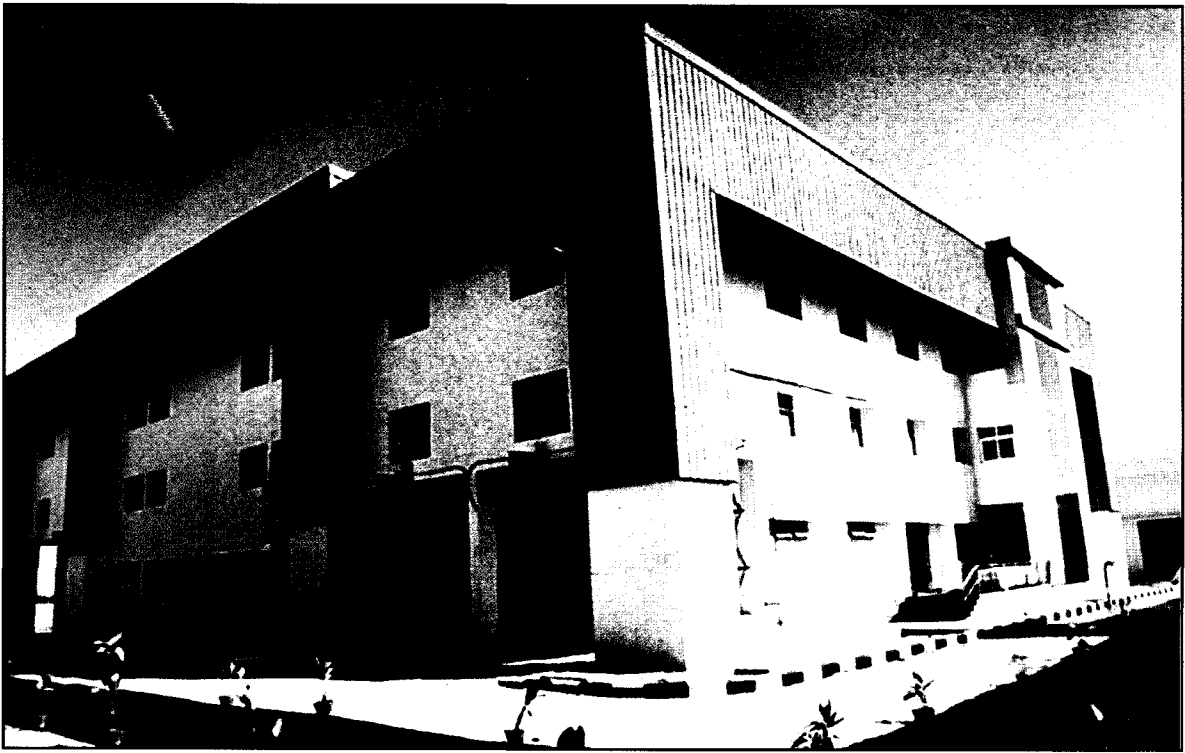


Hydro S & S

Annual Report

2008 - 09



Our new manufacturing facility at Jejuri, Pune.



HYDRO S&S is proud to be associated with TATA-NANO

Board of Directors**V. SRINIVASAN****MURALI VENKATRAMAN, Vice-Chairman****BABULAL M. VARMA****V. THIRUPATHI****NARAYAN SETHURAMON****G. BALASUBRAMANYAN****DINSHAW KEKU PARAKH****S.K. SUBRAMANYAN, Director (Finance & Administration)****Company Secretary****S.K. SUBRAMANYAN****Works**

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

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

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

G 34, Addl. Jejuri Industrial Area, Jejuri, Tal. Purandar, Pune - 412303

Registered Office

Dhun Building, III Floor,

827, Anna Salai, Chennai - 600 002

Telephone : 91-44 28521736 (4 lines)

Fax : 91-44 28520420

E-mail : info@hssil.com

Auditors

M/s. P. Srinivasan & Co.,

Chartered Accountants,

Chennai - 600 017

Bankers

State Bank of India, Chennai - 600 001

Canara Bank, Chennai - 600 002

HDFC Bank Limited, Chennai - 600 002

Registrar & Share Transfer Agents

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

Kences Towers, IInd Floor,

No. 1, Ramakrishna Street, North Usman Road,

T. Nagar, Chennai - 600 017

Telephone : 91-44 28140801 / 02 / 03

Fax : 91-44 28142479

E-mail : sureshbabu@iepindia.com

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FIVE - YEAR FINANCIAL DATA

(Rs. in Millions)

For the Year	2008-09	2007-08	2006-07	2005-06	2004-05
Sales : Domestic	1,337.835	1350.876	1153.099	921.524	816.146
Exports	—	0.154	5.432	20.847	7.574
Operating Profit (PBITD)	42.958	128.933	77.596	64.654	35.249
Interest	48.298	32.512	21.642	17.396	12.245
Depreciation	20.565	15.617	14.300	15.890	13.851
Taxation - Current	0.660	23.100	9.300	3.850	0.750
- Deferred	(8.235)	4.091	3.000	1.350	4.650
Profit/(Loss) After Tax	(18.329)	53.613	29.353	26.168	3.753
As at the end of the Year					
Share Capital	65.104	65.256	65.256	65.256	65.256
Reserves & Surplus	181.636	200.286	155.834	135.643	118.403
Loan Funds	359.649	282.163	216.541	202.540	200.324
Gross Block	490.072	375.900	312.796	283.277	290.663
Net Current Assets	289.992	342.171	279.168	245.541	230.797
Measures of Investment					
Return on Capital Employed (%)	3.69%	20.69%	14.46%	12.08%	5.57%
Return on Equity (%)	(7.43%)	20.19%	13.28%	13.02%	2.04%
Earnings per Share (Rs.)	(2.82)	8.22	4.50	4.01	0.58
Dividend Cover (Times)	NA	6.85	3.75	3.34	0.48
Dividend (%)	NA	12	12	12	12
Book Value of an Equity Share	37.90	40.70	33.88	30.79	28.15
Of Performance					
- Profitability (%)					
Profit/(Loss) before Tax (%)	(2.19%)	6.93%	4.18%	3.89%	1.30%
Profit/(Loss) after Tax (%)	(1.55%)	4.60%	3.64%	3.24%	0.53%
- Capital Turnover (times)	2.21	2.47	2.65	2.34	2.15
- Stock Turnover (times)	8.43	6.44	9.15	8.17	6.99
- Working Capital Turnover (times)	4.61	3.95	4.15	3.84	3.57
Of Financial Status					
- Debt-Equity Ratio (times)	0.57:1	0.19:1	0.20:1	0.21:1	0.32:1
- Current Ratio	1.21:1	1.26:1	1.37:1	1.32:1	1.37:1
- Fixed Assets to Shareholders' Funds (times)	1.33:1	0.88:1	0.84:1	0.83:1	1.00:1

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

Your Directors hereby present their 25th Annual Report along with Audited Accounts of the Company for the year ended March 31, 2009.

FINANCIAL RESULTS

(Rs. in 000's)

Particulars	Year Ended March 31, 2009		Year Ended March 31, 2008	
Income from Operations				
Gross		1,337,835		1,352,846
Net of Excise Duty		1,183,322		1,167,187
Other Income		3,572		2,944
Profit before Interest & Depreciation		42,958		128,933
Interest		48,298		32,512
Profit/(Loss) before Depreciation		(5,340)		96,421
Depreciation		20,565		15,617
Profit/(Loss) before tax		(25,904)		80,804
Taxation - Current Tax	660		23,100	
- Deferred Tax (Asset)	(8,235)		4,091	
		(7,575)		27,191
Profit/(Loss) after Tax		(18,329)		53,613
Balance brought forward		34,149		8,698
Profit available for Appropriation		15,820		62,311
Appropriations:				
Transfers to				
General Reserve	—		17,500	
Special General Reserve	—		1,500	
Capital Redemption Reserve	152		—	
Dividends on Equity Shares				
Interim paid	—		3,263	
Final proposed	—		4,568	
Tax on distributable profits	—		1,331	
		152		28,162
Surplus carried forward		15,668		34,149
		15,820		62,311

BUSINESS OPERATIONS

In spite of a 8% dip in volume, your Company's net sale for the year increased marginally. It is to be highlighted that the first half of the year saw a 20% growth in volumes. The raw material prices were very volatile increasing to all-time highs during the second quarter but the global meltdown caused them to slump thereafter. However this did not help the industry since they were holding high cost inventories due to sharp reduction in off-take during the second half. Furthermore, during the fourth quarter there was severe shortage of PP copolymers both in the domestic and International markets just when the sales were slightly improving. Operations were also impacted by the substantial power shortages at both Pudukottai and Puducherry resulting in greater use of high cost self generated power.

Your company commissioned the new manufacturing facility at Jejuri near Pune on 8th October 2008. With this expansion, your Company now has adequate capacity at its three manufacturing locations to serve the regional auto hubs in the south, west and north very effectively. Your Company has commenced regular supplies for the NANO car production.

The Pultrusion Division expanded its product portfolio with solutions for new applications. Additional production Infrastructure to offer flexibility of production was also set up.

Marketing of third party products was also impacted by the operating environment.

DIVIDEND

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

RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, ENERGY CONSERVATION ETC.

During the year, the Research & Development successfully evolved compounds for the new models being launched by OEMs. They also focussed on cost reduction and alternate formulations to deal with non-availability of certain grades although these efforts were negated to a large extent in the spikes in the cost of raw materials.

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

PART II - CORPORATE MATTERS

CORPORATE GOVERNANCE

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

The Statutory Auditors of the Company have examined the Company's compliance and have certified the same, as required under SEBI Guidelines. Such certificate is reproduced in **Annexure – C** to this Report. The Whole Time Director and CFO certification is given in **Annexure – D** to this Report. A separate Management Discussion and Analysis Report on the Company's performance is given in **Annexure – E** to this Report.

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

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

BUY-BACK

In order to optimize the EPS, improve the Return on Equity, provide an exit option to such shareholders who are desirous to do so and to enhance overall shareholders' value, the Board of Directors had approved a buy-back of Equity shares to the extent of 10% of the paid up Equity Share Capital and Free Reserves through the Stock Exchange mechanism.

The Company after obtaining the requisite approvals from the various statutory authorities, commenced the buy-back on 26th February, 2009. As on 31st March 2009, the Company had bought back and extinguished 15,221 Nos of Equity Shares. The Buy-back would be operational until 15th September, 2009 or when the Company completes the buy-back to the limit permitted, whichever is earlier.

EMPLOYEE RELATIONS

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

A fresh Long Term settlement was entered into between the Management and the Workmen of the Pudukottai plant. The settlement provides for incentivisation of savings through waste reduction and improvement in other specific plant related activities.

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

DIRECTORS

In line with the Company's philosophy on Corporate Governance, Mr.V.Srinivasan relinquished the position of Chairman of the Board with effect from 29th April, 2009. The Board has decided to elect one of the Independent Directors to chair each meeting of the Board of Directors.

Mr.Narayan Sethuramon relinquished the office of Managing Director with effect from 29th July 2009. He would continue to serve as a Non-Executive Director on the Board subject to retirement by rotation.

In accordance with the Articles of Association of the Company, Mr.Murali Venkatraman, Mr.Dinshaw K. Parakh and Mr. Narayan Sethuramon, Directors retire by rotation at the forthcoming Annual General Meeting of the Company and are eligible for re-appointment.

The term of Office of Mr. S.K. Subramanyan, Director (Finance & Administration) & Company Secretary expires on 30th September 2009. The Board has recommended his re-appointment for a further period of three years.

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

MANAGEMENT

As Shareholders are aware, Mr. Narayan Sethuramon, Managing Director, has opted not to draw remuneration from the Company from 1st December 2007.

Your Directors wish to inform the Shareholders that in view of his increasing other commitments, Mr. Narayan Sethuramon, the Managing Director of the company stepped down from the position at the Board Meeting held on 29th July 2009. He continues as an ordinary Director on the Board.

Mr. Narayan joined the Board of your company on 18th May 1992 and has been actively associated with the executive leadership of the company, first as Director (Corporate Affairs) from July 1998 until 28th September 2002 and subsequently as Managing Director until July 2009. He has played a vital role in increasing the sales of the company from Rs. 23 crores for the year ended March 1997 to Rs.117 crores for the year ended March 2008. He contributed significantly to all the capacity expansions of the Company, diversity of R & D initiatives and implemented several system initiatives in supply chain, IT, production and HR.

The Board has acknowledged the efforts and role played by Mr. Narayan Sethuramon in the growth of the company over the last 15 years and placed on record its appreciation.

In order to strengthen the leadership and management team, the Company has appointed Mr. N.K. Ramaswamy as the Chief Executive Officer of the Company on 4th May 2009. Mr. Ramaswamy is an experienced industry professional with experience of over 20 years. Prior to joining HSSIL, he has been with several prestigious Companies such as GE plastics (SABIC).

At the Board level, Mr. Murali Venkatraman, Vice Chairman, who has been associated with the Company since inception and has also contributed enormously to its growth, will be playing a more active role in the overall leadership of the Company.

FIXED DEPOSITS

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

AUDITORS

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

ACKNOWLEDGEMENT

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

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

For and on behalf of the Board of Directors

MURALI VENKATRAMAN
Vice-Chairman

Chennai
29th July, 2009

ANNEXURE - A TO THE DIRECTORS' REPORT

(A) CONSERVATION OF ENERGY

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

(B) TECHNOLOGY ABSORPTION

(a) Research and Development (R & D)

(i) Specific areas in which R & D carried out by the Company

Specific efforts are focussed on developing and fine tuning compounds to meet enhanced performance specifications sought by the OEM's for the new models under launch.

Attention also paid to the supply chain to reduce the cost of materials, to step up Import substitution, process flexibility and cycle time Reduction.

(ii) Expenditure on R & D

(a) Capital	:	Rs. 64,44,182.00
(b) Recurring	:	Rs. 54,89,645.00
Total	:	Rs. 1,19,33,827.00

(b) Technology Absorption, Adaptation and Innovation

Further applications are being implemented using the technology on TPE compounds.

Continuous development work is on to meet the requirements of customers in new model launches

Foreign Exchange Earnings & Outgo

Foreign Exchange Earnings	Rs. 9,05,711/-
Foreign Exchange Outgo	Rs. 26,81,28,506/-

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

The details of the above are given in the Notes to the Accounts.

For and on behalf of the Board of Directors

MURALI VENKATRAMAN
Vice-Chairman

Chennai
29th July, 2009

ANNEXURE - B TO THE DIRECTORS' REPORT**REPORT ON CORPORATE GOVERNANCE**

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

1) Brief statement on company's philosophy on Code of Governance

The Company believes in adopting Corporate Governance policies as a tool to achieve the corporate goal of enhancing stakeholders' value. The cornerstones of this policy include transparency, empowerment with accountability, respect for people and environment, compliance with law and to follow fair business practices with all its stakeholders. These principles being followed since inception, have helped the company to build credibility with all its stakeholders.

The Company has adopted a code of conduct for Members of the Board and Senior Management Personnel. All Directors have affirmed in writing their adherence to the above code.

2) Board of Directors

Composition

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

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

Board Meetings

During the year 2008-09, the Board met five times on 28th April, 2008, 28th July, 2008, 16th September, 2008, 31st October, 2008 and 27th January, 2009.

The following table gives the details of Attendance at Board Meetings and last AGM and details of Membership in other Boards and Committee Memberships as on 31st March, 2009:

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

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

* As required under the Listing Agreement, Memberships of only Audit Committee and Share Transfer Committee have been included.

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

Board Procedure

The Board met once a quarter and the interval between two meetings was not more than four months.

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

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

3) Audit Committee

The Audit Committee was constituted in October, 2001. It now comprises of three Non-Executive Directors – two of whom are independent. The Members of the Committee have exposure to Finance, Accounts, Company Law and General Business Practices.

The composition of the Audit Committee is as under:

- A) Mr. V. Thirupathi, Chairman
- B) Mr. Babulal M. Varma
- C) Mr. Murali Venkatraman

The terms of reference of the Audit Committee include:

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

During the financial year 2008-09, four Audit Committee Meetings were held on 28th April, 2008, 28th July, 2008, 31st October, 2008 and 27th January, 2009. The above meetings were attended by all the Audit Committee Members.

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

4) Remuneration Committee

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

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

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

During the financial year 2008-09, one meeting of the Remuneration Committee was held on 28th July, 2008 and the meeting was attended by all the members of the Committee.

Remuneration of Directors

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

The Agreements with the Whole Time Directors are contractual in nature. The agreement may be determined at any time by either party giving six months notice in writing without any cause.

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

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

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

Commission @ 1% of the Net Profit is payable to the Vice-Chairman and to the Managing Director.

The details of the remuneration paid / payable to the Directors for the year 2008-09 together with sitting fees paid and the shareholding held by the Non Executive Directors as on 31st March, 2009 are as under :

Whole Time Directors

(in Rs.)

Name of the Director	Salary	Commission	Perks	Total
Mr. Narayan Sethuramon *	—	—	—	—
Mr. S.K. Subramanyan	5,90,000	—	11,48,324	17,38,324

* Mr. Narayan Sethuramon has opted not to draw any remuneration from the Company with effect from 1st December, 2007.

Non Executive Directors

(in Rs.)

Name of the Director	Total Sitting fees paid for Board and Committees	Commission	Shares held in the Company (Nos.)
Mr. V. Srinivasan	35,000	—	774370
Mr. Babulal M. Varma	52,000	—	—
Mr. Murali Venkatraman	63,000	—	932300
Mr. V. Thirupathi	57,000	—	—
Mr. Dinshaw K. Parakh	25,000	—	56250
Mr. G. Balasubramanyan	25,000	—	—

5) Share Transfer and Investors' Grievances Committee

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

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

To expedite the process of Share Transfer, the Board has delegated the power to approve Share Transfer once in a fortnight to Compliance Officer and the same is ratified by the Share Transfer and Investor Grievances Committee on a quarterly basis. The Committee also ratified 15,221 Nos. of equity shares bought back under Buy - Back Offer as on 31.03.2009 and extinguishment of the same.

During the year 2008-09, the Share Transfer and Investor Grievances Committee met 4 times and all the meetings were attended by the two members.

Investors' complaints which cannot be settled at the level of the Compliance Officer are forwarded to the Committee for resolution.

During the year 2008-09, the company received 7 complaints from the investors and all of them were resolved to the satisfaction of the investors concerned. One Investor redressal addressed through Company Law Board, Chennai to the Company was also dealt with through the Company Law Board. As on 31st March, 2009, there were no investor grievances pending for a period exceeding one month and no transfers were pending for approval.

6) General Body Meetings

(A) The last three Annual / Extraordinary General Meetings of the company were held as under:

1. Annual General Meetings :

Financial Year	Date	Time	Venue
31.03.2008	16.09.2008	4.35 p.m.	Bharatiya Vidya Bhavan, Chennai
31.03.2007	13.09.2007	10.00 a.m.	Narada Gana Sabha, Chennai
31.03.2006	18.09.2006	3.30 p.m.	Narada Gana Sabha, Chennai

2. Extraordinary General Meetings :

Date	Time	Venue
13.10.2008	10.00 a.m.	Narada Gana Sabha, Chennai

(B) Special Resolutions at the last three Annual / Extraordinary General Meetings:

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

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

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

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

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

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

IV. At the Twenty Second Annual General Meeting held on 18th September, 2006.

No Special Resolutions passed.

No Special Resolution requiring a postal ballot was passed last year or being proposed at the ensuing Annual General Meeting.

7) Disclosures

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

Transactions with Related Parties have been disclosed in Note No. 17 of Schedule 15 forming part of the Audited Accounts. None of the transactions were in conflict with the interests of the Company.

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

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

- ◆ **Code of conduct for prevention of Insider Trading**

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

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

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

Mr. Murali Venkatraman

Mr. Murali Venkatraman, aged 47 years is an Electrical Engineer with a Post Graduate degree in Engineering Management from Stanford University, U.S.A. He has been associated with the Board for the last 22 years and is currently the Vice Chairman.

He is also the Vice Chairman and Managing Director of M/s. W.S. Industries (India) Limited, a leading Company in the Indian Electrical Sector and is on the Board of other Companies. He has been actively involved with Industry / Management associations and Chambers of Commerce both at the national and regional level.

The Company has been greatly benefited by his strategic direction and vision in all spheres of management.

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

Other Directorships	Chairmanship / Directorship	Name of the Committee	Chairmanship / Membership
W.S. Industries (India) Limited	Vice Chairman and Managing Director	Share Transfer & Investor Grievances Committee	Member
W.S. Test Systems Private Limited	Director	—	—
Alpump Limited	Director	—	—
Southern Tree Farms Limited	Director	—	—
Indian Electrical & Electronics Manufacturers' Association	Member of the Executive Council	—	—
The Associated Chambers of Commerce and Industry of India	Member of the Managing Committee	—	—
(Shareholding in the Company - 9,32,300 Equity Shares)			

Mr. Dinshaw K. Parakh

Mr. Dinshaw K.Parakh, aged 37 years is a leading Industrialist based at Chennai. He holds Directorships in leading Construction groups as well as in other Companies.

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

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

Mr. Narayan Sethuramon

Mr. Narayan Sethuramon, aged 38 years is a Graduate in Production Engineering and holds a Master's Degree in Management from Purdue University, USA and has been associated with the Company for over 15 years.

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

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

Other Directorships	Chairmanship / Directorship	Name of the Committee	Chairmanship / Membership
W.S.Industries (India) Limited	Managing Director	—	—
Institute for Financial Management and Research (IFMR)	Member of the Governing Council	—	—
(Shareholding in the Company – 8,00,000 Equity Shares)			

Mr. S.K. Subramanyan

Mr.S.K.Subramanyan, aged 51 years is a Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India with over 25 years of experience in varied areas of Finance, I.T., Secretarial, Legal and Administrative operations. He has served as the Director (Finance & Administration) & Company Secretary of the Company for the last nine years.

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

Other Directorships	Chairmanship / Directorship	Name of the Committee	Chairmanship / Membership
He is not holding Directorship / Committee Membership in any other Company.			
(Shareholding in the Company – 200 Equity shares jointly held alongwith his spouse)			

9) Means of Communication

The quarterly / half yearly / annual results are normally published in The Financial Express and Malai Murasu.

As per Clause 51 of the Listing Agreement, Financial Results and Shareholding Pattern are filed on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics Centre. These are not sent individually to the shareholders.

There has been no presentation to analysts.

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

10) General Shareholder Information

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

Annual General Meeting

Day : Monday

Date : 14th September, 2009

Time : 10.00 a.m.

Venue : Narada Gana Sabha, "Mini Hall", No.314, T.T.K.Road, Chennai – 600 018.

Financial Year : 1st April to 31st March

Financial Calendar for 2009 – 2010 :
(tentative schedule)

First Quarter Results (30th June, 2009)	29th July, 2009
Annual General Meeting (2008 – 2009)	14th September, 2009
Second Quarter Results (30th September, 2009)	October, 2009
Third Quarter Results (31st December, 2009)	January, 2010
Fourth Quarter Results (31st March, 2010)	April, 2010
Annual General Meeting (2009 -2010)	In accordance with Companies Act, 1956.

Date of Book Closure

The Register of Members of the Company will remain closed from Wednesday, the 9th September, 2009 to Monday, the 14th September, 2009 (both days inclusive) for the purpose of Annual General Meeting.

Listing on Stock Exchanges**Stock Code**

(a) **Bombay Stock Exchange Limited**

524019

(S Group) (Scrip Code 524019)

P.J. Towers, Dalal Street, Mumbai : 400 001

(b) **Madras Stock Exchange Limited**

Hydro S & S

Exchange Buildings, New No.30, Second Line Beach,
Chennai - 600 001.

Demat ISIN No. for CDSL and NSDL is INE473D01015.

The Listing fees to these Stock Exchanges have been paid upto date.

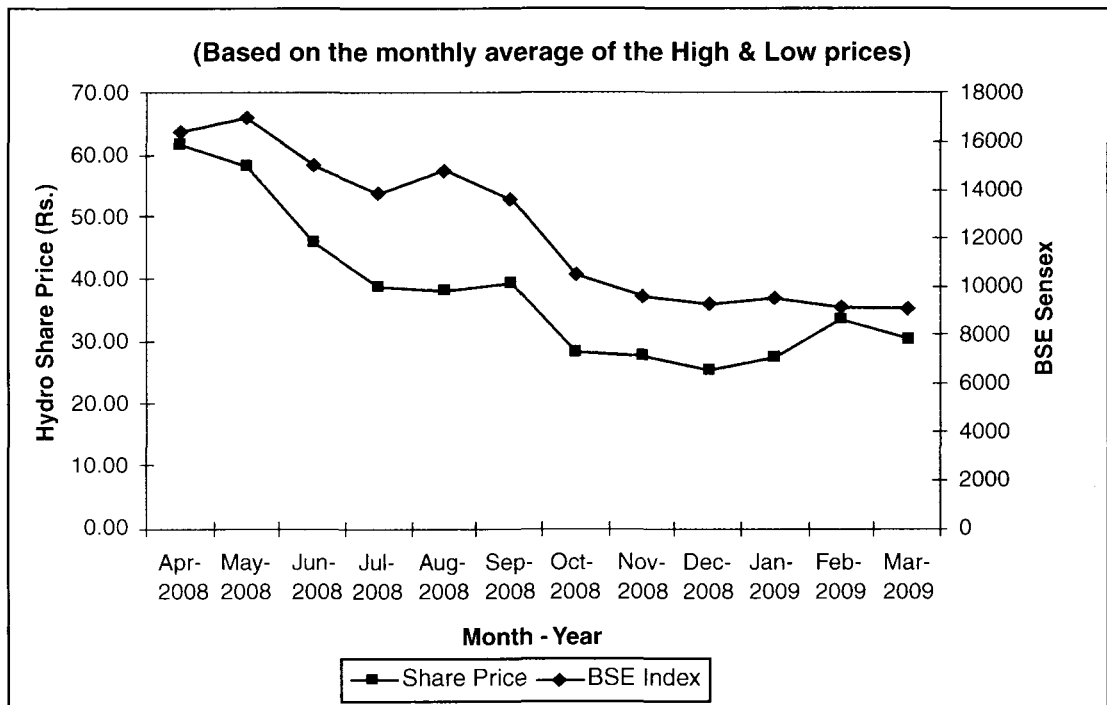
Stock Market Data :

Market Prices - High & Low

(in Rs.)

Month	Year	Bombay Stock Exchange		Madras Stock Exchange	
		High	Low	High	Low
April	2008	74.90	48.50	No Trading in 2008 - 2009	
May	2008	62.85	53.30		
June	2008	55.55	36.25		
July	2008	43.70	34.00		
August	2008	43.00	33.50		
September	2008	48.80	30.10		
October	2008	34.95	21.50		
November	2008	30.25	25.00		
December	2008	29.90	21.15		
January	2009	31.00	24.20		
February	2009	40.85	26.20		
March	2009	33.00	28.00		

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



11) Due Dates for transferring unclaimed dividends, to the Central Government

Year	Type	Date of declaration / payment	Total No. of Shareholders	Total Unclaimed Dividend (Rs.)	Due date for transfer to Central Government
2001-2002	Final	28.09.2002	284	88,436.00	08/10/2009
2002-2003	Final	12.09.2003	210	55,149.00	25/09/2010
2003-2004	Final	30.09.2004	119	83,676.00	10/10/2011
2004-2005	Final	28.09.2005	82	74,304.00	08/10/2012
2005-2006	Final	18.09.2006	46	32,040.00	28/09/2013
2006-2007	Final	13.09.2007	526	1,61,862.00	20/10/2014
2007-2008	Interim	31.01.2008	574	42,184.00	08/03/2015
2007-2008	Final	06.10.2008	580	55,757.10	13/11/2015

Distribution of Shareholding as on 31st March, 2009

Category	Number of Share holders	% of Share holders	Number of Shares held	% of Shares held
Upto 2500	3423	97.83	837883	12.87
2501 – 5000	37	1.06	137698	2.12
5001 – 10000	14	0.40	99574	1.53
10001 – 20000	8	0.23	113539	1.74
20001 – 30000	4	0.11	96900	1.49
30001 – 40000	2	0.06	64681	0.99
40001 – 50000	1	0.03	45000	0.69
50001 – 100000	1	0.03	78913	1.21
100000 & above	9	0.26	5036220	77.36
Total	3499	100.00	6510408	100.00

Pattern of Shareholding (as on 31st March, 2009)

Category	Voting Strength (Percentage)	Number of Shares held
Promoters	65.380	4256500
Non-Resident Individuals / OCBs	1.192	77619
Foreign Institutional Investors	—	—
Bodies Corporate	14.427	939289
FIIs/Mutual Funds/Banks	0.003	200
Resident Individuals	18.362	1195425
Others (Clearing Member & Trusts)	0.636	41375
Total	100.000	6510408

Dematerialisation of Shares

As on March 31, 2009, 95.49% of the Company's total equity shares representing 62,17,074 shares were held in dematerialised form and the balance 4.51% representing 2,93,334 shares in the physical form.

Registrar & Share Transfer Agent

M/s. Integrated Enterprises (India) Limited,
Unit: Hydro S & S Industries Limited
Kences Towers, IInd Floor,
No. 1, Ramakrishna Street, North Usman Road,
T. Nagar, Chennai : 600 017

Phone Nos: 0091-44-28140801 - 02 - 03

Fax No. 0091-44-28142479

E-Mail : sureshbabu@iepindia.com

Contact Person : K. Suresh Babu,
Asst. Vice President

**Outstanding GDRs / ADRs / Warrants
or any convertible instruments**

— No GDRs / ADRs / Warrants or any convertible instruments has been issued by the Company.

Plant Locations

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

— Reinforced Thermoplastic Compounds

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

— Reinforced Thermoplastic Compounds

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

— FRP Pultruded Profiles

G 34, Addl. Jejuri Industrial Area
Jejuri, Tal. Purandar, Pune - 412303

— Reinforced Thermoplastic Compounds

Investor Correspondence

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

Non Mandatory Requirements

a) The Board

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

b) Remuneration Committee

: Complied with

c) Shareholder Rights –

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

ANNEXURE - C TO THE DIRECTORS' REPORT

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

1. We have examined the Compliance with the conditions of Corporate Governance by Hydro S & S Industries Limited (the company) for the year ended March 31, 2009 with the relevant records and documents maintained by the company and furnished to us for our examination and the report on Corporate Governance as approved by the Board of Directors.
2. The compliance with the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the Compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.
3. In our opinion and to the best of our information and explanations given to us and based on our above examination, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreements with the Stock Exchanges.
4. We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the company and presented to the Shareholders'/Investor Grievances Committee.
5. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

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

**Place : Chennai
Date : 29th July, 2009**

**(CA. P. SRINIVASAN)
PARTNER
M.No.2090**

ANNEXURE - D TO THE DIRECTORS' REPORT

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

The Audited Financial Statements and Cash Flow Statements of the Company for the year ended 31st March, 2009 have been reviewed and we certify to the best of our knowledge and belief that:

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

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

for HYDRO S & S INDUSTRIES LIMITED,

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

**ANNEXURE - E TO THE DIRECTORS' REPORT
MANAGEMENT'S DISCUSSION & ANALYSIS REPORT**

A) INTRODUCTION

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

B) MACRO-ECONOMIC SCENARIO

During the early part of the year, the major challenges confronting the polymer compounding industry were the spike in oil prices, depreciation of the Indian Rupee and consequent inflation in all raw materials including impact modifiers, additives and pigments. Most commodity prices like cement and steel also shot up, specifically impacting the new project which was under construction.

However domestic car production maintained its momentum of growth from the previous year and this continued even in the second quarter leading to record levels of production in the first half.

During July / August 2008, the cost of oil sky rocketed to \$ 150/barrel and Polypropylene price hovered around Rs.95/kg whereas our product prices were based on PP cost at Rs.65/kg.

The global financial crisis in the second half of the year impacted the Indian Industry (which was growing rapidly but affected by cost inflation) through sudden shrinkage in the demand. It also triggered collapse of commodity prices including oil and its derivatives.

C) PERFORMANCE OF AUTOMOBILE SECTOR

After the Global melt down, several expansion plans by existing and new players were put on hold. During the third quarter, several Auto majors resorted to unscheduled block holidays to scale down their operations from 3 shifts to 2 shifts. As per SIAM estimates, car production was just 3% higher than 2007-08.

Towards Q4 the domestic and export sales picked up to some extent due to depreciation benefits and election related procurement. Government provided some stimulus by reducing excise duty by 4%.

D) COMPANY PERFORMANCE

In summary, during the Financial Year 2008-09, the Company faced multiple challenges including high volatility in all raw material costs, unfavourable foreign exchange fluctuation, severe recession in sales of four-wheeler autos during the second half, and consequential severe liquidity crisis in the Auto supply chain - all compressed into 12 eventful months under review.

Although the Company did tackle cost inflation with success in the previous years, the magnitude and scope of the problem in 2008-09 was immense and unprecedented. The Management's responses to these challenges and analysis of the Company's performance in this trying period, is detailed below.

1) Operations

Company's net sales remained flat at Rs.118 crores although volume of production and sales dipped by 8.3%. The global slump caused the Polypropylene prices to slump by 60% from their all-time high but this did not help plastics users who were holding high cost inventories to support the ramp-up of auto production based on second quarter trends. Your Company had to take extra-ordinary steps to pare down their inventories on priority.

The commissioning of the Pune facility in the 3rd Quarter resulted in availability of additional capacity in a market which was significantly impacted by the downtrend in production. In the fourth quarter, your Company faced yet another challenge of severe shortage of PP Copolymers both in the local and International market. This adversely affected operations and rapid corrective steps were implemented to respond to this challenge while maintaining the delivery levels in a very volatile market. Your Company also had to deal with the challenges of obtaining price corrections from its customers in a very adverse business environment.

Operations were also impacted by the substantial power cut in Pudukottai and Puducherry plants resulting in increased usage of self-generated power and consequential higher production cost.

During the year under review, the Company commissioned the mega extruder in its new plant near Pune while the line commissioned at Puducherry in the previous year was stabilised. Both the lines are capable of large volume of production. Therefore, the Company is well positioned to take on new business volumes with the incremental capacity at these locations.

2) Quality Initiatives

The challenge of achieving cost reduction in most formulations without compromising on product quality and performance, was taken up on a war footing with good progress achieved in reduction of material cost although this has been negated to a large extent due to the spikes in the cost of raw materials with reduced success in passing through these hikes to the customers.

The Pudukottai facility received ISO 14001 certification and work is in progress to extend the same to the other plants and the Head Office at Chennai in 2009-10.

3) Technology Upgradation

During the year, the Company commenced construction on an enhanced Development facility to accommodate future expansion and to provide access to customers (both tier 1 moulders and OEMs) to take up joint development programs. This facility is expected to be completed in the first half of the current year.

4) HR & IR

HR initiatives at the Pudukottai and Puducherry plants to address the business needs on one hand and employee issues on the other, were continued. A comprehensive initiation was taken up at the Pune facility to ensure that the employees at this facility are rapidly brought up to similar levels of competencies and skills as the rest.

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

5) Business Initiatives

The Company is initiating suitable steps to increase its market share with all the existing OEMs in the industry. It is also addressing the requirements of the newer auto companies who are expected to launch their products shortly by developing appropriate products to meet their requirements.

Your Company has commenced supply of compounds for the NANO small car from its new facility at Pune.

The Pultrusion Division has expanded its product portfolio for the new applications developed in the previous year. The facility has also been enhanced by additional production infrastructure to offer flexibility to meet the wide product dimensional requirements of different customers.

The year was a period of consolidation for the trading division although the same recessionary conditions impacted the growth of this business.

E) ENTERPRISE RISK ANALYSIS AND ITS MANAGEMENT

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

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

With reference to foreign currency risks, depreciation of the Indian Rupee against the US Dollar impacted the Input costs. Continuing volatility in the forex market poses challenges in managing the foreign currency exposure on the import side. The company will continue to take steps to cover the imports at appropriate favorable levels in accordance with the "Forex Risk Management Process" in place.

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

F) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

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

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

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

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

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

G) FINANCIAL PERFORMANCE**Revenues**

The Company maintained the same level of Sales Revenue, despite a decrease of 8% in volumes. The reduction was caused primarily in the second half of the year. In the first half, volumes increased by 20% when compared to the same period in the previous year.

The Trading division involved in master batches was impacted by similar operation environment.

The Pultrusion Division improved its performance during the year with higher sales volumes and revenues.

Input Costs

Polypropylene prices were highly volatile and increased to an all-time high during the first half of the year. This increase coupled with the depreciation of the Indian Rupee resulted in higher input costs which could not be fully passed on to the customers.

After the global meltdown had picked up steam, the prices of Polypropylene dropped very sharply. However the Company had maintained stock of raw material based on the higher projected off-take which suddenly reduced. As a result, it resulted in higher carrying cost of inventory. The requirement to comply with the necessary standards has resulted in the need to write down the inventory thus impacting the input costs for the year. The benefit of the wind power generated by the Company's windmills, could not be fully utilized due to the power cut imposed on HT industries in Tamilnadu.

Financial Costs

The Company has had to bear the impact of higher interest cost both due to the hardening of interest rates as well as due to the additional term loans taken to fund its expansion.

Due to its significant exposure to the auto sector and the perceived outlook for this sector, your Company's short term rating was downgraded from A1 to A2+ by the rating agency ICRA Limited.

H) ONGOING INITIATIVES AND FUTURE OUTLOOK

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

Cautionary Statement

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

ANNEXURE - F TO THE DIRECTORS' REPORT

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

This is to confirm that the Company has adopted a code of conduct for the members of its Board and Senior Management Personnel. I confirm that the Company, has, in respect of the Financial year ended 31st March, 2009, received from the members of the Board and Senior Management Team of the Company, a declaration of compliance with the code of conduct as applicable to them.

Chennai
29th July, 2009

(S.K. SUBRAMANYAN)
Whole Time Director

ANNEXURE - G TO THE DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors do hereby state in good faith:-

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

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

We have audited the attached Balance sheet of M/s. Hydro S&S Industries Limited as at 31st March 2009, the Profit and Loss account and also the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 224(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable to the company.
- 2) Further to our comments in the Annexure referred to in the paragraph above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.
 - c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, as they apply to the company.
 - e) On the basis of written representations received from the directors as at 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 from being appointed as a director in terms of section 274 (1)(g) of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i. in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2009;
 - ii. in the case of the Profit and Loss account, of the loss of the company for the financial year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the financial year ended on that date

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

Place : Chennai
Date : 29th July, 2009

CA. P. SRINIVASAN
Partner
Membership No. : 2090

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

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

- ix) According to the records of the Company,
- (a) the Company is regular in depositing undisputed statutory dues including provident fund, investor education protection fund, employee's state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and any other statutory dues applicable to it, with the appropriate authorities during the year.
 - b) there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute except the following:
 - (i) Income tax of Rs.13.34 lakhs disputed in appeal preferred by the Company, pending before the second Income tax appellate authority.
 - (ii) Excise duty of Rs.2.03 lakhs Customs duty of Rs.26.78 lakhs and Service tax of Rs.4.77 lakhs disputed in appeals preferred by the Company, pending before the first appellate authority.
- x) The Company did not have accumulated losses at the end of the financial year i.e. 31.03.2009. The Company had incurred cash loss of Rs.53.40 lakhs during the financial year and did not incur cash loss in the immediately preceding financial year.
- xi) On the basis of records produced, the Company has not defaulted in repayment of the dues to any financial institution or bank during the financial year.
- xii) As per the records maintained, no loans or advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of Special statute applicable to chit, nidhi, mutual benefit fund / societies are not applicable to the Company.
- xiv) On the basis of records maintained and in our opinion, the Company does not deal or trade in shares, securities, debentures and other investments.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) As per the information and explanations given to us, term loans have been applied for the purpose for which these term loans were obtained.
- xvii) In our opinion, based on the information and explanations given to us and on an overall examination of the books and records of the company, the funds raised on short term basis prima facie have not been used for long term investments.
- xviii) The company has not made any preferential allotment of shares during the financial year to any parties and companies covered in the register maintained u/s 301 of the Act.
- xix) The company has not issued any debentures during the financial year.
- xx) The company has not raised any money by public issues during the financial year.
- xxi) On the basis of the audit procedures carried out and information and explanations given by the management, we state that no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Place : Chennai
Date : 29th July, 2009

CA. P. SRINIVASAN
Partner
Membership No. : 2090

BALANCE SHEET AS AT MARCH 31, 2009

	Schedule No.	As at March 31, 2009	As at March 31, 2008
(Rs. in 000's)			
SOURCES OF FUNDS:			
Shareholders' Funds			
Capital	1	65,129	65,281
Reserves and Surplus	2	181,636	200,286
		246,764	265,567
Loan Funds			
Secured Loans	3	357,257	280,051
Unsecured Loans	4	2,392	2,113
		359,649	282,163
Deferred Tax Liability	5	35,116	43,351
TOTAL		641,530	591,081
APPLICATION OF FUNDS:			
Fixed Assets			
Gross Block	6	480,624	337,353
Depreciation to-date		161,699	141,890
Net Block		318,925	195,463
Capital Work-In-Progress		9,448	38,547
		328,373	234,010
Investments	7	23,165	14,900
Current Assets, Loans and Advances:			
Inventories	8	158,746	209,691
Sundry Debtors		183,042	259,464
Cash and Bank Balances		11,615	9,462
Loans and Advances		71,223	68,942
Sub-total		424,625	547,559
Current Liabilities and Provisions:			
Liabilities	9	101,471	163,756
Provisions		33,162	41,632
Sub-total		134,633	205,388
Net Current Assets		289,992	342,171
TOTAL		641,530	591,081
NOTES ON ACCOUNTS			
	15		

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

CA. P. SRINIVASAN
Partner
Membership No. : 2090
Chennai
29th July, 2009

B.M. VARMA
Chairman of the Meeting

MURALI VENKATRAMAN
Vice-Chairman

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedule No.	Current Year	(Rs. in 000's) Previous Year
INCOME			
Sales		1,337,835	1,351,030
Less: Excise Duty		154,513	185,659
Net Sales		1,183,322	1,165,371
Processing Charges received		—	1,816
Income from Operations		1,183,322	1,167,187
Other Income	10	3,572	2,945
Total		1,186,894	1,170,132
EXPENDITURE			
Cost of Goods sold	11	1,000,669	926,807
Employee Cost	12	47,915	37,966
Other Costs	13	95,353	76,426
Interest & Finance Charges	14	48,298	32,512
Total		1,192,234	1,073,710
Profit/(Loss) before Depreciation		(5,340)	96,421
Depreciation		20,565	15,617
Profit/(Loss) before tax		(25,904)	80,804
Taxation - Current Tax		660	23,100
- Deferred Tax		(8,235)	4,091
		(7,575)	27,191
Profit/(Loss) after tax		(18,329)	53,613
Surplus brought forward		34,150	8,698
Balance available for Appropriation		15,820	62,311
Appropriations:			
Transfers to			
General Reserve		—	17,500
Special General Reserve		—	1,500
Capital Redemption Reserve		152	—
Dividends on Equity Shares:			
Interim paid		—	3,263
Final proposed		—	4,568
Tax on distributable profits		—	1,331
Surplus carried forward		15,668	34,150
		15,820	62,311
Earnings per Equity Share of Rs.10/- each (Note 14 on Schedule 15) Basic (Rs.)		(2.82)	8.22

NOTES ON ACCOUNTS

15

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

CA. P. SRINIVASAN
Partner
Membership No. : 2090
Chennai
29th July, 2009

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Vice-Chairman

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

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

		(Rs. in 000's)	
		Year Ended March 31, 2009	Year Ended March 31, 2008
A. Cash Flow arising from Operating Activities			
Net Profit before Tax and Extraordinary Items		(25,904)	80,804
Add:	a) Depreciation charge	20,565	15,617
	b) Interest charge	48,298	32,512
	c) Loss on sale of fixed asset	102	134
		<u>68,965</u>	<u>48,263</u>
		43,061	129,067
Deduct :	a) Dividend Income	1,765	1,059
	b) Profit on sale of fixed assets	48	136
	c) Interest received	1,055	1,384
		<u>2,868</u>	<u>2,579</u>
Operating Profit before Working Capital Changes		40,193	126,488
Add:	a) Increase in Trade payables	—	59,332
	b) Decrease in Trade and Other Receivables	77,202	—
	c) Decrease in inventories	50,945	—
		<u>128,147</u>	<u>59,332</u>
		168,340	185,820
Deduct :	a) Increase in Trade and Other Receivables	—	35,047
	b) Increase in inventories	—	83,098
	c) Decrease in Trade payables	61,812	—
		<u>61,812</u>	<u>118,145</u>
		106,528	67,675
Deduct:	Direct Tax Paid	3,938	22,638
Net Cash Inflow from Operating Activities		<u>102,589</u>	<u>45,037</u>
B. Cash Flow arising from Investing Activities			
Inflow	a) Disposal of Fixed Assets	239	785
	b) Dividend received	1,765	—
	c) Interest received	1,055	1,384
		<u>3,059</u>	<u>2,169</u>
Outflow	a) Acquisition of Fixed Assets	115,221	64,023
	b) Purchase of Investments	6,500	3,345
	c) Buy Back of Shares	472	—
		<u>122,193</u>	<u>67,368</u>
Net Cash Outflow in the course of Investing Activities		<u>(19,134)</u>	<u>(65,199)</u>

		(Rs. in 000's)	
		Year Ended March 31, 2009	Year Ended March 31, 2008
C. Cash Flow arising from Financing Activities			
Inflow	a) Increase in Long Term Borrowings	98,709	13,389
	b) Increase in Hire Purchase Finance	2,986	1,401
	c) Increase in Working Capital Borrowings	—	59,079
		101,695	73,869
Outflow	a) Dividend Paid	10,491	12,979
	b) Repayment of Long Term Borrowings	8,773	6,696
	c) Repayment of Hire Purchase Finance	2,707	1,551
	d) Decrease in Working Capital Borrowings	12,730	—
	e) Interest paid	48,298	32,512
		82,999	53,738
Net Cash Inflow in the course of Financing Activities		18,697	20,131
Net Increase / (Decrease) in Cash/Cash Equivalents (A+B+C)		2,153	(31)
Add: Balance at the beginning of the year		9,462	9,493
Cash/Cash Equivalent at the close of the year		11,615	9,462

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

CA. P. SRINIVASAN
Partner
Membership No. : 2090

B.M. VARMA
Chairman of the Meeting

MURALI VENKATRAMAN
Vice-Chairman

Chennai
29th July, 2009

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

SCHEDULES TO ACCOUNTS

	As at 31.03.2009	(Rs. in 000's) As at 31.03.2008*
1. SHARE CAPITAL		
Authorised		
18,000,000 (10,000,000) Equity Shares of Rs.10/- each	180,000	100,000
300,000 (300,000) 16% Cumulative Redeemable Preference Shares of Rs.100/- each	30,000	30,000
	<u>210,000</u>	<u>130,000</u>
Issued, Subscribed and Paid up		
6,525,629 Equity Shares of Rs.10/- each fully paid up	65,256	65,256
Less: Buy Back of Equity Shares - 15221 Equity Shares of Rs.10/- each	152	—
6,510,408(6,525,629) Equity Shares of Rs.10/- each fully paid up	<u>65,104</u>	<u>65,256</u>
Forfeited shares	25	25
	<u>65,129</u>	<u>65,281</u>
2. RESERVES AND SURPLUS		
Capital Reserve:		
Subsidy received from SIPCOT, Tamil Nadu	1,977	1,977
Capital Redemption Reserve:		
As per last Balance Sheet	7,500	7,500
Add: Transferred during the year being nominal value of Equity Shares bought back	152 *	—
	<u>7,652</u>	<u>7,500</u>
Securities Premium Account:		
As per last Balance Sheet	54,634	54,634
Less: Utilised towards Buy Back of Equity Shares	320 *	—
	<u>54,313</u>	<u>54,634</u>
General Reserve:		
As per last Balance Sheet	98,126	80,626
Add: Transferred during the year	—	17,500
	<u>98,126</u>	<u>98,126</u>
Special General Reserve:		
As per last Balance Sheet	3,900	2,400
Add: Transferred during the year	—	1,500
	<u>3,900</u>	<u>3,900</u>
Surplus : Balance in Profit and Loss Account	15,668	34,150
	<u>181,636</u>	<u>200,286</u>

* Refer Note No. 5

	As at 31.03.2009	(Rs. in 000's) As at 31.03.2008
3. SECURED LOANS		
From Banks		
- Cash Credit	188,427	229,421
- Buyer's Credit in Foreign Currency	28,264	—
- Rupee Term Loans	140,566	50,630
	<u>357,257</u>	<u>280,051</u>
4. UNSECURED LOANS		
Hire Purchase Finance	2,392	2,113
	<u>2,392</u>	<u>2,113</u>
5. DEFERRED TAX		
a) Deferred Tax Liabilities		
On fiscal allowance on fixed assets	49,905	43,944
b) Deferred Tax Assets		
Employee benefits	14,789	593
Net	<u>35,116</u>	<u>43,351</u>

6. FIXED ASSETS

(Rs. in 000's)

DESCRIPTION OF ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2008	Additions	Deletions	As at 31.03.2009	Upto 01.04.2008	For the year	With drawals	Upto 31.03.2009	As at 31.03.2009	As at 31.03.2008
Freehold Land	2,094	—	—	2,094	—	—	—	—	2,094	2,094
Buildings	35,931	68,831	—	104,762	11,895	2,219	—	14,114	90,648	24,036
Leasehold Land	255	3,456	—	3,711	—	—	—	—	3,711	255
Plant And Machinery	238,547	45,159	—	283,706	96,881	13,165	—	110,046	173,660	141,666
Plant And Machinery - Research and development	22,860	6,444	—	29,304	8,337	1,655	—	9,992	19,312	14,523
Electrical Installations	12,588	13,044	—	25,632	7,159	1,223	—	8,382	17,250	5,429
Technical Know-How	965	—	—	965	963	2	—	965	—	2
Furniture Fixtures and Office Equipments	17,822	5,669	74	23,417	13,863	1,346	39	15,170	8,247	3,959
Vehicles	6,290	1,718	976	7,032	2,791	955	716	3,030	4,002	3,499
Sub-total	337,352	144,321	1,050	480,623	141,889	20,565	755	161,699	318,924	195,463
Capital Work-In-Progress	38,547	5,651	34,751	9,447	—	—	—	—	9,447	38,547
GRAND TOTAL	375,899	149,972	35,801	490,070	141,889	20,565	755	161,699	328,371	234,010
Previous Year's Total	312,796	63,992	888	375,900	126,602	15,617	330	141,889	234,011	186,194

	As at 31.03.2009	(Rs. in 000's) As at 31.03.2008
7. INVESTMENTS (AT COST)		
Long Term / (Non-trade)		
A. Quoted		
2267370.634 (1436423.804) units of HDFC Floating Rate Income Fund	22,745	14,480
Aggregate Amount	22,745	14,480
Aggregate market value	22,745	14,480
B. Unquoted		
42,000 Equity Shares of Rs.10/- each fully paid up in S&S Minerals Limited	420	420
Aggregate Amount	420	420
Total	23,165	14,900

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

Stores and Spares	5,114	6,348
Materials in Transit	11,485	14,738
Materials in Bond	23,298	41,010
Raw & Packing Materials & Components	61,013	93,305
Work-In-Progress	15,053	12,543
Finished Goods	41,577	41,405
Trading Goods	1,206	341
	158,746	209,691

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

Debts outstanding for a period exceeding six months	2,840	1,870
Other debts	181,768	257,594
	184,609	259,464
Less: Provision for Doubtful Debts	1,567	—
	183,042	259,464

(Rs. in 000's)
As at 31.03.2008

As at 31.03.2009

c) Cash and Bank balances :

Cash on hand	142	210
Balances with Scheduled Banks:		
Current accounts	3,722	1,457
Deposit accounts	7,154	7,161
Unpaid dividend accounts	595	634
	<u>11,615</u>	<u>9,462</u>

d) Loans and Advances :

(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	12,898	12,606
Deposits	4,969	4,683
Advance Income Tax and tax deducted at source	36,111	35,927
Balance with Central Excise department	17,244	15,726
	<u>71,223</u>	<u>68,942</u>

9. CURRENT LIABILITIES AND PROVISIONS :
a) Current Liabilities :

Sundry Creditors		
Total outstanding		
: Total outstanding dues of micro, small and medium enterprises	—	—
: Total outstanding dues of creditors other than micro, small and medium enterprises	83,014	139,634
Unclaimed dividends	593	632
Other Liabilities	17,863	23,490
	<u>101,471</u>	<u>163,756</u>

b) Provisions :

Taxation - Current Tax	31,354	34,360
- Fringe Benefit Tax	1,808	1,927
Proposed Dividend		
On Equity Shares	—	4,568
Tax on distributable profits	—	776
	<u>33,162</u>	<u>41,632</u>

	Current Year	(Rs. in 000's) Previous Year
10. OTHER INCOME		
Scrap Sales	592	366
Income from Non-trade Long Term Investments		
Dividend from Mutual Fund	1,765	1,059
Interest Received [Income tax deducted at source - Rs.1,71,311/-; (Rs.2,41,905/-)]	1,055	1,384
Commission Received	113	—
Profit on Sale of Fixed Assets	48	136
	<u>3,572</u>	<u>2,945</u>

11. COST OF GOODS SOLD
Raw & Packing Materials Consumed

Opening Stock	149,053	78,527	
Purchases	913,198	969,029	
	<u>1,062,251</u>	<u>1,047,556</u>	
Closing Stock	95,797	149,053	
Consumption	966,454		898,503

Cost of Trading Goods Sold

Purchases	37,761		38,240
-----------	--------	--	--------

(Increase) / Decrease in Stocks

Opening Stock			
Finished Goods	41,405	39,956	
Work-In-Progress	12,543	4,355	
Trading Goods	341	44	
	<u>54,290</u>	<u>44,354</u>	
Closing Stock			
Finished Goods	41,577	41,405	
Work-In-Progress	15,053	12,543	
Trading Goods	1,206	341	
	<u>57,836</u>	<u>54,290</u>	
(Increase) / Decrease in Stocks	(3,546)		(9,936)
	<u>1,000,669</u>		<u>926,807</u>

		(Rs. in 000's)
12. EMPLOYEE COSTS	Current Year	Previous Year
Salaries, Wages, Bonus	37,937	28,218
Remuneration to Directors	1,738	3,709
Contributions to:		
Provident Fund, ESI, etc.	2,810	1,852
Superannuation Fund	467	217
Gratuity Fund	1,097	1,022
Staff Welfare Expenses	3,865	2,949
	<u>47,915</u>	<u>37,966</u>

13. OTHER COSTS

Stores and Spares consumed	729	456
Power, Fuel and water	18,837	13,541
Rent	3,129	2,843
Insurance	2,291	2,507
Repairs and Maintenance		
Buildings	484	1,068
Plant and Machinery	9,826	4,291
Others	6,905	3,828
Rates and Taxes	1,764	995
Vehicle Maintenance	1,449	1,203
Communication Expenses	2,177	1,753
Travelling and Conveyance	6,923	6,542
Printing and Stationery	811	659
Professional & Consultancy Charges	3,749	2,874
Freight Outwards	19,337	18,077
Bad debts and Advances written off	233	64
Remuneration to Auditors	155	130
Advertisement & Business Promotions	1,870	643
Research and Development	5,490	6,199
Loss on sale / discard of fixed assets	102	134
Provision for Doubtful Debts	1,567	—
Miscellaneous Expenses	7,524	8,618
	<u>95,353</u>	<u>76,426</u>

14. INTEREST & FINANCE CHARGES

Fixed loans	12,176	5,220
Other loans	32,209	24,060
Bank Charges	3,913	3,232
	<u>48,298</u>	<u>32,512</u>

15 NOTES ON ACCOUNTS AND STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES :

A. SIGNIFICANT ACCOUNTING POLICIES :

(i) Accounting Convention :

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

(ii) Use of Estimates :

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

(iii) Revenue Recognition :

Revenue is recognised as under :

- a) Sales: On despatch of the product to the customers which generally coincides with transfer of ownership. Sales are inclusive of excise duty and net of discounts.
- b) Interest: On a time proportion basis taking into account the amount outstanding and the rate applicable.
- c) Dividends: When the Company's right to receive payment is established.

(iv) Fixed Assets :

- a) Fixed assets are capitalised at the acquisition cost (viz.) purchase price, import duties, levies and expenses and costs directly attributable for bringing the assets to its working condition for intended use.

- b) Assets acquired under Deferred Payment Guarantee Scheme, are capitalised to the extent of the cost. Interest and finance charges are expensed on remittance of instalments.

- c) Capital work-in-progress represents expenditure incurred for new projects 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 :

Depreciation is charged under straight line method on buildings, plant and machinery, electrical installations and technical know-how, and under W.D.V. method on other assets at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956. Assets under lease are depreciated over the shorter of lease term or useful life.

(vi) Borrowing Costs :

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

(vii) Investments :

Investments are stated at cost.

(viii) Inventories :

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

- a) Raw materials and packing materials : First In First Out method
- b) Store and Spares and Materials in Bond : At cost (exclusive of customs duty)

- c) Finished goods and Work-In-Progress : Material cost plus appropriate share of production overheads

- d) Finished goods & Trading goods are inclusive of applicable excise duty.

(ix) Research and Development :

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

(x) Foreign Currency Transactions :

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

Loss/gain, if any, arising out of such conversion, is adjusted to the cost of the fixed assets in respect of liability relating to acquisition of fixed assets. Depreciation on the revised unamortised depreciable amount is provided prospectively in accordance with Schedule XIV of the Companies Act, 1956.

(xi) Accounting for Taxes :

Tax expense charged to the profit and loss account comprises current tax and deferred tax. Provision for current tax is made on a yearly basis, under the tax payable method after taking into consideration credit for allowances, deductions and exemptions and considering Minimum Alternate Tax as applicable. Current tax includes fringe benefit tax.

The deferred tax is recognised for all temporary differences subject to the consideration of prudence and at currently available rates. Deferred Tax assets are recognised only if there is virtual certainty that they will be realised.

(xii) Segment Reporting :

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

(xiii) Employee Benefit : As per AS 15 (Revised)

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

(xiv) Related party disclosures :

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

(xv) Earnings per share :

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

B. NOTES ON ACCOUNTS AND QUANTITATIVE INFORMATION :

1. Secured Loans

- a) Cash credit and other working capital facilities from banks are secured against hypothecation of stock-in-trade, book debts, documentary bills and supply bills and collaterally secured by way of second charge on the present and future fixed assets of the company at Pudukkottai, Puducherry, Jejuri & Tirunelveli.
 - b) Term loans from Banks are secured by a mortgage of the Company's immovable property and hypothecation of applicable movable assets, present and future, at Pudukkottai, Puducherry, Jejuri and Tirunelveli on a pari passu basis and collaterally secured by way of second charge on the current assets of the Company.
- 2. Letters seeking confirmation of balances in respect of debtors and creditors have been sent during the year. Confirmation remains to be received in some cases.
 - 3. Unclaimed dividends are transferred to the Investor Education and Protection Fund at the appropriate time.

(Rs. in 000's)
As at 31.03.2009 As at 31.03.2008

4. Contingent Liabilities not provided for :

a) Letters of credit	74,140	79,011
b) Letters of guarantee	10	10
c) Commitment on capital accounts	3,944	51,449
d) Customs duty on materials-in-bond	1,986	2,563
e) Custom duty disputed	2,678	2,760
f) Income Tax disputed in appeal	1,334	3,139
g) Excise duty & Service Tax disputed in appeal	679	369

Set off of Entry Tax of Rs.82.96 lakhs against TNGST & CST payable in Tamil Nadu for the years 2003-04 & 2004-05 was earlier disallowed by the tax officer. The High Court of Madras, on the basis of appeals filed by various companies in this regard has quashed Entry Tax Act in respect of Polypropylene. The tax officer has initiated proceedings to comply with the judgement of the High Court.

5. Pursuant to the decision of the Board to Buy-back Equity Shares of Rs.10/- each of the company upto a limit of 10% of the Equity Capital and Free Reserves, the Company as on 31.03.2009 has bought back 15221 of the Equity Shares of Rs.10/- each. Consequently, the sum of Rs. 1,52,210/- being the nominal value of the Equity Shares bought back and extinguished, has been transferred to Capital Redemption Reserve Account.

6. Deposits under lien

Fixed deposits with banks.	7,167	7,174
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Current Year Previous Year

7. Remuneration to Auditors

a) Statutory Audit	75	75
b) Certification and taxation matters	55	30
c) Tax Audit	25	25
Total	155	130

8. Managerial Remuneration
a) Remuneration to Directors*

Salary and allowances	590	1,025
Commission	—	1,693
Contribution to Provident, Superannuation and Gratuity funds	171	224
Other perquisites	977	767
Total	1,738	3,709

* Mr. Narayan Sethuramon, Managing Director has opted not to draw remuneration from the company with effect from 1st December, 2007.

	Current Year	(Rs. in 000's) Previous Year
b) Computation of net profits under sections 198/349 of the Companies Act, 1956		
Net profit before tax as per the accounts	(25,904)	80,804
Add: Depreciation charged in the books	20,565	15,617
Directors' sitting fees	257	129
Managerial remuneration as stated above	1,738	3,709
Loss on sale of Fixed Assets	102	134
Bad debts and Advances written off	233	64
	<u>(3,009)</u>	<u>100,393</u>
Less: Depreciation in accordance with section 350 of the Companies Act, 1956	20,565	15,617
Profit from Sale of Investments	—	—
Profit on Sale of Fixed Assets	48	136
Resultant Net Profit	<u>(23,622)</u>	<u>84,640</u>
No Commission is payable for the year (p.y. @1%) in view of the loss	<u>—</u>	<u>846</u>
9. Miscellaneous expenses shown under 'Other Costs' include		
Sitting fees to Directors	257	129
10. Fringe Benefit Tax included under Current Tax	660	577
11. Power, Fuel & Water charges under other costs is net of 2470476 (2217560) units, being the units generated by our Wind Energy Generators located at Tirunelveli and wheeled to our Pudukkottai plant for captive use.		
12. Disclosure relating to Micro, Small and Medium Enterprises		
In the absence of information from the suppliers with regard to their registration with the specified authority, despite the company calling for such information through a circular letter, the additional disclosure as required under the Micro, Small and Medium Enterprises Development Act, 2006 is not furnished.		

(Rs. in 000's)

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

	Gratuity		Leave Encashment	
	Current Year	Previous Year	Current Year	Previous Year
a) Reconciliation of present value of obligations				
Present value of the obligation as at the beginning of the year	2,953	2,790	778	718
Interest Cost	214	196	60	53
Current Service Cost	329	230	205	88
Benefits Paid	567	356	45	35
Actuarial (Gain)/Loss on obligation	842	94	(198)	(45)
Present value of the obligation as at the end of the year	3,771	2,953	800	778
b) Fund movements				
Fair value of plan assets as at the beginning of the year	3,202	2,843	845	747
Expected return on plan assets	279	217	72	57
Contributions	1,136	467	152	67
Benefits Paid	567	356	45	35
Actuarial Gain/(Loss) on planned assets	(11)	32	3	10
Fair value of plan assets as at the end of the year	4,039	3,202	1,028	845
c) Amounts recognised in Balance Sheet				
Present value of the obligation at the end of the year	3,771	2,953	800	778
Fair value of the Plan Assets	4,039	3,202	1,028	845
Funded status of the plan - assets	268	249	227	67
Net Asset recognised in the Balance Sheet	268	249	227	67
d) Cost for the period recognised in the P&L a/c				
Current Service Cost	329	230	205	88
Interest Cost	214	196	60	53
Expected return on plan assets	279	217	72	57
Net actuarial gain recognised in the year	853	62	202	54
(Income)/Expense recognised in the statement of profit and loss relating to current year	1,117	271	(8)	29
e) Actuarial assumptions				
Discount rate	8.00%	8.00%	8.00%	8.00%
Salary escalation	5.00%	4.50%	5.00%	6.00%
Rate of Return on Plan Assets	8.00%	8.00%	8.00%	8.00%

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

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

(Rs. in 000's)
Current Year Previous Year

(ii) Post Employment Benefits

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

14. Details of Basic Earnings per Share:

a) Numerator used :		
Profit after tax	(18,329)	53,613
b) Denominator used :		
Number of Equity Shares of Rs.10/- each outstanding during the year.	6,510	6,526
c) Earnings per share	(2.82)	8.22

15. Quantitative Particulars of Goods manufactured / traded

Class of Goods manufactured / Traded	Units / Values	Installed Capacity	Opening Stock	Production / Purchase	Sales / Others	Closing Stock
Plastic Compounds	MTs	25,000	503	12,803	12,778	528
		(18,000)	(481)	(13,560)	(13,538)	(503)
	Rs. in 000's		41,405		1,270,347	41,577
			(39,956)		(1,290,989)	(41,405)
FRP Pultruded Profiles	Kgs	60,000		110,797	110,797	—
		(30,000)		(55,261)	(55,261)	—
	Rs. in 000's	—	—		25,391	—
		—	—		(18,131)	—
Goods traded	MTs		2	268	259	11
(High Sea/Agency)			—	(311)	(309)	(2)
	Rs. in 000's		341		42,097	1,206
			(44)		(41,910)	(341)
Total	Rs. in 000's		41,405		1,337,835	42,783
			(39,956)		(1,351,030)	(41,747)

16. a) Particulars of Raw Materials Consumed	Current Year		Previous Year	
	Qty. MT	Rs. in 000's	Qty. MT	Rs. in 000's
Polymers	10,112	745,920	10,790	703,338
Others	3,065	220,534	3,087	195,165
Total		966,454		898,503
b) Value of Raw Materials Consumed				
	%	Rs. in 000's	%	Rs. in 000's
Imported	32.99%	318,871	30.63%	275,179
Indigenous	67.01%	647,583	69.37%	623,324
Total	100.00%	966,454	100.00%	898,503
c) Value of Stores and Spare Parts Consumed				
	%	Rs. in 000's	%	Rs. in 000's
Imported	0.00%	—	0.00%	—
Indigenous	100.00%	729	100.00%	456
Total	100.00%	729	100.00%	456

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

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

(Rs. in 000's)

(ii) Related Party transactions: description & nature

Description	Key Management Personnel	Relative of Key Management Personnel	Associates	Other related parties
Payments for services rendered			220	120
Remuneration	1,738	—		
Sitting Fees		98		
Balance as on 31.03.2009				
(Payable)/Receivable - Net	(72)	—		

	Current Year	Previous Year
18. CIF Value of Imports		
(i) Raw materials	262,131	282,239
(ii) Capital Goods & Spares	5,998	2,523
19. Expenditure in Foreign Currency during the year		
(i) Travelling expenses	499	526
(ii) Interest paid to Banks	463	1,297
20. Fluctuation in Exchange rates		
The amount of exchange differences (Gains) included in the net profit for the year	9,170	(1,978)
21. Earnings in Foreign Currency		
FOB value of goods exported	906	—
22. Previous year's figures (shown separately and within brackets wherever given) have been regrouped wherever necessary to conform to this year's classification.		
23. Schedules "1" to "15" form an integral part of the Balance Sheet and the Profit and Loss Account and have been duly authenticated.		

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

I. Registration Details

Registration No.: 10438
 State Code: 18
 Balance Sheet Date: March 31, 2009

(Rs. in 000's)

II. Capital raised during the year

	2008 / 2009	2007 / 2008
Public issue	—	—
Rights issue	—	—
Bonus issue	—	—
Private placement	—	—
Preference shares	—	—

III. Position of mobilisation and deployment of funds

	2008 / 2009	2007 / 2008
Total liabilities	776.163	796,469
Total assets	776.163	796,469

Sources of funds

Paid up capital	65.104	65,256
Reserves and Surplus	181.636	200,286
Secured loans	357.257	280,051
Unsecured loans	2.392	2,113
Net deferred tax liabilities	35.116	43,351

Application of funds

Net fixed assets	328.373	234,010
Investments	23.165	14,900
Net current assets	289.992	342,171

IV. Performance of the Company

Turnover	1,337,835	1,352,846
Total expenditure	1,363,739	1,272,042
Profit/(Loss) before tax	(25,904)	80,804
Profit/(Loss) after tax	(18,329)	53,613
Earnings per share (in rupees)	(2.82)	8.22
Dividend rate (in per cent)	NA	12.00%

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

(As per monetary terms)

Item code no. (ITC Code)

Product description

39020000

POLYMER COMPOUNDS

As per our Report of even date

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

Chartered Accountants

CA. P. SRINIVASAN

Partner

Membership No. : 2090

B.M. VARMA

Chairman of the Meeting

MURALI VENKATRAMAN

Vice-Chairman

Chennai

29th July, 2009

S.K. SUBRAMANYAN

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

Hydro S & S

HYDRO S&S INDUSTRIES LIMITED

Registered Office : Dhun Building, III Floor, 827, Anna Salai, Chennai – 600 002.

Notice of the Annual General Meeting

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Company will be held on Monday, the 14th September, 2009 at 10.00 a.m. at Narada Gana Sabha, "Mini Hall", No.314, T.T.K.Road, Chennai – 600 018 to transact the following Business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March, 2009, the Profit and Loss Account for the year ended 31st March, 2009 and the Auditors' Report thereon.
- 2) To appoint a Director in place of Mr.Murali Venkatraman, Director, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr.Dinshaw K.Parakh, Director, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Mr.Narayan Sethuramon, Director, who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint Auditors and fix their remuneration.

M/s. P. Srinivasan & Co., Chartered Accountants, Chennai are the retiring auditors and are eligible for reappointment.

SPECIAL BUSINESS

- 6) **To consider, and if thought fit, to pass with or without modifications(s), the following resolutions as a Special Resolution.**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, or any re-enactment thereof, consent of the Company be and is hereby accorded for the re-appointment of Mr.S.K.Subramanyan as Whole Time Director [Director (Finance & Administration) & Company Secretary] w.e.f. 1st October, 2009 for a period of three years with such remuneration as set out in the Explanatory Statement annexed hereto provided that the total remuneration (including all perquisites) shall fall within the overall ceiling of 5% or 10% of the net profits of the Company calculated in the manner specified in the Act, provided further that in the event where in any financial year during the currency of tenure of reappointment of Mr.S.K.Subramanyan, the Company has no profits or its profits are inadequate, it may pay a remuneration to Mr.S.K.Subramanyan, the total of which shall not exceed the ceiling limit as provided in Section II of Part II of Schedule XIII of the Companies Act, 1956 or such amounts as may be specified by any amendment to the Act .

“RESOLVED FURTHER THAT the Remuneration Committee constituted by the Board be and is hereby authorised to fix and vary the terms of the remuneration and/or perquisites payable to Mr.S.K.Subramanyan, if in its absolute discretion think fit, subject to the guidelines or ceilings wherever applicable, within the applicable provisions of the Companies Act, 1956.

“RESOLVED FURTHER THAT Mr.S.K.Subramanyan shall not be liable to retire by rotation during his tenure of appointment as Whole Time Director of the Company.”

**By Order of the Board
for Hydro S&S Industries Limited**

**Chennai
29th July, 2009**

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

NOTES:

- a) The Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. THE PROXY FORM DULY COMPLETED MUST BE RETURNED SO AS TO REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE COMMENCEMENT OF THE AFORESAID MEETING.
- c) Members who hold shares in dematerialised form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Nos. in the Attendance slip.
- d) (i) Non-Resident Indian Shareholders are requested to inform the Company immediately.
 - (a) Change in residential status on return to India
 - (b) Particulars of the Bank Account maintained in India(ii) Members are requested to inform the Company of any change in their addresses immediately so as to enable the Company to despatch any future communications to their correct addresses.
- e) The Register of Members of the Company will remain closed from Wednesday, the 9th September, 2009 to Monday, the 14th September, 2009 (both days inclusive).
- f) Members are requested to send all requests for transfer of shares, dematerialisation of shares, change in address etc., quoting their Client ID No./ Folio No. to the Company's Registrar and Share Transfer Agent at the following address:

M/s. Integrated Enterprises (India) Limited

Second Floor, Kences Towers,
No. 1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai - 600 017.
Phone No. 91-44-28140801 – 03; Fax No. 91-44-28142479
E-mail: sureshbabu@iepindia.com

**By Order of the Board
for Hydro S&S Industries Limited**

**Chennai
29th July, 2009**

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

EXPLANATORY STATEMENT***(Pursuant to Section 173(2) of the Companies Act, 1956)*****Item No. 6****Re-appointment of Mr. S.K. Subramanyan**

Mr. S.K. Subramanyan was re-appointed as Whole Time Director [Director (Finance & Administration) & Company Secretary] w.e.f. 1st October, 2006 and the consent of the members was obtained at the Annual General Meeting held on 18th September, 2006. Since his term of office expires on 30th September, 2009, the Board of Directors have at its Meeting held on 29th July, 2009, reappointed him as the Whole Time Director [Director (Finance & Administration) & Company Secretary] of the Company for a further period of three years with effect from 1st October, 2009 subject to the consent of the members of the Company.

In view of the current business situation globally and more particularly the industry segment in which the Company operates, it is felt that there is likelihood of a situation of inadequacy of profits for payment of Managerial remuneration as specified in Schedule XIII of the Companies Act, 1956. However, the remuneration payable to Mr.S.K.Subramanyan, Whole Time Director [Director (Finance & Administration) & Company Secretary] shall not exceed the limit as provided under Part B of Section II of Schedule XIII of the Companies Act, 1956 and for this purpose his reappointment is being moved as a Special Resolution.

The Remuneration proposed to be paid to Mr. S.K. Subramanyan has been considered by the Remuneration Committee at its meeting held on 29th July, 2009.

The necessary details required to be disclosed under clause (iv) of proviso to paragraph 1 (B) of section II of part II of Schedule XIII of the Companies Act, 1956 are furnished hereunder:

I. General Information:**1. Nature of Industry**

The Company is engaged in the business of manufacture of Reinforced Thermoplastic Compounds.

2. Date or expected date of commencement of Commercial production.

Not applicable as the Company is an existing Company.

3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

Not applicable as the Company is an existing Company.

4. Financial Performance based on given indicators.

(Rs.in 000's)

Particulars	Year ended 31.03.2007	Year ended 31.03.2008	Year ended 31.03.2009
Sales	1,158,531	1,351,030	1,337,835
PBDIT	77,596	128,933	42,958
PBIT	63,296	113,316	22,394
Profit/(Loss) after Tax	29,353	53,613	(18,329)

5. Export Performance.

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

6. Foreign investments or collaborations, if any.

Not Applicable.

II. Information about the appointee:

S.No.	Description	Particulars
1.	Background details	Aged 51 years, is a Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India with over 25 years of experience in varied areas of Finance, I.T., Secretarial, Legal and Administration operations.
2.	Past Remuneration for the Financial year 2008 – 09.	Rs.17.50 lacs per annum.
3.	Recognition or awards / job profile and suitability.	He is responsible for the Finance / Secretarial and Administrative functions of the Company and has been directing the establishment of the new facility at Jejuri near Pune.
4.	Remuneration Proposed	It shall not exceed Rs.30 lacs per annum.
5.	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person.	The remuneration proposed to be paid is consistent with the responsibility of the position and is comparable with the remuneration in similar industries in the same segment of business.
6.	Pecuniary relationship directly or indirectly with the Company, or relationship with managerial personnel, if any.	He is not related to the promoters or to any of the other Directors of the Company and has no other pecuniary relationship directly or indirectly with the Company.

III. Other Information:

The Company which is expanding its business horizon is now poised to take advantage of several new opportunities. It also faces several challenges which are to be addressed from time to time with regard to costs etc. The Company is confident of successfully addressing these issues in the long term interest of all stakeholders.

The information contained in the foregoing paragraphs may also be treated as a notice to be issued to the members of the Company under Section 302 of the Companies Act, 1956.

Your Directors accordingly recommend the resolution proposing his re-appointment for the approval of the members of the Company.

None of the Directors is concerned or interested in this resolution except Mr. S.K. Subramanyan.

**By Order of the Board
for Hydro S&S Industries Limited**

**Chennai
29th July, 2009**

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



DET NORSKE VERITAS MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 45739-2009-AE-IND-RvA

This is to certify that

HYDRO S & S INDUSTRIES LTD.

at

Plot No. 15C, SIPCOT Industrial Complex, Pudukottai - 622 002, Tamilnadu, INDIA

has been found to conform to the Environmental Management System Standard:

ISO 14001:2004

This certificate is valid concerning all activities related to:

**MANUFACTURE OF REINFORCED THERMOPLASTIC AND
THERMOPLASTIC ELASTOMERIC COMPOUNDS**

Initial Certification date:
22 January 2009

This Certificate is valid until:
22 January 2012


*The audit has been performed under the
supervision of:*

Venkatakrishnan Murali
Lead Auditor



Place and date:
Chennai, 29 January 2009

for the Accredited Unit:
**DET NORSKE VERITAS CERTIFICATION B.V.,
THE NETHERLANDS**


Bhupalam Ajit
Management Representative

Lack of fulfilment of conditions as set out in the Certification Agreement may render this Certificate invalid

DET NORSKE VERITAS CERTIFICATION B.V., Zwolsweg 1, 2004 EB Barendrecht, The Netherlands TEL: +31 (0) 222 088 000 www.dnv.com



DET NORSKE VERITAS MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 45740-2009-HSO-IND-DNV

This is to certify that

HYDRO S & S INDUSTRIES LTD.

at

Plot No. 15C, SIPCOT Industrial Complex, Pudukottai - 622 002, Tamilnadu, INDIA

has been found to conform to the Occupational Health and Safety Management System Standard:

OHSAS 18001:2007

This certificate is valid concerning all activities related to:

**MANUFACTURE OF REINFORCED THERMOPLASTIC AND
THERMOPLASTIC ELASTOMERIC COMPOUNDS**

Initial Certification date:
22 January 2009

This Certificate is valid until:
22 January 2012

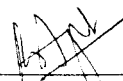
*The audit has been performed under the
supervision of:*

Venkatakrishnan Murali
Lead Auditor



Place and date:
Chennai, 29 January 2009

for the Certifying Unit:
**DNV CERTIFICATION SERVICES,
REGION INDIA**


Bhupalam Ajit
Management Representative

Lack of fulfilment of conditions as set out in the Certification Agreement may render this Certificate invalid.

DNV AS CERTIFICATION SERVICES, EMMEEN CHAMBERS, 10, C.S.T. ROAD, VILWANA JARI, KALINA, SANTAGRUZ (E), MUMBAI - 400 098

Hydro S & S Industries Limited

Regd. Office : Dhun Building, III Floor, 827, Anna Salai,

Chennai - 600 002, Tamilnadu, India.

Phone : 044 - 28521736 (4 Lines) Fax : 044 - 28520420

Works : Pudukottai, Puducherry, Pune