

**Notice of the Annual General Meeting**

**NOTICE** is hereby given that the 30<sup>th</sup> Annual General Meeting (AGM) of the Company will be held on Friday, the 25<sup>th</sup> July, 2014 at 10.15 a.m. at Narada Gana Sabha, "Mini Hall", No.314 (Old No.254), 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 31<sup>st</sup> March, 2014, the Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2014 and the Auditors' Report thereon.
- 2) To appoint a Director in the place of Mr. Bo Jingen (holding DIN 06617986), who opts to retire pursuant to Companies Act, 2013 and being eligible, offers himself for re-appointment.
- 3) To re-appoint Auditors of the Company to hold office from the conclusion of this AGM until the conclusion of the third consecutive AGM and to fix their remuneration and to pass the following resolution thereof.

**"RESOLVED that**, pursuant to the provisions of Section 139 of the Companies Act, 2013 and the Rules made thereunder, and pursuant to the recommendations of the audit committee of the Board of Directors, M/s. P. Srinivasan & Co., Chartered Accountants (Firm Registration No.004054S), be and are hereby re-appointed as the auditors of the Company, to hold office from the conclusion of this AGM to the conclusion of the third consecutive AGM (subject to ratification of the appointment by the members at every AGM held after this AGM) and that the Board of Directors be and are hereby authorized to fix such remuneration as may be determined by the audit committee in consultation with the auditors."

**SPECIAL BUSINESS**

- 4) To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:  
**"RESOLVED that**, pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013, and the Rules made thereunder read with Schedule IV to the Companies Act, 2013, Mr. N.Subramanian (holding DIN 03602858), who was appointed as an Additional Director of the Company by the Board of Directors with effect from 16<sup>th</sup> May, 2014 and who holds office until the date of AGM, in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Mr. N.Subramanian as a candidate for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company up to 15<sup>th</sup> May, 2019, not liable to retire by rotation."
- 5) To consider, and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:  
**"RESOLVED that**, in supersession of the resolution passed by the Shareholders of the Company through postal ballot and result were declared on 7<sup>th</sup> December, 2009, pursuant to Section 180(1)(c) of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow from time to time, for the purpose of Company's business, such sum or sums of money, as they in their absolute discretion thinks fit, notwithstanding that the monies so borrowed together with the monies already borrowed by the Company and remaining outstanding shall be in excess of the aggregate of the paid-up share capital and free reserves, but not exceeding ₹ 150,00,00,000/- (Rupees One Hundred and Fifty Crores Only) over and above the paid-up share capital and free reserves for the time being of the Company."

6) To consider, and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

**"RESOLVED that**, the Report of Board of Directors of the Company to the shareholders on erosion of more than fifty percent of the Company's peak net worth during immediately preceding four financial years by its accumulated losses as on 31<sup>st</sup> March, 2014 and the causes for such erosion, as required under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, ("SICA") be and is hereby considered and approved.

**RESOLVED FURTHER that** in accordance with the requirement of Section 23 of the SICA, the Company do report to the Board for Industrial and Financial Reconstruction ("BIFR") of the fact that the accumulated losses of the Company as on 31<sup>st</sup> March, 2014 have resulted in an erosion of more than fifty percent of its peak net worth during immediately preceding four financial years.

**RESOLVED FURTHER that** Mr.Bo Jingen, Managing Director be authorised to finalise and send the report to the BIFR and to do all such acts, deeds, matters and things as it may deem necessary, desirable or expedient in relation thereto."

7) To consider, and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

**"RESOLVED THAT** in order to meet the immediate fund requirement of the Company, pursuant to the provisions of Section 62(1)(c) and other applicable provisions, if any, of the Companies Act, 2013, (the "Act") (including any statutory amendments thereto or modifications or re-enactments thereof for the time being in force) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the regulations/ guidelines/clarifications, if any, prescribed by the Securities and Exchange Board of India ("SEBI"), the Reserve Bank of India, Foreign Exchange Management Act, 1999 and the Listing Agreement entered into by the Company with the Stock Exchanges and all other applicable Laws and Regulations and subject to the Company obtaining all approvals, consents, permissions and sanctions as may be required from any and all governmental or Regulatory Authorities and all other Institutions and Bodies including Banks and Financial Institutions, and subject to such conditions and modifications as may be prescribed or imposed whilst granting such approvals, permissions, consents, and sanctions, as are acceptable to the Board of Directors of the Company (the "Board", which term shall be deemed to include any committee of Directors which the Board may have constituted or hereinafter may constitute to exercise its powers including the power conferred by this resolution) and subject to the approval of shareholders in general meeting, the consent of the Company be and is hereby accorded to issue and allot not exceeding 21,35,000 equity shares of the face value of Rs. 10.00 each ("Equity Shares") at a premium of Rs. 41.25 each as calculated on relevant date being 30 days prior to the date of passing of this resolution i.e. 25.06.2014, in accordance with SEBI (ICDR) Regulations, 2009, aggregating to an amount of Rs. 10,94,18,750.00 on preferential basis to HONGKONG VICTORY INVESTMENT CO., LIMITED, RM 2108, 21/F C C WU BLDG, 302 – 308 HENNESSY RD, WANCHAI, HONG KONG on such terms and conditions as may be determined by the Board in accordance with SEBI (ICDR) Regulations, 2009 or other provisions of the law as may be prevailing; however subject to the approval of SEBI as may be required under Clause 40(A)(ii)(g) of the Listing Agreement.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to decide and approve the other terms and conditions of the issue of Equity Shares on preferential basis and also shall be entitled to vary, modify or alter any of the terms and conditions of such issue, however in compliance with the statutory approvals as may be required.

**RESOLVED FURTHER THAT** in the Equity Shares to be issued and allotted in terms of this resolution shall rank pari passu in all respects with the existing equity shares of the Company.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the issue of Equity Shares the Board be and is hereby authorized to take all actions and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient in relation to all matters concerning the proposed issue and allotment of Equity Shares, the rights attached thereto and the listing thereof with the Stock Exchange(s) and to resolve and settle all questions and difficulties and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion deems fit, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that shareholders shall be deemed to have given their approval thereto expressly by the authority of this resolution.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to determine in its absolute and complete discretion how much of the capital raised pursuant to this resolution should be utilized for the different purposes thereof viz., future expansion, repayments, working capital, general corporate purposes.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to delegate all or any of the powers conferred by this resolution on it to any Committee of Directors, any other Director or officer of the Company to give effect to the aforesaid resolution."

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

Place : Chennai  
Date : 27th June, 2014

**S.K. SUBRAMANYAN  
Company Secretary**

### NOTES:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
2. Instrument of Proxies, in order to be effective, must be received at the Company's Registered office not later than 48 (forty eight) hours before the time fixed for holding the Annual General Meeting. A Proxy form is sent herewith.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 18<sup>th</sup> July, 2014 to Friday, 25<sup>th</sup> July, 2014 (both days inclusive).
4. Members holding Equity Shares in physical form are requested to advise any change of address immediately to the Company's Registrar and Share Transfer Agent, M/s. Integrated Enterprises (India) Limited, 2nd Floor, Kences Towers, No. 1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600 017. Members holding Equity Shares in dematerialized form must intimate the change in address to their respective Depository Participants.
5. Shareholders / Proxy holders are requested to bring their copy of the annual report with them at the meeting and to produce at the entrance, the attached attendance slip duly completed and signed for the admission to the meeting hall.
6. Members desirous of getting any information about the accounts and operation of the company are requested to address their query to the company at the registered office of the company well in advance so that the same may reach at least seven days before the date of meeting to enable the management to keep the required information readily available at the meeting.
7. Profile of Directors being appointed / reappointed as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

Particulars	Item No.2	Item No.4
Name of the Director	Mr. Bo Jingen	Mr. N.Subramanian
Date of appointment	03.07.2013	16.05.2014
Qualifications	Master's degree in Polymer Science	Member of the Institute of the Chartered Accountants of India and Associate Member of the Institute of Company Secretaries of India
Experience in specific functional area	Marketing and Sales	Accounts, Finance, Audit, Taxation and Corporate law matters.
Directorships held in other Public Companies	--	Shasun Pharmaceuticals Limited IEC Fabchem Limited
Committee Chairmanship/ Membership held in other Companies	--	<b>Shasun Pharmaceuticals Limited</b> Audit Committee (Chairman) Investor Grievance Committee (Member)
Number of shares held in the Company as on 31st March 2014	NIL	NIL

8. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, is annexed hereto.

#### 9. Voting through electronic means

I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the 30<sup>th</sup> Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by National Securities Depository Limited (NSDL):

The instructions for e-voting are as under:

- A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/ Depository Participants(s)]:
  - (i) Open email and open PDF file viz; " Hydro S & S e-Voting.pdf " with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for e-voting. Please note that the password is an initial password.
  - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
  - (iii) Click on Shareholder – Login
  - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
  - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (vi) Home page of e-voting opens. Click on e-Voting: Active Voting Cycles.
  - (vii) Select "EVEN" of Hydro S & S Industries Limited.
  - (viii) Now you are ready for e-voting as Cast Vote page opens.
  - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
  - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
  - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
  - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/ JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to pssrinivasan1939@gmail.com or evoting@hssil.com with a copy marked to evoting@nsdl.co.in
- B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participants(s) or requesting physical copy] :
- (i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM :

<b>EVEN (E Voting Event Number)</b>	<b>USER ID</b>	<b>PASSWORD/PIN</b>
-------------------------------------	----------------	---------------------
  - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com)
- III. If you are already registered with NSDL for e-voting then you can use your existing user ID and password/PIN for casting your vote.
- IV. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- V. The e-voting period commences on 19<sup>th</sup> July, 2014 (9:00 am) and ends on 21<sup>st</sup> July, 2014 (6:00 pm). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 20<sup>th</sup> June, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- VI. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 20<sup>th</sup> June, 2014.
- VII. Mr.P.S.Srinivasan, Practising Company Secretary (C.P. No.3122) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- VIII. The Scrutinizer shall within a period not exceeding three(3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two(2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- IX. The Results shall be declared on or after the AGM of the Company. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website [www.hssil.com/kyc](http://www.hssil.com/kyc) and on the website of NSDL within two(2) days of passing of the resolutions at the AGM of the Company and communicated to the BSE Limited.
10. The documents referred to in this notice and explanatory statement are available of inspection during business hours on all working days (except Saturdays, Sundays and holidays) at the Registered Office of the Company up to and including the date of the Annual General Meeting.

**EXPLANATORY STATEMENT  
PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

**Item No.2**

Mr.Bo Jingen was appointed as the Managing Director of the Company for a period of three years and was not liable for retirement. However, to comply with the revised Companies Act, 2013, his term of office has now been made as to retire by rotation. The Board has already considered and approved the same. Mr.Bo Jingen will continue to be designated as Managing Director of the Company.

**Item No. 4**

Mr. N.Subramanian was appointed as an Additional Director by the Board with effect from 16<sup>th</sup> May, 2014 and holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a Member of the Company alongwith requisite deposit proposing his candidature for the office of Director of the Company.

Mr. N.Subramanian is a Member of the Institute of the Chartered Accountants of India and Associate Member of the Institute of Company Secretaries of India and has rich experience in Accounts, Finance, Audit, Taxation and Corporate law matters. He is practicing as a Chartered Accountant independently and also a senior partner in M/s. Vivekanandan Associates, Chartered Accountants, Chennai, a firm of Chartered Accountants.

The resolution seeks the approval of members for the appointment of Mr. N.Subramanian as an Independent Director of the Company up to 15<sup>th</sup> May, 2019 and is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr. N.Subramanian, the Independent Director proposed to be appointed, fulfils the conditions specified in the Companies Act, 2013 and the Rules made thereunder and he is independent of the Management.

Except Mr. N.Subramanian, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

The Board considers that the appointment of Mr. N.Subramanian would be of immense benefit to the Company. Accordingly, the Board recommends the resolution for the approval of the members.

**Item No.5**

In terms of the resolution passed by the Shareholders of the Company through postal ballot and result were declared on 7<sup>th</sup> December, 2009, the Board of Directors of the Company is authorised to borrow upto to a sum of ₹ 50 Crores over and above the paid-up share capital and free reserves of the Company. The existing business operations and future growth plans of the Company necessitate the increase in the borrowing powers of the Board of Directors from the existing limit of ₹ 50 Crores to ₹ 150 Crores over and above the paid-up share capital and free reserves of the Company. Accordingly, the consent of the Shareholders at the General Meeting is sought under Section 180(1)(c) of the Companies Act, 2013.

Your Directors recommend passing the above resolution.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution.

### Item No.6

In terms of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985, if the accumulated losses of an industrial company, as at the end of any financial year have resulted in erosion of fifty percent or more of its peak net worth during the immediately preceding four financial years, the said company falls under the category of 'Potentially Sick Industrial Company' and is required to report the fact of such erosion to the Board for Industrial and Financial Restructuring ("BIFR") within 60 days from the date of finalization of the audited accounts, which is the date of the Annual General Meeting in which such accounts are approved by the shareholders.

As per the audited annual accounts of the Company for the financial year ended 31<sup>st</sup> March, 2014 to be adopted by the Shareholders at their 30<sup>th</sup> Annual General Meeting to be held on 25<sup>th</sup> July, 2014, the accumulated losses of the Company as at 31<sup>st</sup> March, 2014 amounting to ₹ 1,247.75 lacs have resulted in erosion of more than fifty percent of its peak net worth of ₹ 2,471.85 lacs during the four financial years preceding the financial year ended 31<sup>st</sup> March, 2014 (calculated as per the provisions of SICA).

The facts relating to such erosion and its causes and the revival measures being taken by the Company are explained in the Report of the Board of Directors forming part of this notice.

The Board recommends the resolution as given in the Notice for your approval as a special resolution.

The documents referred to in this notice and explanatory statement are available for inspection during business hours on all working days (except Saturdays, Sundays and holidays) at the Registered Office of the Company up to and including the date of the Annual General Meeting.

None of the Directors and Key Managerial Personnel and their relatives is in any way concerned or interested, financially or otherwise, in the resolution.

### **REPORT OF BOARD OF DIRECTORS TO THE SHAREHOLDERS OF HYDRO S & S INDUSTRIES LIMITED UNDER SECTION 23(1) (b) OF SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985.**

#### **To the Members of Hydro S & S Industries Limited**

In terms of the requirements of Section 23(1) (b) of the Sick Industrial Companies (Special Provisions) Act, 1985, a report of the Board of Directors on erosion of more than 50% of the Company's peak net worth during the immediately preceding four financial years alongwith its causes and revival plan is being submitted herewith to the Members of the Company.

As per the audited financial accounts of the Company for the financial year ended March 31, 2014 to be adopted by the Shareholders at their 30<sup>th</sup> Annual General Meeting to be held on 25<sup>th</sup> July, 2014, the accumulated losses as at the end of financial year ended March 31, 2014 stood at ₹ 1,247.75 lacs (corresponding losses were ₹ 847.72 lacs in 2013-14 and ₹ 504.83 lacs in 2012-13) which exceeds 50% of its peak net worth of ₹ 2,471.85 lacs during the four financial years preceding the financial year ended March 31, 2014, calculated as per the provisions of SICA.

#### **Causes for Erosion of the relevant Network :**

The Company manufactures and markets Reinforced Polypropylene compounds and Reinforced Thermoplastic Elastomer compounds.

The company's first plant was commissioned at Pudukkottai (Tamil Nadu) in 1987. A second unit was commissioned at Puducherry specifically to cater to the requirements of the plastic furniture segment in 1995. As the passenger car production picked up, the Puducherry Plant started catering to that segment, since the furniture segment became very uneconomical.

In 2006, the company took a decision to put up a greenfield facility near Pune, as Pune was developing into an auto hub. The Company invested about ₹ 15 Crores for this facility and the same was funded through a term loan of about ₹ 8 Crores. The Pune facility was commissioned in October 2008 and soon thereafter the global financial crisis struck.

Since 2010, Tamilnadu has been witnessing very heavy powercuts. Even though the Company had invested in Wind Energy Generators to safeguard the increase in the power costs, these were not available to maintain the production levels.

Hence, as part of the realignment of capacity, a unit was set up at Manesar (Haryana) in 2013 so as to be able to tap the North market, with a second hand machine transferred from Pudukkottai.

#### **Cost increases:**

Since the global crisis, prices of all key raw materials like PP, Additives, Pigments, Elastomers have gone up substantially and the trend of price increase was continuous. Although the prices are corrected by the Automotive OEM's the sustained inflation in key raw materials resulted in under recovery over a long period of time. The last 4 years have seen prices going in one direction and so also the exchange rate making it an extremely difficult situation.

Added to this the slowdown in Automotive industry pushed back the increase in volumes which would have offset some of the inflation impact.

#### **Change in Shareholding:**

The Company has been operating in single product single industry focus. Secondly, the products with evolution moved lower in the value chain and we were constrained in terms of technology and resources to move into higher value added products.

Under the circumstances, the erstwhile Promoter Group entered into a Share Purchase Agreement with M/s. Kingfa Sci. and Tech. Co., Ltd., Guangzhou, China, for transfer of their Shareholding in the Company. Kingfa is a global player in the Modified plastics and has technology needed to support the other products.

#### **Steps taken already and being implemented:**

1. The Company has developed a multi-pronged strategy to bring the Company into a state of health.
2. The Company has been able to access new Customers, through Kingfa's global relationship.
3. The Company has commenced to distribute the products of Kingfa, hitherto unavailable to it.
4. Plans are in place to commence manufacture of Engineering Plastics in India.
5. Kingfa has already infused Cash into the Company to help tide over the cash strain faced due to continued losses.
6. Management has decided to cease operations of its Pudukkottai plant, since it was felt that two plants were not needed to support customers in the southern India market.



All the measures above will result in turnaround of the operations arising from optimum utilization of capacity, profitability through reduced overhead costs and is confident of returning to profitability and to take advantage of the opportunities being offered in the Indian environment.

The Board of Directors believes that the Company will be able to recover and recoup the above stated erosion in its net worth and gain newer heights in the years to come.

### Item No.7

In terms of Section 201(1) of the Companies Act, 2013, the following Explanatory Statement sets out all the material facts relating to the Special Resolution.

M/s. Kingfa Sci. & Tech. Co., Ltd, Guangzhou, China ("New Promoter") entered into Share Purchase Agreement for acquisition of entire holding of the promoters of the Company (i.e. 66.50% shares of total capital) on 20.05.2013 and as per the provisions of the SEBI(SAST) Regulations, 2011, M/s. Kingfa Sci. & Tech. Co., Ltd, Guangzhou, China came out with Open Offer for acquisition of 26% shares of the Company. Open Offer opened on 22.08.2013 and closed on 04.09.2013 for tendering the shares by the public shareholders. After the close of Open Offer and acquisition of shares tendered by the public shareholders, shareholding of New Promoter stood at 5305032 No. of shares i.e. 82.80% of the voting capital of the Company. As per the para no. 3.1.11 of the Letter of Offer (reproduced below) the New Promoter had undertaken that it will increase the public shareholding of the company to 25%.

"In the event the shareholding of the Acquirer increases beyond the maximum permissible non-public shareholding limit of 75 % as provided under the SCRR, the Acquirer shall increase the level of public shareholding in the Target Company to the minimum level required under clause 40A of the Listing Agreement and Rule 19A of the SCRR within the time limits specified therein and through the permitted routes available under the Listing Agreement including any other such route as may be approved by SEBI from time to time."

Further, due to continuous losses in the operations for the last few years, the net worth of the Company got eroded by 50%. For smooth functioning of the Company and also to improve net worth, immediately more funds are also required. The Chief Financial Officer presented before the Board financial report on the health of the Company, quantum of funds required to meet the up-gradation and working capital requirement for smooth running of the business of the Company. He further informed the Board that the New Promoter has shown its inability to induct more funds at this stage but, the New Promoter has identified a Strategic Investor, HONGKONG VICTORY INVESTMENT CO., LIMITED incorporated and having Head Office in HONG KONG, which is willing to induct funds into the Company upto an amount not exceeding Rupee equivalent to USD 2.0 million by way of subscription to the equity shares to be allotted on preferential basis in accordance with provisions of Chapter VII of SEBI (ICDR) Regulations, 2009 at a premium of Rs. 41.25 per equity share of Rs. 10.00 each. After the allotment of shares to the Strategic Investor at least a premium of Rs. 41.25 per share, Public Share holding will increase more than 25% from existing 17.20%.

The Company intends to use the funds to be raised by issuing equity shares on preferential basis for following purposes:

- a. The funds will be utilised for upgradation/new equipments/ working capital, payment of outstanding debts etc.
- b. With the induction of funds and allotment of equity shares to Strategic Investor the public shareholding will increase more than 25%.

The details of the issue and other particulars as required in terms of the Chapter VII of the SEBI (ICDR) Regulations, 2009 in relation to the above said Special Resolution are given as under:

**i. Objects of the issue through preferential offer:**

- a. The funds will be utilised for upgradation/new equipments/ working capital, payment of outstanding debts etc.
- b. To increase the public shareholding to more than 25%.

**ii. Intention of promoters/directors/key management persons to subscribe to the offer:**

The Preferential Issue of Equity Shares would be made to HONGKONG VICTORY INVESTMENT CO., LIMITED, a Company incorporated in HONGKONG having its registered office at RM 2108, 21/F C C WU BLDG, 302 – 308 HENNESSY RD, WANCHAI, HONG KONG, a Strategic Investor, not related with the Promoters of the Company (i.e. Strategic is not PAC with the Promoters). The promoter/directors/key management persons have no intention to subscribe to the Preferential Issue of Equity Shares.

Name of the Promoters of the Hong Kong Company : Mr. LI Hua Xiang and Mr. DAI Fu Qian

Date of Incorporation : 27 May 2014.

**iii. Shareholding Pattern Before and after the Issue of Shares.**

Category	Pre Issue (As on 20.06.2014)		Post Issue ( * )	
	Number	Percentage	Number	Percentage
Promoters (Individual, HUF, Body Corporates)	5305032	82.80	5305032	62.11
Financial Institutions/Banks	200	0.00	200	0.00
Insurance Companies	Nil	Nil	Nil	Nil
Private Corporate Bodies	57103	0.89	57103	0.67
Individuals	949064	14.81	949064	11.11
NRI / OCBs	69537	1.09	69537	0.81
Strategic Investors *	Nil	Nil	2135000	24.99
Clearing Member	26268	0.41	26268	0.31
Trust	Nil	Nil	Nil	Nil
<b>Total</b>	<b>6407204</b>	<b>100%</b>	<b>8542204</b>	<b>100%</b>

( \* ) Assuming maximum number of shares allotted to the Strategic investor

**iv. Proposed time within which the allotment shall be completed**

As required under Chapter VII of SEBI(ICDR) Regulations, 2009 the Company shall complete the allotment of Equity Shares on or before expiry of 15 days from the date of passing of the resolution at the Annual General Meeting, provided that in event the allotment of equity shares require any approval(s) from any regulatory authority or the Central Government (including stock exchanges and SEBI), 15 days shall be counted from the date of order on such application or the date of approval or permission, as the case may be.

**v. Identity of the proposed allottees & percentage of post preferential issue**

Name and Address of the proposed allottee	PAN No. of the proposed allottee	Pre Allotment holding		Post Allotment holding	
		No. of Shares	% of total voting rights	No. of Shares	% of total voting rights
HONGKONG VICTORY INVESTMENT CO., LIMITED, RM 2108, 21/F C C WU BLDG, 302 – 308 HENNESSY RD, WANCHAI, HONG KONG	To Apply for	Nil	Nil	2135000	24.99

**vi. Pricing**

The equity shares will be issued at a premium of Rs. 41.25 per share of Rs.10.00 each calculated in accordance with provisions of Chapter VII of SEBI (ICDR) Regulations, 2009.

**vii. Relevant Date**

The Relevant Date for the purpose of determining the price of the shares in accordance with the pricing method given in Chapter VII of SEBI (ICDR) Regulations, 2009 is 25.06.2014 i.e. 30 days before the date of Annual General Meeting.

**viii. Undertaking**

The Company hereby undertakes that:-

- a. It would recompute the price of securities specified above in terms of the provisions of SEBI (ICDR) Regulations, 2009 where it is required to do so.
- b. If the amount payable on account of re-computation of the price is not paid by the allottee with in the time stipulated in the SEBI (ICDR) Regulations, 2009, the above said securities shall continue to be locked-in till the time such amount is paid by the allottee.

**ix. Lock-in period**

The equity share allotted on preferential basis to the proposed allottee shall be subject to lock-in for a period of one year from the date of trading approval granted for such shares as specified under Chapter VII of the SEBI (ICDR) Regulations, 2009 relating to preferential issue.

None of the Directors, any other Key Managerial Person(s) of the Company and their relatives are, in any way, concerned or interested in the resolution.

The Board recommends the resolution for approval of the Shareholders.

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

Place : Chennai  
Date : 27th June, 2014

**S.K. SUBRAMANYAN  
Company Secretary**

### **IMPORTANT COMMUNICATION TO MEMBERS**

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to give their consent by providing their e - mail Id to the Company's Registrar and Share Transfer Agent, M/s. Integrated Enterprises (India) Limited, to their e-mail ID i.e., [yuvraj@integratedindia.in](mailto:yuvraj@integratedindia.in).

*Annual*

*Report*

**2013 - 2014**



<b>Board of Directors</b>	<b>NIE DELIN</b> <b>BO JINGEN, <i>Managing Director</i></b> <b>WU XIAOHUI, <i>Whole-time Director</i></b> <b>V. THIRUPATHI</b> (upto 07-04-2014) <b>G. BALASUBRAMANYAN</b> (upto 07-04-2014) <b>N. SUBRAMANIAN</b> (w.e.f. 16-05-2014)
<b>Chief Financial Officer</b>	<b>XIE DONGMING</b>
<b>Company Secretary</b>	<b>S.K. SUBRAMANYAN</b>

**Works**

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

**Registered Office**

Dhun Building, III Floor,  
827, Anna Salai, Chennai - 600 002  
Telephone : +91-44-28521736  
Fax : +91-44-28520420  
E-mail : info@hssil.com  
Website : www.hssil.com/kyc  
CIN : L25209TN1983PLC010438

**Auditors**

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

**Bankers**

State Bank of India, Chennai - 600 001  
Canara Bank, Chennai - 600 002  
Citibank N.A., Chennai - 600 002

**Registrar & Share Transfer Agent**

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

<b><u>Contents</u></b>	<b><u>Page Nos.</u></b>
Financial Highlights	- 2
Directors' Report	- 3
Corporate Governance	- 7
M D & A Report	- 21
Auditors' Report	- 25
Balance Sheet	- 28
Statement of Profit and Loss	- 29
Cash Flow Statement	- 30

## FIVE - YEAR FINANCIAL DATA

(₹ in Millions)

For the Year	2013-14	2012-13	2011-12	2010-11	2009-10
Sales : Domestic	1,980.945	1,754.307	1,645.481	1,542.326	1,183.225
Exports	3.251	2.329	1.567	0.427	1.933
Operating (Loss) / Profit (PBITD)	(30.651)	26.863	91.004	86.498	71.142
Finance Cost	65.636	69.711	65.561	46.509	47.526
Depreciation and amortisation expense	26.573	28.185	26.794	26.909	25.768
Tax expenses - Current	—	—	—	3.200	—
- Deferred	(38.088)	(20.550)	(1.600)	(0.600)	(2.000)
Profit / (Loss) After Tax	(84.772)	(50.483)	0.249	10.480	(0.152)
<b>As at the end of the Year</b>					
Share Capital	64.072	64.072	64.072	64.072	64.072
Reserves & Surplus	49.835	134.607	185.090	184.817	178.818
Loan Funds	621.785	346.008	428.816	427.580	353.068
Gross Block	490.653	479.091	513.185	528.565	499.920
Net Current Assets	451.900	287.284	403.818	388.332	305.582
<b>Measures of Investment</b>					
Return on Capital Employed (%)	-7.76%	-0.24%	9.47%	9.55%	7.61%
Return on Equity (%)	-74.42%	-25.41%	0.10%	4.21%	(0.06%)
Earnings per Share (₹)	(13.23)	(7.88)	0.04	1.64	(0.02)
Dividend Cover (Times)	—	—	—	2.73	NA
Dividend (%)	—	—	—	6	NA
Book Value of an Equity Share	17.78	31.01	38.89	38.85	37.91
<b>Of Performance</b>					
- Profitability (%)					
Profit / (Loss) before Tax (%)	(0.07)	-4.56%	(0.09%)	0.94%	(0.20%)
Profit / (Loss) after Tax (%)	(0.05)	-3.24%	0.02%	0.75%	(0.01%)
- Capital Turnover (times)	2.70	3.23	2.43	2.28	1.99
- Stock Turnover (times)	8.64	9.17	9.03	7.32	7.66
- Working Capital Turnover (times)	4.36	6.11	4.08	3.97	3.88
<b>Of Financial Status</b>					
- Debt-Equity Ratio (times)	1.05:1	0.25:1	0.40:1	0.53:1	0.55:1
- Current Ratio	0.97:1	0.97:1	1.08:1	1.18:1	1.24:1
- Fixed Assets to Shareholders' Funds (times)	2.15:1	1.30:1	1.19:1	1.28:1	1.29:1



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

Your Directors hereby present their 30th Annual Report along with Audited Statement of Accounts of the Company for the year ended March 31, 2014.

**FINANCIAL RESULTS**

(₹ in Lacs)

Particulars	Year Ended	
	March 31, 2014	March 31, 2013
<b>Revenue from Operations</b>		
Gross	19,933.00	17,634.38
Net of Excise Duty	17,782.55	15,657.95
Other Income	23.26	83.63
<b>(Loss) / Profit before Finance Costs &amp; Depreciation and amortisation expense</b>	<b>(306.51)</b>	268.64
Finance Costs	656.36	697.12
<b>Loss before Depreciation and amortisation expense</b>	<b>(962.87)</b>	(428.48)
Depreciation and amortisation expense	265.73	281.85
<b>Loss before Tax</b>	<b>(1,228.60)</b>	(710.33)
Tax expenses - Current Tax	—	—
- Deferred Tax	(380.88)	(205.50)
	<b>(380.88)</b>	(205.50)
<b>Loss after Tax</b>	<b>(847.72)</b>	(504.83)
Balance brought forward	(400.03)	104.80
<b>Deficit carried forward</b>	<b>(1,247.75)</b>	(400.03)

**BUSINESS OPERATIONS**

Operating revenues grew by about 13% over the previous years with volume growth of about 4%. Pilot sales of Engineering Plastics supported by HQ Kingfa were also made.

After the first quarter, the raw material inflation and Exchange rate erosion dealt a severe blow to margins and cash flow. Towards the later half of the year, infusion of cash from Parent Kingfa helped mitigate the situation.

The Operations of the Pudukkottai unit were curtailed during the year and finally the plant ceased operation from May 2014 onwards.

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

**DIVIDEND**

The operations of the Company have resulted in a loss as explained in detail in the Management's Discussion and Analysis Report. Hence, your Directors regret that they are unable to recommend any dividend on the Equity Share Capital of the Company for the year under review.

**ENVIRONMENT, HEALTH AND SAFETY**

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

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

## **EMPLOYEE RELATIONS**

Industrial relations remained cordial during the year.

Various HR initiatives are continuously taken to align the HR policies to the growing requirements of the business. Reviews, training and tools are being provided for the personnel to improve overall efficiency.

## **PART II - CORPORATE MATTERS**

### **CORPORATE GOVERNANCE**

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

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

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

A Statement of General Business Principles is given in **Annexure – D** to this Report.

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

A Declaration by Mr.Bo Jingen, Managing 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.

### **ACQUISITION OF EQUITY SHARES THROUGH OPEN OFFER**

As members are aware, M/s. Kingfa Sci. & Tech. Co., Ltd., Guangzhou, China have acquired the entire shareholding from the erstwhile Promoter Group of the Company. Consequent to this, they have acquired a further 1044332 Equity Shares (16.30%) through Open Offer (triggered by SEBI rules) from Public Shareholders of the Company.

## **DIRECTORS**

Your Director, Mr.Bo Jingen opts to retire pursuant to Companies Act, 2013 and being eligible, offers himself for re-appointment.

Two Non Executive Independent Directors, Mr.V.Thirupathi due to personal reasons and Mr.G.Balasubramanyan due to his other occupations have resigned from the Board effective from 7<sup>th</sup> April, 2014. The Board wishes to place on record its appreciation of the valuable services rendered by them during their tenure in the Company.

The Board appointed Mr. N.Subramanian as an Additional Director – Non Executive Independent Director of the Company with effect from 16<sup>th</sup> May, 2014. He holds the office upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a Member of the Company alongwith requisite deposit proposing his candidature for the office of Director of the Company.

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

## **AUDITORS**

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

**COST AUDIT**

By virtue of provisions of The Companies (Cost Audit Report) Rules, 2011, P.Raju Iyer, M.Pandurangan & Associates, Cost Accountants, Chennai carried out a Cost Compliance exercise.

The Company has duly filed the Cost Compliance Report for the year ended 31st March 2013.

**STATUTORY INFORMATION**

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

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

All the dividends of the earlier years, which have remained unclaimed, have since been transferred to the Investor Education and Protection Fund at the expiry of the specified period(s) as required under Section 205C of the Companies Act, 1956. Details of dividends remaining unclaimed as on 31.03.2014 are as under :

Year	Date of declaration	No. of Shareholders	Total Unclaimed Dividend ( ₹ )	Due date for transfer to IEPF Account
2006 - 2007	13.09.2007	513	1,34,167.40	20.10.2014
2007 - 2008 (Interim)	31.01.2008	568	41,224.00	08.03.2015
2007 - 2008 (Final)	16.09.2008	569	54,305.70	22.10.2015
2008 - 2009	No Dividend declared		N.A.	
2009 - 2010	No Dividend declared		N.A.	
2010 - 2011	29.09.2011	730	60,928.80	05.11.2018
2011 - 2012	No Dividend declared		N.A.	
2012 - 2013	No Dividend declared		N.A.	

**FIXED DEPOSITS**

Your Company has not accepted any deposit from the public during the year under review and there are no outstanding deposits from Public as on date.

**ACKNOWLEDGEMENT**

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

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

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

Place : Chennai  
Date : 28th May, 2014

**N. SUBRAMANIAN**  
Chairman of the Meeting

**BO JINGEN**  
Managing Director

**Annexure - A to Directors' Report**

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

**(A) CONSERVATION OF ENERGY**

**(a) Energy Conservation measures taken:**

1. Moved to CFL lighting system to save energy to the extent of 40% in lighting.
2. Humidity Chambers installed in Lab of all plants and technical block for preserving the test specimens. Space to be cooled and Running time of air conditioners reduced by Half.

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

1. Connecting capacitor to transformer to reduce the inductive power & to improve the power factor.
2. Increased the extruder screw RPM by 7%, to increase the throughput of the machine by 100-150Kg Hr that reduces the specific energy per MT.

**(B) TECHNOLOGY ABSORPTION**

**(a) Research and Development (R & D):**

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

The R&D focus continues to remain on developing new formulations with a available raw materials and new speciality additives that would cost effectively deliver performance in the dynamically evolving requirements of the Auto Industry. The Auto Industry is driven by styling, lower cost, increased pressure on lower cost of ownership and running expenses. Another challenge from the customers in reduced CO2 Footprint and increased customer expectations. OEM's are demanding grades with very low shrinkage, low CLTE, High Stiffness higher flow and reduced specific gravity, they are demanding materials which are able to meet on their design and performance requirements.

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

(a) Capital	—	2.25
(b) Recurring	—	113.45
<b>Total</b>	—	<b>115.70</b>

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

Manufacturing process using innovative formulation and new blending techniques for getting improved properties in our compounds have enabled us to win new business and be cost effective. The skill and capabilities for new developments were expanded. Technical and Marketing personnel were exposed to new techniques at our HQ in China. We are seeing positive response from our customers.

**(c) Imported Technology :** Not applicable

**(C) FOREIGN EXCHANGE EARNINGS & OUTGO ( ₹ in Lacs )**

Foreign Exchange Earnings	—	123.55
Foreign Exchange Outgo	—	4,020.30

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

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

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

Place : Chennai  
Date : 28th May, 2014

**N. SUBRAMANIAN**  
Chairman of the Meeting

**BO JINGEN**  
Managing Director

## ANNEXURE - B TO DIRECTORS' REPORT

### REPORT ON CORPORATE GOVERNANCE

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

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

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

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

#### 2) Board of Directors Composition

The Board of Directors has a mix of Executive and Non-Executive Directors. The Board comprises one Managing Director, one Whole-time Director (the Executive Directors) and three Non-Executive Directors. Out of three Non-Executive Directors, two of them being Independent Directors, Mr. V. Thirupathi and Mr. G. Balasubramanyan have resigned effective from 7th April, 2014. Mr. N. Subramanian has been co-opted as an Additional Director with effect from 16th May, 2014 as Non Executive Independent Director on the Board of the Company.

#### Meetings

During the year 2013-14, the Board met 8 times on 21st May, 2013, 28th May, 2013, 3rd July, 2013, 31st July, 2013, 18th September, 2013, 14th November, 2013, 25th January, 2014 and 12th February, 2014. The last AGM was held on 18th September, 2013.

The following table gives the details of category of Board of Directors and their attendance at Board Meetings and last AGM and details of Memberships in other Boards and Board Committees as on 31st March, 2014.

Name of the Director	Category	No. of Board Meetings Attended	Attendance at the Last AGM	Directorships in other Boards		Committee(s) @ Membership (inclusive of Hydro S & S)	
				Directorships	Chairmanships	Memberships	Chairmanships
Mr. Nie Delin ( * )	NI-NE	2	Yes	1	—	2	1
Mr. Bo Jingen ( * )	NI-EX	5	Yes	—	—	1	—
Mr. Wu Xiaohui ( * )	NI-EX	6	Yes	—	—	—	—
Mr. V. Thirupathi	IN-NE	7	Yes	Resigned effective from 7th April, 2014			
Mr. G. Balasubramanyan	IN-NE	7	Yes	Resigned effective from 7th April, 2014			
Mr. V. Srinivasan	NI-NE	3	Resigned effective from 3rd July, 2013				
Mr. Murali Venkatraman	NI-NE	3	Resigned effective from 3rd July, 2013				
Mr. Dinshaw K Parakh	NI-NE	3	Resigned effective from 3rd July, 2013				
Mr. S.K. Subramanyan	NI-EX	3	Resigned effective from 3rd July, 2013				

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

( \* ) Inducted from 3rd July, 2013.

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

None of the Directors are related to one another.

## Board Procedure

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

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

### 3) Audit Committee

#### Terms of reference

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

The Committee's scope includes the following:

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

It comprises three Non-Executive Directors - two of whom are independent. Two independent Directors, Mr. V. Thirupathi and Mr. G. Balasubramanian have resigned effective from 7th April, 2014. Mr. N. Subramanian has been inducted with effect from 16th May, 2014 as Member of the Committee.

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. Nie Delin - Member from 03.07.2013
- B) Mr. V.Thirupathi - Chairman till 07.04.2014
- C) Mr. G.Balasubramanian - Member till 07.04.2014
- D) Mr. Murali Venkatraman - Member till 03.07.2013

#### Meetings

During the financial year 2013-14, four Audit Committee Meetings were held on 18th May, 2013, 31st July, 2013, 14th November, 2013 and 12th February, 2014.

**Attendance**

<b>Name of the Director</b>	<b>No. of Meetings Attended</b>
Mr. Nie Delin (Inducted from 3rd July, 2013)	—
Mr. V. Thirupathi (Resigned effective from 7th April, 2014)	4
Mr. G. Balasubramanyan (Resigned effective from 7th April, 2014)	4
Mr. Murali Venkatraman (Resigned effective from 3rd July, 2013)	—

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

A Remuneration Committee has been constituted to determine the quantum and components of the remuneration to be paid to the Managing Director / Whole-time Directors.

The Remuneration Committee consists of three Non-Executive Directors, two of whom are Independent. Two independent Directors, Mr. V.Thirupathi and Mr. G.Balasubramanyan have resigned effective from 7th April, 2014. Mr. N.Subramanian has been inducted with effect from 16th May, 2014 as Member of the Committee.

The composition of the Remuneration Committee is as under:

- A) Mr. Nie Delin - Member from 03.07.2013
- B) Mr. G. Balasubramanyan - Chairman till 07.04.2014
- C) Mr. V. Thirupathi - Member till 07.04.2014
- D) Mr. V. Srinivasan - Member till 03.07.2013

**Meetings**

During the financial year 2013 - 14, one meeting of the Remuneration Committee was held on 31st July, 2013.

**Attendance**

<b>Name of the Director</b>	<b>No. of Meetings Attended</b>
Mr. Nie Delin (Inducted from 3rd July, 2013)	—
Mr. G. Balasubramanyan (Resigned effective from 7th April, 2014)	1
Mr. V. Thirupathi (Resigned effective from 7th April, 2014)	1

**Remuneration policy**

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

**Remuneration of Directors**

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

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

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

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

The details of the remuneration paid / payable to the Directors for the year 2013 - 14 together with sitting fees paid and the shareholding held by the Non Executive Directors as on 31st March, 2014 are as under :

**Whole Time Directors**

(in ₹)

Name of the Director	Salary	Commission	Performance Incentive	Perks	Total
Mr. Bo Jingen ( * ) (Inducted from 3rd July, 2013)	—	—	—	—	—
Mr. Wu Xiaohui ( * ) (Inducted from 3rd July, 2013)	—	—	—	—	—
Mr. S.K. Subramanyan ( # ) (Resigned effective from 3rd July, 2013)	5,28,420	Nil	Nil	10,392	5,38,812

( \* ) In view of the losses, Mr. Bo Jingen and Mr. Wu Xiaohui have opted not to draw any remuneration from the Company for the period.

( # ) For the period from 01.04.2013 to 02.07.2013.



**Non Executive Directors**

Name of the Director	Sitting fees paid for Board and Committee Meetings (₹)	Commission (₹)	Shares held in the Company (Nos.)
Mr. Nie Delin	14,000	Nil	Nil
Mr. V. Thirupathi (*)	67,000	Nil	Nil
Mr. G. Balasubramanyan (*)	67,000	Nil	Nil
Mr. V. Srinivasan	17,000	(Resigned effective from 3rd July, 2013)	
Mr. Murali Venkatraman	17,000	(Resigned effective from 3rd July, 2013)	
Mr. Dinshaw K. Parakh	15,000	(Resigned effective from 3rd July, 2013)	

(\*) Resigned effective from 7th April, 2014

No other remuneration is being paid by the Company to any of the Non - Executive Directors other than the sitting fees. No convertible instruments are held by the Non - Executive Directors.

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

The Board of Directors has constituted a Share Transfer and Investors' Grievances Committee to approve the share transfers and other investor related matters and also to attend to the investor grievances.

The members of the Committee are :

1. Mr. Nie Delin - Chairman from 03.07.2013
2. Mr. Bo Jingen - Member from 03.07.2013
3. Mr. V. Srinivasan - Chairman till 03.07.2013
4. Mr. Murali Venkatraman - Member till 03.07.2013

The Compliance Officer is Mr. S.K. Subramanyan, Company Secretary.

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

During the year 2013 - 14, the Share Transfer and Investors' Grievances Committee met three times on 21st May, 2013, 18th September, 2013, and 25th December, 2013.

**Attendance**

Name of the Director	No. of Meetings Attended
Mr. Nie Delin (Inducted from 3rd July, 2013)	2
Mr. Bo Jingen (Inducted from 3rd July, 2013)	2
Mr. V. Srinivasan (Resigned effective from 3rd July, 2013)	1
Mr. Murali Venkatraman (Resigned effective from 3rd July, 2013)	1

The Company confirms that there were no share transfers pending for approval as on 31st March, 2014 and all requests for de-materialization and re-materialization as on that date were confirmed / rejected through NSDL / CDSL system.

During the year 2013 - 14, the Company received 8 complaints from the investors and all of them were resolved to the satisfaction of the investors concerned. There are no complaints pending to be resolved as on 31st March, 2014.

**6) General Body Meetings**

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

Financial Year Ended	Date	Time	Venue
31.03.2013	18.09.2013	10.00 a.m.	Narada Gana Sabha, "Mini Hall" No. 314 (Old No.254), T.T.K. Road, Chennai - 600 018.
31.03.2012	17.09.2012	3.00 p.m.	The Music Academy, Kasturi Srinivasan Hall (Mini Hall), New No.168, T.T.K.Road, Royapettah, Chennai - 600 014.
31.03.2011	29.09.2011	10.00 a.m.	Narada Gana Sabha, "Mini Hall" No.314, T.T.K.Road, Chennai - 600 018.

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

**I. At the Twenty Ninth Annual General Meeting held on 18th September, 2013.**

- a) Appointment of Mr.Bo Jingen as Managing Director for a period of three years with effect from 3rd July, 2013.
- b) Appointment of Mr.Wu Xiaohui as Whole-time Director for a period of three years with effect from 3rd July, 2013.

**II. At the Twenty Eight Annual General Meeting held on 17th September, 2012.**

- a) Payment of Commission to Mr.Murali Venkatraman, Vice Chairman.
- b) Re-appointment of Mr.S.K.Subramanyan as Whole Time Director [ Director (Finance & Administration) & Company Secretary ] for a further period of three years w.e.f. 1st October, 2012.

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

Nil

**(C) Postal Ballot**

No Resolution involving Postal Ballot was passed since last Report.

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

**Mr. Bo Jingen**

Mr.Bo Jingen holds a Master's degree in Polymer Science from Tianjin University and was working for M/s. Kingfa Sci. & Tech. Co., Ltd., in their Marketing & Sales. He was awarded as the Excellent Member for the Sales and Marketing for the years 2011 & 2012. He was acting as the General Manager for the Indian Program Group.

Mr.Bo Jingen is the Managing Director of the Company. He is also the Member of the Share Transfer and Investor's Grievances Committee of the Board of the Company.

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

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

**Mr. N. Subramanian**

Mr. N. Subramanian aged about 60 years is a Member of the Institute of the Chartered Accountants of India and Associate Member of the Institute of Company Secretaries of India and has rich experience in Accounts, Finance, Audit, Taxation and Corporate law matters. He is practicing as a Chartered Accountant independently and also a senior partner in M/s. Vivekanandan Associates, Chartered Accountants, Chennai, a firm of Chartered Accountants.

Mr. N. Subramanian has been inducted with effect from 16th May, 2014 as Member of the Audit Committee and Nomination and Remuneration Committee of the Board of the Company.

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

Other Directorships	Chairmanship / Directorship	Name of the Committee	Chairmanship / Membership of the Committee
Shasun Pharmaceuticals Limited	Director	Audit Committee Investor Grievance Committee	Chairman Member
IEC Fabchem Limited	Director	—	—
(Shareholding in the Company - Nil)			

**7) Disclosures**

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

Transactions with Related Parties have been disclosed in Note No.29 forming part of Financial Statements. None of the transactions were in conflict with the interests of the Company.

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

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

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

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

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

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

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

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

The Company has complied with all the mandatory requirements stipulated under Clause 49 of the Listing Agreements entered into with the Stock Exchanges and non-mandatory requirements to the extent detailed in paragraph 10 of report on Corporate Governance.

## 8) Means of Communication

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

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

## 9) General Shareholder Information

- a) **Registered Office** : Dhun Building, III Floor, 827, Anna Salai, Chennai - 600 002
- b) **Annual General Meeting**
  - i) **Day** : Friday
  - ii) **Date** : 25th July, 2014
  - iii) **Time** : 10.15 a.m.
  - iv) **Venue** : Narada Gana Sabha, "Mini Hall",  
No. 314 (Old No. 254), T.T.K. Road, Chennai - 600 018.
- c) **Financial Year** : 1st April to 31st March

**d) Financial Calendar for 2014 – 2015 :**

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

First Quarter Results (30th June, 2014)	before end of July, 2014
Annual General Meeting (2013-2014)	25th July, 2014
Second Quarter Results (30th September, 2014)	on or before November 14, 2014
Third Quarter Results (31st December, 2014)	on or before February 14, 2015
Fourth Quarter Results (31st March, 2015)	before end of May, 2015
Annual General Meeting (2014-2015)	In accordance with Companies Act.

e) **Date of Book Closure** : Friday, 18th July, 2014 to Friday, 25th July, 2014 (both days inclusive)f) **Dividend Payment Date** : Equity Shares – Not Applicable**g) Listing on Stock Exchanges****Stock Code**(1) **BSE Limited (BSE)**

(Scrip Code – 524019)

524019

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

(2) **Madras Stock Exchange Limited (MSE)**

HYDRO S &amp; S

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

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

Demat ISIN No. for CDSL and NSDL is INE473D01015.

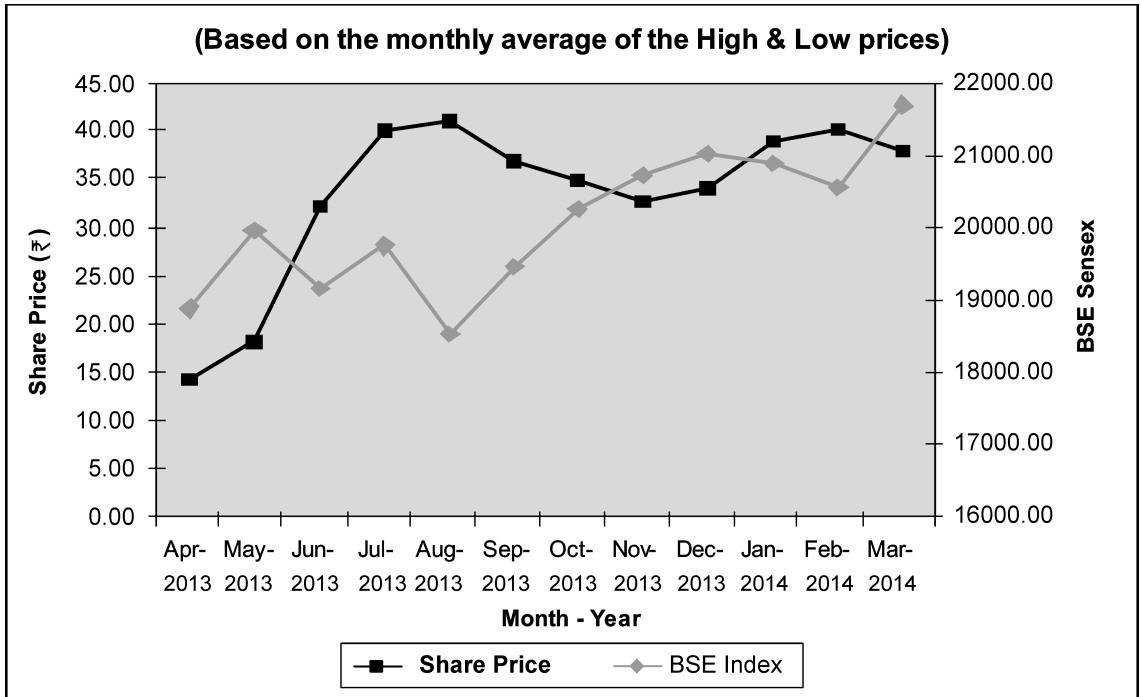
The Listing fees to BSE and MSE have been paid upto date.

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

(in ₹)

Month	Year	BSE Limited		Madras Stock Exchange Ltd.	
		High	Low	High	Low
April	2013	16.80	11.61	No Trading in 2013 - 2014	
May	2013	23.92	12.41		
June	2013	39.35	25.10		
July	2013	41.10	39.00		
August	2013	42.25	40.00		
September	2013	42.15	31.50		
October	2013	38.00	31.65		
November	2013	37.25	28.00		
December	2013	38.00	30.00		
January	2014	43.00	35.00		
February	2014	43.15	37.15		
March	2014	43.00	33.10		

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



j) **Registrar & Share Transfer Agent** : M/s. Integrated Enterprises (India) Limited,  
 Unit : Hydro S & S Industries Limited  
 2nd Floor, Kences Towers,  
 No. 1, Ramakrishna Street, North Usman Road,  
 T. Nagar, Chennai - 600 017.  
 Phone Nos. : +91-44-28140801 - 03  
 Fax No. : +91-44-28142479  
 E-Mail : yuvraj@integratedindia.in  
 Contact Person : K. Suresh Babu, Vice President

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

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

**I) Distribution of Shareholding and Shareholding Pattern as on 31.03.2014.**
**i) Distribution of Shareholding**

Category	Shareholders		Shares	
	Number	% to Total	Number	% to Total
Upto 2500	3401	98.58	676059	10.55
2501 – 5000	23	0.67	82311	1.28
5001 – 10000	14	0.41	102319	1.60
10001 – 20000	6	0.17	89401	1.40
20001 – 30000	3	0.09	71588	1.12
30001 – 40000	1	0.03	33494	0.52
40001 – 50000	1	0.03	47000	0.73
50001 – 100000	0	0.00	0	0.00
100000 & above	1	0.03	5305032	82.80
<b>Total</b>	<b>3450</b>	<b>100.00</b>	<b>6407204</b>	<b>100.00</b>

**ii) Shareholding Pattern**

Category	Holders	Shares	Voting Strength (Percentage)
Promoters	1	5305032	82.80
Non-Resident Individuals / OCBs	87	72447	1.13
Foreign Institutional Investors	0	0	0.00
Bodies Corporate	72	70954	1.11
FIs / Mutual Funds / Banks	1	200	0.00
Resident Individuals	3260	925951	14.45
Others (Clearing Member & Trusts)	29	32620	0.51
<b>Total</b>	<b>3450</b>	<b>6407204</b>	<b>100.00</b>

## m) Dematerialisation of Shares & liquidity

The shares of the Company can be held and traded in electronic form. As on March 31, 2014, 97.22% of the Company's total equity shares representing 6228671 shares were held in dematerialised form and the balance 2.78% representing 178533 shares in the physical form.

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

## o) Plant Locations

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

## p) Address for Correspondence

(i) Share related matters — M/s.Integrated Enterprises (India) Limited  
Unit : Hydro S & S Industries Limited  
2nd Floor, Kences Towers, No. 1, Ramakrishna Street,  
North Usman Road, T. Nagar, Chennai - 600 017.  
Phone Nos. : +91-44-28140801 - 03  
Fax No. : +91-44-28142479  
E-Mail : yuvraj@integratedindia.in  
Contact Person : K. Suresh Babu, Vice President

(ii) Other matters — Company Secretary  
Hydro S & S Industries Limited  
Dhun Building, III Floor, 827, Anna Salai, Chennai - 600 002.  
Phone Nos. : +91-44-28521736  
Fax No. : +91-44-28520420  
E-Mail : secretarial@hssil.com

## 10. Non Mandatory Requirements

### a) The Board

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

### b) Remuneration Committee — Complied with

### c) Shareholder Rights –

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

For and on behalf of the Board of Directors

Place : Chennai  
Date : 28th May, 2014

**N. SUBRAMANIAN**  
Chairman of the Meeting

**BO JINGEN**  
Managing Director



**Annexure - C TO DIRECTORS' REPORT****Auditors' certificate on compliance with the conditions of corporate Governance under clause 49 of the Listing Agreements**

1. We have examined the compliance with the conditions of corporate governance by Hydro S & S Industries Limited (the Company) for the year ended March 31, 2014 with the relevant records and documents maintained by the company and furnished to us for our examination and the report on corporate governance as approved by the Board of Directors.
2. The compliance with the conditions of corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance with the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.
3. In our opinion and to the best of our information and explanations given to us and based on our above examination, we certify that the company has complied with the conditions of corporate governance as stipulated in clause 49 of the listing agreements with the Stock Exchanges.
4. We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the company and presented to the shareholders'/Investor Grievances committee.
5. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

for **P.SRINIVASAN & Co.**,  
Chartered Accountants  
(Firm Registration No. : 004054S)

Place : Chennai  
Date : 28.05.2014

**CA.P.SRINIVASAN**  
Partner  
Membership No. : 02090

---

**CEO / CFO Certification**

As required by sub clause V of Clause 49 of the Listing Agreement with the Stock Exchanges, we have certified to the Board that for the financial year ended March 31, 2014, the Company has complied with the requirements of the said sub-clause.

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

Place : Chennai  
Date : 28th May, 2014

**BO JINGEN**  
Managing Director

**XIE DONGMING**  
Chief Financial Officer

## **ANNEXURE - D TO DIRECTORS' REPORT STATEMENT OF GENERAL BUSINESS PRINCIPLES**

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

### **RESPONSIBILITIES**

#### **To Shareholders**

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

#### **To Customers**

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

#### **To Employees**

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

#### **In Business**

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

#### **To Society**

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

The above areas of responsibility are seen as inseparable.

### **ECONOMIC PRINCIPLES**

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

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

### **BUSINESS INTEGRITY**

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

### **HEALTH, SAFETY AND THE ENVIRONMENT**

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

### **COMPETITION**

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

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

Place : Chennai  
Date : 28th May, 2014

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

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

**A) INTRODUCTION**

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

**B) BUSINESS SCENARIO**

The downtrend in Automotive industry sustained right from the beginning of the year. The demand for vehicles remained muted and in spite of excise relief and multiple new launches, the passenger vehicles sales eroded by close 6% year on year for the third year in a row. Your Company grew in volumes by over 4% year on year thanks to multipronged strategy to which included risk mitigation focus of expanding OEM base, industry coverage other than automotive and also new range of products from parent Kingfa.

After the first quarter, the raw material inflation and exchange rate erosion dealt a severe blow to our margins and cash flow. Basic input PP prices went up by over 25% quickly, really impacting our margins significantly.

**C) COMPANY PERFORMANCE**

The sluggishness from the last year stretched into this year too. Our efforts to build additional volumes with other major auto OEM's yielded results with new volumes from a new OEM. These volumes from September gave us a boost in volumes and more than offset the steep erosion in volumes and business from other Automotive OEM's. Our share in passenger cars went up by another 4% which reflected a more coverage among all OEM's. Recourses to the front line were added to ensure greater customer and OE coverage.

**1) Operations**

We were able to record an increase of around 4% in Volumes. However we were able to record over 13% revenue thanks to improved mix and also price corrections in relation to increased input prices. The new plant at Manesar volumes increased and we were able to build up volumes in North.

**2) Optimization Initiatives**

Focused initiatives to reduce the cost of inputs were reviewed frequently to remain competitive in the market. This significantly helped us to reduce our inflation burden for the year which was extremely high for the year.

**3) Technology Upgradation**

The skill and capabilities for new developments were expanded. Technical and Marketing personnel were exposed to new techniques at our HQ in China. This would prepare our Company to meet the increased demands from our customers and OEM's.

**4) HR & IR**

Increased focus on efficiency in all our activities like production, sourcing, dispatches, supply chain and inventory management and control. Reviews, training and tools are being provided for the personnel to improve overall efficiency.

**5) Business Initiatives**

The emphasis on risk mitigation by industry/application diversification is being sustained with added focus on getting more of non Specified business for quick conversion and higher volumes.

Our focus on appliance segment is yielding some movement with major washing machine, air conditioner, television manufacturers now working with us for development of material solutions.

New raw material sources, new raw material types, manufacturing and planning process and flexible approach helped us reduce impact of raw material inflation and also our ability to meet the customer's requirements in difficult times.

Our trading business clocked an impressive 40% year on year growth. We were able to add new segments like CPP and BOPP while consolidating our hold in FIBC segment. We are targeting a significant growth in the new year.

## D) ENTERPRISE RISK ANALYSIS AND ITS MANAGEMENT

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

### **Business risks**

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

### **Financial Risks**

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

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

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

### **Foreign Exchange Risks**

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

- i) To reduce the probability and potential cause of financial risks by making the Company as neutral as possible to currency and interest rate fluctuations.
- ii) To create a stable planning environment by taking steps to reduce the impact of currency and interest rate fluctuations both in respect of short term and long term commitments.

- iii) Based on the advise received from the Forex advisories and also report on dollar views, hedging decisions are taken to hedge the foreign exchange exposures. This to a certain extent helped in mitigating the adverse currency fluctuation.

**Asset protection**

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

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

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

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

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

Operating revenues grew by about 13%, though volumes grew only marginally. This was aided by price corrections on input price increase. Company made nominal sales of ₹ 6 million of Engineering plastics that was supported by HQ Kingfa. Orders booked and executed for TOSAF masterbatches grew by 15% which reflects in the higher commission Income.

**Input Costs**

Input PP prices were continually on the rise during the first half of the year and further aided by forex volatility, these led to steep increases in the Input costs. Though price corrections were received from the OEM's there was delay in realising the same.

The Company made appropriate provision for Consultancy Services provided by the erstwhile Promoter Group.

**Financial Costs**

Continued loss from Operations carried over from the previous year led to a severe cash strain in the operations, thereby pushing up financial costs. Continued upward revision in the Bank rates further aggravated the situation. However towards the later half of the year, infusion of cash from the parent Company helped mitigate the situation.

**G) ONGOING INITIATIVES AND FUTURE OUTLOOK**

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

- c) Control of receivables and inventory and improved process efficiency, should also contribute to the reduction of working capital requirement leading to a reduction in interest costs.
- d) Company's strategy is to broadbase its product offerings into other segments of manufacturing, viz, Electrical, Powertools, Appliances through aggressive marketing and also offer products higher in the value chain (viz. Engineering Plastics).

The overall outlook looks promising with the hope of stable Government at the Centre.

### **Cautionary Statement**

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

---

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

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

This is to confirm that the Company has adopted a code of conduct for the members of its Board and Senior Management Personnel. I confirm that the Company has, in respect of the Financial year ended 31st March, 2014, received from the members of the Board and Senior Management Team of the Company, a declaration of compliance with the code of conduct as applicable to them.

Place : Chennai  
Date : 28th May, 2014

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

---

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

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors do hereby state in good faith:-

- (a) that in the preparation of the annual accounts for the year ended 31st March, 2014, 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.
-

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYDRO S&S INDUSTRIES LIMITED  
REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of **HYDRO S&S INDUSTRIES LIMITED** ("The Company") which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for year then ended, and a summary of significant accounting policies and other explanatory information.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The company's management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the Accounting Standards notified under the Companies Act, 1956 (the Act) read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that given a true and fair view and are free from material misstatement, whether due to fraud or error.

**AUDITORS' RESPONSIBILITY**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**OPINION**

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

- (a) In the case of the balance sheet, of the state of affairs of the company as at march 31, 2014:
- (b) In the case of the statement of profit and loss, of the loss of the company for the year ended on that date: and
- (c) In the case of the cash flow statement, of the cash flows of the company for the year ended on that date:

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

1. As required by the Companies (Auditor's Report) Order, 2003 (as amended)(the Order) issued by the Central Government of India in terms of section 227(4A) of the Act, we give in the annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit:
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - c. The Balance sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d. In our opinion, the balance sheet, the statement of profit and loss and the cash flow statement comply with accounting standards notified under the Act read with the general circular 15/2013 dated 13th September, 2013 of the ministry of corporate affairs in respect of section 133 of the Companies Act, 2013.
  - e. On the basis of the written representations received from the directors, as on March 31, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of section 274(1) (g) of the Act.

**For P. SRINIVASAN & Co.,**  
Chartered Accountants  
(Firm Registration No. : 004054S)

Place : Chennai  
Date : 28.05.2014

**CA. P. SRINIVASAN**  
Partner  
Membership No. : 02090

**Annexure referred to in paragraph 1 under the heading, Report on Other Legal and Regulatory Requirements' of our report of even date on the financial statements for the year ended on 31st March 2014:**

- 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 taken an unsecured loan from a Company covered in the register maintained u/s 301 of the Act. The maximum balance outstanding during the year is ₹ 1476 lakhs and the balance as at 31st March 2014 is ₹1442 lakhs.
- 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 there under are applicable.
- vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- viii) According to the records produced and information given to us, the cost records prescribed by the Central Government under Sec.209 (1) (d) of are being maintained by the Company. No examination of such records has been carried out by us.



- ix) According to the records of the Company,
- a) The Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employee's state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duties and cess and any other statutory dues applicable to it, with the appropriate authorities during the year.
  - b) there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute except the following pending in appeals:
    - (i) Income tax of ₹ 45.05 lakhs before the First Appellate Authority
    - (ii) Customs duty of ₹ 26.78 lakhs before the First Appellate Authority
    - (iii) Sales tax of ₹ 12.75 lakhs before the First Appellate Authority and
    - (iv) Central Excise and Service tax authorities as under:
      - a. First Appellate Authority ₹ 12.63 lakhs and
      - b. Second Appellate Authority ₹ 2.42 lakhs
- x) The Company has accumulated loss at the end of the financial year i.e. 31.03.2014 which is more than fifty percent of its net worth. The Company has incurred cash loss in this financial year ended 31.03.2014 and in the preceding financial year ended 31.03.2013.
- xi) On the basis of records produced, the Company has not defaulted in repayment of the dues to any financial institution or bank during the financial year.
- xii) As per the records maintained, no loans or advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provisions of Special statute applicable to chit, nidhi, mutual fund / societies are not applicable to the Company.
- xiv) On the basis of records maintained and in our opinion, the Company does not deal or trade in shares, securities, debentures and other investments.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) As per the information and explanations given to us, term loans have been applied for the purpose for which these term loans were obtained.
- xvii) In our opinion, based on the information and explanations given to us and on an overall examination of the books and records of the company, the funds raised on short term basis prima facie have not been used for long term investments. No long term funds have been used to finance short-term assets except permanent working capital.
- xviii) The company has not made any preferential allotment of shares during the financial year to any party.
- xix) The company has not issued any debentures during the financial year.
- xx) The company has not raised any money by public issues during the financial year.
- xxi) On the basis of the audit procedures carried out and information and explanations given by the management, we state that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For P. SRINIVASAN & Co.,**  
Chartered Accountants  
(Firm Registration No. : 004054S)

Place : Chennai  
Date : 28.05.2014

**CA. P. SRINIVASAN**  
Partner  
Membership No. : 02090

**BALANCE SHEET AS AT MARCH 31, 2014**

(₹ in Lacs)

	Note No.	As at March 31, 2014	As at March 31, 2013
<b>I EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
(a) Share Capital	1	640.72	640.72
(b) Reserves and Surplus	2	498.35	1,346.07
<b>2 Non - Current liabilities</b>			
(a) Long - term borrowings	3	1,456.70	351.38
(b) Deferred tax liabilities (Net)	4	(277.22)	103.66
(c) Other long term liabilities	5	5.50	26.50
(d) Long - term provisions	6	12.49	11.14
<b>3 Current liabilities</b>			
(a) Short - term borrowings	7	4,740.88	2,767.89
(b) Trade payables	8	2,802.79	2,507.96
(c) Other current liabilities	9	299.37	664.89
(d) Short - term provisions	10	43.69	53.59
TOTAL		10,223.27	8,473.80
<b>II ASSETS</b>			
<b>1 Non - current assets:</b>			
<b>(a) Fixed Assets</b>			
(i) Tangible assets	11	2,413.31	2,544.87
(ii) Intangible assets		11.48	9.62
(iii) Capital work-in-progress		24.27	25.97
(b) Long term loans and advances	12	109.25	108.37
<b>2 Current assets</b>			
(a) Current investments	13	—	45.45
(b) Inventories	14	2,295.42	1,916.42
(c) Trade receivables	15	4,707.72	3,349.20
(d) Cash and Cash equivalents	16	142.93	79.33
(e) Short-term loans and advances	17	518.89	394.57
TOTAL		10,223.27	8,473.80

See accompanying notes forming part of financial statements

As per our Report of even date

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

Chartered Accountants

**CA. P. SRINIVASAN**

Partner

Membership No. : 2090

FRN. 004054S

Place : Chennai

Date : 28th May, 2014

**CA/CS N. SUBRAMANIAN**

Chairman of the Meeting

**XIE DONGMING**

Chief Financial Officer

**BO JINGEN**

Managing Director

**CA/CS S.K. SUBRAMANYAN**

Company Secretary

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014**

	Note No.	Year ended 31-03-2014	(₹ in Lacs) Year ended 31-03-2013
I	18	<b>19,933.00</b>	17,634.38
		<b>2,150.45</b>	1,976.43
		<b>17,782.55</b>	15,657.95
II	19	<b>23.26</b>	83.63
III		<b>17,805.81</b>	15,741.57
<b>IV Expenses</b>			
Cost of materials consumed	20	<b>15,523.74</b>	13,636.37
Purchases of stock-in-trade	21	<b>59.12</b>	—
Changes in inventories of finished goods and work-in-progress	22	<b>(26.14)</b>	(155.26)
Employee benefits expense	23	<b>729.04</b>	660.34
Finance costs	24	<b>656.36</b>	697.12
Depreciation and amortisation expense		<b>265.73</b>	281.85
Other expenses	25	<b>1,826.56</b>	1,331.48
Total Expenses		<b>19,034.41</b>	16,451.90
V		<b>(1,228.60)</b>	(710.33)
VI		<b>—</b>	—
VII		<b>(1,228.60)</b>	(710.33)
VIII		<b>—</b>	—
IX		<b>(1,228.60)</b>	(710.33)
X			
1. Current tax		<b>—</b>	—
2. Deferred tax		<b>(380.88)</b>	(205.50)
		<b>(380.88)</b>	(205.50)
XI		<b>(847.72)</b>	(504.83)
XII			
1. Basic		<b>(13.23)</b>	(7.88)
2. Diluted		<b>(13.23)</b>	(7.88)

See accompanying notes forming part of financial statements

As per our Report of even date

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

Chartered Accountants

**CA. P. SRINIVASAN**

Partner

Membership No. : 2090

FRN. 004054S

Place : Chennai

Date : 28th May, 2014

**CA/CS N. SUBRAMANIAN**

Chairman of the Meeting

**XIE DONGMING**

Chief Financial Officer

**BO JINGEN**

Managing Director

**CA/CS S.K. SUBRAMANYAN**

Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

		(₹ in Lacs)	
		Current Year	Previous Year
<b>A. Cash Flow arising from Operating Activities</b>			
Net Profit Before Tax and Extraordinary Items		(1,228.60)	(710.33)
Add:	a) Depreciation and amortisation expense	265.73	281.85
	b) Finance costs paid	656.36	697.12
	c) Loss on sale of fixed asset	2.85	6.99
		<u>924.94</u>	<u>985.96</u>
		(303.66)	275.63
Deduct:	a) Dividend and other income	1.25	2.92
	b) Profit on sale of fixed assets	0.35	71.25
	c) Interest received	21.64	9.46
	d) Gain on sale of Investments	0.02	—
		<u>23.26</u>	<u>83.63</u>
		(326.92)	192.00
Operating Profit before Working Capital Changes		(326.92)	192.00
Add:	a) Increase in Trade and other payables	—	754.80
	b) Decrease in Trade and other receivables	—	28.42
		<u>—</u>	<u>783.22</u>
		(326.92)	975.22
Deduct:	a) Increase in Inventories	379.00	92.59
	b) Decrease in Trade and other payables	187.67	—
	c) Increase in Trade and other receivables	1,535.30	—
		<u>2,101.97</u>	<u>92.59</u>
		(2,428.89)	882.63
Deduct:	Direct taxes paid	—	—
Net Cash inflow/(outflow) from Operating Activities		<u>(2,428.89)</u>	<u>882.63</u>
<b>B. Cash Flow arising from Investing Activities</b>			
Inflow:	a) Disposal of fixed asset	1.64	448.95
	b) Dividend and other income	1.25	2.92
	c) Interest received	21.64	9.46
	d) Sale of Investments	45.47	4.20
		<u>70.00</u>	<u>465.53</u>
Outflow:	a) Acquisition of fixed assets	140.15	275.90
Net Cash (Outflow)/Inflow in the course of Investing Activities		<u>(70.15)</u>	<u>189.63</u>

(₹ in Lacs)

	Current Year	Previous Year
<b>C. Cash Flow arising from Financing Activities</b>		
Inflow:		
a) Increase in long term borrowings	1,476.04	28.22
b) Increase in hire purchase finance	—	15.19
c) Increase in short term borrowings	<u>2,057.53</u>	—
	<b>3,533.57</b>	43.41
Outflow:		
a) Repayment of long term borrowings	351.38	404.45
b) Repayment of hire purchase finance	14.77	13.84
c) Finance costs paid	<u>656.36</u>	697.12
	<b>1,022.51</b>	1,115.41
Net Cash inflow/(outflow) in the course of Financing Activities	<u>2,511.06</u>	<u>(1,072.00)</u>
Net Increase in Cash and Cash equivalents (A+B+C)	<b>12.02</b>	0.26
Add: Cash and Cash equivalents at the beginning of the year	<b>3.53</b>	3.27
Cash and Cash equivalents at the close of the year	<u>15.55</u>	<u>3.53</u>

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

**CA. P. SRINIVASAN**  
Partner  
Membership No. : 2090  
FRN. 004054S  
Place : Chennai  
Date : 28th May, 2014

**CA/CS N. SUBRAMANIAN**  
Chairman of the Meeting

**BO JINGEN**  
Managing Director

**XIE DONGMING**  
Chief Financial Officer

**CA/CS S.K. SUBRAMANYAN**  
Company Secretary

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**I. Statement of significant accounting policies**

**(i) Accounting Convention:**

The financial statements are prepared under historical cost convention on Accrual basis of accounting to comply with the Accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956. All the assets and liabilities have been classified as current and non-current as per company's normal operating cycle and other criteria set out in Schedule VI to the Companies Act, 1956.

**(ii) Use of Estimates:**

- a) In the preparation of financial statements, certain estimates and assumptions are made by the management to confirm with the generally accepted accounting principles. The actual results could differ from these estimates.
- b) The Trade Receivables outstanding are reviewed as to their prevailing status of ageing and probability

of recovery and necessary provision for receivables doubtful of recovery is made based on their ageing.

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

**(iii) Revenue Recognition :**

Revenue is recognised as under :

- a) Sales of products: On despatch of the product to the customer which generally coincides with transfer of ownership. Sales are inclusive of excise duty and net of discounts.
- b) Sale of services represents commission accrued on orders booked with principals and executed.
- c) Interest: On a time proportion basis taking into account the amount outstanding and the rate applicable.

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

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

	As at 31-03-2014	(₹ in Lacs) As at 31-03-2013
<b>Note: 1. Share Capital</b>		
<b>Authorised:</b>		
18,000,000 Equity Shares of ₹ 10/- each	1,800.00	1,800.00
300,000 16% Cumulative Redeemable Preference Shares of ₹ 100/- each	300.00	300.00
<b>Total</b>	<b>2,100.00</b>	<b>2,100.00</b>
<b>Issued, Subscribed and Paid up:</b>		
6,407,204 Equity Shares of ₹ 10/- each fully paid up	640.72	640.72
<b>Total</b>	<b>640.72</b>	<b>640.72</b>

- i) The company is authorised to issue Equity and 16% Cumulative Redeemable Preference shares. However the company has One class of equity shares having a par value of ₹ 10 each. Each share holder is eligible for one vote per share. The dividend proposed by the Board of directors is subject to approval of share holders, except in case of interim dividend. In the event of liquidation, the equity share holders are eligible to receive remaining assets of the company after distribution of all preferential amounts, in proportion of their share holding.
- ii) 5305032 equity shares are held by the Holding Company M/s. Kingfa Sci. Tech. Co. Ltd in the paid up share capital of the company.
- iii) Details of shares held by shareholders holding more than 5% of the shares in the company

Name of the shareholder	As at 31st March 2014		As at 31st March 2013	
	Nos.	% of Holding	Nos.	% of Holding
M/s. Kingfa Sci. & Tech. Co. Ltd.	<b>5,305,032</b>	<b>82.80</b>	—	—
Mrs. Vidya Srinivasan	—	—	1,464,390	22.86
Mrs. Vidya Srinivasan & Mr. Murali Srinivasan Venkatraman	—	—	932,000	14.55
Mrs. Vidya Srinivasan & Mr. Narayan Sethuramon	—	—	799,700	12.48
M/s.Narbod Constructions (P) Ltd.	—	—	400,000	6.24

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

**Note: 2. Reserves and Surplus**

<b>Capital Reserve:</b>		
Subsidy received from SIPCOT, Tamil Nadu	19.77	19.77
<b>Capital Redemption Reserve:</b>		
As per last Balance Sheet	87.09	87.09
<b>Securities Premium Account:</b>		
As per last Balance Sheet	516.48	516.48
<b>Special General Reserve: *</b>		
As per last Balance Sheet	41.50	41.50
<b>General Reserve:</b>		
As per last Balance Sheet	1,081.26	1,081.26

	As at 31-03-2014	(₹ in Lacs) As at 31-03-2013
Surplus/(Deficit):		
Opening Balance	(400.03)	104.80
Loss for the year	(847.72)	(504.83)
Appropriations	—	—
Closing Balance	(1,247.75)	(400.03)
<b>Total</b>	<b>498.35</b>	<b>1,346.07</b>

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

### Note: 3. Long - term borrowings

a) Rupee Term Loans ( Secured )		
- From Banks	—	322.30
b) Loan from Related Party under ECB Scheme (Unsecured)	1,442.39	—
c) Hire Purchase finance ( Secured )	14.31	29.08
<b>Total</b>	<b>1,456.70</b>	<b>351.38</b>

#### i) Details of Security

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

ii) The Loan under ECB Scheme is repayable after seven and half years.

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

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

<b>a) Deferred Tax Liabilities</b>		
Depreciation on fixed assets	332.36	346.88
<b>b) Deferred tax assets</b>		
Unabsorbed Depreciation /Losses	550.61	205.21
Others: Employee benefit expenses, MAT credit etc.	58.97	38.01
Sub Total	609.58	243.22
Net	(277.22)	103.66

### Note: 5. Other long-term liabilities

Earnest Money Deposits	5.50	26.50
------------------------	------	-------

### Note: 6. Long-term provisions

Employee benefits	12.49	11.14
-------------------	-------	-------



	As at 31-03-2014	(₹ in Lacs) As at 31-03-2013
<b>Note: 7. Short-term borrowings</b>		
<b>From Banks (Secured)</b>		
Cash Credit	1,740.88	2,683.35
Buyer's credit arrangement in foreign currency	—	84.54
<b>From Bank (Unsecured)</b>		
Working Capital Term Loan	3,000.00	—
<b>Total</b>	<u>4,740.88</u>	<u>2,767.89</u>

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

<b>Note: 8. Trade payables</b>	<u>2,802.79</u>	<u>2,507.96</u>
--------------------------------	-----------------	-----------------

In the absence of information from the suppliers with regard to their registration with the specified authority, despite the company calling for such information through a circular letter, the additional disclosure as required under the Micro, Small and Medium Enterprises development Act, 2006 is not furnished.

<b>Note: 9. Other current liabilities</b>		
(a) Current Maturities of long term debt	—	297.35
(b) Current Maturities of other borrowings - HP Liabilities	14.77	16.96
(c) Interest accrued but not due on borrowings	11.49	0.48
(d) Interest accrued and due on borrowings	6.64	11.37
(e) Unpaid Dividends	2.91	3.50
(f) Statutory dues	102.78	65.92
(g) Payable for capital goods	2.37	20.32
(f) Other Payables : Employee benefit expenses and other liabilities	158.41	248.99
<b>Total</b>	<u>299.37</u>	<u>664.89</u>

<b>Note: 10. Short term provisions</b>		
Employee Benefit expenses etc.	<u>43.69</u>	<u>53.59</u>

The Company received a notice from the labour department, Government of Puducherry seeking reasons as to why the settlement towards backwages and bonus entitlements to certain ex workers of the puducherry plant of the company in respect of industrial disputes raised by them consequent to the closure of operations of the puducherry plant in 2002, should not be recovered as arrears of land revenue. Though the company had taken up this matter with the Higher authorities, by way of prudence, a lumpsum provision of ₹ 41.60 lacs has been made under "Short Term Provisions" in the earlier year. The balance of the said lumpsum provision as at 31.03.14 is ₹ 33.65 lacs.

(₹ in Lacs)

**Note: 11. FIXED ASSETS**

DESCRIPTION OF ASSET	GROSS BLOCK			DEPRECIATION / AMORTISATION				NET BLOCK		
	As at 01-04-2013	Additions	Deletions / Adjustments	As at 31-03-2014	Upto 01-04-2013	For the year	On Withdrawals	Upto 31-03-2014	As at 31-03-2014	As at 31-03-2013
(a) Tangible Assets										
Land - Freehold	31.62	—	—	31.62	—	—	—	—	31.62	31.62
Lease hold	37.11	16.74	—	53.85	2.18	0.49	—	2.67	51.17	34.93
Buildings	1,176.88	49.13	—	1,226.01	292.08	41.35	—	333.43	892.58	884.80
Plant and Equipments	3,109.97	38.41	6.30	3,142.08	1,654.08	187.36	6.30	1,835.14	1,306.94	1,455.88
Furniture & Fixtures	92.19	5.64	5.02	92.81	46.10	10.92	3.79	53.23	39.58	46.09
Vehicles	87.83	-	3.77	84.05	37.96	11.37	3.11	46.22	37.83	49.86
Office equipments	60.41	15.51	3.96	71.96	30.13	4.70	2.13	32.71	39.25	30.28
Computer systems	87.68	8.28	3.78	92.18	76.26	4.96	3.38	77.84	14.34	11.42
Total	4,683.68	133.72	22.84	4,794.55	2,138.80	261.15	18.71	2,381.24	2,413.31	2,544.87
(b) Intangible Assets										
Computer Software	81.27	6.43	—	87.71	71.65	4.58	—	76.23	11.48	9.62
Total	81.27	6.43	—	87.71	71.65	4.58	—	76.23	11.48	9.62
(c) Capital work-in-progress	25.97	—	1.70	24.27	—	—	—	—	24.27	25.97
<b>Grand Total</b>	<b>4,790.92</b>	<b>140.15</b>	<b>24.54</b>	<b>4,906.53</b>	<b>2,210.45</b>	<b>265.73</b>	<b>18.71</b>	<b>2,457.47</b>	<b>2,449.06</b>	<b>2,580.46</b>
Previous Year's Total	5,131.85	282.87	623.80	4,790.92	2,160.74	281.85	232.14	2,210.45	2,580.46	2,971.11

Note :

A) Capital Work In Progress includes ₹ 23.25 lacs being the lease amount paid to WBIDC for the lease hold land at Singhur. The possible consequential impact on the valuation of the asset is yet to be quantified.

B) Intangible Assets - Computer software : Useful Life is two and half years; Ammortised under SLM.

(₹ in Lacs)  
As at 31-03-2013

As at 31-03-2014

**Note: 12. Long term loans and advances - (unsecured, considered good)**

(a) Capital Advances	—	8.88
(b) Security Deposits	104.94	77.34
(c) Bank Deposits*	0.24	14.40
(d) Others	4.07	7.75
Total	109.25	108.37
	109.25	108.37

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

**Note: 13. Current Investments (Quoted)**

**Mutual Funds**

Nil (453047.041) units of ₹ 10/- each in  
'HDFC Cash Management Fund'

**Aggregate amount (NAV)**

	—	45.45
	—	45.45
	—	45.45

**Note: 14. Inventories**

Raw & Packing Materials	1,114.24	755.82
Raw Materials in Transit	339.81	169.63
Materials in Bond	81.79	272.25
Work-In-Progress	39.95	34.53
Finished Goods	631.72	611.00
Stock - in - Trade	9.21	—
Stores and Spares	78.70	73.19
	2,295.42	1,916.42
	2,295.42	1,916.42

For mode of valuation refer Note I (viii)

**Note: 15. Trade Receivables ( Unsecured )**

Outstanding for a period exceeding six months from the date due for payment		
Considered good	160.05	39.48
Considered doubtful	45.49	27.46
	205.54	66.94
Less: Provision for Doubtful Debts	45.49	27.46
Sub-total	160.05	39.48
Outstanding for a period of less than six months from the date due for payment		
Considered good	4,547.67	3,309.72
Considered doubtful	46.23	24.43
	4,593.90	3,334.15
Less: Provision for Doubtful Debts	46.23	24.43
Sub-total	4,547.67	3,309.72
Total	4,707.72	3,349.20
	4,707.72	3,349.20

	As at 31-03-2014	(₹ in Lacs) As at 31-03-2013
<b>Note: 16. Cash and Cash equivalents:</b>		
i) Cash and Cash equivalents		
a) Balances with Banks	14.83	3.01
b) Cash on hand	0.72	0.52
Sub total	15.55	3.53
ii) Other Bank Balances		
a) Unpaid Dividend accounts	2.91	3.50
b) Deposit accounts*	124.47	72.30
Sub total	127.38	75.80
Total	142.93	79.33

Note:

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

## Note: 17. Short-term loans and advances - (unsecured, considered good)

Balance with Central Excise department etc.,	203.70	91.93
Advance Tax (Net of provisions)	42.66	42.11
Others (Prepaid exp, Claims receivable etc.,)	272.54	260.53
Total	518.89	394.57

	Year ended 31-03-2014	(₹ in Lacs) Year ended 31-03-2013
<b>Note: 18. Revenue from operations (Gross)</b>		
(a) Sale of products	19,841.96	17,566.36
(b) Sale of services	91.04	68.02
Total Revenue from operations	19,933.00	17,634.38

(₹ in Lacs)  
Year ended  
31-03-2014

**Note: 19. Other Income**

Interest Income	21.64	9.46
Income from current investments		
Dividend income	1.25	2.92
Profit on sale of fixed assets	0.35	71.25
Net gain on sale of investments	0.02	—
Total	23.26	83.63

**Note: 20. Cost of material consumed**

Inventory at the beginning of the Year	1,197.70	1,238.14
Add: Purchases	15,861.88	13,595.93
	17,059.58	14,834.07
Less: Inventory at the end of the year	1,535.84	1,197.70
Cost of Raw Material consumed	15,523.74	13,636.37

**Imported and indigenous raw materials consumed**

	%		%	
Imported	34.75	5,395.21	23.65	3,225.51
Indigenous	65.25	10,128.53	76.35	10,410.86
Total	100.00	15,523.74	100.00	13,636.37

**Details of raw materials consumed**

Polymers	12,226.49	10,559.76
Others	3,297.25	3,076.61
Total	15,523.74	13,636.37

	Year ended 31-03-2014	(₹ in Lacs) Year ended 31-03-2013
<b>Note: 21. Purchase of stock - in - trade</b>		
Polymers	59.12	—
Total	<u>59.12</u>	<u>—</u>

**Note: 22. Changes in inventories of finished goods, work-in-Progress**

Opening Stock		
Finished Goods	543.74	393.08
Work - in - Progress	34.53	48.54
	<u>578.27</u>	<u>441.62</u>
Closing Stock		
Finished Goods	561.89	543.75
Work - in - Progress	39.95	34.53
	<u>601.84</u>	<u>578.28</u>
Changes in Inventories	(23.57)	(136.66)
Add: Variation in Excise duty on Opening and Closing Stock of Finished Goods	(2.57)	(18.61)
Total	<u>(26.14)</u>	<u>(155.26)</u>

**Note: 23. Employee benefits expense (Refer also note no:28)**

Salaries and Wages	633.36	579.54
Contributions to:		
Provident, ESI, Super annuation and Gratuity funds	46.08	35.18
Staff Welfare Expenses	49.60	45.62
Total	<u>729.04</u>	<u>660.34</u>

**Note. 24. Finance costs**

Interest expense	609.89	596.05
Other borrowing costs	47.23	30.20
Net (Gain)/Loss in foreign currency transactions / translation	(0.76)	70.86
	<u>656.36</u>	<u>697.12</u>

	Year ended 31-03-2014	(₹ in Lacs) Year ended 31-03-2013
<b>Note: 25. Other Expenses</b>		
Consumption of Stores and Spare parts*	76.20	73.20
Power and Fuel	383.20	271.94
Rent	84.07	24.44
Insurance	31.29	27.03
Repairs and Maintenance		
Buildings	6.99	9.86
Plant and Machinery	33.69	40.12
Other Assets	54.26	56.88
Rates and Taxes	22.21	9.97
Travelling and Conveyance	119.95	86.61
Professional & Consultancy Charges	320.02	87.79
Freight Outwards	376.24	337.44
Research and Development	113.45	87.64
Loss on sale / discard of fixed assets	2.85	6.99
Miscellaneous Expenses	202.14	211.57
	1,826.56	1,331.48
* Consumption of stores and spare parts		
	%	%
Imported	11.44      8.72	1.93      1.41
Indigenous	88.56      67.48	98.07      71.79
	100.00      76.20	100.00      73.20

**Note: 26. Contingent Liabilities not provided for**

a) Letters of credit	404.74	457.07
b) Letters of guarantee	7.37	6.62
c) Commitment on capital accounts	—	1.54
d) Customs duty on materials-in-bond	6.31	15.72
e) Custom duty disputed in appeals	26.78	26.78
f) Income Tax disputed in appeals	45.05	18.67
g) Sales Tax disputed in appeals	12.75	12.75
h) Excise duty & Service Tax disputed in appeals	15.05	14.96

**Note: 27. Remuneration to Auditors (included under Miscellaneous Expenses)**

a) Statutory audit	1.75	1.50
b) Certification and taxation matters	0.50	0.35
c) Tax audit	0.75	0.65
	3.00	2.50

**Note: 28. Disclosure relating to Employee Benefits under Accounting Standard 15 (Revised) :**

(₹ in Lacs)

	Gratuity		Leave Encashment	
	Current Year	Previous Year	Current Year	Previous Year
<b>a) Reconciliation of present value of obligations</b>				
Present value of the obligation as at the beginning of the year	43.53	42.63	12.78	11.40
Interest Cost	3.48	3.41	1.02	0.91
Current Service Cost	4.88	4.78	0.37	0.40
Benefits Paid	(6.44)	(11.08)	—	—
Actuarial (Gain) / Loss on obligation	5.08	3.79	5.51	0.07
Present value of the obligation as at the end of the year	50.54	43.53	19.69	12.78
<b>b) Fund movements</b>				
Fair value of plan assets as at the beginning of the year	44.93	46.64	13.94	12.49
Expected return on plan assets	3.88	4.05	1.22	1.16
Contributions	6.34	5.31	0.89	0.29
Benefits Paid	(6.44)	(11.08)	—	—
Actuarial Gain / (Loss) on planned assets	—	—	—	—
Fair value of plan assets as at the end of the year	48.70	44.93	16.05	13.94
<b>c) Amounts recognised in Balance Sheet</b>				
Present value of the obligation at the end of the year	50.54	43.53	19.69	12.78
Fair value of the plan assets	48.70	44.93	16.05	13.94
Funded status of the plan assets	(1.84)	(1.39)	(3.63)	1.16
<b>Net Asset recognised in the Balance Sheet</b>	<b>(1.84)</b>	<b>1.39</b>	<b>(3.63)</b>	<b>1.16</b>
<b>d) Cost for the period recognised in the P&amp;L a/c</b>				
Current Service Cost	4.88	4.78	0.37	0.40
Interest Cost	3.48	3.41	1.02	0.91
Expected return on plan assets	(3.88)	(4.05)	(1.22)	(1.16)
Net actuarial loss recognised in the year	5.08	3.79	5.51	0.07
<b>(Income)/Expense recognised in the statement of profit and loss relating to current year</b>	<b>9.57</b>	<b>7.93</b>	<b>5.68</b>	<b>0.23</b>
<b>e) Actuarial assumptions</b>				
Discount rate	8.00%	8.00%	8.00%	8.00%
Salary escalation	5.00%	5.00%	5.00%	5.00%
Rate of Return on Plan Assets	8.75%	8.75%	8.75%	8.75%
Resignations Rate (Per Annum)	2.50%	2.50%	2.50%	2.50%
Income / Expenses Recognised as per AS 15	3.23	2.61	4.79	(0.06)



**f) General description of Employee Benefits :**

**(i) Short term Employee Benefits**

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

**(ii) Post Employment Benefits**

- (a) Provident fund is a defined contribution plan and contributions made to the fund in accordance with the applicable rules/statutes are expensed.
- (b) The Employees Group Gratuity Scheme is a defined benefit plan which is funded with the Life Insurance Corporation of India and the annual contribution to the fund actuarially assessed by them is expensed.
- (c) Superannuation is a defined contribution plan. The contributions in accordance with the company's scheme made to the fund administered by the Life Insurance Corporation of India are expensed.
- (d) Both The Employee Group Gratuity Fund and the Employee Superannuation Fund respectively have been constituted through Hydro S & S Employees Group Gratuity Trust and Hydro S & S Employee Superannuation Trust in which one of the Company's director is a Trustee.
- (e) Leave encashment is provided as per the Company's policies and is expensed as under :
  - 1. The leave accumulation upto 60 days is funded through a policy with LIC of India.
  - 2. The encashment of leave accumulated beyond 60 days is borne by the company.
  - 3. Any difference arising out of actuarial valuation is expensed.

**Note: 29. Related Party Disclosures:**

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

Key Management Personnel	Holding Company	Associates	Others
<p><b><u>Upto 02.07.2013</u></b> Mr. S K Subramanyan</p>	NIL	M/s W.S. Industries (India) Ltd.	Mr. V.Srinivasan Mr. Murali Venkatraman Mr. Narayana Sethuraman W.S. International Pvt. Ltd. Vensuanar Holdings Pvt. Ltd.
<p><b><u>W.e.f 03.07.2013</u></b> Mr. Nie Delin  Mr. Bo Jingen  Mr. Wu Xiaohui</p>	M/s Kingfa Sci. & Tech. Co., Ltd.,	<p>M/s Shanghai Kingfa Sci And Tech Co Ltd</p> <p>M/s Jiangsu Kingfa Sci.&amp;Tech.Advanced Material Co.,Ltd</p> <p>M/s Hongkong Kingfa Development Co., Ltd</p>	NIL

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

(₹ in Lacs)

Description	Key Management Personnel	Holding Company	Associates	Others
<b>Upto 02.07.2013</b>				
Remuneration	5.38	-	-	-
Sitting Fees	-	-	-	0.34
Out Standing (from/to) as at 31.03.2014	-	-	-	-
<b>W.e.f 03.07.2013</b>				
External Commercial Borrowings	-	1,488.35	-	-
Interest	-	16.36	-	-
Purchase Of Materials	-	112.28	29.68	-
Sale Of Materials	-	2.41	3.94	-
Advances Received for Supplies	-	-	435.89	-
Sitting Fees	0.14	-	-	-
Out Standing (from/to) as at 31.03.2014	-	(1,614.58)	(461.62)	-

(₹ in Lacs)

**Note: 30. C I F Value of Imports**

	Current Year	Previous Year
(i) Raw materials	3,957.75	3,224.38
(ii) Capital goods & Spares	17.14	1.30
(iii) Trading Materials	14.41	—

**Note: 31. Expenditure in Foreign Currency during the year**

(i) Travelling expenses	9.05	11.12
(ii) Testing charges	15.19	6.65
(iii) Interest paid to Banks	6.76	13.27

**Note: 32. Earnings in Foreign Currency**

FOB value of goods exported	32.51	23.30
Commission received	91.04	64.37

**Note: 33. Earnings Per Share**

	31-Mar-14	31-Mar-13
Nominal Value of Equity share (₹)	10.00	10.00
Net profit after Taxes (₹) *	(847.72)	(505.00)
Weighted average number of shares (Nos.) **	6,407,204	6,407,204
Basic and diluted earnings per share (₹)	(13.23)	(7.88)

\* Numerator

\*\* Denominator

**Note: 34.** Previous year's figures (including those given within brackets) have been regrouped/reclassified wherever necessary to correspond to the current year's classification/ disclosure. Figures in the financial statements have been shown ₹ in lacs except per share data.



**A VIEW OF OUR MANUFACTURING FACILITY AT MANESAR**

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

CIN : L25209TN1983PLC010438


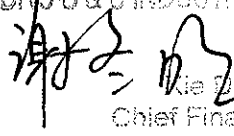
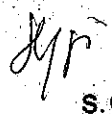
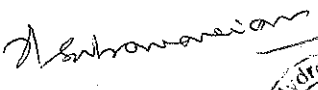

Regd. Office : Dhun Building, III Floor, 827, Anna Salai,  
Chennai – 600 002. Tamilnadu, India.

Phone : 044 – 28521736 Fax : 044 – 28520420

Works : Puducherry, Pune, Manesar & Pudukkottai

**FORM A**

**ANNUAL AUDIT REPORT**

1.	Name of the Company	Hydro S & S Industries Limited
2.	Annual financial statements for the year ended	31 <sup>st</sup> March, 2014
3.	Type of Audit observation	Un-qualified / Matter of Emphasis – Nil
4.	Frequency of observation	Whether appeared first time .... / Repetitive .... / Since how long period .... - <b>Not Applicable</b>
5.	<p>Signed by –</p> <p>Bo Jingen Managing Director</p> <p>Xie Dongming Chief Financial Officer</p> <p>Auditor of the Company</p> <p>Audit Committee Chairman</p>	<p>For HYDRO S &amp; S INDUSTRIES LIMITED,  Bo Jingen Managing Director.</p> <p>For HYDRO S &amp; S INDUSTRIES LIMITED,  Xie Dongming Chief Financial Officer.</p> <p>For P. SRINIVASAN &amp; Co., Chartered Accountants  <b>S. GOPALAN</b> Partner</p> <p> </p>