

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

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

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

G 34, Addl. Jejuri Industrial Area, Jejuri, Tal. Purandar, Pune - 412 303

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

Registered Office

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827, Anna Salai, Chennai - 600 002

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Auditors

M/s. P. Srinivasan & Co.,

Chartered Accountants,

Chennai - 600 017

Bankers

State Bank of India, Chennai - 600 001

Canara Bank, Chennai - 600 002

HDFC Bank Limited, Chennai - 600 002

Registrar & Share Transfer Agent

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

Kences Towers, IInd Floor,

No. 1, Ramakrishna Street, North Usman Road,

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FIVE - YEAR FINANCIAL DATA

(Rs. in Millions)

For the Year	2009-10	2008-09	2007-08	2006-07	2005-06
Sales : Domestic	1,183.225	1,337.834	1350.876	1153.099	921.524
Exports	1.933	0.001	0.154	5.432	20.847
Operating Profit (PBIDT)	71.142	42.958	128.933	77.596	64.654
Interest	47.526	48.298	32.512	21.642	17.396
Depreciation	25.768	20.565	15.617	14.300	15.890
Taxation - Current	—	0.660	23.100	9.300	3.850
- Deferred	(2.000)	(8.235)	4.091	3.000	1.350
Profit/(Loss) After Tax	(0.152)	(18.329)	53.613	29.353	26.168
As at the end of the Year					
Share Capital	64.072	65.104	65.256	65.256	65.256
Reserves & Surplus	178.818	181.636	200.286	155.834	135.643
Loan Funds	353.068	359.649	282.163	216.541	202.540
Gross Block	499.920	490.072	375.900	312.796	283.277
Net Current Assets	305.582	289.992	342.171	279.168	245.541
Measures of Investment					
Return on Capital Employed (%)	7.61%	3.69%	20.69%	14.46%	12.08%
Return on Equity (%)	(0.06%)	(7.43%)	20.19%	13.28%	13.02%
Earnings per Share (Rs.)	(0.02)	(2.82)	8.22	4.50	4.01
Dividend Cover (Times)	NA	NA	6.85	3.75	3.34
Dividend (%)	NA	NA	12	12	12
Book Value of an Equity Share	37.91	37.90	40.70	33.88	30.79
Of Performance					
- Profitability (%)					
Profit/(Loss) before Tax (%)	(0.20%)	(2.19%)	6.93%	4.18%	3.89%
Profit/(Loss) after Tax (%)	(0.01%)	(1.55%)	4.60%	3.64%	3.24%
- Capital Turnover (times)	1.99	2.21	2.47	2.65	2.34
- Stock Turnover (times)	7.66	8.43	6.44	9.15	8.17
- Working Capital Turnover (times)	3.88	4.61	3.95	4.15	3.84
Of Financial Status					
- Debt-Equity Ratio (times)	0.55:1	0.57:1	0.19:1	0.20:1	0.21:1
- Current Ratio	1.24:1	1.21:1	1.26:1	1.37:1	1.32:1
- Fixed Assets to Shareholders' Funds (times)	1.29:1	1.33:1	0.88:1	0.84:1	0.83:1

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

Your Directors hereby present their 26th Annual Report alongwith Audited Accounts of the Company for the year ended March 31, 2010.

FINANCIAL RESULTS

(Rs. in 000's)

Particulars	Year Ended March 31, 2010		Year Ended March 31, 2009	
Income from Operations				
Gross		1,185,159		1,337,835
Net of Excise Duty		1,092,150		1,183,322
Other Income		3,577		3,572
Profit before Interest & Depreciation		71,142		42,958
Interest		47,526		48,298
Profit/(Loss) before Depreciation		23,616		(5,340)
Depreciation		25,768		20,565
Profit/(Loss) before tax		(2,152)		(25,904)
Taxation - Current Tax	—		660	
- Deferred Tax (Asset)	(2,000)		(8,235)	
		(2,000)		(7,575)
Profit/(Loss) after Tax		(152)		(18,329)
Balance brought forward		15,668		34,149
Profit available for Appropriation		15,516		15,820
Appropriations:				
Transfers to				
General Reserve	—		—	
Special General Reserve	—		—	
Capital Redemption Reserve	1,032		152	
Dividends				
On Equity Shares	—		—	
Tax on distributable profits	—		—	
		1,032		152
Surplus carried forward		14,484		15,668
		15,516		15,820

BUSINESS OPERATIONS

Your company had to deal with some significant challenges during the year including sluggish demand in the first half, volatility in the Polymer prices and receivables pile up leading to liquidity issues. The total Sales Revenue dipped 10% during the year inspite of a marginal overall increase in volumes.

Your company took multiple steps to tackle these issues which has resulted in a considerable improvement in margins even with a stagnant topline. The new unit at Jejuri (Near Pune) commissioned last year was operating at almost full capacity on a consistent basis.

The Pultrusion Division expanded its product portfolio with solutions for new applications and this helped to improve the performance of the division.

DIVIDEND

In view of the difficult business environment during the first half of 2009 - 2010, the Operations of the Company have resulted in a net loss as explained in detail in the Management Discussion and Analysis Report. Further the outlook for the current year is viewed with cautious optimism and hence your Directors after careful consideration have decided as a matter of prudence, defer the dividend for the year under consideration.

RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, ENERGY CONSERVATION ETC.

Your company has established a dedicated State of the art Application Development Centre at Puducherry. This centre boasts of some of the latest Equipments to test sophisticated parameters of plastic parts used by the compounders and the Automotive OEMs. Your company is seeking accreditation by NABL to this centre.

The centre successfully developed compounds to meet the stringent specifications of the OEM's, besides developing cost effective formulations with alternate materials to deal with instability in the supply chain.

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

PART II - CORPORATE MATTERS

CORPORATE GOVERNANCE

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

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

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

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

COMPLETION OF BUYBACK OF EQUITY SHARES

The buy-back of equity shares which commenced on 26th February, 2009 has been closed on 15th September, 2009. A total of 1,18,425 equity shares of Rs.10/- each were bought back from the public Shareholders under the offer and the said shares were also extinguished. The amount invested in the buy back is about Rs.4 million.

EMPLOYEE RELATIONS

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

A fresh Long Term settlement was entered into between the Management and the Workmen of the Puducherry plant.

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

DIRECTORS

Yours Directors, Mr.V.Thirupathi, Mr.V.Srinivasan and Mr.Babulal M.Varma retire by rotation at the forthcoming Annual General Meeting of the Company and are eligible for re-appointment. However, Mr.Babulal M.Varma has expressed his intention not to seek re-election.

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

FIXED DEPOSITS

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

AUDITORS

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

ACKNOWLEDGEMENT

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

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

For and on behalf of the Board of Directors

BABULAL M. VARMA
Chairman of the Meeting

MURALI VENKATRAMAN
Vice-Chairman

Place : Chennai

Date : 28th July, 2010

ANNEXURE - A TO DIRECTORS' REPORT

(A) CONSERVATION OF ENERGY

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

The Wind Energy generators installed by the company continue to perform satisfactorily and the energy is wheeled for use by our Pudukottai plant to the extent permitted.

The company has also initiated process to apply for Carbon credit under the Voluntary Carbon Standard 2007.

(B) TECHNOLOGY ABSORPTION

(a) Research and Development (R & D)

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

The R&D efforts are clearly and specifically focussed on the OEM's current quantified and non-quantified requirements like Surface Enhancements, touch and feel and reduction of secondary operations.

Continuous Efficiency levels improvement across the supply chain has become a necessity to reduce our cost of operations and also enhance our service levels to our customers. Sourcing out of logistics operations is one step in this direction.

(ii) Expenditure on R & D		(Rs. in 000's)
(a) Capital	—	9,671
(b) Recurring	—	3,460
Total	—	13,131

(b) Technology Absorption, Adaptation and Innovation:

Applications where ABS and other engineering plastics are being used, are being successfully replaced with our PP compounds which offer both performance and economics. We have on-going programs with good market potential.

The performance requirements of our customers are increasing with each passing day leading to continuous efforts in formulation enhancements and optimisation.

(c) Imported Technology : Not applicable

Foreign Exchange Earnings & Outgo (Rs. in 000's)

Foreign Exchange Earnings	—	3,308
Foreign Exchange Outgo	—	196,508

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

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

For and on behalf of the Board of Directors

BABULAL M. VARMA
Chairman of the Meeting

MURALI VENKATRAMAN
Vice-Chairman

Place : Chennai

Date : 28th July, 2010

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

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

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

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

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

2) Board of Directors

Composition

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

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

Board Meetings

During the year 2009-10, the Board met four times on 29th April, 2009, 29th July, 2009, 23rd October, 2009 and 30th January, 2010.

The following table gives the details of Attendance at Board Meetings and last AGM and details of Membership in other Boards and Committee Memberships as on 31st March, 2010.

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

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

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

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

Board Procedure

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

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

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

3) Audit Committee

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

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

The composition of the Audit Committee is as under:

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

The terms of reference of the Audit Committee include:

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

Meetings:

During the financial year 2009-10, four Audit Committee Meetings were held on 29th April, 2009, 29th July, 2009, 23rd October, 2009 and 30th January, 2010.

Attendance:

Name of the Director	No. of Meetings Attended
Mr. V. Thirupathi, Chairman	4
Mr. Babulal M. Varma, Member	3
Mr. Murali Venkatraman, Member	4

4) Remuneration Committee

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

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

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

Meetings:

During the financial year 2009-10, two meetings of the Remuneration Committee were held on 29th July, 2009 and 14th September, 2009.

Attendance:

Name of the Director	No. of Meetings Attended
Mr. Babulal M. Varma, Chairman	1
Mr. V. Thirupathi, Member	2
Mr. V. Srinivasan, Member	2

Remuneration of Directors

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

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

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

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

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

The details of the remuneration paid / payable to the Directors for the year 2009-10 together with sitting fees paid and the shareholding held by the Non Executive Directors as on 31st March, 2010 are as under :

Whole Time Director (in Rs.)

Name of the Director	Salary	Commission	Perks	Total
Mr. S.K. Subramanyan	6,18,000	Nil	12,42,458	18,60,458

Non Executive Directors

Name of the Director	Total Sitting fees paid for Board and Committees (Rs.)	Commission (Rs.)	Shares held in the Company (Nos.)
Mr. V. Srinivasan	27,000	Nil	774370
Mr. Babulal M. Varma	39,500	Nil	Nil
Mr. Murali Venkatraman	58,000	Nil	932300
Mr. V. Thirupathi	54,000	Nil	Nil
Mr. Narayan Sethuramon	5,000	Nil	800000
Mr. Dinshaw K. Parakh	15,000	Nil	56250
Mr. G. Balasubramanyan	15,000	Nil	Nil

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

5) Share Transfer and Investors' Grievances Committee

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

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

To expedite the process of Share Transfer, the Board has delegated the power to approve Share Transfer once in a fortnight to Compliance Officer and the same are ratified by the Share Transfer and Investor Grievances Committee on a quarterly basis. The Committee also ratified 1,03,204 Nos. of equity shares bought back under Buy - Back offer during the period from 01.04.2009 to 31.03.2010 and extinguishment of the same.

During the year 2009-10, the Share Transfer and Investor Grievances Committee met 4 times and all the meetings were attended by the two members.

The Company confirms that there were no share transfers pending for approval as on 31st March, 2010 and all requests for de-materialization and re-materialization as on that date were confirmed / rejected through NSDL / CDSL system.

Investors' complaints which cannot be settled at the level of the Compliance Officer are forwarded to the Committee for resolution. During the year 2009 - 10, the Company received 6 complaints from the investors and all of them were resolved to the satisfaction of the investors concerned. As on 31st March, 2010, there are no investor grievances pending for resolution.

6) General Body Meetings

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

1. Annual General Meetings :

Financial Year	Date	Time	Venue
31-03-2009	14-09-2009	10.00 a.m.	Narada Gana Sabha, "Mini Hall" No.314, T.T.K.Road, Chennai - 600 018.
31-03-2008	16-09-2008	4.35 p.m.	Bharatiya Vidya Bhavan, "Main Hall", New No.18 - 22, East Mada Street, Mylapore, Chennai - 600 004.
31-03-2007	13-09-2007	10.00 a.m.	Narada Gana Sabha, Sathguru Gnanananda Hall, No.314, TTK Salai, Chennai - 600 018.

2. Extraordinary General Meetings :

Date	Time	Venue
13-10-2008	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 / Extraordinary General Meetings:

I. At the Twenty Fifth Annual General Meeting held on 14th September, 2009.

Re-appointment of Mr.S.K.Subramanyan as Whole Time Director [Director (Finance & Administration) & Company Secretary] for a period of three years.

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

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