the industry;
- Changes in the value of the Indian rupee and other currencies;
- Changes in laws and regulations that apply to the industry;
- Changes in fiscal, economic or political conditions in India;
- Changes in the foreign exchange control regulations, interest rates, and tax laws in India.

Discussion on Results of Operations for last 3 financial years

The following discussion on the financial operations and performance should be read in conjunction with the audited financial results of the company for the FY 2011, 2012, 2013 and 2014 respectively.

Summary of Restated Revenues, Expenses, and Profitability**Discussion on Results of Operations for last 3 financial years**

The following discussion on the financial operations and performance should be read in conjunction with the audited financial results of the company for the FY 2011, 2012, 2013 and 2014 respectively.

Summary of Revenues, Expenses, and Profitability

₹ in Lacs

PARTICULARS	Audited			
	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011
Revenue from Operations	17,691.52	15,589.93	14,941.03	13,976.91
Revenue from Services	91.04	68.02	69.00	34.71
Other Income	23.26	83.63	14.36	12.14
Total Revenue	17,805.82	15,741.57	15,024.39	14,023.76
Cost of Material Consumed	15,523.74	13,636.37	11,998.99	11,502.06
Purchases of Stock- in-Trade	59.12	-	77.77	91.72
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(26.14)	(155.26)	186.25	(181.28)
Employee benefits expenses	729.04	660.34	654.56	640.50
Finance Costs	656.36	697.12	655.61	465.09
Depreciation & amortisation expenses	265.73	281.85	267.94	269.09
Other Expenses	1,826.55	1,331.48	1,196.78	1,105.78
Total Expenses	19,034.40	16,451.90	15,037.90	13,892.96
Profit before exceptional items and tax	(1,228.59)	(710.33)	(13.51)	130.80
Exceptional Items (Depreciation Written Back)	-	-	-	-
Profit before extraordinary items and tax	(1,228.59)	(710.33)	(13.51)	130.80
Extraordinary Items	-	-	-	-
Profit before tax	(1,228.59)	(710.33)	(13.51)	130.80
Tax Expense :				
– Current Tax	-	-	-	32.00
– Deferred Tax	(380.88)	(205.50)	(16.00)	(6.00)
Profit/(Loss) for the period	(847.72)	(504.83)	2.49	104.80

Comparison of performance for FY 2014 with FY 2013**Total Income****Revenue from Operations**

The sluggishness from the last year stretched into the current year too. Our efforts to build additional volumes with other major auto OEM's yielded results with new volumes from a new OEM. Our share in passenger cars went up by another 4% and operating revenues grew by about 13%, this was due to improved mix and price corrections in the raw material prices. Through our new plant at Manesar which started its operations during March, 2013 we were able to build up volumes in North India. This was aided by price corrections on input price. Company made nominal sales of ₹ 60 lacs of Engineering plastics (the new segment that was started, post the Kingfa acquisition). Revenue from operations includes income from services i.e; income from commission from sale of TOSAF masterbatches. The

‘orders’ booked and executed for TOSAF masterbatches grew by 15% which is reflected in the increase in Income from services

Other Income – Other income for the FY 2014 comprised mainly of interest income and dividend income. During the FY 2014, other income was ₹ 23.26 lacs as compared to ₹ 83.63 lacs in the previous year. Other income of the previous year included an amount of ₹ 71.25 lacs which was towards profit on sale of fixed assets which had increased the level of other income in the previous year.

Expenditure

Material Consumed - Our expenditure on material consumption increased to ₹ 15523.74 lacs in FY 2014 from ₹ 13636.37 lacs in FY 2013 i.e., an increase of 13%. The said increase was mainly on account of increase in procurement of raw material and packing material required to achieve higher production levels.

Employee Expenses - Our Employee expenses have increased considerably from ₹ 660.34 lacs in FY 2013 to ₹ 729.04 lacs in FY 2014, an increase of ₹ 68.70 lacs. This was mainly on account of increase in salaries and wages paid during that period.

Finance Charges – There has been a reduction in finance cost of the company by ₹ 41 lacs in FY 2014 as compared to FY 2013 on account of exchange loss in the previous year Rs. 70.86 .

Depreciation - The depreciation for FY 2014 was ₹ 265.731 lacs as compared to ₹ 281.85 lacs for FY 2013. The depreciation provided is lower due to the reduced amount considered under the written down value of the assets (used for calculating depreciation).

Other Expenses – Other expenses for FY2014 has increased by over 37 % i.e from ₹ 1331.48 lacs to ₹ 1826.55 lacs, mainly due to increase in power cost, professional and consultancy charges and rent paid by the company. The power charges increased due to hike in tariff rates and increased volume of production. Professional and consultancy charges have been increased due to the special services availed for marketing and sales growth purposes. The increase in rent expenses is mainly towards the rent paid for the full year for the Manesar plant building which was acquired on lease only for a part of the year during the previous year under comparison.

Loss

The net loss for the FY 2014 was ₹ 847.72 lacs as compared to ₹ 504.83 lacs for FY 2013. The loss mainly increased due to increase in other expenses.

Comparison of performance for FY 2013 with FY 2012

Total Income

Revenue from Operations–

The revenues from operations grew marginally by 4% over the previous year from ₹ 14941.03 to ₹ 15589.93. Orders booked and executed for TOSAF masterbatches dipped during the current year, reflecting the overall difficult economy and business climate. This led to a decrease in the income from services from ₹ 68.02lacs in FY 2013 to ₹ 69 lacs in FY 2012.

Other Income – During the FY 2013, the other income was ₹ 83.63 lacs as compared to ₹ 14.36 lacs in the previous year. Other income of the FY 2013 included an amount of ₹ 71.25 lacs towards profit on sale of fixed assets which had increased the level of other income as compared to the previous year under comparison.

Expenditure

Material Consumed - Our expenditure on material consumption increased to ₹ 13636.37 lacs in FY 2013 from ₹ 11998.99 lacs in FY 2012, i.e., an increase of 14%. The same is mainly on account of increase in procurement of raw material and packing material required to achieve higher production levels and raw materials price increase.

Employee Expenses—There has been a very marginal increase in our Employee expenses from ₹ 654.56 lacs in FY 2012 to ₹ 660.34 lacs in FY 2013. This was mainly on account of increase in salaries and wages paid during that period.

Finance Charges—There has been an increase in finance cost of the company by ₹41.51 lacs in FY 2013 as compared to FY 2012 on account of increase in interest bearing trade payables.

Depreciation - The depreciation for FY 2013 was ₹ 281.85 lacs as compared to ₹ 267.94 lacs for FY 2012. The depreciation provided, increased due to the additions made in fixed assets at the Manesar plant during the FY 2013.

Other Expenses—Other expenses for FY 2013 has increased by over 11% i.e from ₹ 1196.78 lacs to ₹ 1331.48 lacs mainly due to increase in power cost, professional and consultancy charges and research and development costs. The power charges has been increased due to hike in tariff rates, further, the wind mills owned by us had been disposed off during the year. Professional and consultancy charges has been increased due to special services availed for financial strategic advices. The increase in the Research and development expenses were due to an increased spend on the new models launched.

Loss

The net loss for the FY 2013 was ₹ 504.83 lacs as compared to profit of ₹ 2.49 lacs for FY 2012. The loss for the Financial Year under comparison increased mainly due to an increase in material costs, finance charges and other expenses.

Comparison of performance for FY 2012 with FY 2011**Total Income**Revenue from Operations—

Revenue from operations recorded an increase of 7% over the previous year though volumes remained flat. This was on account of the price revisions from the customers during the early part of the year. Orders booked and executed for Tosaf Compounds Limited (master batches) grew by 100%. The same is reflected from the higher Income from services which increased from ₹ 69 lacs in FY 2012 to ₹ 34.71 lacs in FY 2011

Other Income—During the FY 2012, other income was ₹14.36 lacs as compared to ₹ 12.14 lacs in the previous year. The increase is due to increase in interest income from deposits.

Expenditure

Material Consumed - Our expenditure on material consumption increased to ₹ 11998.99 lacs in FY 2013 from ₹ 11,502.06 lacs in FY 2012, i.e., a marginal increase of 4%, mainly on account of increase in production levels and increase in raw materials prices.

Employee Expenses - Our Employee expenses have increased from ₹ 640.50 lacs in FY 2012 to ₹ 654.56 lacs in FY 2011 i.e; an increase of ₹ 14.06 lacs. This was mainly on account of increase in salaries and wages paid during that period.

Finance Charges – There has been an increase in finance cost of the company by ₹ 190.52 lacs in FY 2012 as compared to FY 2011 on account of increase in interest on borrowings and also exchange variations.

Depreciation - The depreciation for FY 2012 was ₹ 267.94 lacs as compared to ₹ 269.09 lacs for FY 2011. The depreciation provided is lower due to the reduction in the written down value of the assets.

Other Expenses – Other expenses for FY 2012 has increased by over 8% i.e; from ₹ 1105.78 lacs to ₹ 1196.78 lacs mainly due to increase in power cost, research and development costs, freight outward costs and loss on sale/discard of assets. The power charges has been increased due to severe ongoing power cut in Pudukkottai, Tamil Nadu. Due to the power cuts, our plant had to use self generated power to meet its production volumes. The power cut also impacted evacuation of power generated by the Wind Energy Generators into the Utility Grid. Research and development costs increased due to the samples provided to new models launched. The freight outward charges increased due to hike in fuels prices.

Loss

The net profit for the FY 2012 was ₹ 2.49 lacs as compared to ₹ 104.80 lacs for FY 2011. The decrease in profit is due to increase in finance cost.

An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:

1. Unusual or infrequent events or transactions

There have been no events to the best of our knowledge, other than as described as above, which may be called “unusual” or “infrequent”.

2. Significant economic changes that materially affected or are likely to affect income from continuing operations

Government’s focus on Polymer Processing Industry shall have major bearing on the companies involved in it. Presently, majority of our products are supplied to the Tier 1 of the OEMs and hence 95% of our revenue comes from the Automotive industry. Any major changes in the policies of the Government affecting the Polymer processing and/ or the Automotive industry may have significant impact on our profitability.

3. Known trends or uncertainties

There are no known trends or uncertainties that have had or expected to have material adverse effect on revenue from operations except as described in chapter title ‘Material Developments’ beginning on page no. 156 of this Draft Letter of Offer

4. Future changes in relationship between costs and income

Our Company’s relationship between costs and income is largely dependent on the efficient sourcing strategy of raw material by the management and the overall demand and supply scenario of the Polymer Processing Industry. Any change in industry dynamics may have impact on the financials.

5. Status of any publicly announced new products or business segments

We have not publically announced any new products or business segment. However, we also plan to introduce newer Polybutylene terephthalate (PBT) Grades, Polyamide6/66 grades, Acrylonitrile butadiene styrene (ABS) High performance grades, ABS/PMMA (Poly[methyl methacrylate]) alloys and other range of Engineering plastics for the Automotive, Electronic, TV, Home Entertainment, Lighting, Media and other industries.

6. Seasonality of Business

The business in which our company is engaged is not seasonal.

7. Any significant dependence on a single or few suppliers or customers

During the financial year F.Y. 2013-14, 61.63% of the raw material was procured from Reliance Industries Limited and Indian Oil Corporation Limited, collectively. Also 13.33% of our revenues came from the supply of our products to Hanil Automotive India Pvt Ltd. Further, our top ten clients for the Financial Year 2013-14 contributed to around 66.73% of our turnover.

8. Competitive Conditions

We face competition in the Polymer Processing Industry from existing and potential competitors which is common for any business.

MARKET PRICE INFORMATION

The high, low and average market prices of the Equity Shares of face value of ₹ 10/- each during the preceding three years were recorded, as stated below:

BSE							
Fiscal Year	Date of High	High (₹)	Volume on date of High (No. of Shares)	Date of Low	Low (₹)	Volume on Date of low (No. of Shares)	Average (₹)
2014	28/11/2014	269.95	21,084	10/3/2014	33.10	1,918	98.76
2013	27/8/2013	42.25	10,220	11/4/2013	11.61	4	27.89
2012	23/4/2012	22.90	53,361	20/9/2012	13.21	2,723	15.56

Source: www.bseindia.com

Monthly high and low prices and trading volumes on the Stock Exchanges for the six months preceding the date of filing of the Draft Letter of Offer is as stated below:

BSE							
Month	Date	High (₹)	Volume (No. of Shares)	Date	Low (₹)	Volume (No. of Shares)	Average (₹)
April, 2015	1/04/2015	289.00	2,491	28/04/15	195.00	2,096	226.32
March, 2015	5/3/2015	305	2,022	26/3/2015	221	1,14,283	263.77
February, 2015	19/2/2015	332.5	13,822	11/2/2015	244	8,620	276.20
January, 2015	19/1/2015	285.85	40,914	9/1/2015	180.1	3,439	231.74
December, 2014	1/12/2014	264.4	10,450	31/12/2014	183	16,120	214.14
November, 2014	28/11/2014	269.95	21,084	12/11/2014	192.15	38,464	239.88

Source: www.bseindia.com

Notes

- There have been no trading on Madras Stock Exchange Limited for the above mentioned period.
- Average price is calculated on daily closing prices.
- In case of two days with the same closing price, the date with higher volume has been considered.

Closing market price on the date of the Board resolution of approving the Issue

The closing prices of Equity Shares as on April 12, 2015 (the date of Board Meeting on which the Board resolution was passed approving the Rights Issue) on BSE was ₹ 201.30 and the closing price of Equity Shares on April 13, 2015 (the trading day immediately following the day on which the Board resolution was passed approving the Rights Issue) on BSE was ₹ 203.90.

FINANCIAL INDEBTEDNESS

The details of loan details as certified by our statutory auditor M/s. P. Srinivasan & Co., Chartered Accountants vide certificate dated April 17, 2015 is as under:

Particulars	State Bank of India	Citibank	ICBC	ECB from Kingfa	ECB from Kingfa
Nature of Loan	Term Loan/ Working Capital Loan	Term Loan/ Working Capital Loan	Term Loan/ Working Capital Loan	External Commercial Borrowings	External Commercial Borrowings
Object of the Loan	To finance the specific asset and part finance the expansion project	To part finance the expansion project	To part finance the expansion project	To part finance the Capital Equipments	General Corporate purposes
Date of sanction	December 21, 2002	January 10, 2014	July 30, 2014	October 17, 2013	January 29, 2014
Sanction & Disbursed Amount (₹. in lacs)	5075.00	6000.00	1800.00	614.20	861.42
Outstanding as at December 31, 2014 (₹. in lacs)	(-29.29)	4288.95	1800.00	633.30	886.62
Rate of Interest on the Loan as per original sanction letter	13%	10.75%	10.4%	Libor +350BPS	Libor +350BPS
Rate of Interest on the Loan	16.75%	10.75%	10.4%	Libor +350BPS	Libor +350BPS
Security	First Charge on Inv & Debts and Pari passu Second Charge on Fixed assets	NIL	NIL	NIL	NIL
Repayment Schedule	-	Six months with a validity of 1 year. Facility to be renewed periodically. Validity extended till January 23, 2016	One year. Facility to be renewed periodically	7 ^{1/2} Years	7 ^{1/2} Years

Note :

- The amount outstanding towards working capital facilities availed in consortium with State Bank of India (lead Bank) and Canara Bank, have since been repaid. However the company is in the process of closing the charges and getting back the documents from the said Bankers.
- Except as state above :
 - The company has not availed of any unsecured loan which can be recalled by the lenders at any time.
 - The company has not made any investment in debt instruments which are unsecured or which carry interest rate lower than the market rate.

SECTION VII – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND DEFAULTS

Except as described below there are no outstanding litigation, suits or criminal or civil proceedings or tax liabilities against our Company, our Promoter, Directors or Group Companies or any other person, whose outcome would have a material adverse effect on our business. Except as stated below, there are no defaults, non-payment or overdues of statutory dues, institutional or bank dues or dues payable to instrument holders such as holders of any debentures, bonds and fixed deposits and arrears on preference shares that could have a material adverse effect on our business as of the date of this Draft Letter of Offer.

Furthermore, except as stated below, in the last five years preceding the date of this Draft Letter of Offer, there have been (a) no instances of material frauds committed against our Company; (b) no inquiries, inspections or investigations initiated or conducted under the Companies Act or any previous companies law in the case of our Company and no prosecutions have been filed (whether pending or not), fines imposed or compounding of offences for our Company; (c) no litigation or legal action pending or taken by any ministry or department of the government or any statutory body against the Promoter.

Except as described below, there are no proceedings initiated for economic offences (including past cases if found guilty) or any disciplinary action taken by SEBI or any stock exchange, penalties imposed by any authorities against our Company and Directors and no adverse findings in respect of our Company, as regards compliance with securities laws. Further, except as described below, there are no instances where our Company or Directors have been found guilty in suits or criminal or civil prosecutions, or proceedings initiated for economic or civil offences or any disciplinary action by SEBI or any stock exchange, or tax liabilities.

Except as disclosed below there are no (i) litigation against the Directors involving violation of statutory regulations or alleging criminal offence; (ii) past cases in which penalties were imposed by the relevant authorities on the Company and the Directors; (iii) outstanding litigation or defaults relating to matters likely to affect the operations and finances of our Company, including disputed tax liabilities and prosecution under any enactment in respect of Schedule V to the Companies Act, 2013; and (iv) any creditors to whom our Company owes a sum exceeding ₹ 0.1 million which is outstanding more than 30 days and dues to micro, small and medium enterprises as defined under the Micro, Small and Medium Enterprises Act, 2006.

Except as stated below, there are no litigations against any other person whose outcome may have a material adverse effect on the position of our Company. Unless stated to the contrary, the information provided below is as of the date of this Draft Letter of Offer.

I. Proceeding involving our Company:**a. Proceedings against our Company**

- I. A labour dispute has been filed by the former employees of our Company, previously employed in Company's Puducherry manufacturing facility on the grounds of unlawful termination and non-payment of statutory dues. The preliminary application filed by the employees in the Industrial Tribunal was awarded in favour of the employees through an ex-parte order number ID/5/2002 dated 01 June 2011.

Our Company has filed a petition dated 20th July 2011 in the Industrial Tribunal to set aside the said award which is pending for disposal. In the meantime the petitioners through the labour commissioner of Puducherry sent a notice to recover the sum awarded on 14th August 2012.

Our Company approached the Hon'ble High Court of Madras seeking interim-injunction restraining the first respondent from recovering the sum awarded and to quash the recovery notice issued by the petitioner. The Hon'ble High Court of Madras sanctioned the injunction for a period

of 4 weeks dated 27th August 2012. The Company then filed a petition before the Hon'ble High Court of Madras asking for a permanent injunction on the recovery, which was awarded by the Hon'ble High Court of Madras on 04th October 2012. Hence no recovery proceeding followed after the expiry of the period of injunction.

As per the notice of recovery the liability on our Company is approximately ₹ 62,90,846/-. However, the same has not been quantified till date under any proceedings before any Authority. In the interim, the Company has settled out of court with 3 of the petitioners at an aggregate sum of ₹ 10,25,000/-. The Management of our Company is expecting to settle the matter with the other petitioners. If the matter is settled then the Company is contemplating the further liability of approximately ₹ 40,00,000/-, for which provision has been made in the Books of accounts.

- II. The Company has a leased land (Plot No. J-6, P.S. Singur, Dist. Hooghly, West Bengal) of around 1.55 acres for an allotment period of 90 years. The Company has paid an amount of Rs 23.25 lacs to West Bengal Industrial Development Corporation (WBIDC), ie the Lessor for the same. The lease deed has not been executed till date. Nevertheless, the Lessor has received the possession letter dated 27 June 2007. As per the terms of the allotment letter the lease deed is required to be executed within 60 days from the date of receiving the possession, the same is yet to be done. It may be noted that the present allotment and lease was made to the Lessee under TATA Small Car Project, to be set up in Singur. However, the said project has run into dispute between the TATA group and the Government of West Bengal. Our Company expects any progress in this matter, only after the High Court/ Supreme Court settles the appeal filed by the TATA group.

b. Notices received by our Company -

Under Income-tax Act, 1961:

1. Our company has received an assessment order dated 31 December 2009 for the assessment year 2007-08 with a notice of demand for ₹ 6,04,840/- from the Assistant Commissioner of Income tax, Company Circle - II (2), Chennai - 600034 by assessing with the disallowance of claim of deduction under section 80 IA and section 14A of the Income-tax Act, 1961. Our company had filed an appeal before the C.I.T. (Appeals) III, Chennai - 600034 on 29th January 2010. The matter is still pending for adjudication.
2. Our company has received an assessment order dated 29 December 2010 for the Assessment Year 2008-09 with a notice of demand for ₹10,88,885/- from the Additional Commissioner of Income tax, Company Range - II, Chennai -600034 by assessing the taxable income of our company with the disallowance of claim of deduction under section 80 IA, section 80IBand section 14A of the Income-tax Act, 1961. Our company had filed an appeal dated 21 January 2011 before the C.I.T. (Appeals) III, Chennai - 600034. The matter is still pending for adjudication.
3. Our company has received an assessment order dated 23 December 2011 for the Assessment Year 2009-10 with a notice of demand served on 05 January 2012 for ₹ Nil/- from the Assistant Commissioner of Income tax, Company Range - II, Chennai - 600034 by assessing the taxable income of our company with the disallowance of certain expenditures and disallowance under section 14A of the Income-tax Act, 1961. The loss of ₹ 3,94,30,667/- returned by our company with a reduction. Our company had filed an appeal dated 23 January 2012 before the C.I.T. (Appeals) III, Chennai - 600034. The matter is still pending for adjudication.
4. Our company has received an assessment order dated 12 March 2013 for the Assessment Year 2010-11 with a notice of demand for ₹ 1,72,840/- from the Deputy Commissioner of Income tax, Company Circle - II (2), Chennai - 600034 by assessing the taxable income of our company with the disallowance section 14A of the Income-tax Act, 1961. Our company had filed an appeal-dated 12 April 2013 before the C.I.T. (Appeals) III, Chennai - 600034. The matter is still pending for adjudication.

5. Our company has received an assessment order dated 18 March 2014 for the assessment year 2011-12 with a notice of demand for ₹ 26,38,810/- from the Deputy Commissioner of Income tax, Company Circle - II (2), Chennai - 600034 by assessing the taxable income of our company with the disallowance under section 14A of the income-tax Act, 1961 and by applying regular corporate tax rate instead of Minimum Alternate Tax at 18.5% on book profits. Our company had filed an appeal dated 18.04.2014 before the C.I.T. (Appeals) III, Chennai – 600034 on 14 April 2014. The rectification for this order dated 29 April 2014 has been received with a tax demand of ₹ 80,330/-. The appeal is still pending for adjudication.

Under Central Excise Act, 1944 and Finance Act, 1994

1. Our Company received four show cause cum demand notices bearing reference no.s V/CH.39/15/75/2011 dated 11.08.2011 for ₹ 1,37,219 , SCN V/CH/39/129/2012 dated 22.3.212 for ₹ 1,06,941, SCN V/CH/39/15/152/2012 dated 19.11.2012 for ₹ 1,38,482 from the Assistant Commissioner, Office of the Assistant Commissioner of Central Excise, Thanjavur and S.C.N. 949/2010 dt.01.11.10 for ₹ 74,160 from Superintendent of Central Excise, Pudukkottai in respect of Availment of CENVAT credit of service tax on Annual maintenance and security contract at Wind mill site. Our company filed reply dated 03.10.2011 for the show cause notice of V/CH.39/15/75/2011 and reply dated 29.11.2010 for the show cause notice of S.C.N. 949/2010. The other show cause notices are not replied as the matter is similar to the other notices. The matters are pending before the Assistant Commissioner, Office of the Assistant Commissioner of Central Excise, Thanjavur and Superintendent of Central Excise, Pudukkottai
2. Our Company received five show cause notices bearing reference no.s SCN /IV/16/34/2011 - UCD 11/2011 dated 16.03.11 for ₹ 46,949, 32/2010 dated 26.07.2010 for ₹ 1,10,840, S C No: 16/2012 dated 02.05.2012 for ₹ 1,21,750, SCN No. 11/2013 dated 23.01.2013 for ₹ 1,10,974 and SCN No. 12/2013 dated 05.03. 2013 for ₹ 4,16,538 issued by the Assistant Commissioner of Central Excise, Pondicherry Commissionerate in respect of wrong availment of Cenvat Credit on service tax paid for outward Freight and Irregular availment of Cenvat Credit of Service Tax on Security, Rent a cab, insurance and Outward Courier Charges. Our company filed replies dated 18.05.2011, 25.08.2010, 11.06.2012, 23.02.2013, 16.04.2013 for the show cause notices respectively. The matters are still pending before the Assistant Commissioner of Central Excise Pondicherry Commissionerate .
3. Our Company received Show cause notice bearing reference no. SCN C No. V/STC/15/22/2008 dated 08.07.2008 and further order no. 14/2008 dated 10.10.2008 issued by the Assistant Commissioner, Office of the Assistant Commissioner of Central Excise, Thanjavur for an amount of ₹ 2,41,501/- in respect of wrong availment of service tax credit at our Pudukkottai plant. We filed an appeal 18.12.2008 against this order before the Commissioner of (Appeals), Central Excise, Trichy. The matter is still pending before the Commissioner of (Appeals), Central Excise.

Under Tamil Nadu General Sales tax Act, 1959

1. Our company received an assessment order under TNGST Act vide order no. TNGST 0640213/2005-06 dated 10 September 2011 served on 12 October 2011 with a sales tax demand on sale of machineries of ₹ 1,61,930/- along with a total penalty of ₹ 3,80,245/-. Our company has filed an appeal dated November 07, 2011 with Appellate Deputy commissioner (CT) IV, Chennai. We have got relief for this demand and penalty vide order AP.No. 36/2011 dated 01 March 2012. The department has preferred an appeal which is pending before the Tamil Nadu Sales Tax Appellate Tribunal (Main Bench) Chennai for adjudication.
2. Our company received a CST assessment order under TNGST Act vide order no. CST/33373/2006-07 dated 30 March 2012 served on 14 May 2012 with a sales tax demand by proposing higher rate of tax ie. 10% on turnover for ₹ 2,59,286/- along with a penalty of ₹ 84,312/-. Our company has filed an appeal dated 15 June 2012 before the Appellate Deputy commissioner (CT) IV(FAC), Chennai. We have obtained relief for this demand and penalty vide

appeal no. 36/2012 dated 24.09.2012. The department has preferred an appeal which is pending before the Tamil Nadu Sales Tax Appellate Tribunal (Main Bench) Chennai for adjudication.

3. Our company received a demand notice from DCTO, Ranipet check post, Serkadu, vide GDN No. 144/2012-13 dated 07 November 2012 for a tax and compounding fee of ₹ 82,161/- stating that the goods were transported by our company with out the transit pass. We have filed a petition before the Joint Commissioner (CT), Vellore Division, Vellore for relief dated 16 November 2012. . The matter is pending before the Joint Commissioner (CT), Vellore Division, Vellore for adjudication
4. Our company received a sales tax demand notice from Check post officer, Kandamangalam Check Post, Lingareddy Palayam vide GDN No. 3155//2012-13 dated 03/07/2012 for a compounding fee of ₹ 1,68,300/- stating the goods were transported with out the transit pass. We have filed a petition before the Joint Commissioner (CT), Vellore Division, Vellore for relief dated 05 July 2012. The matter is pending before the Joint Commissioner (CT), Vellore Division, Vellore for adjudication.
5. Our company received a sales tax demand notice from DCTO, Kandamangalam Check Post, Lingareddy Palayam vide GDN No. 36/2012-13 dated 16 August 2012 for a tax and compounding fee of ₹ 1,13,488/- stating the goods were transported without the transit pass. We have been paid tax amount of ₹ 43,816/- under protest against the writ petition order made by the Honourable High court under which the direction were given for the adjudication process. Subsequently we have been filed a petition before the Joint Commissioner (CT), Vellore Division, Vellore for relief dated 04 February 2013. The matter is pending before the Joint Commissioner (CT), Vellore Division, Vellore for adjudication.

Under Customs Act, 1962

1. Our company received a show cause cum demand order No.6819/2007 dt 06 November 2007 from the Commissioner of Customs, Chennai in respect of differential customs duty on machinery imported for the Pudukkottai project with a demand of ₹ 26,78,241/-. Our company filed an appeal with the Commissioner of Customs (Appeals), Chennai on 28th December 2007 and got the stay order vide no.605/09 dated 2 July 2009. The matter is still pending before the Commissioner of Customs (Appeals), Chennai for adjudication.

c. Notices issued by our Company

We have placed a order for purchasing FRP COOLING TOWER from JC EQUIPMENTS PVT LTD ('the Vendor'), Coimbatore for ₹ 1,01,255/-. As per the terms of the said purchase order, the vendor had to deliver the machine within 30 days from the date of receipt of the advance payment. Our Company had made a payment of ₹ 27,000 towards advance and the balance payment of ₹ 74,255/- was also made later. In spite of making full payment to the Vendor, the machine was not delivered to our company inspite of several reminders. The Company had issued a legal notice to them vendors for refund of the money paid.

II. Proceedings involving our Promoter

a. Proceedings against/ by our Promoter - NIL

b. Notices against/ issued by our Promoter - NIL

III. Proceedings involving our Directors

a. Proceedings against/ by our Directors - NIL

Our Managing Director Mr Bo Jingen and Our Whole-time Director Mr. Xiaohui Wu has made a suo-motu application before the Honorable Company Law Board, Chennai Bench for compounding an offense under section 269 of the Companies Act, 1956 and 203 of Companies Act, 2013 on May 20, 2015, for holding the position of the Managing Director after the Central Government did not accord the approval of its appointment as Managing Director and Whole-time Director respectively in the Company, as the appointees did not possess an employment visa. The Honorable Chennai bench of Company Law Board could levy a maximum penalty of Rs 5,000 per day the offense continued.

b. Notices against/ issued by our Directors – NIL

IV. Proceedings involving our Group Companies

a. Proceedings involving our Group Companies: Nil

b. Notices involving our Group Companies - NIL

MATERIAL DEVELOPMENTS

Material Developments since the last Audited Accounts

Our operations maybe affected on account of downfall/volatility in crude oil prices resulting in volatility in raw material prices. This volatility in prices is likely to affect our margins and may also result in inventory /stock losses. Other than as mentioned above there are no circumstances have arisen since December 31, 2014 (i.e., the date of the last financial statement as disclosed in the Draft Letter of Offer) which are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months

GOVERNMENT APPROVALS

Except as stated below, our Company has received the necessary consents, licenses, permissions and approvals from the Government of India and various governmental agencies required for our present business and to undertake the Issue and no further material approvals are required for carrying on our present activities. In addition, except as mentioned in this chapter “Government Approvals”, as on the date of the Draft Letter of Offer, there are no pending regulatory and government approvals and no pending material renewals of licenses or approvals in relation to the activities undertaken by the Company or in relation to the Issue other than those mentioned below.

I. Approvals for the Issue

1. Board resolution dated May 12, 2015 approving the Issue;
2. In-principle approval from Stock Exchange dated [●];

II. General

- Permanent Account Number of our Company is AAACHO931N

III. Approvals in relation to the business of our Company

Our Company requires various approvals and/or licenses under various rules and regulations to conduct our business. Following are the business approvals with the Company:

- Certificate of Importer-Exporter Code (IEC) , No. IEC No. 0488010306 dated June 28, 1988 issued by Foreign Trade Development Officer, Office of Joint Director General of Foreign Trade.
- Registration under the Tamil Nadu Industrial Establishment (National and Festival Holidays) Rules, 1959 No.: 732/05 dated January 02, 2006, issued by Assistant Inspector of labour, 33, Venkatanarayana Road

Gurgaon Factory

- Certificate of Registration for Sales Tax and Central Sales Tax No.: 06781824484 dated September 09, 2014 issued by Notified Authority AETO
- Registration under Service Tax no. AAACH0931NSD005 dated December 05, 2012 issued by Office of the Superintendent of Central Excise Service Tax range II- Haryana
- Central Excise Registration no. AAACH0931NEM010 dated October 30, 2012 issued by Central Excise Division III
- Value Added tax Registration Certificate no. - TIN 06781824484 dated December 19, 2012, issued by Assessing Authority – Commercial tax department .
- Registration and License to work a factory no. GGN-ONLINE-GGN-H-13 dated August 16, 2013, issued by Chief Inspector of Factories , valid upto 31 December 31, 2017
- Consent under Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981 and Hazardous Waste (Management and Handling) Rules, 1989, No: 2845014GUSOCTO321912 dated April 01, 2013, issued by State Pollution Control Board and is valid up to March 31, 2016
- NOC from State Fire Prevention and Safety Act no Ref.no.F.S.2014/1364/210 dated January 28, 2014, issued by Fire station Officer and was valid upto December 23, 2014. Application for renewal dated December 22, 2014 has been made by us. Approval awaited.
- Contract Labour - Certificate of Registration no. CLA/ALC/GGN/N0692 dated December 20, 2013, issued by Additional Labour Commissioner, Gurgaon, valid till December 31, 2016

Puducherry Factory

- Central Sales Tax Registration No.: 34380007820 dated November 08, 1994, issued by Commercial Tax Officer Registration- Pondicherry .

- Service Tax no.AAACH0931NST001 dated February 23, 2005, issued by Office of the Superintendent of Central Excise Service Tax range III- E- Puducherry
- Central Excise Registration no. AAACH0931NXM001 dated April 01, 2003, issued by Assistant Commissioner of Central Excise- Puducherry II Division
- Value Added tax Registration Certificate no- TIN 34380007820 dated December 06, 2007, issued by Deputy Commercial Tax Officer- Pondicherry
- Employee state Insurance registration Certificate no. 55000212390000205 issued by Employee State Insurance Corporation .
- Professional Tax - Certification of under the Pondicherry, Registration No. 44/95 issued by Commissioner Villianur Commune Panchayat – Pondicherry
- Registration and License to work a factory no.PVC369, originally issued on April 03, 1995 by Chief Inspector of Factories- Puducherry, valid up to December 31, 2015.
- Allotment Code under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 no. PC/644 dated March 29, 1996, issued by Regional Provident Fund Commissioner, Tamil Nadu, and Pondicherry States.
- Consent under Water (Prevention and Control of Pollution) Act, 1974, Consent under Air (Prevention and Control of Pollution) Act, 1981 and Hazardous Waste (Management and Handling) Rules, 1989 License Number: PPCC/CON/WTR/VCP/EE/2009/624 dated October 22, 2009, issued by Pollution Control Committee was valid until December 2012. We have made our application for renewal on October, 08, 2012 which is still pending for renewal. Reminder letters dated August 22, 2013 and December 22, 2014 have been sent by us.
- NOC from State Fire Prevention and Safety Act no. RC.No.47/FSD/ADFO(S)/FPW/NOC/2012/714 dated June 07, 2012, issued by Divisional Fire Officer-puducherry
- Contract Labour - Certificate of Registration no. 17/99/CL/Reg dated November 08, 1999 issued by Registering Officer under the Contract Labour (Regulation and Abolition Act). Valid until March 31, 2016
- Registration under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 no. 2341/SIA/IMO/98 dated November 10, 1998, issued by Public Relations and Compliance officer, Entrepreneurial Assistance Unit, Secretariat of Industrial Assistance

Pune Factory

- Certificate of Registration for Sales Tax and Central Sales Tax No.: 27760382098C dated April 01, 2006, issued by Sales Tax Officer Registration- Pune
- Service Tax no. AAACH0931NST004 dated April 25, 2007, issued by Central Excise III
- Central Excise Registration no. AAACH0931NXM005 dated September 07, 2007, issued by Assistant Commissioner of Central Excise- Pune IX Division
- Value Added tax Registration Certificate no. TIN 2760382098V dated April 01, 2006, issued by Sales Tax Officer Registration Pune
- Professional Tax - Certification of Registration under Maharashtra State Tax on Professions, Trades, Callings and Employment Act, 1975, Registration No. 27760382098P dated November 19, 2008, issued by Professional Tax Officer, Pune Division
- Registration and License to work a factory no. 25209 dated August 20, 2007, issued by Deputy Chief Inspector of factories, valid until December 31, 2015.
- Allotment Code under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 no. MH/PUN/300399/CIRCLE-II/343 dated May 22, 2008, issued by Regional Provident Fund Commissioner, Regional Office, Pune (Employee of Gurgaon factory are attached to Pune PF
- Consent under Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981 and Hazardous Waste (Management and Handling) Rules, 1989 No. MPCB/14/07452 dated August 07, 2014, issued by Regional Officer Pune- Maharashtra Pollution Control Board, valid upto March 31, 2018.
- NOC from State Fire Prevention and Safety Act no. MIDC/FIRE/2278/14-Pune dated August 30, 2014, issued by Maharashtra Industrial Development Corporation-Pune, valid upto August 28, 2015.
- Contract Labour - Certificate of Registration no. P.N.-2716 dated January 21, 2014, issued by

Assistant Commissioner of Labour Registering and Licensing Officer under Contract Labour Act, 1970-Pune, valid upto December 31, 2015.

- Registration under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 no. 270251300080 dated September 11, 2012, issued by Directorate of Industries
- Petroleum and Explosives Safety organization (PESO) no. P/WC/MH/15/2161(P221713)-Pune dated May 19, 2009, issued by Controller of Explosives-Joint Chief Controller of Explosives, Mumbai, valid upto December 31, 2015.

Chennai Head Office

- Service Tax no. AAACH0931NST003 dated April 25, 2007, issued by Central Excise Officer, Service Tax – I, Chennai
- Value Added tax Registration Certificate no. TIN – 33760640213 dated January 05, 2007, issued by Commercial Tax Officer- Chennai.
- Employee state Insurance registration Certificate no. 51-57-024190-001-0699-602 dated March 15, 2011, issued by Employee State Insurance Corporation
- Professional Tax - Certification of under the Tamil Nadu Panchayats Act, 1994, Registration No. 06080PE0072, issued by Professional Tax Officer, Corporation of Chennai
- Allotment Code under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 no. TN/84830 dated May 28, 2012, issued by Assistant Provident Fund Commissioner.

Warehouses

- Certificate of Registration for Sales Tax and Central Sales Tax, Registration No.: 33373 dated May 05, 1986, issued by Commercial Tax Officer Registration- Chennai for our Chennai warehouse.
- Central Excise Registration no. AAACH0931NEM014 (Manufacturer's depot) & AAACH0931NEI016 (Trading) dated January 21, 2015 & February 27, 2015, respectively for our Chennai Warehouse. Issuing authority: Assistant commissioner of Central Excise – Maraimalai Division.
- Central Excise Registration no. AAACH0931NEM008 dated August 03, 2010, issued by Deputy Commissioner of Central Excise- Div V Ahmedabad for our Ahmadabad warehouse.
- Central Excise Registration no. AAACH0931NEM009 dated September 30, 2010, issued by Assistant Commissioner of Central Excise- Division III for our Gurgaon warehouse
- Central Excise Registration no. AAACH0931NED013 dated November 21, 2014, issued by Deputy Commissioner of Central Excise- II Division Bangalore for our Bangalore warehouse
- Value Added tax registration certificate no. TIN – 24074502937 dated March 18, 2011, issued by Commissioner of Commercial Taxes for our Ahmadabad warehouse.
- Value Added tax registration certificate no. TIN – 29611110763 dated December 08, 2012, issued by Assistant Commissioner of Commercial Taxes V.O.025 (ADDL)/ VTR -2, Bangalore, for our Bangalore warehouse

Trademarks

All the marks currently being used by our Company in relation to our business operations and the status of registration of trademarks under Trademarks Act, 1999, are set forth in table below:

Sl. No	Title of Document	Registration Number	Issuing Authority	Issuance & Validity Date
(i)	Trademark - HYPRENE logo	1047544	Registrar of Trademarks	September 26, 2001 Valid upto – September 26, 2021
(ii)	Trademark – HYPRENE logo	1047543	Registrar of Trademarks	September 26, 2001 Valid upto – September 26, 2021

Sl. No	Title of Document	Registration Number	Issuing Authority	Issuance & Validity Date
(iii)	Trademark – HYPRENE logo	1047550	Registrar of Trademarks	September 26, 2001 Valid upto – September 26, 2021
(iv)	Trademark – HYPRENE logo	1047549	Registrar of Trademarks	Approved and published in the Trademark Journal, but in database, status is shown as pending
(v)	Trademark – HYFIL	1047545	Registrar of Trademarks	September 26, 2001 Valid upto - September 26, 2021
(vi)	Trademark – HYFIL	1047546	Registrar of Trademarks	September 26, 2001 Valid upto - September 26, 2021
(vii)	Trademark – XTRUGLAS	1047547	Registrar of Trademarks	September 26, 2001 Valid upto - September 26, 2021
(viii)	Trademark – XTRUGLAS	1047548	Registrar of Trademarks	September 26, 2001 Valid upto - September 26, 2021
(ix)	Trademark – HSSIL Logo	1775837	Registrar of Trademarks	January 20, 2009 Valid upto –January 20, 2019
(x)	Trademark – HSSIL Logo	1775838	Registrar of Trademarks	January 20, 2009 Valid upto –January 20, 2019
(xi)	Trademark – HSSIL Logo	1775838	Registrar of Trademarks	January 20, 2009 Valid upto –January 20, 2019
(xii)	Trademark – HSSIL Logo	1775839	Registrar of Trademarks	January 20, 2009 Valid upto –January 20, 2019
(xiii)	Trademark – Hydro S&S	1775842	Registrar of Trademarks	January 20, 2009 Valid upto –January 20, 2019

The Puddukottai factory of our company has been closed down since 30th April 2014 and the inspector of factories have been informed of the same vide letter dated 12th June 2014.

Application for renewal

We have made applications for renewal of our approvals, details of the same are as mentioned below:

- Application dated December 22, 2014 for renewal of NOC from State Fire Prevention and Safety Act no Ref.no.F.S.2014/1364/210 dated January 28, 2014 which was valid upto December 23, 2014.
- We have made our application dated October, 08, 2012 for renewal of our Consent under Water (Prevention and Control of Pollution) Act, 1974, Consent under Air (Prevention and Control of Pollution) Act, 1981 and Hazardous Waste (Management and Handling) Rules, 1989, License Number: PPCC/CON/WTR/VCP/EE/2009/624 dated October 22, 2009 which was valid until December 2012. The same is still pending for renewal Reminder letters dated August 22, 2013 and December 22, 2014 have been sent.

OTHER REGULATORY AND STATUTORY DISCLOSURES**Authority for the Issue**

This Issue of Equity Shares to the Equity Shareholders of our Company as on the Record Date is being made in accordance with the resolution passed by our Board of Directors at their meeting held on May 12, 2015.

Prohibition by SEBI and various agencies/ other regulatory bodies

Our Company, our associates, our Promoter, our Promoter Group companies, or the companies with which the Directors are associated as directors or promoters, have not been prohibited from accessing or operating in the capital market under any order or direction passed by SEBI.

None of our Company, our associates, our Promoter or the members of the Promoter Group have been declared willful defaulters by the RBI or any Government authority and no violations of securities laws have been committed by them in the past and no proceedings in relation to such violations are currently pending against them.

None of our Directors are associated in any manner with any entity which is engaged in securities market related business and is registered with SEBI for the same.

None of our Directors hold current or have held directorship(s) in the last five years in a listed company whose shares have been or were suspended from trading on BSE or the NSE or in a listed company which has been / was delisted from any stock exchange.

We confirm that there are no proceedings initiated by SEBI, Stock Exchange or ROC, etc on our Company/Promoters/Directors/Group Companies.

Eligibility for the Issue

Our Company is an existing listed company registered under the Companies Act whose equity shares are listed on BSE. It is eligible to make this Rights Issue in terms of Chapter IV of the SEBI Regulations.

Pursuant to clause (2) of part E of Schedule VIII of the SEBI Regulations, our Company is eligible to make an offer this Issue in terms of Part A of Schedule VIII of the SEBI Regulations

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE OFFER DOCUMENT HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE OFFER DOCUMENT TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED / CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS OFFER DOCUMENT. THE LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MANAGER

IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MAY 12, 2015 WHICH READS AS FOLLOWS:

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATIONS LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE OFFER DOCUMENT PERTAINING TO THE SAID ISSUE;
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:
 - a) THE OFFER DOCUMENT FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - b) ALL THE LEGAL REQUIREMENTS TO THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
 - c) THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE COMPANIES ACT 2013, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE OFFER DOCUMENT ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS – NOT APPLICABLE AS THE ISSUE IS NOT UNDERWRITTEN.
5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE OFFER DOCUMENT WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE OFFER DOCUMENT. – NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.

6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUES OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE OFFER DOCUMENT – NOT APPLICABLE AS THE PRESENT ISSUE IS A RIGHTS ISSUE.
7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. - NOT APPLICABLE.
8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE "MAIN OBJECTS" LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.
9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONIES RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB SECTION (3) OF SECTION 40 OF THE COMPANIES ACT, 2013 AND THAT SUCH MONIES SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE DRAFT LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKER TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. – NOTED FOR COMPLIANCE
10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE OFFER DOCUMENT THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.
11. WE CERTIFY THAT ALL APPLICABLE DISCLOSURES MANDATED IN SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN THE ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE OFFER DOCUMENT:
 - a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE ISSUER AND

- b) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO THE ADVERTISEMENT IN TERMS OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE – NOTED FOR COMPLIANCE.
14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE ETC.
15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE OFFER DOCUMENT WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.
16. WE ENCLOSE STATEMENT ON ‘PRICE INFORMATION OF PAST ISSUES HANDLED BY KEYNOTE CORPORATE SERVICES LIMITED’ AS PER FORMAT SPECIFIED BY THE BOARD THROUGH CIRCULAR. - NOT APPLICABLE.
17. WE CERTIFY THAT THE PROFITS FROM RELATED PARTY TRANSACTIONS HAVE ARISEN FROM LEGITIMATE BUSINESS TRANSACTIONS - COMPLIED WITH TO THE EXTENT OF THE RELATED PARTY TRANSACTION REPORTED, IN ACCORDANCE WITH AS-18 IN THE FINANCIAL STATEMENTS AND DISCLOSURES INCLUDING DRAFT LETTER OF OFFER

THE FILING OF THE OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 34 OR SECTION 36 OF THE COMPANIES ACT 2013 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.

THE PROMOTER/ DIRECTORS OF OUR COMPANY CONFIRM THAT NO INFORMATION/ MATERIAL LIKELY TO HAVE A BEARING ON THE DECISION OF INVESTORS IN RESPECT OF THE SHARES OFFERED IN TERMS OF THE OFFER DOCUMENT HAS BEEN SUPPRESSED WITHHELD AND/ OR INCORPORATED IN THE MANNER THAT WOULD AMOUNT TO MIS-STATEMENT/ MISREPRESENTATION AND IN THE EVENT OF ITS TRANSPIRING AT ANY POINT IN TIME TILL ALLOTMENT/ REFUND AS THE CASE MAY BE, THAT ANY INFORMATION/ MATERIAL HAS BEEN UPSPRESSED/ WITHHELD AND/ OR AMOUNTS TO A MIS-STATEMENT/ MISREPRESENTATION, THE PROMOTERS/ DIRECTORS UNDERTAKE TO REFUND THE ENTIRE APPLICATION MONIES TO ALL SUBSCRIBERS WITHIN 7 DAYS THEREAFTER WITHOUT PREJUDICE TO THE PROVISIONS OF SECTION 34 OF THE COMPANIES ACT, 2013.

Caution

Investors that apply in this Issue will be required to confirm and will be deemed to have represented to our Company and the Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any

person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. Our Company, the Lead Manager and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares in the Issue.

Disclaimer clauses from our Company and the Lead Manager

Our Company and the Lead Manager accept no responsibility for statements made otherwise than in this Draft Letter of Offer or in any advertisement or other material issued by our Company or by any other persons at the instance of our Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Manager and our Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer with SEBI.

Investors who invest in this Issue will be deemed to have represented to our Company and Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares, and are relying on independent advice / evaluation as to their ability and quantum of investment in this Issue.

Disclaimer with respect to jurisdiction

This Draft Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations thereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue will be BSE.

Disclaimer Clause of BSE

BSE has given vide its letter no. [●] dated [●] permission to our Company to use BSE's name in this Draft Letter of Offer as one of the Stock Exchange on which the Equity Shares are proposed to be listed. BSE has scrutinized the Draft Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. BSE does not in any manner: (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Letter of Offer; or (ii) warrant that this Company's securities will be listed or will continue to be listed on BSE; or (iii) take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of this Company; and it should not for any reason be deemed or construed that this Draft Letter of Offer has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

The Draft Letter of Offer is being filed with the Corporation Finance Department of the SEBI, located at Overseas Towers, 7th Floor, 756-L, Anna Salai, Chennai – 600 002, Tamil Nadu for its observations.

Selling Restrictions

The distribution of this Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those

jurisdictions. Persons into whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue to the shareholders of our Company and will dispatch the Letter of Offer/Abridged Letter of Offer and CAFs to shareholders who have provided an Indian address. The Abridged Letter of Offer, along with CAF, shall be dispatched through registered post or speed post to all the existing shareholders at least three days before the date of opening of the issue; Provided that, the Letter of Offer shall be given by our Company or Lead Manager to any existing shareholder who has made a specific request in this regard. No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Letter of Offer has been filed with SEBI. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and this Letter of Offer may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, those circumstances, this Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Letter of Offer should not, in connection with the issue of the Equity Shares, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares.

Neither the delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company's affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date. For further details, please see "Notice to Overseas Shareholders" on page 6 of this Letter of Offer.

Listing

The existing equity shares of our Company are listed on BSE Ltd. ("BSE"). We shall apply for in-principle approval for listing of equity shares being issued in terms of this letter of offer from the Stock Exchange where equity shares of our company are listed. For the purposes of the Issue, the Designated Stock Exchange is BSE. We will apply to BSE for obtaining final listing and trading approvals for the Equity Shares to be issued pursuant to this Issue. If the listing and trading approvals for the Equity Shares to be issued pursuant to this Issue is not granted by any of the Stock Exchange, we shall forthwith repay, without interest, all monies received from applicants in pursuance of the Letter of Offer.

We will issue and dispatch Allotment advice/ share certificates/ demat credit and/ or letters of regret along with refund order or credit the allotted Equity Shares to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date.

If such allotment is not made or money is not repaid within eight days from the day we become liable to repay it, we and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to pay the money with interest as prescribed under the applicable laws.

Consents

Consents in writing of the Directors, the Auditor, the Lead Manager, the Registrar to the Issue and the Bankers to the Issue and experts to act in their respective capacities have been obtained and such consents have not been withdrawn up to the date of the Draft Letter of Offer. M/s. P. Srinivasan & Co., Chartered Accountants, the Auditors of our Company, have given their written consent for the inclusion of their report in the form and content appearing in this Draft Letter of Offer and such consent and report have not been withdrawn up to the date of this Draft Letter of Offer.

Expert Opinion

Other than reports of our Auditor in respect of the information in the section "Auditor's Report" and "Statement of Tax Benefits" on page 119 and page 56, no expert opinion has been obtained by our Company in relation to the Issue.

Issue Expenses

The Issue related expenses include, among others, fees to various advisors, printing and distribution expenses, advertisement expenses, and registrar and depository fees. The estimated Issue related expenses are as follows:

Particulars	Approximate Amount (₹ in lacs)	As percentage of total expenses	As a percentage of Issue size
Fees of the Intermediaries	[●]	[●]	[●]
Advertising, Printing and stationery expenses (including courier and distribution charges)	[●]	[●]	[●]
Others (listing fees, depositories' fees, auditor fees, out of pocket reimbursements, etc)	[●]	[●]	[●]
Total	[●]	[●]	[●]

Fees Payable to the Lead Manager to the Issue

The fees payable to the Lead Manager to the Issue are set out in the engagement letter issued by our Company to the Lead Manager entered into by our Company with the Lead Manager, copies of which are available for inspection at the registered office of our Company.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue are set out in the engagement letter issued by our Company to the Registrar.

Previous Issues by our Company

Our Company has not undertaken any public or rights issue during the last five years.

Commission and Brokerage on Previous Issues

The Company has not made any Public / Rights Issue during last five years, hence any commission or brokerage has not been paid

Outstanding Debentures/Bonds and Preference Shares

There are no outstanding debentures/ Bonds and preference shares as on the date of the Letter of Offer.

Previous Public Issues by group companies

None of our group companies have made any public or rights issue in the past three years.

Previous issue of Equity Shares for consideration other than cash

Except as disclosed in this Draft Letter of Offer in chapter titled "Capital Structure" beginning on page 37 of this Draft Letter of Offer, the Company has not made any issue of shares for consideration other than cash.

Investor Grievances and Redressal System

We have adequate arrangements for redressal of investor complaints in compliance with the corporate governance requirements under the Listing Agreement as well as a well-arranged correspondence system developed for letters of routine nature. The share transfer and dematerialization for our Company is being handled by the Registrar and Share Transfer Agent, M/s. Integrated Enterprises (India) Limited. The Redressal norm for response time for all correspondence including shareholders complaints is within 7

(seven) to 10 (ten) days.

The Stakeholders' Relationship Committee consists of Mr. Nie Delinis as Chairman and Mr. Bo Jingen as members of the said committee. All investor grievances received by our Company have been handled by the Registrar and Share Transfer agent in consultation with the compliance officer.

The contact details of the Registrar and Share Transfer agent to the company are as follows:

M/s. Integrated Enterprises (India) Limited

2nd Floor, Kences Towers,
No. 1, Ramakrishna Street,
North Usman Road,
T. Nagar, Chennai - 600 017.

Tel: +91-44- 28140801-3

Fax: +91-44- 28142479

E-mail: yuvraj@integratedindia.in

Website: www.integratedindia.in

SEBI Registration Number: INR000000544

Investor grievances arising out of this Issue

Our Company's investor grievances arising out of the Issue will be handled by M/s. Integrated Enterprises (India) Limited, who is the Registrar to the Issue. The Registrar will have a separate team of personnel handling only post-Issue correspondence.

The agreement between our Company and the Registrar will provide for retention of records with the Registrar for a period of at least one year from the last date of dispatch of Allotment Advice/ share certificate / refund order to enable the Registrar to redress grievances of Investors.

All grievances relating to the Issue may be addressed to the Registrar to the Issue giving full details such as folio no., name and address, contact telephone / cell numbers, email id of the first applicant, number and type of shares applied for, Application Form serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished.

The average time taken by the Registrar for attending to routine grievances will be 7-10 days from the date of receipt of complaints. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavor of the Registrar to attend to them as expeditiously as possible. Our Company undertakes to resolve the Investor grievances in a time bound manner.

Investors may contact the compliance officer at the below mentioned address and/ or Registrar to the Issue at the above mentioned address in case of any pre-Issue/ post -Issue related problems such as non-receipt of allotment advice/share certificates/ demat credit/refund orders etc.

Additionally, we have been registered with the SEBI Complaints Redress System ("SCORES") as required by the SEBI Circular no. CIR/ OIAE/ 2/ 2011 dated June 3, 2011. This would enable investors to lodge and follow up their complaints and track the status of redressal of such complaints from anywhere. For more details, investors are requested to visit the website www.scores.gov.in

Mr. S.K. Subramanyan

Hydro S&S Industries Limited

Dhun Building,
III Floor, 827, Anna Salai,
Chennai – 600 002

Tel: +91 044 28521736;

Fax: +91 044 28520420

Website: www.hssil.com

E-mail: rights@hssil.com

Status of Complaints

- a. Total number of complaints received during Fiscal 2012: 6
- b. Total number of complaints received during Fiscal 2013: 6
- c. Total number of complaints received during Fiscal 2014: 8
- d. Total number of complaints received during Fiscal 2015: 6
- e. Average Time normally taken for disposal of various types of investor complaints: 7-10 days from the date of receipt of complaints.

None of our group companies are listed on any recognized stock exchange of India.

Status of outstanding investor complaints

As on date, there were no outstanding investor complaints.

Changes in the Auditors during the last three years

There has been no change in the statutory auditor of our company in last three years.

Capitalization of Reserves or Profits / Issuance of Equity Shares for consideration other than cash

Our Company has not capitalized any of its reserves or profits / issued shares for consideration other than cash.

Revaluation of Fixed Assets

There has been no revaluation of our Company's fixed assets in the last five years.

Performance vis-à-vis Objects

Our Company has not undertaken any public/ rights issue during the period of ten years immediately preceding the date of filing this Letter of Offer. The last rights issue was undertaken during December, 1996.

Performance vis-à-vis Objects – Last one issue of group companies/ Associates

None of our group companies are listed on any recognized of India.

Stock market data for Equity Shares

For stock market data please see section titled "Market Price Information" on page 150 of this Letter of Offer.

SECTION VIII - OFFERING INFORMATION

TERMS OF THE ISSUE

The Equity Shares proposed to be issued on a rights basis, are subject to the terms and conditions contained in this Letter of Offer, the Abridged Letter of Offer the CAF, the SAF, the MoA and AoA of our Company, the provisions of the Companies Act, the terms and conditions as may be incorporated in the FEMA, as amended, applicable guidelines and regulations issued by SEBI, or other statutory authorities and bodies from time to time, the Listing Agreements entered into by our Company, terms and conditions as stipulated in the allotment advice or security certificate and rules as may be applicable and introduced from time to time. **All rights/obligations of Equity Shareholders in relation to application and refunds pertaining to this Issue shall apply to the Renouncee(s) as well.**

Please note that equity shareholders being QIBs and Non-Institutional Investors, can participate in this Issue only through ASBA process. Retail Individual Investors whose application amounts do not exceed ₹ 2,00,000 can participate in this Issue either through the ASBA process or the non ASBA process.

All Investors (apart from Retail Individual Investors) having bank accounts with SCSBs that are providing ASBA in cities / centers where such Investors are located, are mandatorily required to make use of the ASBA facility. Otherwise, applications of such Investors are liable for rejection. All Investors are encouraged to make use of the ASBA facility wherever such facility is available.

ASBA Investors should note that the ASBA process involves application procedures that may be different from the procedure applicable to non-ASBA process. ASBA Investors should carefully read the provisions applicable to such applications before making their application through the ASBA process. For details, please refer to “Procedure for Application through the Applications Supported by Blocked Amount Process” on page 181.

Please note that subject to SCSBs complying with the requirements of SEBI Circular No. CIR/CFD/DIL/13/2012 dated September 25, 2012 within the periods stipulated therein, ASBA Applications may be submitted at all branches of the SCSBs.

Further, in terms of the SEBI circular CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in their own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public issues / rights issues and clear demarcated funds should be available in such account for ASBA applications. SCSBs applying in the Issue using the ASBA facility shall be responsible for ensuring that they have a separate account in their own name with any other SCSB having clear demarcated funds for applying in the Issue and that such separate account shall be used as the ASBA Account for the application, for ensuring compliance with the applicable regulations.

In respect of application to be made by our Promoter for subscription to their rights entitlement or renunciation in their favour or towards additional shares, the payment of consideration will be made through remittance from abroad through proper banking channels, as may be permitted by concerned regulatory authorities including SEBI.

Basis for the Issue

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories for the purpose of this Rights Issue in respect of the equity shares held in the electronic form and on the register of members of our Company in respect of the equity shares held in physical form at the close of business hours on the Record Date, fixed in consultation with the Designated Stock Exchange.

Rights Entitlement

As your name appears as a beneficial owner in respect of the equity shares held in the electronic form or appears in the register of members as an Equity Shareholder of our Company as on the Record Date, i.e. [●], you are entitled to the number of Equity Shares as set out in Part A of the enclosed CAFs.

The distribution of the Letter of Offer and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. The Company is making the issue of Equity Shares on a rights basis to the Equity Shareholders and the Letter of Offer, Abridged Letter of Offer and the CAFs will be dispatched only to those Equity Shareholders who have a registered address in India. Any person who acquires Rights Entitlements or Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of the Letter of Offer, that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States and in other restricted jurisdictions.

Principal Terms of this Issue***Face Value***

Each Equity Share will have the face value of ₹ 10.

Issue Price

Each Equity Share shall be offered at an Issue Price of ₹ [●] per Equity Share.

Entitlement Ratio

The Equity Shares are being offered on a rights basis to the Equity Shareholders in the ratio of [●] Equity Shares for every [●] equity shares held on the Record Date i.e., [●].

Terms of Payment

The full amount of ₹[●] per Equity Share is payable on application.

Fractional Entitlements

Fractional entitlement if any will be rounded off to the next higher integer and the share required for the same will be adjusted from promoter's entitlement in the rights issue.

Ranking

The Equity Shares being issued in terms of this letter of offer shall be subject to the provisions of our Memorandum of Association and Articles of Association. The Equity Shares shall rank *pari passu*, in all respects including dividend, with our existing equity shares.

Mode of payment of dividend

In the event of declaration of dividends, we shall pay dividends to equity shareholders as per the provisions of the Companies Act and the provisions of our Articles of Association.

Listing and trading of Equity Shares proposed to be issued

Our Company's existing equity shares are currently listed and traded on BSE (Scrip Code: 524019) under the ISIN INE473D01015. The Equity Shares proposed to be issued pursuant to the Issue shall, in terms of the circular (no. CIR/MRD/DP/21/2012) by SEBI dated August 2, 2012, be Allotted under a temporary ISIN which shall be kept blocked till the receipt of final listing and trading approval from the Stock Exchange. Upon receipt of such listing and trading approval, the Equity Shares proposed to be issued pursuant to the Issue shall be debited from such temporary ISIN and credited in the existing ISIN of our

Company and be available for trading..

We have received “in-principle” approval for the listing of the Equity Shares to be issued pursuant to the Issue in accordance with Clause 24(a) of the Listing Agreement from BSE pursuant to letter no. [●], dated [●]. We will apply to BSE for final approval for the listing and trading of the Equity Shares. All steps for the completion of the necessary formalities for listing and commencement of trading of the Equity Shares to be allotted pursuant to the Issue shall be taken as per the regulatory requirement.

If permissions to list, deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchange on the expiry of 15 days from the issue closing date, our Company will forthwith repay, without interest, all application moneys received from the Applicants in pursuance of this Letter of Offer. If such money is not repaid beyond eight days after our Company becomes liable to repay it, i.e., the date of refusal of an application for such a permission from a Stock Exchange, or on expiry of 15 days from the Issue Closing Date in case no permission is granted, whichever is earlier, then our Company and every Director who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest as per applicable law.

The listing and trading of the Equity Shares shall be based on the current regulatory framework applicable thereto. Accordingly, any change in the regulatory regime would affect the schedule. Upon Allotment, the Equity Shares shall be traded on Stock Exchange in the demat segment only.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders of our Company shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right to free transferability of Equity Shares; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act and Memorandum of Association and Articles of Association.

Arrangements for Disposal of Odd Lots

Our Company has not made any arrangements for the disposal of odd lot Equity Shares arising out of this Issue. The Company will issue certificates of denomination equal to the number of Equity Shares being allotted to the Equity Shareholder.

Restrictions on transfer and transmission of shares and on their consolidation/ splitting

There are no restrictions on transfer and transmission and on their consolidation/splitting of shares issued pursuant to this Issue.

General Terms of the Issue for ASBA and Non ASBA applicants

Market Lot

The equity shares of our Company are tradable only in dematerialized form. The market lot for the Equity Shares in dematerialised mode is one Equity Share. In case an Equity Shareholder holds equity shares in physical form, our Company would issue to the allottees one certificate for the Equity Shares allotted to each folio (“**Consolidated Certificate**”) and in case an Equity Shareholder seeks allotment in demat form (whether existing equity shares being held in demat or physical form) and provides all relevant and correct details we would allot him in demat form. In respect of Consolidated Certificates, we will upon receipt of a request from the respective Equity Shareholders, split such Consolidated Certificates into smaller denominations within one week’s time from the receipt of the request in respect thereof, subject to a maximum of five denominations. We shall not charge a fee for splitting any of the

Consolidated Certificates.

Joint Holders

Where two or more persons are registered as the holders of any equity shares, they shall be deemed to hold the same as joint holders with the benefit of survivorship subject to the provisions contained in the Articles of Association.

Nomination

In terms of Section 72 of the Companies Act, 2013 nomination facility is available in respect of the Equity Shares. An Investor can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

In case of Equity Shareholders who are individuals, a sole Equity Shareholder or the first named Equity Shareholder, along with other joint Equity Shareholders, if any, may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Shares by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. Fresh nominations can be made only in the prescribed form available on request at the Registered Office of the Company or such other person at such addresses as may be notified by the Company. The Investor can make the nomination by filling in the relevant portion of the CAF. In terms of Section 72 of the Companies Act, 2013 any person who becomes a nominee by virtue of the provisions of Section 72 of the Companies Act, 2013 shall upon the production of such evidence as may be required by the Board, elect either:

to register himself or herself as the holder of the Equity Shares; or
to make such transfer of the Equity Shares, as the deceased holder could have made

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Only one nomination would be applicable for one folio. Hence, in case the Equity Shareholder(s) has already registered the nomination with the Company, no further nomination needs to be made for Equity Shares that may be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant (“DP”) of the investor would prevail. Any investor desirous of changing the existing nomination is requested to inform its respective DP.

Notices

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and one regional language daily newspaper with wide circulation in Tamil daily and/or, will be sent by ordinary post/registered post/speed post to the registered holders of the equity shares from time to time.

Additional Subscription by the Promoters

The Promoter has confirmed that it intends to subscribe to the full extent of their Rights Entitlement in

the Issue. Our Promoter Kingfa Sci. and Tech. Co. Ltd. presently holds 74.99% of the paid-up equity share capital of our Company. As per the terms of the Rights Issue Kingfa Sci. and Tech. Co. Ltd. would be entitled to 74.99% of the rights issue as well. In terms of the present regulations, promoters will not be able to subscribe to any additional shares and/or subscribe to any unsubscribed portion in this rights issue as such subscription may reduce the public shareholding below the applicable limits of 25% for compliance with the continuous listing requirements as per provisions of Rule 19(2) (b) of Securities Contracts (Regulation) Rules, 1957. In case the rights issue remains unsubscribed and minimum subscription is not achieved, the Board of Directors may dispose of such unsubscribed portion in the best interest of the Company in a transparent manner.

For further details, please refer to “Terms of the Issue - Basis of Allotment” on page 180.

Procedure for Application

The CAF along with the Abridged Letter of Offer for the Equity Shares offered as part of the Issue would be printed for all Eligible Equity Shareholders. In case the original CAFs are not received by the Investor or is misplaced by the Investor, the Investor may request the Registrars to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. In case the signature of the Equity Shareholder(s) does not match with the specimen registered with our Company, the application is liable to be rejected.

Please note that neither the Company nor the Registrar shall be responsible for delay in the receipt of the CAF/ duplicate CAF attributable to postal delays or if the CAF/ duplicate CAF are misplaced in the transit.

Please also note that by virtue of Circular No. 14, dated September 16, 2003, issued by the RBI, Overseas Corporate Bodies (“OCBs”) have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies) Regulations, 2003. Any Equity Shareholders being an OCB is required to obtain prior approval from RBI for applying in this Issue.

The CAF consists of four parts:

Part A: Form for accepting the Rights Equity Shares and for applying for additional Rights Equity Shares;

Part B: Form for renunciation;

Part C: Form for application by renouncee(s);

Part D: Form for request for Split Application Forms.

Acceptance of the Issue

You may accept the offer to participate and apply for the Equity Shares offered, either in full or in part, by filling Part A of the enclosed CAFs and submit the same along with the application money payable to the Banker to the Issue or any of the collection branches as mentioned on the reverse of the CAFs before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of our Company in this regard. Investors at centres not covered by the branches of collecting banks can send their CAFs together with the cheque drawn at par on a local bank at Mumbai/ demand draft payable at Mumbai to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected. For further details on the mode of payment, see “Mode of Payment for Resident Equity Shareholders/Investors” and “Mode of Payment for Non-Resident Equity Shareholders/Investors” on pages 196 of this Letter of Offer.

Option available to the Equity Shareholders

The CAFs will clearly indicate the number of Equity Shares that the Shareholder is entitled to.

If the Equity Shareholder applies for an investment in Equity Shares, then he can:

Apply for his Rights Entitlement of Equity Shares in full;
Apply for his Rights Entitlement of Equity Shares in part;
Apply for his Rights Entitlement of Equity Shares in part and renounce the other part of the Equity Shares (by requesting for split forms);
Apply for his Rights Entitlement in full and apply for additional Equity Shares;
Renounce his Rights Entitlement in full.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above your Rights Entitlement, provided that you are eligible to apply under applicable law and have applied for all the Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, subject to sectoral caps and in consultation if necessary with the Designated Stock Exchange and in the manner prescribed under “Basis of Allotment” on page 180 of this Letter of Offer.

Further, under the Foreign Exchange Regulations currently in force in India, transfers of shares between non- residents and residents are permitted subject to compliance with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares is not in compliance with such pricing guidelines or reporting requirements or certain other conditions, then the prior approval of the RBI will be required.

Due to the aforementioned factors FPIs, FVCIs, multilateral and bilateral institutes intending to apply for additional Rights Equity Shares or intending to apply for Rights Equity Shares renounced in their favour shall be required to obtain prior approval from the appropriate regulatory authority.

If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional Equity Shares in Part A of the CAF. The Renouncee applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares.

Where the number of additional Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Renunciation

This Issue includes a right exercisable by you to renounce the Equity Shares offered to you either in full or in part in favour of any other person or persons. Your attention is drawn to the fact that our Company shall not Allot and/or register any Equity Shares in favour of more than three persons (including joint holders), partnership firm(s) or their nominee(s), minors, HUF, any trust or society (unless the same is registered under the Societies Registration Act, 1860 or the Indian Trust Act, 1882 or any other applicable law relating to societies or trusts and is authorized under its constitution or bye-laws to hold equity shares, as the case may be). Additionally, existing Equity Shareholders may not renounce in favor of persons or entities in the United States or who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities laws.

Any renunciation (i) from a resident shareholder to a non-resident, or (ii) from a nonresident shareholder to a resident, or (iii) from a non-resident Eligible Equity Shareholder to a non-resident is subject to the renouncer / renouncee obtaining the necessary approvals, including from the RBI, and such approvals should be attached to the CAF. Applications not accompanied by the aforesaid approvals are liable to be rejected.

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies (“OCBs”) have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the existing Equity Shareholders of our Company who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of

Renouncee shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s). The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non-resident entities in terms of Regulation 5(1) of RBI Notification No.20/2000-RB dated May 3, 2000 under FDI Scheme with the prior approval of Government if the investment is through Government Route and with the prior approval of RBI if the investment is through Automatic Route on case by case basis. Shareholders renouncing their rights in favour of OCBs may do so provided such renouncee obtains a prior approval from the RBI. On submission of such approval to our Company at our Registered Office, the OCB shall receive the Abridged Letter of Offer and the CAF.

Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of equity shares, subsequent issue and allotment of equity shares, interest, export of share certificates, etc. In case a Non Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF, without which the CAF shall be rejected on technical grounds. For further details please refer to “Grounds for Technical Rejection under ASBA Investors” and “Grounds for Technical Rejection for non- ASBA Investors” on page 187 and on page 194 respectively.

Part ‘A’ of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part ‘B’ of the CAF) duly filled in shall be conclusive evidence for our Company of the person(s) applying for Equity Shares in Part ‘C’ of the CAF to receive Allotment of such Equity Shares. The Renouncees applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares. Part ‘A’ of the CAF must not be used by the Renouncee(s) as this will render the application invalid. Renouncee(s) will have no further right to renounce any Equity Shares in favour of any other person.

Procedure for renunciation

To renounce all the Equity Shares offered to an Equity Shareholder in favour of one Renouncee

If you wish to renounce the offer indicated in Part ‘A’, in whole, please complete Part ‘B’ of the CAF. In case of joint holding, all joint holders must sign Part ‘B’ of the CAF. The person in whose favour renunciation has been made should complete and sign Part ‘C’ of the CAF. In case of joint Renouncees, all joint Renouncees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer under this Issue in favour of two or more Renouncees, the CAF must be first split into requisite number of forms. Please indicate your requirement of SAFs in the space provided for this purpose in Part ‘D’ of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for SAFs. On receipt of the required number of SAFs from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not match with the specimen registered with our Company, the application is liable to be rejected.

Renouncee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part ‘C’ of the CAF and submit the entire CAF to the Banker to the Issue on or before the Issue Closing Date along with the application money in full. The Renouncee cannot further renounce.

Change and/or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person(s), not more than three, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

However, this right of renunciation is subject to the express condition that the Board of Directors of our Company shall be entitled in its absolute discretion to reject the request for Allotment from the Renouncee(s) without assigning any reason thereof.

Instructions for Options

The summary of options available to the Equity Shareholder is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the enclosed CAF:

Option Available	Action Required
Accept whole or part of your Rights Entitlement without renouncing the balance.	Fill in and sign Part A (<i>All joint holders must sign</i>)
Accept your Rights Entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (<i>All joint holders must sign</i>)
3. Accept a part of your Rights Entitlement and renounce the balance to one or more Renouncee(s)	Fill in and sign Part D (<i>all joint holders must sign</i>) requesting for SAFs. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for SAFs. Splitting will be permitted only once.
OR	
Renounce your Rights Entitlement to all the Equity Shares offered to you to more than one Renouncee	On receipt of the SAF take action as indicated below.
	For the Equity Shares you wish to accept, if any, fill in and sign Part A.
	For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the Renouncee. Each of the Renouncees should fill in and sign Part C for the Equity Shares accepted by them.
4. Renounce your Rights Entitlement in full to one person (<i>Joint Renouncees are considered as one</i>).	Fill in and sign Part B (<i>all joint holders must sign</i>) indicating the number of Equity Shares renounced and hand it over to the Renouncee. The Renouncee must fill in and sign Part C (<i>All joint Renouncees must sign</i>)
5. Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the Renouncee must fill in and sign Part C.

Please note that the options 3 and 4 mentioned in the above table will not be available to the shareholders applying through ASBA process.

In case of equity shares held in physical form, applicants must provide information in the CAF as to their respective bank account numbers, name of the bank, to enable the Registrar to print the said details on the refund order. Failure to comply with this may lead to rejection of application. In case of equity shares held in demat form, bank account details furnished by the Depositories will be printed on the refund order.

Please note that:

Part 'A' of the CAF must not be used by any person(s) other than the Equity Shareholder to whom this Letter of Offer has been addressed. If used, this will render the application invalid.

Request for Split Application Forms/SAF should be made for a minimum of one Equity Share or, in either case, in multiples thereof and one SAF for the balance Equity Shares, if any.

Request by the Investor for the SAFs should reach the Registrar on or before [●].

Only the Equity Shareholder to whom this Letter of Offer has been addressed shall be entitled to renounce and to apply for SAFs. Forms once split cannot be split further.

SAFs will be sent to the Investor (s) by post at the applicant's risk.

Equity Shareholders may not renounce in favour of persons or entities in the United States, who are not Qualified Institutional Buyers (as defined the US Securities Act), or who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities laws.

Submission of the CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part 'B' of the CAF) duly filled in shall be conclusive evidence for us of the person(s) applying for Equity Shares in Part 'C' of the CAF to receive Allotment of such Equity Shares.

While applying for or renouncing their Rights Entitlement, joint Equity Shareholders must sign the CAF in the same order as per specimen signatures recorded with us or the Depositories.

Non-resident Equity Shareholders: Application(s) received from Non-Resident/ NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares allotted as a part of this Issue shall, amongst other things, be subject to conditions, as may be imposed from time to time by the RBI in the matter of refund of application money, allotment of equity shares, subsequent issue and allotment of equity shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Investor has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.

Applicants must write their CAF number at the back of the cheque / demand draft.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the Investor, the Registrar to the Issue will issue a duplicate CAF on the request of the Investor who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within eight days from the Issue Opening Date. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the Investor violates such requirements, he / she shall face the risk of rejection of both the applications.

Neither the Registrar nor the Lead Managers or us, shall be responsible for postal delays or loss of duplicate CAFs in transit, if any.

Application on Plain Paper – non ASBA

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with demand draft, net of bank and postal charges payable at Chennai which should be drawn in favour of the "[●]" in case of the resident shareholders and non-resident shareholders applying on non-repatriable basis and in favor of "[●]" in case of the non-resident shareholders applying on repatriable basis and send the same

by registered/ speed post directly to the Registrar to the Issue so as to reach Registrar to the Issue on or before the Issue Closing Date.

Furthermore, Equity Shareholders have an option to print application on plain paper from the website of the Registrar to the Issue, i.e. www.integratedindia.in, by providing his/ her folio. no. / DP ID/ Client ID in order to enable the Equity Shareholder to apply for the Issue. Further, they also can make an application on plain paper giving necessary details as given below.

The envelope should be superscribed “[●]” in case of resident shareholders and Non-resident shareholders applying on non-repatriable basis and “[●]” in case of non-resident shareholders applying on repatriable basis.

The application on plain paper, duly signed by the Investors including joint holders, in the same order as per specimen recorded with our Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

Name of Issuer, being Hydro S&S Industries Limited;
 Name and address of the Equity Shareholder including joint holders;
 Registered Folio Number/ DP and Client ID no.;
 Number of Equity Shares held as on Record Date;
 Number of Equity Shares entitled to;
 Number of Equity Shares applied for;
 Number of additional Equity Shares applied for, if any;
 Total number of Equity Shares applied for;
 Total amount paid at the rate of ₹ [●] per Equity Share;
 Particulars of cheque/draft;
 Savings/Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order. In case of Equity Shares allotted in demat form, the bank account details will be obtained from the information available with the Depositories;
 Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN number of the Investor and for each Investor in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue.
 Share certificate numbers and distinctive numbers of equity shares, if held in physical form;
 Allotment option preferred - physical or demat form, if held in physical form;
 Signature of the Equity Shareholders to appear in the same sequence and order as they appear in our records or the Depositories’ records
 In case of Non Resident Equity Shareholders, NRE/ FCNR/ NRO A/c No. name and address of the bank and branch;
 If payment is made by a draft purchased from an NRE/ FCNR/ NRO A/c No., as the case may be, an Account debit certificate from the bank issuing the draft, confirming that the draft has been issued by debiting NRE/FCNR/ NRO A/c; and
 Additionally, all such applicants are deemed to have accepted the following:

“I/We understand that neither the Rights Entitlement nor the Equity Shares have been, and will be, registered under the United States Securities Act of 1933, as amended (the “US Securities Act”) or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the “United States”). I/we understand the Equity Shares referred to in this application are being offered in India but not in the United States. I/we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. Accordingly, I/we understand this application should not be forwarded to or transmitted in or to the United States at any time. I/we understand that none of our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company will accept subscriptions from any person, or the agent of any person, who appears to be, or who our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company has reason to believe is, a resident of the United States.

I/We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/We understand and agree that the Rights Entitlement and Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

I/We (i) am/are, and the person, if any, for whose account I/we am/are acquiring such Rights Entitlement and/or the Equity Shares is/are, outside the United States, and (ii) is/are acquiring the Rights Entitlement and/or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/We acknowledge that our Company, the Lead Manager, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.”

Please note that those who are making the application otherwise than on original CAF shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the Investor violates such requirements, he/she shall face the risk of rejection of both the applications. We shall refund such application amount to the Investor without any interest thereon.

Investors are requested to strictly adhere to these instructions. Failure to do so could result in an application being rejected, with our Company, the Lead Manager and the Registrar not having any liability to the Investor.

Last date for Application

The last date for submission of the duly filled in CAF is [●].

If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the invitation to offer contained in the Letter of Offer/ Abridged Letter of Offer shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided in the Basis of Allotment” referred below.

Basis of Allotment

Subject to the provisions contained in the Letter of Offer, the Articles of Association of our Company and the approval of the Designated Stock Exchange, the Board will proceed to Allot the Equity Shares in the following order of priority:

- a. Full Allotment to those Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part.
- b. Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares. The Allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of equity shares held by them on the Record Date, provided there is an under-subscribed portion after making full Allotment in (a) above. The Allotment of such Equity Shares will be at the sole discretion of the Board / Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and will not be a preferential allotment.

- c. Fractional entitlement if any will be rounded off to the next higher integer and the share required for the same will be adjusted from one of the promoter's entitlement.
- d. Allotment to Renouncees who having applied for all the Equity Shares renounced in their favour and have applied for additional Equity Shares provided there is surplus available after making full Allotment under (a) and (b) above. The Allotment of such Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential Allotment.
- e. Allotment to any other person as the Board may in its absolute discretion deem fit provided there is surplus available after making full Allotment under (a), (b) and (c) above and the decision of the Board in this regard will be final and binding.

After taking into account Allotment to be made under (a) to (d) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed'.

Underwriting

This Issue is not underwritten and our Company has not entered into any underwriting arrangements.

PROCEDURE FOR APPLICATION THROUGH THE APPLICATIONS SUPPORTED BY BLOCKED AMOUNT ("ASBA") PROCESS

Please note in accordance with the provisions of SEBI circular number CIR/CFD/DIL/1/2011 dated April 29, 2011, all applicants who are QIBs, Non Institutional Investors shall mandatorily make use of ASBA facility. All QIBs and Non-Institutional Investors, complying with the eligibility conditions of SEBI circular dated December 30, 2009, must mandatorily invest through the ASBA process. For further details please refer to "Grounds for Technical Rejection for ASBA Investors" on page 187.

This section is for the information of the ASBA Investors proposing to subscribe to the Issue through the ASBA Process. Our Company and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Equity Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and to ensure that the CAF is correctly filled up, specifying the number of the bank account maintained with the Self Certified Syndicate Bank ("SCSB") in which the Application Money will be blocked by the SCSB.

The Lead Manager, the Company, its directors, affiliates, associates and their respective directors and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to applications accepted by SCSBs, Applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.

The list of banks who have been notified by SEBI to act as SCSBs for the ASBA Process is provided on http://www.sebi.gov.in/cms/sebi_data/attachdocs/1365051213899.html. For details on designated branches of SCSBs collecting the CAF, please refer the above mentioned SEBI link.

In terms of SEBI circulars dated September 13, 2012 and January 2, 2013, SCSBs should ensure that for making applications on own account using ASBA facility, they should have a separate account in own name with any other SEBI registered SCSBs. Such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for ASBA applications.

ASBA Investors who are eligible to apply under the ASBA Process

An ASBA Investor is an investor (either Equity Shareholder or Renouncee) who is intending to subscribe the Equity Shares of our Company under this Issue applying through blocking of funds in a bank account maintained with SCSBs.

All QIBs and Non-Institutional Investors and investors making an application for an value of more than ₹ 2,00,000 and complying with the above conditions, must mandatorily invest through the ASBA process. All Retail Individual Investors complying with the above conditions may optionally apply through the ASBA process.

CAF

The Registrar will despatch the CAF to all Equity Shareholders as per their Rights Entitlement on the Record Date for the Issue. Those Equity Shareholders who wish to apply through the ASBA payment mechanism will have to select for this mechanism in Part A of the CAF and provide necessary details.

Equity Shareholders desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A and Part C of the CAF respectively. Application in electronic mode will only be available with such SCSBs who provide such facility. The Equity Shareholder shall submit the CAF to the Designated Branch of the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the ASBA Account.

More than one ASBA Investor may apply using the same ASBA Account, provided that SCSBs will not accept a total of more than five CAFs with respect to any single ASBA Account.

Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of our Company in this regard.

Mode of payment

The ASBA Investor applying under the ASBA Process agrees to block the entire amount payable on application with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the amount payable on application, in a bank account maintained with the SCSB.

After verifying that sufficient funds are available in the bank account details of which are provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives instructions from the Registrar. Upon receipt of intimation from the Registrar, the SCSBs shall transfer such amount as per the Registrar's instruction from the bank account with the SCSB mentioned by the Equity Shareholder in the CAF. This amount will be transferred in terms of the SEBI Regulations, into the separate bank account maintained by our Company as per the provisions of section 40(3) of the Companies Act. The balance amount remaining after the finalisation of the basis of Allotment shall be either unblocked by the SCSBs or refunded to the Investors by the Registrar on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Manager to the respective SCSB.

The SCSB may reject the application at the time of acceptance of CAF if the bank account with the SCSB details of which have been provided by the Equity Shareholder in the CAF does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, our Company would have a right to reject the application only on technical grounds.

Options available to the ASBA Investors applying under the ASBA Process

The summary of options available to the ASBA Investors is presented below. You may exercise any of the following options with regard to the Equity Shares, using the respective CAFs received from Registrar:

Option Available	Action Required
1. Accept whole or part of your Rights Entitlement	Fill in and sign Part A of the CAF (<i>All joint holders must sign</i>)
2. Accept your Rights Entitlement in full and apply for additional Equity Shares	Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (<i>All joint holders must sign</i>)
3. If you are a 'Renouncee' and accept whole or part of your entitlement and/or apply for additional equity shares	Fill in and sign Part C of the CAF including Block VIII relating to acceptance and Block IX relating to additional Equity Shares (<i>All joint holders must sign</i>)

The ASBA Investors applying under the ASBA Process will need to select the ASBA option process in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then that CAFs would be treated as if the Equity Shareholder have selected to apply through the ASBA process option.

Please note that Equity Shareholders being QIBs and Non-Institutional Investors can participate in this Issue only through the ASBA process. Retail Individual Investors whose application amounts do not exceed ₹ 2,00,000 can participate in this Issue either through the ASBA process or the non ASBA process.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares that you are entitled to, provided that you are eligible to apply for Equity Shares under applicable law and you have applied for all the Equity Shares (as the case may be) offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional Equity Shares shall be considered and Allotment shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under "Terms of the Issue - Basis of Allotment" on page 180.

If you desire to apply for additional Equity Shares please indicate your requirement in the place provided for additional Equity Shares in Part A of the CAF. The Renouncee applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares.

Renunciation under the ASBA Process

Renouncees are eligible to participate in this Issue through the ASBA Process.

Application on Plain Paper - ASBA

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF and who is applying under the ASBA Process may make an application to subscribe to the Issue on plain paper.

Furthermore, Equity Shareholders have an option to print application on plain paper from the website of the Registrar to the Issue, i.e. www.integratedindia.in by providing his/ her folio. no. / DP ID/ Client ID in order to enable the Equity Shareholder to apply for the Issue. Further, they also can make an application on plain paper giving necessary details as given below.

The envelope should be superscribed "[●]" and should be postmarked in India. The application on plain

paper, duly signed by the Investors including joint holders, in the same order as per the specimen recorded with our Company, must reach the SCSBs before the Issue Closing Date and should contain the following particulars:

Name of Issuer, being Hydro S&S Industries Limited;
 Name and address of the Equity Shareholder including joint holders;
 Registered Folio Number/ DP and Client ID no.;
 Number of equity shares held as on Record Date;
 Number of Equity Shares entitled to;
 Number of Equity Shares applied for;
 Number of additional Equity Shares applied for, if any;
 Total number of Equity Shares applied for;
 Total amount to be blocked at the rate of ₹ [●]/- per Equity Share; and
 Except for applications on behalf of the Central or State Government and the officials appointed by the courts, PAN number of the Investor and for each Investor in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue.
 Details of the ASBA Account such as the account number, name, address and branch of the relevant SCSB;
 In case of non-resident investors, details of the NRE/ FCNR/ NRO account such as the account number, name, address and branch of the SCSB with which the account is maintained;
 Additionally, all such applicants are deemed to have accepted the following:

"I/We understand that neither the Rights Entitlement nor the Equity Shares have been, and will be, registered under the United States Securities Act of 1933, as amended (the "US Securities Act") or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the "United States"). I/we understand the Equity Shares referred to in this application are being offered in India but not in the United States. I/we understand the offering to which this application relates is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlement for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlement in the United States. I/we understand that none of our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company will accept subscriptions from any person, or the agent of any person, who appears to be, or who our Company, the Registrar, the Lead Manager or any other person acting on behalf of our Company has reason to believe is, a resident of the United States or other restricted jurisdiction.

I/We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation except under circumstances that will result in compliance with any applicable laws or regulations. We satisfy, and each account for which we are acting satisfies, all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of our residence.

I/We understand and agree that the Rights Entitlement and Equity Shares may not be reoffered, resold, pledged or otherwise transferred except in an offshore transaction in compliance with Regulation S, or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

I/We (i) am/are, and the person, if any, for whose account I/we am/are acquiring such Rights Entitlement and/or the Equity Shares is/are, outside the United States, and (ii) is/are acquiring the Rights Entitlement and/or the Equity Shares in an offshore transaction meeting the requirements of Regulation S.

I/We acknowledge that our Company, the Lead Manager, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements."

Option to receive Equity Shares in Dematerialized Form

EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY UNDER THE ASBA PROCESS CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN

WHICH THE EQUITY SHARES ARE HELD OR THE DETAILS OF THE DEPOSITORY ACCOUNT AS MENTIONED BY RENOUNCEE(S) IN THE APPLICATION FORM.**Issuance of Intimation Letters**

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the Controlling Branches, a list of the ASBA Investors who have been allocated Equity Shares in this Issue, along with:

The number of Equity Shares to be allotted against each successful ASBA Application;
The amount to be transferred from the ASBA Account to the separate bank account opened by the Company for the Issue, for each successful ASBA;
The date by which the funds referred to above, shall be transferred to the aforesaid bank account; and
The details of rejected ASBA applications, if any, to enable the SCSBs to unblock the respective ASBA Accounts.

General instructions for Equity Shareholders applying under the ASBA Process

Please read the instructions printed on the CAF carefully.

Application should be made on the printed CAF only and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected. The CAF must be filled in English.

The CAF/plain paper application in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Banker to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to our Company or Registrar or Lead Manager to the Issue.

All applicants, and in the case of application in joint names, each of the joint applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, **CAFs without PAN will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for Investors for which PAN details have not been verified shall be “suspended credit” and no allotment and credit of Equity Shares shall be made into the accounts of such Investors.**

All payments will be made by blocking the amount in the bank account maintained with the SCSB. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.

Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with our Company/or Depositories.

In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Company. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.

All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/sole applicant Equity Shareholder, folio numbers and CAF number.

Only persons outside restricted jurisdictions and who are eligible to subscribe for Rights Entitlement and Equity Shares under applicable securities laws are eligible to participate.

ASBA Investors who intend to subscribe the Equity Shares of our Company under this Issue shall be eligible to participate under the ASBA Process.

All Investors (apart from Retail Individual Investors) having bank accounts with SCSBs that are providing ASBA in cities / centres where such Investors are located, are mandatorily required to make use of the ASBA facility. Otherwise, applications of such Investors are liable for rejection. All Investors are encouraged to make use of the ASBA facility wherever such facility is available.

In case of non – receipt of CAF, application can be made on plain paper mentioning all necessary details as mentioned under the heading “Application on Plain Paper - ASBA” on page 183.

In terms of SEBI circulars dated September 13, 2012 and January 2, 2013, SCSBs should ensure that for making applications on own account using ASBA facility, they should have a separate account in own name with any other SEBI registered SCSBs. Such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for ASBA applications.

Do's:

Ensure that the ASBA Process option is selected in the CAF and necessary details are filled in.

Ensure that you submit your application in physical mode only. Electronic mode is only available with certain SCSBs and not all SCSBs and you should ensure that your SCSB offers such facility to you.

Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.

Ensure that your Indian address is available to our Company and the Registrar, in case you hold equity shares in physical form or the depository participant, in case you hold equity shares in dematerialised form;

Ensure that the CAFs are submitted at the SCSBs and details of the correct bank account have been provided in the CAF.

Ensure that there are sufficient funds (equal to {number of Equity Shares as the case may be applied for} X {Issue Price of Equity Shares, as the case may be}) available in the bank account maintained with the SCSB mentioned in the CAF before submitting the CAF to the respective Designated Branch of the SCSB.

Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the CAF, in the bank account maintained with the respective SCSB, of which details are provided in the CAF and have signed the same.

Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF in physical form.

Except for CAFs submitted on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, each applicant should mention their PAN allotted under the I. T. Act.

Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF.

Ensure that the demographic details are updated, true and correct, in all respects.

Don'ts:

Do not apply if you are not eligible to participate in this Issue under the securities laws applicable to your jurisdiction.

Do not apply on duplicate CAF after you have submitted a CAF to a Designated Branch of the SCSB.

Do not pay the amount payable on application in cash, by money order or by postal order.

Do not send your physical CAFs to the Lead Manager to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB / Company; instead submit the same to a Designated Branch of the SCSB only.

Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.

Do not apply if the ASBA account has been used for five applicants.

Do not apply through the ASBA Process if you are not an ASBA Investor.

Do not instruct your respective banks to release the funds blocked under the ASBA Process.

Grounds for Technical Rejection for ASBA Investors

In addition to the grounds listed under “Grounds for Technical Rejection for non-ASBA Investors” on page 194 of this Letter of Offer, applications under the ASBA Process are liable to be rejected on the following grounds:

Application for Allotment of Rights Entitlements or additional shares in physical form (in case the existing holding is in dematerialized form).

DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar.

Sending CAF to a Lead Manager / Registrar / Collecting Bank (assuming that such Collecting Bank is not a SCSB) / to a branch of a SCSB which is not a Designated Branch of the SCSB / Company.

Insufficient funds are available with the SCSB for blocking the amount.

Funds in the bank account with the SCSB whose details are mentioned in the CAF having been frozen pursuant to regulatory orders.

Account holder not signing the CAF or declaration mentioned therein.

CAFs that do not include the certification set out in the CAF to the effect that the subscriber does not have a registered address (and is not otherwise located) in restricted jurisdictions and is authorized to acquire the rights and the securities in compliance with all applicable laws and regulations.

CAFs which have evidence of being executed in/dispatched from restricted jurisdiction.

Applications by persons not competent to contract under the Contract Act, 1872, as amended, except applications by minors having valid demat accounts as per the demographic details provided by the Depositories.

Submission of more than five CAFs per ASBA Account.

Multiple CAFs, including cases where an Investor submits CAFs along with a plain paper application.

Submitting the GIR instead of the PAN.

An Equity Shareholder, who is not complying with any or all of the conditions for being an ASBA Investor, applies under the ASBA process.

Applications by SCSBs not complying with the SEBI circulars dated September 13, 2012 and January 2, 2013, whereby SCSBs need to ensure that for making applications on own account using ASBA facility, they should have a separate account in own name with any other SEBI registered SCSBs. Such account should be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for ASBA applications.

Depository account and bank details for Equity Shareholders applying under the ASBA Process

IT IS MANDATORY FOR ALL THE EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF. EQUITY SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF.

Equity Shareholders applying under the ASBA Process should note that on the basis of name of these Equity Shareholders, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF, the Registrar to the Issue will obtain from the Depository demographic details of these Equity Shareholders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Equity Shareholders applying under the ASBA Process should carefully fill in their Depository Account details in the CAF.

These Demographic Details would be used for all correspondence with such Equity Shareholders including mailing of the letters intimating unblock of bank account of the respective Equity Shareholder. The Demographic Details given by the Equity Shareholders in the CAF would not be used for any other purposes by the Registrar. Hence, Equity Shareholders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the CAFs, the Equity Shareholders applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating Allotment and unblocking or refund (if any) would be mailed at the address of the Equity Shareholder applying under the ASBA Process as per the Demographic Details received from the Depositories. Refunds, if any, will be made directly to the bank account linked to the DP ID. Equity Shareholders applying under the ASBA Process may note that delivery of letters intimating unblocking of bank account may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Equity Shareholder in the CAF would be used only to ensure dispatch of letters intimating unblocking of the ASBA Accounts.

Note that any such delay shall be at the sole risk of the Equity Shareholders applying under the ASBA Process and none of our Company, the SCSBs or the Lead Manager shall be liable to compensate the Equity Shareholder applying under the ASBA Process for any losses caused due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, (a) names of the Equity Shareholders (including the order of names of joint holders), (b) the DP ID and (c) the beneficiary account number, then such applications are liable to be rejected.

Issue Schedule

Issue Opening Date:	[●]
Last date for receiving requests for SAFs:	[●]
Issue Closing Date:	[●]

The Board may however decide to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

Allotment Advices / Refund Orders

Our Company will issue and dispatch Allotment advice/ share certificates/demat credit and/or letters of regret along with refund order or credit the allotted Equity Shares to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date.

Investors residing at centers where clearing houses are managed by the RBI will get refunds through National Electronic Clearing Service (“NECS”) except where Investors have not provided the details required to send electronic refunds or where the investors are otherwise disclosed as applicable or eligible to get refunds through direct credit and real-time gross settlement (“RTGS”).

In case of those Investors who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of the Issue Closing Date.

In case of those Investors who have opted and are entitled to receive their Rights Entitlement in physical form, our Company will issue share certificates under Section 56 of the Companies Act or other applicable provisions, if any. Investors are requested to preserve such letters of allotment, which would be exchanged later for the share certificates.

The letter of allotment / refund order would be sent by registered post/ speed post to the sole/ first Investors registered address. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked ‘Account Payee only’ and would be drawn in favour of the sole/first Investor. Adequate funds would be made available to the Registrar to the Issue for this purpose.

Payment of Refund

Mode of making refunds

The payment of refund, if any, would be done through any of the following modes:

NECS – Payment of refund would be done through NECS for Investors having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories/the records of the Registrar. The payment of refunds is mandatory for Investors having a bank account at any centre where NECS facility has been made available (subject to availability of all information for crediting the refund through NECS).

NEFT – Payment of refund shall be undertaken through NEFT wherever the Investors’ bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number with the registrar to our

Company or with the depository participant while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.

Direct Credit – Investors having bank accounts with the Banker to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Company.

RTGS – If the refund amount exceeds ₹ 2 lacs, the investors have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS or any other eligible mode. Charges, if any, levied by the refund bank(s) for the same would be borne by our Company. Charges, if any, levied by the Investor's bank receiving the credit would be borne by the Investor.

For all other Investors the refund orders will be despatched through Speed Post/ Registered Post. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par.

Credit of refunds to Investors in any other electronic manner permissible under the banking laws, which are in force, and are permitted by the SEBI from time to time.

Refund payment to Non- resident

Where applications are accompanied by Indian rupee drafts purchased abroad and payable at Mumbai, refunds will be made in the Indian Rupees based on the U.S. dollars equivalent which ought to be refunded. Indian Rupees will be converted into U.S. dollars at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned applicant and our Company shall not bear any part of the risk.

Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO accounts respectively, on which such cheques were drawn and details of which were provided in the CAF.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars, where available, will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. We will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Allotment advice / Share Certificates/ Demat Credit

Allotment advice/ share certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named Investor or respective beneficiary accounts will be credited within 15 days, from the Issue Closing Date. In case our Company issues Allotment advice, the relative share certificates will be dispatched within one month from the date of the Allotment. Allottees are requested to preserve such allotment advice (if any) to be exchanged later for share certificates.

Option to receive Equity Shares in Dematerialized Form

Investors shall be allotted the Equity Shares in dematerialized (electronic) form at the option of the Investor. The Company has signed a tripartite agreement with NSDL on May 11, 2001 and with CDSL on April 28, 2001 which enables the Investors to hold and trade equity shares in a dematerialized form, instead of holding the equity shares in the form of physical certificates.

In this Issue, the allottees who have opted for Equity Shares in dematerialized form will receive their Equity Shares in the form of an electronic credit to their beneficiary account as given in the CAF, after verification with a depository participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Allotment advice, refund order (if any) would be sent directly to the Investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Equity Shares to the Investor's depository account. CAFs, which do not accurately contain this information, will be given the Equity Shares in physical form. No separate CAFs for Equity Shares in physical and/or dematerialized form should be made.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGE ONLY IN DEMATERIALIZED FORM.

The procedure for availing the facility for Allotment of Equity Shares in this Issue in the electronic form is as under:

Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as registered in the records of our Company). In case of Investors having various folios in our Company with different joint holders, the Investors will have to open separate accounts for such holdings. *Those Equity Shareholders who have already opened such beneficiary account(s) need not adhere to this step.*

For Equity Shareholders already holding equity shares in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the Allotment of Equity Shares arising out of this Issue may be made in dematerialized form even if the original equity shares are not dematerialized. Nonetheless, it should be ensured that the depository account is in the name(s) of the Equity Shareholders and the names are in the same order as in our records.

The responsibility for correctness of information (including Investor's age and other details) filled in the CAF vis-à-vis such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in CAF should be the same as registered with the Investor's depository participant.

If incomplete/ incorrect beneficiary account details are given in the CAF, then such shares will be credited to a demat suspense a/c which shall be opened by the Company as specified in the SEBI circular no. SEBI/CFD/DIL/LA/1/2009/24/04 dated April 24, 2009.

The Equity Shares allotted to applicants opting for issue in dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's depository participant will provide to him the confirmation of the credit of such Equity Shares to the applicant's depository account. It may be noted that Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL.

Renouncees will also have to provide the necessary details about their beneficiary account for Allotment of Equity Shares in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.

Non-transferable allotment advice/refund orders will be directly sent to the Investors by the Registrar.

Dividend or other benefits with respect to the Rights Shares held in dematerialized form would be paid to those Equity Shareholders whose names appear in the list of beneficial owners given by the Depository

Participant to our Company as on the date of the book closure.

General instructions for non-ASBA Investors

Please read the instructions printed on the enclosed CAF carefully.

Application should be made on the printed CAF, provided by our Company except as mentioned under the head “Application on Plain Paper – non ASBA” on page 178 of this Letter of Offer and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of the Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the Investors, details of occupation, address, father’s / husband’s name must be filled in block letters.

The CAF together with the cheque/demand draft should be sent to the Banker to the Issue/Collecting Bank or to the Registrar to the Issue and not to our Company or Lead Manager to the Issue. Investors residing at places other than cities where the branches of the Banker to the Issue have been authorised by our Company for collecting applications, will have to make payment by Demand Draft payable at Mumbai of an amount net of bank and postal charges and send their CAFs to the Registrar to the Issue by registered post. If any portion of the CAF is/are detached or separated, such application is liable to be rejected.

Applications where separate cheques/demand drafts are not attached for amounts to be paid for Equity Shares are liable to be rejected.

Except for applications on behalf of the Central and State Government, the residents of Sikkim and the officials appointed by the courts, all Investors, and in the case of application in joint names, each of the joint Investors, should mention his/her PAN number allotted under the I.T. Act, 1961, irrespective of the amount of the application. **CAFs without PAN will be considered incomplete and are liable to be rejected.**

Investors, holding equity shares in physical form, are advised that it is mandatory to provide information as to their savings/current account number and the name of the bank with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected.

All payment should be made by cheque/demand draft only. Application through the ASBA process as mentioned above is acceptable. Cash payment is not acceptable. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.

Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with our Company.

In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the Memorandum and Articles of Association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case the above referred documents are already registered with our Company, the same need not be a furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Banker to the Issue.

In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as

per the specimen signature(s) recorded with our Company. Further, in case of joint Investors who are Renouncees, the number of Investors should not exceed three. In case of joint Investors, reference, if any, will be made in the first Investor's name and all communication will be addressed to the first Investor.

Application(s) received from NRs/NRIs, or persons of Indian origin residing abroad for Allotment of Equity Shares shall, *inter alia*, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, Allotment of Equity Shares, subsequent issue and Allotment of Equity Shares, interest, export of share certificates, etc. In case a NR or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF. Additionally, applications will not be accepted from NRs/NRIs in the United States or its territories and possessions, or any other jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws.

All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of Allotment in this Issue quoting the name of the first/sole Investor, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of Allotment, should be sent to the Registrar and Transfer Agents of our Company, in the case of equity shares held in physical form and to the respective depository participant, in case of equity shares held in dematerialized form.

SAFs cannot be re-split.

Only the Equity Shareholder(s) and not Renouncee(s) shall be entitled to obtain SAFs.

Investors must write their CAF number at the back of the cheque /demand draft.

Only one mode of payment per application should be used. The payment must be by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the bankers clearing house located at the centre indicated on the reverse of the CAF where the application is to be submitted.

A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected.

No receipt will be issued for application money received. The Banker to the Issue / Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

The distribution of the Letter of Offer and issue of Equity Shares and Rights Entitlements to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons in the United States and such other jurisdictions are instructed to disregard the Letter of Offer and not to attempt to subscribe for Equity Shares.

Do's for non-ASBA Investors:

Check if you are eligible to apply i.e. you are an Equity Shareholder on the Record Date;

Read all the instructions carefully and ensure that the cheque/ draft option is selected in part A of the CAF and necessary details are filled in;

In the event you hold equity shares in dematerialised form, ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as the Equity Shares will be allotted in the dematerialized form only;

Ensure that your Indian address is available to our Company and the Registrar, in case you hold equity shares in physical form or the depository participant, in case you hold equity shares in dematerialised form;

Ensure that the CAFs are submitted at the collection centres of the Banker to the Issue only on prescribed forms;

Ensure that the value of the cheque/ draft submitted by you is equal to the (number of Equity Shares applied for) X (Issue Price of Equity Shares, as the case may be) before submission of the CAF;

Ensure that you receive an acknowledgement from the collection centers of the collection bank for your submission of the CAF in physical form;

Ensure that you mention your PAN allotted under the I.T. Act with the Application Form, except for Application on behalf of the Central and State Governments, residents of the state of Sikkim and officials appointed by the courts;

Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF;

Ensure that the demographic details are updated, true and correct, in all respects.

Don'ts for non-ASBA Investors:

Do not apply if you are not eligible to participate in this Issue in terms of the securities laws applicable to your jurisdiction;

Do not apply on duplicate CAF after you have submitted a CAF to a collection center of the collection bank;

Do not pay the amount payable on application in cash, by money order or by postal order;

Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground;

Do not submit Application accompanied with Stock invest;

Grounds for Technical Rejections for non-ASBA Investors

Investors are advised to note that applications may be rejected on technical grounds, including the following:

Amount paid does not tally with the amount payable;

Bank account details (for refund) are not given and the same are not available with the DP (in the case of dematerialized holdings) or with the Registrar (in the case of physical holdings);

Age of Investor(s) not given (in case of Renouncees);

Application for Allotment of Rights Entitlements or additional shares in physical form (in case the existing holding is in dematerialized form).

Except for CAFs on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN number not given for application of any value;

In case of CAF under power of attorney or by limited companies, corporate, trust, relevant documents are not submitted;

If the signature of the Equity Shareholder does not match with the one given on the CAF and for renouncee(s) if the signature does not match with the records available with their depositories;

CAFs are not submitted by the Investors within the time prescribed as per the CAF and the Letter of Offer;

CAFs not duly signed by the sole/joint Investors;

CAFs by OCBs without specific RBI approval;

CAFs accompanied by outstation cheques / post-dated cheques / money order / postal order / outstation demand draft;

In case no corresponding record is available with the depositories that matches three parameters, namely,

names of the Investors (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;

CAFs that do not include the certifications set out in the CAF to the effect that, among other thing, the subscriber is not located in restricted jurisdictions and is authorized to acquire the Rights Entitlements and Equity Shares in compliance with all applicable laws and regulations;

CAFs which have evidence of being executed in/dispatched from restricted jurisdictions;

CAFs by ineligible non-residents (including on account of restriction or prohibition under applicable local laws);

CAFs where our Company believes that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements;

In case the GIR number is submitted instead of the PAN;

Applications by Renouncees who are persons not competent to contract under the Indian Contract Act, 1872, except applications by minors having valid demat accounts as per the demographic details provided by the Depositories

Multiple CAFs, including cases where an Investor submits CAFs along with a plain paper application.

QIBs and other Equity Shareholders applying for Equity Shares in this Issue for value of more than ₹ 2,00,000 who hold equity shares in dematerialised form, applying through the non-ASBA process. Equity Shareholders not being individuals or HUFs applying for Equity Shares in this Issue for a value not exceeding ₹ 2,00,000, who hold equity shares in dematerialised form, applying through the non-ASBA process.

Please read the Letter of Offer or Abridged Letter of Offer and the instructions contained therein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of the Letter of Offer and must be carefully followed. The CAF is liable to be rejected for any non-compliance of the provisions contained in the Letter of Offer or the CAF.

Please note that Equity Shareholders being QIBs and Non-Institutional Investors can participate in this Issue only through the ASBA process. Retail Individual Investors whose application amounts do not exceed ₹ 2,00,000 can participate in this Issue either through the ASBA process or the non ASBA process.

Investment by FPIs, FIIs and QFIs

In terms of the SEBI (FPI) Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is not permitted to exceed 10% of the Company's post-Issue equity share capital. Further, in terms of the FEMA Regulations, the total holding by each FPI shall be below 10% of the total paid-up equity share capital of the Company and the total holdings of all FPIs put together shall not exceed 24% of the paidup equity share capital of the Company. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the Board of Directors followed by a special resolution passed by the Equity Shareholders of the Company. However, as on the date of this Letter of Offer, the Company has not increased the FII limit.

FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

An FII who holds a valid certificate of registration from SEBI shall be deemed to be an FPI until the expiry of the block of three (3) years for which fees have been paid as per the SEBI FII Regulations. An FII or a sub-account (other than a sub-account which is a foreign corporate or a foreign individual) may participate in the Issue, until expiry of its registration as an FII or sub-account or until it obtains a certificate of registration as an FPI, whichever is earlier. If the registration of an FII or sub-account has expired or is about to expire, such FII or sub-account may, subject to payment of conversion fees as applicable under the SEBI FPI Regulations, participate in the Issue. An FII or sub-account shall not be eligible to invest as an FII after registering as an FPI under the SEBI FPI Regulations. In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs as well as holding of FIIs (being deemed FPIs) shall be included.

Further, in terms of the SEBI (FPI) Regulations, a QFI may continue to buy, sell or otherwise deal in securities, subject to the provisions of the SEBI (FPI) Regulations, until January 6, 2015 (or such other date as may be specified by SEBI) or until the QFI obtains a certificate of registration as FPI, whichever is earlier.

The existing individual and aggregate investment limits for Eligible QFIs in an Indian company are 5% and 10% of the paid-up capital of an Indian company, respectively. In terms of the FEMA Regulations, a QFI shall not be eligible to invest as a QFI upon obtaining registration as an FPI. However, all investments made by a QFI in accordance with the regulations, prior to registration as an FPI shall continue to be valid and taken into account for computation of the aggregate limit.

Investment by NRIs

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulation 5(3)(i) of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. Applications will not be accepted from FIIs in restricted jurisdictions.

Procedure for Applications by Mutual Funds

A separate application can be made in respect of each scheme of an Indian mutual fund registered with the SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

Mode of payment for Resident Equity Shareholders/ Investors

All cheques / drafts accompanying the CAF should be drawn in favour of the Collecting Bank (specified on the reverse of the CAF), crossed 'A/c Payee only' and marked "[●]";

Investors residing at places other than places where the bank collection centres have been opened by our Company for collecting applications, are requested to send their CAFs together with Demand Draft for the full application amount, net of bank and postal charges favouring the Banker to the Issue, crossed 'A/c Payee only' and marked "[●]" payable at Mumbai directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Applications through mails should not be sent in any other manner except as mentioned above. The CAF along with the application money must not be sent to our Company or the Lead Manager or the Registrar. Applicants are requested to strictly adhere to these instructions.

Mode of payment for Non-Resident Equity Shareholders/ Investors

As regards the application by non-resident Equity Shareholders, the following conditions shall apply:

Individual non-resident Indian applicants who are permitted to subscribe for Equity Shares by applicable local securities laws can obtain application forms from the following address:

M/s. Integrated Enterprises (India) Limited

2nd Floor, Kences Towers,
No. 1, Ramakrishna Street,
North Usman Road,
T. Nagar, Chennai - 600 017.

Tel: +91-44- 28140801-3

Fax: +91-44- 28142479

E-mail: yuvraj@integratedindia.in

Website: www.integratedindia.in

Contact Person: Mr. S Yuvaraj

SEBI Registration Number: INR000000544

Note: The Letter of Offer/ Abridged Letter of Offer and CAFs to NRIs shall be sent only to their Indian address, if provided.

All non-resident Investors should draw the cheques/ demand drafts in favour of “[●]”, crossed “A/c Payee only” for the full application amount, net of bank and postal charges and which should be submitted along with the CAF to the Banker to the Issue/ collection centres or to the Registrar to the Issue.

Non-resident Investors applying from places other than places where the bank collection centres have been opened by the Company for collecting applications, are requested to send their CAFs together with demand draft for the full application amount, net of bank and postal charges drawn in favour of Banker to the Issue, crossed “A/c Payee only” and marked “[●]” payable at Mumbai directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Applications will not be accepted from non-resident from any jurisdiction where the offer or sale of the Rights Entitlements and Equity Shares may be restricted by applicable securities laws.

Payment by non-residents must be made by demand draft payable at Mumbai/cheque payable drawn on a bank account maintained at Mumbai or funds remitted from abroad in any of the following ways:

Application with repatriation benefits

By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or

By cheque/draft on a Non-Resident External Account (NRE) or FCNR Account maintained in India; or

By Rupee draft purchased by debit to NRE/FCNR Account maintained elsewhere in India and payable in Mumbai; or FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

Non-resident investors applying with repatriation benefits should draw cheques/drafts in favour of “[●]” and must be crossed ‘account payee only’ for the full application amount, net of bank and postal charges.

FPIs/FIIs registered with SEBI must remit funds from special non-resident rupee deposit account; or

Investors may note that where payment is made by drafts purchased from NRE/ FCNR accounts as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

In the case of NRI Investors who remit their application money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any, shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRI Investors who remit their application money through Indian Rupee drafts from abroad, refunds and other disbursements, if any, will be made in U.S Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. Our Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into U.S. Dollar or for collection charges charged by the Investor’s bankers.

Payments through NRO accounts will not be permitted.

Investors may note that where payment is made by drafts purchased from NRE/ FCNR accounts as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

Application without repatriation benefits

As far as non-residents holding equity shares on non-repatriation basis are concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in India or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the Allotment of Equity Shares will be on non-repatriation basis.

All cheques/drafts submitted by non-residents applying on a non-repatriation basis should be drawn in favour of '[●]' and must be crossed 'account payee only' for the full application amount, net of bank and postal charges. The CAFs duly completed together with the amount payable on application must be deposited with the collecting bank indicated on the reverse of the CAFs before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

Investors may note that where payment is made by drafts purchased from NRE/ FCNR/ NRO accounts as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/ FCNR/ NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

New demat account shall be opened for holders who have had a change in status from resident Indian to NRI. Any application from a demat account which does not reflect the accurate status of the Applicant are liable to be rejected.

Notes:

In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to the IT Act.

In case Equity Shares are allotted on a non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.

The CAF duly completed together with the amount payable on application must be deposited with the collecting bank indicated on the reverse of the CAFs before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

In case of an application received from non-residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

Impersonation

As a matter of abundant caution, attention of the Investors is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013 which is reproduced below:

“Any person who makes in a fictitious name an application to a Company for acquiring, or subscribing for, its securities; or makes or abets making of multiple applications to a Company in different names or in different combinations of his name or surname for acquiring or subscribing its securities; or otherwise induces directly or indirectly a Company to allot, or register any transfer of securities to him, or any other person in a fictitious name, shall be liable for action under Section 447.

Disposal of application and application money

No acknowledgment will be issued for the application moneys received by our Company. However, the Banker to the Issue / Registrar to the Issue / SCSBs receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

The Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.

In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the Investor within a period of 15 days from the Issue Closing Date.

If such money is not repaid within eight days from the day our Company becomes liable to repay it, our Company and every Director of our Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under applicable laws.

For further instructions, please read the CAF carefully.

Utilisation of Issue Proceeds

The Board of Directors declares that:

All monies received out of this Issue shall be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 40 of the Companies Act;

Details of all monies utilized out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised;

Details of all unutilized monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested; and

The Company may utilize the funds collected in this Issue only after finalization of Basis of Allotment and the listing and trading approvals are received for the Rights Equity Shares.

Undertakings by our Company

Our Company undertakes the following:

1. The complaints received in respect of the Issue shall be attended to by our Company expeditiously and satisfactorily.
2. All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchange where the Equity Shares are to be listed will be taken within seven working days of finalization of basis of Allotment.
3. The funds required for making refunds to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by our Company.
4. The Company undertakes that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Investor within 15 days of the Issue Closing Date, giving details of the banks where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. Adequate arrangements shall be made to collect all ASBA applications and to consider them similar to non-ASBA applications while finalising the basis of Allotment.
6. The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.
7. No further issue of securities affecting equity capital of the Company shall be made till the securities issued/offered through the Letter of Offer Issue are listed or till the application monies are refunded on account of non-listing, under-subscription etc.
8. At any given time there shall be only one denomination of equity shares of our Company.
9. Our Company accepts full responsibility for the accuracy of information given in this Letter of

Offer and confirms that to the best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.

10. All information shall be made available by the Lead Manager and the Issuer to the Investors at large and no selective or additional information would be available for a section of the Investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc.
11. Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

Minimum Subscription

(A) If our Company does not receive the minimum subscription of ninety per cent of the issue, the entire subscription shall be refunded to the applicants within fifteen days from the date of closure of the issue.

(B) If there is delay in the refund of subscription by more than 8 days after the issuer becomes liable to pay the subscription amount (i.e. fifteen days after closure of the issue), our Company will pay interest for the delayed period, at rates prescribed under Companies Act.

The Promoter has confirmed that it intends to subscribe to the full extent of their Rights Entitlement in the Issue. Our Promoter Kingfa Sci. and Tech. Co. Ltd. presently holds 74.99% of the paid-up equity share capital of our Company. As per the terms of the Rights Issue Kingfa Sci. and Tech. Co. Ltd. would be entitled to 74.99% of the rights issue as well. In terms of the present regulations, promoters will not be able to subscribe to any additional shares and/or subscribe to any unsubscribed portion in this rights issue as such subscription may reduce the public shareholding below the applicable limits of 25% for compliance with the continuous listing requirements as per provisions of Rule 19(2) (b) of Securities Contracts (Regulation) Rules, 1957. In case the rights issue remains unsubscribed and minimum subscription is not achieved, the Board of Directors may dispose of such unsubscribed portion in the best interest of the Company in a transparent manner.

Important

Please read the Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.

All enquiries in connection with this Letter of Offer or accompanying CAF and requests for SAFs must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and superscribed '[●]' on the envelope and postmarked in India) to the Registrar to the Issue at the following address:

M/s. Integrated Enterprises (India) Limited

2nd Floor, Kences Towers,
No. 1, Ramakrishna Street,
North Usman Road,
T. Nagar, Chennai - 600 017.

Tel: +91-44- 28140801-3

Fax: +91-44- 28142479

E-mail: yuvraj@integratedindia.in

Website: www.integratedindia.in

Contact Person: Mr. S Yuvaraj

SEBI Registration Number: INR000000544

The Issue will remain open for minimum 15 days However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.

SECTION IX – STATUTORY AND OTHER INFORMATION

ARTICLES OF ASSOCIATION

Shares

3. The Authorised Share Capital of the Company shall be as stated in the Memorandum of Association of the Company from time to time.
 4. Subject to the provisions of these articles and the Act, the shares of the company shall be under the control of the Board which may allot or otherwise dispose of the shares to such person(s) on such terms and conditions and at such times as they may think fit.
 5. The company may, from time to time, by ordinary resolution, increase the authorized capital by the creation of new shares of such amount as may be deemed expedient.
 6. The company may, from time to time, by special resolution, reduce in any manner, subject, of course, to the procedure required by the Act;
 - (a) its share capital
 - (b) any capital redemption reserve account, or
 - (c) any share premium account
 7. (a) Subject to Section 76 of the Act, the company may at any time pay a commission within the limits prescribed therein to any person for subscribing or agreeing to subscribe, whether absolutely or conditionally, or procuring or agreeing to procure subscription, whether absolutely or conditionally for any shares, debentures or debenture stock of the company.
 (b) The company may also, on any issue of shares or debentures or debenture stock, pay such brokerage as may be lawful.
 8. Except as otherwise provided by the conditions of issue or by these articles, any capital raised by the creation of new shares shall be subject to the provisions of these articles with regard to the payment of call and instalment, transfer and transmission, forfeiture, lien, surrender and allied matters.
 9. Save as otherwise provided by these articles and subject to the provisions of the Act, the company shall be entitled to treat the registered holder of any shares as the absolute owner thereof and accordingly the company shall not, except as ordered by a court of competent jurisdiction be bound to recognize any equitable, contingent, future or partial interest or any lien, pledge or charge in respect of any share except an absolute right to the entirety thereof in the registered holder.
- 9-A “Provided that an option or right to call of Shares shall not be given to any person(s) except with the sanction of the Company in General Meeting.”

9B DEMATERIALISATION OF SECURITIES

For the purpose of this Article:

“Beneficial Owner” means a person or persons whose name is recorded as such with a depository;

“SEBI” means the Securities and Exchange Board of India;

“Depositories Act, 1996” shall include any statutory modifications or re-enactment thereof;

“Depository” shall mean a Depository as defined under Clause (e) of Sub-section (1) of Section 2 of the Depositories Act, 1996 and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992; and

“Security means such security as may be specified by SEBI from time to time.

Dematerialisation of Securities

Notwithstanding anything contained in these Articles, the Company Shall be entitled to dematerialize its securities and to offer Securities in a dematerialized form pursuant to the Depositories Act, 1996.

Options for investors

- (i) Every person subscribing to securities offered by the Company Shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of Allotment of the security and, on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

Securities in Depositories to be in fungible form.

- (ii) All securities held by a depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to depository in respect of the securities held by it on behalf of the beneficial owners.

Rights of Depositories and Beneficial Owners

- (iii)(a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the Registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owners.
- (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and Whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

Service of Documents

- (iv) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of Securities

- (v) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities Effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository.

Allotment of Securities dealt with by a Depository

- (vi) Notwithstanding anything in the Act or these Articles, Where securities are dealt with by a depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.

Distinctive Numbers of Securities held in a Depository

- (vii) Nothing contained in the Act or these Articles regarding the Necessity of having distinctive numbers for securities issued by the Company shall apply to securities held in a depository.

Register and Index of Beneficial Owners

- (viii) The Register and Index of Beneficial Owners, Maintained by a depository under the depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles.

SHARE CERTIFICATES

10. (a) Every person whose name is entered as a member in the register shall be entitled to receive within two months from the date of allotment of the relative shares or within one month from the date of receipt of the application for registration of transfer.
- i) one certificate for all his shares without payment; or
 - ii) Several certificates each for one or more of his shares, upon payment of two rupees for every certificate after the first, unless the board decides to dispense with such payment as may be required by a stock exchange or otherwise;
- (b) In respect of any share or shares held jointly, the company shall not be bound to issue more than one certificate and further delivery of a share certificate to the first-named of the joint holders or his agent shall be deemed to be sufficient delivery to all such holders.
- (c) The company shall not be bound to send any allotment letter or share certificate by registered post, unless the expenses thereof have previously been paid to the Company.
- 10 A Notwithstanding anything contained in Sub-Article (a) of the Article 10 and Article 11-B, the Board may in its absolute discretion refuse applications for the Sub-Division of Share Certificates, Debenture or Bond Certificates into denomination of less than the marketable lot if on the face of it such sub-division appears to be unreasonable or without a genuine need except when it is required to be made to comply with a Statutory Provision or an order of a competent court of Law.
- 11-A If a Share Certificate be defaced, lost or destroyed, a fresh one may be issued instead on payment of such fee, if any, as may be determined by the board not exceeding one rupee for every such certificates and on such terms as to evidence and indemnity, and the payment of out of pocket expenses incurred by the company in investing the evidence as the Board may think fit. But no fee shall be charged for the Issue of certificates in replacement of those which are old, Decrepit or worn out or where the cages on the reverse for Recording transfer have been fully utilized. All such Certificates shall be marked "Duplicate".
- 11 B In the case of Share Certificates which are not in market lots, any person (whether the registered holder or not) being in possession of a Share Certificate or Share Certificates may surrender the said Share Certificate and apply to the Company for issue of several Share Certificates each of them comprising a market lot or multiples of market lot or other number of Shares as he may desire and the Board shall on such request in lieu and in cancellation of the Certificates so surrendered issue one or more Certificates as the case may be in the name or names of persons in whose name the original Share Certificate or Certificates so issued shall be delivered to the persons who surrendered the original Certificate or to his order. No fee shall be charged for issue of Share Certificates.
- 11 (C): The Company, unless prohibited by any provision of any law, or of any order of any court, tribunal or authority, shall, within three months after the allotment of any of its shares, debentures, and, within two months after the application for registration of transfer of any such

shares, debentures, deliver in accordance with the procedure laid down in Section 53 of the Act, the Certificates of all shares, debentures.”

LIEN

12. The Company shall have a first and paramount lien upon all shares (other than fully paid-up Shares) Registered in the name of each member (whether solely or jointly with others) and upon the proceeds or sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that this article will have full effect and such Lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed the Registration of a Transfer of Shares shall operate as a waiver of the company's Lien if any on such shares. The Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this clause.

CALLS ON SHARES

13. (a) The Board, may, from time to time, subject to the terms on which any shares have been issued and subject to the conditions of allotment make such call, as it thinks fit, upon the members in respect of all the moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to such person(s) and at such times and places as the board may direct.
 - (b) A call may be made payable either in one sum or by instalments.
 - (c) A call shall be deemed to have been made at the time when the resolution of the board authorizing such call was passed.
 - (d) A call may be revoked or postponed at the discretion of the board.
14. Twenty-one days' notice, at the least, of payment of any call shall be given.
15. If the sum payable in respect of any call or instalments is not paid on or before the date appointed for payment thereof, the holder, for the time being, of the share or shares in respect of which the call or instalment is due shall pay interest at fifteen percent per annum from the expiry of the day before which it was to be paid to the date of actual payment, provided, however, that the Board may, where it thinks fit, remit altogether or in part the interest payable under this article.
- 16 (a) If any member fails to pay any call or instalment before the date fixed for payment thereof, the Board may, at any time thereafter, during the period the call or instalment remains outstanding, serve a notice on such member requiring him to pay the sum together with applicable interest and the expenses incurred by the company by reason of such non-payment.
 - (b) The notice shall name a day (not less than 14 days from the date of notice) on and the place at which the sum due shall be paid, also indicating that in the event of non-payment, the shares in respect of which the call was made or the instalment is due shall be liable to be forfeited.
- 17 On the trial or hearing of any action or suit instituted by the company against any member or his representative to recover any debt or money claimed to be due to the company in respect of his shares, it shall be sufficient for the company to prove that the name of the defendant is or was on the register and that the amount claimed has not been paid; it shall not be necessary for the company to prove the appointment of the board who made the call or the presence of quorum at the meeting at which the call was made or the due convening of the meeting or any other matter whatsoever and the proof of the matters mentioned in the beginning of this article shall be conclusive evidence of the member's liability.

CALLS IN ADVANCE

- 18 (a) The company may receive from any member willing to advance, moneys payable on the shares held by such member beyond the sum actually called thereon and may pay on such advance-call-amount interest at a rate not exceeding fifteen percent per annum as the board may decide; provided, however, such advance shall not be reckoned for the purpose of payment of any dividend or for the purpose specified in section 87(1) (b) of the Act.
- (b) The company may likewise receive application and allotment moneys in advance from applicants for shares; but, no interest shall be payable on such money and such money shall not qualify for payment of any dividend or participate in the profits of the Company.

TRANSFER OF SHARES

- 19(a). Subject to the provisions of Section 111 of the Companies Act, 1956, the Board of Directors may refuse, whether in pursuance of any power of the Company under the Articles or otherwise, to register or acknowledge the transfer of, or the transmission by operation of law, of the right to any shares or interest of a member in, or debentures of the Company.

The Company shall within two months from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the Company, send notice of the refusal to the transferor or the person giving intimation of such transmission, as the case may be, giving reasons for such refusal, provided that the registration of a transfer shall not be refused on the ground of the transferor being, either alone or jointly with any person or persons, indebted to the Company on any whatsoever except a lien on the shares.

- (b) No fee should be charged for transfer of Shares or for effecting transmission or for registering any letters or probate, letters of administration and similar other documents.
20. No transfer of any share or shares shall be made to a minor.
21. The registration of transfer of shares may be suspended at such times and for such periods as the board may, subject to the Act, determine. The share transfer books may, in the discretion of the board, be closed during the time the register remains closed.
- 21 A. The Board may in its absolute discretion refuse applications for transfer of shares, Debentures or bonds comprised in a share certificate / Debenture or bond certificate to several parties involving sub division of the share certificate. Debenture, bond certificate into denominations of less than the marketable lot if on the face of it such transfer appears to be unreasonable or without a genuine need except when it is required to be made to comply with a Statutory provision or an order of a competent court of Law.

TRANSMISSION OF SHARES

- 22 (a) On the death of a member, the surviving joint holder(s) where the member was a joint holder and his legal representative(s) where he was a sole holder shall be the only persons recognized by the company as having any title to or interest in the shares.
- (b)(i) The executors or administrators or a holder of a succession certificate respect of the estate of a deceased member not being one of the joint holders, shall be the only persons whom the company may be bound to recognize as having any title to the shares registered in the name of such member.
- (ii) The company shall not be bound to recognize such executors or administrators unless the succession certificate, probate or letters of administration, as the case may be, from a court of competent jurisdiction had been delivered to the company; provided, however, the board may,

in its absolute discretion, dispense with the production of the aforesaid documents subject to such terms as it may specify.

Nomination of Shares

- 22(c) Nothing contained in these Articles, every holder(s) of shares in or holder(s) of debentures of the Company holding either singly or jointly, may, at any time, nominate a person in the prescribed manner to whom the shares and/or the interest of the member in the capital of the company or debentures of the Company shall vest in the event of his/her death. Such member may revoke or vary his/her nomination, at any time, by notifying the same to the Company to that effect. Such nomination shall be governed by the provisions of Section 109A and 109B of the Act or such other regulations governing the matter from time to time.

FORFEITURE

- 23 (a) If the requirement of the notice issued under article 16 is not complied with, any share in respect of which such notice is issued, may at any time after the non-compliance of the notice-requirement, be forfeited by the resolution of the Board.
- (b) When any share(s) is / are so forfeited, the fact of such forfeiture shall be communicated to the person(s) in whose name it stood prior to the forfeiture and an entry of the forfeiture with the date thereof shall forthwith be made in the Register.
- (c) Any share(s) so forfeited shall be deemed to be the property of the company and the Board may sell, reissue or otherwise dispose of the same in such manner as it thinks fit.
24. Any member whose shares have been forfeited shall be liable to pay and shall forthwith pay to the company calls, instalments, interest and expenses owing upon or in respect of such shares from the due date to the date of payment at fifteen percent per annum.
25. The Board may at any time before any share(s) so forfeited is / are sold or otherwise disposed of annul the forfeiture thereof upon such terms and conditions as it thinks fit.
26. The provisions of articles 15 to 17 and 23 to 25 shall apply to non-payment of allotment money as if it were call money.

BUY BACK OF SECURITIES

30. Subject to the provisions of Section 77A of the Companies Act and the Rules made thereunder, the Company may, when and if thought fit, buy back such of the Company's own shares or securities as it may think necessary on the terms and conditions as specified therein and subject to such approvals as may be required.

BOARD OF DIRECTORS

- 46(a) The Number of Directors shall not be less than 3 and not more than 8
- (b) It shall not be incumbent upon any directors to hold qualification shares.
47. The first directors of the company shall be Sri V. Srinivasan, Mrs. Vidya Srinivasan and Sri K. Sriram.
48. (a) Subject to the approval of the Central Government the Board of Directors shall have power at any time and from time to time to appoint/reappoint one or more of their number as managing director(s) and joint and deputy managing director(s), as the case may be, on such terms and conditions as they deem fit.

- (b) Subject to the approval of the Central Government the Board may, at any time and from time to time, appoint / reappoint one or more of their number as whole-time director(s) on such terms and conditions as they may decide.
 - (c) The managing director(s), the joint-managing director(s), the deputy managing director(s) and the whole time director(s) shall not, whilst holding that office, be subject to retirement by rotation.
 - (d) The board may also, at any time and from time to time, appoint/reappoint alternate director(s).
 - (e) The Company shall ensure that not less than $\frac{2}{3}$ rd of the members of the Board shall be subject to retirement by rotation and the remaining $\frac{1}{3}$ rd of the Directors who shall not be subject to retirement by rotation, shall be decided by the Board of Directors of the Company.
49. The continuing directors may act notwithstanding any vacancy in the Board of Directors, but if their number, at any time, be reduced below the quorum required for a meeting of the Board (i.e. the continuing directors) may act for the purpose of increasing the number of directors.
50. The board shall have power at any time, and from time to time, to appoint additional director(s) provided the number of the directors and additional directors, together shall not, at any time, exceed the maximum strength fixed for the board by the Articles.
- 51(a) The fees payable to a Director for attending a meeting of the Board or Committee thereof shall be decided by the Board of Directors from time to time within the maximum limits of such fees that may be prescribed by the Companies Act, 1956 or rules or notifications framed thereunder & if not so prescribed, in such manner as the Directors may decide from time to time in conformity with the provisions of law.
- The Directors shall also be eligible for traveling, halting and other expenses incurred by them in attending from their normal place of residence and return from such meetings of the Board or any Committee of the Board.
- 51.(b) They may also be reimbursed the aforementioned expenses incurred in connection with the business of the company.
52. (a) The remuneration payable to the directors of the company including any managing director(s), joint managing director(s), deputy managing director(s) or whole-time director(s) shall be determined in accordance with and subject to the provisions of Sections 198 and 309 of the Act by an ordinary resolution passed by the Company in general meeting.
- (b) The directors who are either in the whole-time employment of the company or the managing director or the joint managing director or the deputy managing director may be paid remuneration either by way of a monthly payment or at a percentage of the net profits of the company or partly by one way and partly by the other, provided, however, that except with the approval of the Central Government, such remuneration shall not exceed five percent of the net profits for one such director and if there is more than one such director, ten percent for all of them together.
- (c) The directors who are neither in the whole-time employment of the company nor a managing director may be paid remuneration either by way of a monthly, quarterly or annual payment with the authority of an ordinary resolution passed in the general meeting and with the approval of the Central Government or by way of commission with the authority of a special resolution passed at a general meeting; provided however, that the remuneration paid to such director or directors shall not exceed one percent of the net profits, if the company has a managing or whole-time director or a manager and three percent of the net profits of the company in any other case, provided, further that the company in general meeting may, with the approval of the Central Government authorize the payment of such remuneration at the rate exceeding one percent or, as the case may be, three percent of the net profits.
- (d) Subject to the applicable provisions of the Act, if any director or a committee(s) of the board shall be appointed to advise the board as an expert to be called upon to perform extra services or make special

exertions for any of the purposes of the company, the board may, after obtaining the sanction of the company in general meeting by special resolution, pay to such director or to the members of such committee(s) such special remuneration as they think fit, which remuneration may be in the form of either salary, commission or percentage of profits and may either be in addition to or in substitution of the remuneration herein before specified.

53. Subject to the provisions of the Act, the directors including the managing director(s), joint managing director(s), deputy managing director(s) and whole-time director(s) shall be free to contract with the company as vendor, purchaser, lender, agent, broker or otherwise; any such contract or any arrangement entered into by, or on behalf of the company with, any director including the managing director(s), joint managing director(s), deputy managing director(s) and whole-time director(s) or with any company or partnership of which any of the aforesaid persons may be directors / members or in which they are otherwise interested or concerned shall be valid. Any such director or managing director or joint or deputy managing director or whole-time director shall not be bound to account to the company for any profit realized from such contract or arrangement by reason only of holding such office or by the fiduciary relationship thereby established.

RESIGNATION OF DIRECTORS

54. The resignation in writing addressed to the Board tendered by any director including the managing or joint or deputy managing director or whole-time director at the office shall take effect from the time the resignation is tendered.

MEETINGS OF DIRECTORS

56. (a) The board of directors may elect a chairman for its meetings and determine the period for which he is to hold such office.
(b) If no such chairman is elected or if at any meeting such chairman is not present within fifteen minutes from the time fixed for the meeting, the directors present may choose one of themselves to be the chairman of the meeting.
(c) Questions arising at any meeting of the Board of Directors shall be determined by a majority of votes of the members present, and in the case of an equality of votes the chairman of the meeting shall have a second or casting vote.
57. The directors present at a meeting of the board of directors shall record their presence at the meeting by way of affixing their signatures in an attendance book to be kept for the purpose.
58. The board or its chairman may invite the company's auditor, legal advisor, consultants or other advisors to be present at any of its meetings.

COMMITTEE OF BOARD OF DIRECTORS

- 59.(a) The Board of directors may, subject to provisions of the Act, delegate any of its powers to a committee or committees consisting of such number of its body as it thinks fit.
(b) Any committee so formed shall conform to any regulations that may be imposed on it by the board of directors.
- 60.(a) The committee may elect a chairman for its meetings and determine the period for which he is to hold office.
(b) If no such chairman is elected or if at any meeting the chairman is not present within fifteen minutes from the time fixed for the meeting, the members present may choose one of themselves to be chairman of that meeting.
61. (a) A committee may meet and adjourn as it thinks proper.

- (b) Questions arising at any meeting of a committee shall be determined by a majority of votes of the members present, and in the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

RESOLUTION BY CIRCULATION

62. The board of directors or any committee thereof may transact business by way of passing resolutions by circulations, subject to Section 289 and other applicable provisions of the Act.

BORROWING

- 66.(a) The Board of directors may, from time to time, raise any money(s) for the purposes of the company, provided that the money(s) to be borrowed together with the money(s) already borrowed by the company – apart from temporary loans obtained from the company's bankers in the ordinary course of business – shall not, without the sanction of the company in general meeting, exceed the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose.
- (b) Subject to section 293 of the Act, the board may, from time to time at its discretion raise or borrow or secure the payment of any money(s) for the purposes of the company by the issue of debentures, whether perpetual or not, including debentures convertible into shares or perpetual annuities or by way of deposits from its members, employees and from the public or in any other manner as it deems fit.
- (c) Security of the money(s) borrowed, raised or received, the Board may mortgage, pledge or charge the whole or part of the properties, other assets and revenues of the company, present or future, including the uncalled capital by special assignment or otherwise or transfer or convey the same absolutely or in trust.
- (d) The Board may give the lender(s) powers of sale and other powers as may, in its opinion, be expedient.
- (e) The Board may purchase, redeem or pay off any such securities at such time(s) and in such manner, as it deems expedient.
- (f) The Board may, in accordance with section 293 of the Act, delegate its powers of borrowing money(s) otherwise than on debentures, by a resolution passed at Board meeting, to any committee of directors, the managing director, joint or deputy managing director or whole-time director, the manager or any other principal officer of the company or the principal officer of a branch office, duly specifying the total amount outstanding at any one time upto which money(s) may be borrowed by the delegate.
- (g) "Debenture/Debenture Stock, loan/loan stocks, bonds or other securities conferring the right to allotment or conversion into Shares or the option or right to call for allotment of Shares shall not be issued except with the sanction of the Company in General Meeting."

COMMON SEAL

- 67(a) The Board shall provide a Common Seal for the purpose of the Company and shall have the power from time to time to destroy the same and substitute a new Seal in lieu thereof, and Board shall provide for its safe custody.
- 67(b) The Common Seal of the Company shall not be affixed to any instrument except by authority of a resolution of the Board or a committee and unless the Board otherwise determines, every deed or other instrument, to which the Seal is required to be affixed, shall unless the same is executed by a duly constituted Attorney of the Company, be signed by one Director atleast in whose presence the Seal shall have been affixed and countersigned by another Director or Secretary or such other persons as may from time to time be authorized by the Board. Provided, nevertheless that any instrument bearing the Seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity attaching the authority to issue the same.

DIVIDENDS AND RESERVES

68. The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.
69. The Board may, from time to time, pay the members such interim dividends as appear to it to be justified by the profits of the company.
70. (a) The Board may, before recommending any dividend, set aside, out of the profits of the company, subject to the Act and the rules made thereunder such sums it thinks proper as a reserve or reserves which shall, at the discretion of the Board be applicable for any purpose to which the profits of the company may be properly approved, including provisions for meeting contingencies or for equalizing dividends and pending such application, may, at the like discretion, either be employed in the businesses the company or be invested in such investments (other than shares of the Company) as the Board may, from time to time think fit.
- (b) Subject to the Act and the rules made thereunder, the Board may recommend dividends to be paid out of reserves.
- (c) Board may also carry forward any profits which it may think prudent not to divide, without setting them aside as a reserve, subject to the Act and the rules made thereunder.
71. (a) Subject to the right of the persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amount paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the company, dividends may be declared and paid according to the amounts of the shares.
- (b) No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this regulation as paid on the shares.
- (c) All dividends shall be apportioned and paid proportionately to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such shares will rank for dividend accordingly.
- (d) The Board may deduct from any dividend payable to any member all sums of money; if any, presently payable by him to the company on account of calls or otherwise in relation to the shares of the company.
72. [a] Dividends may be paid by way of cheques or warrants sent through ordinary post to the registered address of each shareholder and in the case of joint holders, to the registered address of the first-named of the joint holders, as standing in the Register or to such person and to such address as the holder or the joint-holders may in writing direct.
- [b] No dividend shall bear interest
- [c] “No unclaimed dividend shall be forfeited by the Board and the Company shall comply with the provisions of Section 205[A] of the Companies Act, in respect of such dividends.
73. [a] The Board shall, from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the company, or any of them, shall be open to the inspection of members not being directors.
- [b] No member [not being a director] shall have any right of inspecting any account or book or document of the company except as conferred by law or authorized by the Board or the company in general meeting.

CAPITALISATION OF PROFITS

74. [a] The Company in general meeting may, upon the recommendation of the Board, resolve
- i] that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the company's reserve accounts or to the credit of the profit and loss account, or otherwise available for distribution; and
 - ii] that such sum be accordingly set free for distribution in the manner specified below amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.
- [b] the sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause [c] hereof either in or towards;
- i] paying up any amounts for the time being unpaid on any shares held by such members respectively;
 - ii] paying up in full unissued shares of the company to be allotted and distributed, credited as fully paid up to and amongst such members in the proportions aforesaid; or
 - iii] partly in the way specified in sub-clause [i] above and partly in that specified in sub-clause [ii] above.
- [c] A share premium account and a capital redemption reserve account may for the purposes of this article, only be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares.
- [d] The Board shall give effect to the resolution passed by the company in pursuance of this article.
- 75.[a] Whenever such a resolution as aforesaid shall have been passed the board shall
- i] make all appropriations and applications of the undivided profits resolved to be capitalized thereby, and all allotments and issues of fully paid shares if any; and
 - ii] generally do all acts and things required to give effect thereto.
- [b] The Board shall have full power
- i] to make such provision, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, in respect of shares or debentures becoming distributable in fractions; and
 - ii] to authorize any person to enter, on behalf of all the members entitled thereto, into an agreement with the company providing for the allotment to them respectively, credited as fully paid up, of any further shares which they may be entitled upon such capitalization or for the payment by the company on their behalf by the application thereto of their respective proportions of the profits resolved to be capitalized, of the amounts or any part of the amounts remaining unpaid on their existing shares.
- [c] Any agreement made under such authority shall be effective and binding on all such members.

WINDING UP

- 76.[a] If the company shall be wound up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act divide amongst the members, in specie or kind, the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not.
- [b] For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.
- [c] the liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

IDEMNITY

77. Every officer or agent for the time being of the company shall be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under section 633 of the Act in which relief is granted to him by the court.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The contracts referred to in para (A) below (not being contracts entered into in the ordinary course of business carried on by our Company) which are or may be deemed material have been entered into by our Company.

The contracts together with the documents referred to in para (B) below may be inspected at the registered office of our Company between 11.00 a.m. to 2.00 p.m. on any working day from the date of this Letter of Offer until the closure of the subscription list.

(A) MATERIAL CONTRACTS

1. Issue Agreement dated May 12, 2015 between our Company and Keynote Corporate Services Limited, Lead Manager to the Issue;
2. Agreement dated May 12, 2015 between our Company and M/s. Integrated Enterprises (India) Limited, Registrar to the Issue.
3. Tripartite Agreement dated May 11, 2001 between our Company, National Securities Depository Ltd. (NSDL) and M/s. Integrated Enterprises (India) Limited;
4. Tripartite Agreement dated April 28, 2001 between our Company, Central Depository Services (India) Limited (CDSL) and M/s. Integrated Enterprises (India) Limited;

(B) DOCUMENTS FOR INSPECTION

1. Memorandum & Articles of Association of our Company;
2. Resolution under sections 62 of Companies Act, 2013 passed in Board Meeting of on May 12, 2015 authorising the Issue;
3. Consents of the Directors, Company Secretary and Compliance Officer, Legal Advisors to the Issue, Statutory Auditor, Lead Manager to the Issue, Banker to our Company and Registrar to the Issue to include their names in the Letter of Offer to act in their respective capacities;
4. Annual reports of our Company for the financial years ended March 31, 2010, 2011, 2012, 2013 and 2014 and Audit report for Nine months period ended on December 31, 2014;
5. The Report of the Statutory Auditors being, M/s. P. Srinivasan & Co, Chartered Accountants, as set out herein dated May 12, 2015 relating to the audited financial information of our Company.
6. A statement of tax benefits dated April 17, 2015 received from M/s. P. Srinivasan & Co, Chartered Accountants, Statutory Auditor regarding tax benefits available to our Company and its shareholders;
7. Certificate dated May 12, 2015 from M/s. P. Srinivasan & Co, Chartered Accountants, Statutory Auditors regarding "Sources & deployment of funds";
8. Letter of offer dated August 12, 2013 issued by Kingfa Sci. & Tech. Co., Limited in connection with the Open Offer made to the equity shareholders of Hydro S&S Industries Limited.
9. Due Diligence Certificate dated May 12, 2015 by Keynote Corporate Services Ltd., Lead Manager to the Issue;
10. In-principle listing approval(s) dated [•] from BSE Limited;
11. Observation letter no. [•] dated [•] received from SEBI;

Any of the contracts or documents mentioned in the Letter of Offer may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the Equity Shareholders, subject to compliance with applicable law.

DECLARATION

We hereby certify that all relevant provisions of the Companies Act and the guidelines/ regulations issued by the Government of India or the guidelines/ regulations issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Offer Document is contrary to the provisions of the Companies Act, the SCRA, the SEBI Act or rules made thereunder or guidelines or regulations issued, as the case may be. We further certify that all the disclosures and statements in this Offer Document are true and correct.

Name	Signature
Mr. BO Jingen <i>Managing Director</i>	Sd/-
Mr. Xiaohui Wu <i>Whole-time Director</i>	Sd/-
Mr. Delin Nie <i>Non-Executive & Non- Independent Director</i>	Sd/-
Mr. N Subramanian <i>Independent Director</i>	Sd/-
Ms. Kamana Srikanth <i>Independent Director</i>	Sd/-
Mr. Xie Dongming <i>Chief Financial Officer</i>	Sd/-
Mr. S.K. Subramanyan <i>Company Secretary & Compliance Officer</i>	Sd/-

Place: Chennai

Date: May 12, 2015