

Annual Report 1998-99

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Hydro S&S Industries Limited



Hydro S&S Industries Limited

Board of Directors

V. SRINIVASAN	Chairman
MURALI VENKATARAMAN	
W. ADAMS	
S. RAMASWAMY	
K.D. PARAKH	
R.K. CHARI	
BABULALM. VARMA	
JAN HEBER	
S. MUTHUSAMI	(Nominee - GIC of India)
NARAYAN SETHURAMON	(Director-Corporate Affairs)
K. SRIRAM	(Director-Operations)

General Manager (Finance) & Company Secretary

S.K. SUBRAMANYAN

Auditors

P. Srinivasan & Co.
Chartered Accountants
Chennai - 600 017

Bankers

Canara Bank, Chennai-600 002.
Standard Chartered Bank, Chennai-600 001.
The Karnataka Bank Ltd., Chennai-600 002.

Registered Office

Dhun Building, III Floor,
827, Anna Salai, Chennai-600 002.

Works

15C, Sipcot Industrial Complex,
Pudukkottai-622 002.

RS No. 38/1 Sedarapet Village
Villiyannur Commune
Pondicherry-605 111.

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Hydro S&S Industries Limited

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Company will be held on Wednesday, the 21st July, 1999 at 10.30 a.m. at Mini Hall, The Music Academy, 306, TTK Road, Chennai 600 018 to transact the following Business:

Ordinary Business

- 1) To receive and adopt the Profit & Loss Account for the financial year ended March 31, 1999, the Balance Sheet as at that date and the reports of the Directors and Auditors thereon.
- 2) To declare Dividend
- 3) To appoint Directors in place of those retiring
 - a) Mr. V. Srinivasan, Director who retires by rotation and being eligible, offers himself for re-appointment.
 - b) Mr. S. Ramaswamy, Director who retires by rotation and being eligible, offers himself for re-appointment.
 - c) Mr. Babulal M. Varma, Director who retires by rotation and being eligible, offers himself for re-appointment.
 - d) Mr. Jan Heber, Director who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Auditors and fix their remuneration

Special Business

- 5) To consider and if thought fit, to pass with or without modification, the following Resolution as Ordinary Resolution.
1. "RESOLVED THAT in accordance with the provisions of Section 269, 198, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval be and is hereby accorded to the re-appointment of Mr. K. Sriram as Whole-time Director (Director - Operations) w.e.f. 1st June, 1999 until 31st May, 2000 and to the payment of remuneration as set out hereunder.
 - i. Salary:
Rs. 40,000/- (Rupees Forty Thousand only) per month.

ii. Commission

One percent of the net profits of the Company determined in accordance with section 198 and section 309 of the Companies Act, 1956.

Perquisites:

Part A

iii) Housing

House Rent Allowance @ 60% of the Basic Salary. He shall further be entitled to reimbursement of House maintenance expenditure subject to a limit of Rs. 10,000/- per annum.

iv) Allowance for Professional Pursuits

An allowance of Rs. 10, 000/- per month towards professional pursuits is payable

v) Medical Reimbursement

Reimbursement of actual expenses incurred for self and family, the total cost of which shall not exceed one month's salary.

vi) Leave Travel Concession

Reimbursement for self and family for travel anywhere in India or abroad, subject to a ceiling of one month's salary.

vii) Attire

Reimbursement of expenses incurred towards Attire subject to a limit of Rs. 15,000/- per annum.

viii) Club Fees

Fees of one club, provided that no life membership or admission fee is paid.

ix) Personal Accident Insurance

Of an amount, the annual premium of which shall not exceed Rs. 4,000/-

x) Hard Furnishing

Hard furnishing as per Company's scheme in force from time to time.

Part B

xi) Contribution

Contribution to Provident Fund, Superannuation Fund, Provision for Leave Encashment and any other Annuity Fund to be in accordance with rules and regulations in force from time to time.

Contribution to Provident Fund, Superannuation Fund and provision towards Leave Encashment and



any other Annuity Fund shall not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the income-tax Act.

xii) Gratuity
As per rules of the Company.

Part C

xiii) Car and Telephone

Free use of Car for the Company's business and free telephone facility at residence. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company.

- 2) "RESOLVED FURTHER THAT the aforesaid remuneration and perquisites except commission be paid to Mr. K. Sriram as minimum remuneration in the absence or inadequacy of profits in any year.

- 3) "RESOLVED FURTHER THAT the aforesaid terms and conditions of the said re-appointment and/or contract may be varied from time to time by the Board of Directors of the Company as it may in its absolute discretion deem fit, subject to the provisions of Schedule XIII and other relevant sections of the Companies Act, 1956 as amended from time to time."

- 4) "RESOLVED FURTHER THAT for the purpose of giving effect to the resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be deemed necessary or desirable or to settle any question or difficulty that may arise in such manner as it may deem fit."

- 5) "RESOLVED FURTHER THAT so long as Mr. K. Sriram functions as Whole-time Director, he will not be liable for retirement by rotation."

By order of the Board
for Hydro S&S Industries Limited

S.K. Subramanyan
General Manager (Finance)
& Company Secretary

Chennai
7th June, 1999

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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 of the Company. The proxies, to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
- 2) An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
- 3) The Register of Members and Share Transfer Books of the Company will be closed from 17th July, 1999 to 21st July, 1999 (both days inclusive) in connection with the Annual General Meeting.
- 4) The dividend for the year ended 31st March, 1999 as recommended by the Board, if sanctioned at the meeting, will be paid on 2nd September, 1999 to those members whose names appear in the Company's Register of Members on 21st July, 1999.
- 5) Members are requested to inform the Company of any change in their addresses immediately so as to enable the Company to despatch dividend warrants and any future communications at their correct addresses.
- 6) Shareholders holding shares in identical order of names in more than one folio are requested to write to the Company's Share Department to enable the Company to consolidate their holdings in one folio.
- 7) Dividends which remained unpaid or unclaimed upto the 11th Annual General Meeting held on 4th September, 1995 have been transferred to the General Revenue Account of the Central Government pursuant to the provisions of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No.5

Mr. K. Sriram has been with the Company since its inception and has been instrumental in guiding the Company through its initial phase and building it up to its current position and market standing.

Mr. Sriram is an engineer and has a post-graduate degree in Management from the Indian Institute of Management, Ahmedabad. He has served the W S group in various capacities for over 15 years.

Mr. Sriram was President of the Company between 1992 and 1996. He was appointed Whole-time Director wef 01.06.1996 subject to Schedule XIII of the Companies Act, 1956. He was re-appointed as Director (Operations) wef 01.06.1998.

The Board is of the view that his re-appointment as Whole-time Director (Director - Operations) would be in the best interest of the Company.

The Board recommends that the resolution be passed.

None of the Directors are interested in the resolution under this item.

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

S.K. Subramanyan
General Manager (Finance)
& Company Secretary

Chennai
7th June, 1999



Report of the Directors

The Directors have pleasure in submitting their report together with the audited accounts of your Company for the year ended March 31, 1999.

Financial Highlights

The results for the year and those of the previous year are summarised as below:

	Year Ended March 31, 1999	In Rupees Thousands Year Ended March 31, 1998
Sales		
Gross	314,314	277,947
Net of Excise Duty	250,744	221,641
	<u> </u>	<u> </u>
Profit before Interest & Depreciation	33,806	26,471
Interest	13,040	14,688
Profit before Depreciation	20,766	11,783
Depreciation	8,314	8,047
Profit after Depreciation	12,452	3,735
Adjustments relating to earlier years	--	6
Profit before tax	12,452	3,729
Taxation	--	--
Balance brought forward	6,894	5,485
Profit available for Appropriation	19,347	9,214
	<u> </u>	<u> </u>
Appropriations:		
Transfers:		
To Capital Redemption Reserve	4,500	1,000
To General Reserve	2,500	--
Proposed Dividend		
On Preference Capital @ 16%	1,200	1,200
On Equity Capital @ 8%	5,221	--
Tax on Distributed Profits	706	120
	<u> </u>	<u> </u>
Balance carried forward	14,127	2,320
	5,220	6,894
	<u> </u>	<u> </u>
	19,347	9,214
	<u> </u>	<u> </u>

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Dividend

The Directors recommend for your consideration

- a) a dividend of 16% amounting to Rs. 12,00,000/- on the Preference Share Capital.
- b) a dividend of 8% amounting to Rs. 52,20,503/- on the Equity Share Capital.

The Directors are happy that the Company has come back into the dividend list after a year.

Operations

During the year, the Company consolidated upon its position as the leading supplier of Reinforced Polypropylene Compounds. These compounds which find application mainly in the moulded furniture, automotive and appliances market set the quality standards in the industry.

The Company's sales during the current year grew 23% on volumes. However, in value terms, the growth reflected was 13% as compared to the previous year. This was mainly because of the depressed prices of the Polymer raw materials due to overcapacity in the International market. By better procurement management alongwith better utilisation of capacity, there has been a significant improvement in the profitability.

The company enjoys a high market share in the automobile segment among the current players. This is expected to be substantially improved upon as the Company has secured several approvals from leading new Car manufacturers who have entered the small car segment recently. With their volumes expected to pick up in the coming year, the Company plans to capitalise on this high end segment of the market.

The Company is an active participant in the furniture segment where its compounds find applications. With this segment clocking impressive growth, the company hopes to consolidate on the same.

Efforts to increase Exports have started yielding results with supplies of 124 mt of compounds during the year. This is expected to be stepped up substantially during the year with repeat orders.

There have been several initiatives during the year to improve the profitability by New product development and thrust on Exports. New initiatives are already on to identify and develop applications in sectors other than automobiles and furniture through concentrated R&D efforts.

The Company is already in the process of implementing QS 9000 quality standards in the Pudukottai unit and hopes to obtain certification during the current year.

Taxation

No provision for Income-tax has been considered necessary in view of certain benefits available under the Income-tax Act.

Health, Safety and Environment

The Management of Health and Safety is an important business of the Company and continues to receive focussed attention. The Company is committed in providing a safe working environment. It has taken care to provide safety equipment wherever necessary to protect from dangers and hazards in the workplace. Periodical training and counselling have been conducted to improve awareness of safety.

Your Company is dedicated to the reduction of the environmental impact of its operations.

Human Resources

The Board wishes to place on record its appreciation of the contribution made by all employees in ensuring a high level of performance and growth that your Company has achieved during the year.

Industrial relations continued to be harmonious throughout the year. Development of Human Resources receives emphasis of the Management.

Prescribed Particulars

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and under Section 217 (1E) of the said Act are given in annexures forming part of this report.

**Y2K**

A project has been put in place to ensure that all essential computer systems are Year 2000 Compliant. The Company also has drawn up contingency plan to ensure that there is no major adverse effect on its operations and systems on account of failures.

Fixed Deposits

The total amount of fixed deposits as at March 31, 1999 was Rs. 87.56 lakhs. Of the above, two deposits amounting to Rs. 7,000/- due for repayment were unclaimed by depositors. The Company has sent reminders to these depositors to complete the formalities for the repayment.

Directors

Mr. Per Arne Auestad, Alternate Director resigned from the Board wef 20th May, 1999. The Board wishes to place on record its deep appreciation of the valuable services rendered by Mr. Per Arne Auestad during his tenure.

In accordance with the Articles of Association of the company, M/s. V. Srinivasan, S. Ramaswamy, Babulal

M. Varma and Jan Heber will retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-election.

Auditors

M/s. P. Srinivasan and Co. , Auditors of the Company, hold office until the conclusion of the Annual General Meeting and offer themselves for re-appointment.

Acknowledgement

Your Directors greatly acknowledge and appreciate the support and co-operation received during the year from M/s. Norsk Hydro ASA, members of the participating financial institutions, bankers, customers, suppliers and employees.

For and on behalf of the Board of Directors

V. SRINIVASAN
Chairman

Chennai
7th June, 1999

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Annexure "A" to the Directors' Report

The Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988.

I) Conservation of Energy

Energy Conservation measures taken:

- a. Power factor improvement devices installed at the plants to improve power factor.

b. Various measures like energy audits and improved production processes are continuously being deployed which are yielding satisfactory results.

c. Energy consumption is monitored and displayed in various sections in the factory to bring in general awareness about the need to conserve energy.

Total energy consumption and energy consumption per unit of production

	Current Year	Previous Year
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Units	2,300,599	2,302,442
Total Amount (Rs.000's)	7,891	7,482
Rate/Unit (Rs.)	3.43	3.25
(b) Own Generation		
(i) Through Diesel Generator Unit		
Units	409,364	271,436
Diesel used (Litres)	144,843	112,613
Units per litre of Diesel (Rs.)	2.82	2.41
Cost/Unit (Rs.)	3.92	4.47
(ii) Through Steam Turbine/Generator	Nil	Nil
Units		
Units per litre of Fuel Oil/Gas		
Cost/Unit		
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
Quantity (K.Ltrs.)		
Total Amount		
Average Rate		
4. Others/Internal Generation	Nil	Nil
Quantity		
Total Cost		
Rate/Unit		
B. Consumption per unit of Production		
Production	7,289	5,997
Electricity (Units/MT)	371.79	429.19
Furnace Oil	--	--
Coal	--	--
Others	--	--