



HYDRO S&S



Mr. W. Adams Inaugurating Plant - II facilities at Pondicherry



Hydro S&S Industries Limited

<i>Board of Directors</i>	V. SRINIVASAN	<i>Chairman</i>
	JAN HEBER	
	K.D. PARAKH	
	MURALI VENKATARAMAN	
	BABULAL M. VARMA	
	A. ASTHANA	<i>Nominee - GIC of India</i>
	NARAYAN SETHURAMON	<i>Director - Corporate Affairs</i>
	K. SRIRAM	
<i>General Manager (Finance) & Company Secretary</i>	S.K. SUBRAMANYAN	
<i>Auditors</i>	P. Srinivasan & Co. Chartered Accountants Chennai: 600 017	
<i>Bankers</i>	Canara Bank, Chennai - 600 002. Standard Chartered Bank, Chennai - 600 001 The Karnataka Bank Limited, Chennai - 600 002	
<i>Registered Office</i>	Dhun Building, III Floor, 827, Anna Salai, Chennai : 600 002	
<i>Works</i>	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 Sixteenth Annual General Meeting of the Company will be held on Monday, the 31st July, 2000 at 10.00 a.m. at The Mini Hall, The Music Academy, No. 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, 2000, 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
 - i) Mr. Murali Venkataraman, Director who retires by rotation and being eligible, offers himself for re-appointment
 - ii) Mr. K.D. Parakh, 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. Narayan Sethuramon as Whole-time Director (Director - Corporate Affairs) w.e.f. 1st July, 2000 until 30th June, 2001 and to the payment of remuneration as set out hereunder.
 - i. Salary:
Rs. 22,320/- (Rupees Twenty Two Thousand Three Hundred and Twenty 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.
 - iii. Perquisites:

PART A - NIL

PART B

Contribution

Contribution to Provident Fund in accordance with rules and regulations in force from time to time.

PART C

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. Narayan Sethuramon 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. Narayan Sethuramon functions as Whole-time Director, he will not be liable for retirement by rotation."

6) To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immoveable and moveable properties of the Company wheresoever situate, present and future and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of the following viz.

Industrial Development Bank of India (IDBI)

to secure its rupee term loan of Rs. 250 lakhs sanctioned under Project Finance Scheme (PFS) together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premium on



prepayment or on redemption, costs, charges, expenses and other moneys payable by the Company to IDBI under its Loan Agreement entered into by the Company in respect of the said term loan subject to prior charge over specified moveables in favour of the Company's bankers for working capital borrowings."

"RESOLVED further that the Board of Directors of the Company be and is hereby authorised to finalise with IDBI, the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolutions.

7) To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors under Section 293(1) (a) of the Companies Act, 1956 for mortgaging and/or charging and/or hypothecating the moveables of the company including stock-in-trade and book debts wherever situate, present and future in favour of

Canara Bank, Anna Salai, Chennai
The Karnataka Bank Limited, Anna Salai, Chennai
and
Standard Chartered Bank, Armenian Street, Chennai

and the immoveable properties of the company on second charge basis to secure the various working capital facilities sanctioned by the above said bankers.

"RESOLVED further that the Board of Directors of the Company be and is hereby authorised to finalise the documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution".

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

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

Chennai
3rd June, 2000

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) Share Transfer Books and Register of Members of the Company will remain closed from Monday, the 17th July, 2000 to Monday, the 31st July, 2000 (both days inclusive) in connection with the Annual General meeting.
- 4) The dividend for the year ended 31st March, 2000 as recommended by the Board, if sanctioned at the meeting, will be paid on 11th September, 2000 to those members whose names appear in the Company's Register of Members on 31st July, 2000.
- 5) Information u/s 205 A of the Companies Act 1956 read with the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978 as amended is given below:
 - i) The amount of unclaimed dividend for and upto the Dividend for 1995, paid on 4th September, 1995 has already been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those members who have so far not claimed their dividends for the said periods may claim the same by submitting an application in prescribed Form II to the Registrar of Companies, Shastri Bhavan, Chennai-600 006.
 - ii) Members who have not encashed the dividend warrant(s) so far for 1996 or any subsequent dividend payment(s) are requested to make their claims to the Company. Under Section 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed for a period of seven years from the date of payment shall be transferred to the Investor Education and Protection Fund. Thereafter no claim shall lie against the Company or the said Fund in respect of individual amounts which were unclaimed and unpaid for a period of seven years from the date of payment.

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- 6) 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.
- 7) 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.

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

Item No.5

Mr. Narayan Sethuramon was appointed as Whole-time Director (Director - Corporate Affairs) with effect from 01.07.98 by the Board to handle matters relating to finance, legal affairs, investments, cost management as well as to be the "Manager" under the Companies Act, 1956.

Mr. Narayan Sethuramon has been actively involved with the Company as a Director since 1992. He is an engineer with a post graduate degree in management from Purdue University, USA. He has also worked briefly with Norsk Hydro at their headquarters in Oslo.

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

Your Directors accordingly commend the resolution proposing his re-appointment for your approval.

None of the Directors except M/s. V. Srinivasan and Murali Venkataraman are interested in the resolutions under this item, being related to Narayan Sethuramon.

Item No. 6

To part finance the expansion project at Pondicherry, the company had obtained approval from the Industrial Development Bank of India (IDBI) for a Rupee Term Loan of Rs. 250 lakhs. The term loan is to be secured by a first charge on all moveable and immoveable properties of the company both present and future ranking paripassu with charge created/to be created on the existing loans subject to prior charge over specified moveables in favour of the company's bankers for working capital borrowings.

Under Section 293(1)(a) of the Companies Act 1956, the Board of Directors of the Company shall not, except with the consent of the members in General meeting, sell, lease or dispose off the whole or substantially the whole of the undertaking of the company. An explanation to this clause that the words otherwise "dispose off" covers all other modes of disposing off property such as transfer by mortgage has been suggested and hence this approval from the members is sought for the mortgaging of the company's properties.

None of the Directors are interested in the Resolution.

Item No. 7

The Company currently enjoys working capital facilities on a Consortium basis from its bankers viz. Canara Bank, The Karnataka Bank Limited and Standard Chartered Bank. The facilities are secured by a first charge on the current assets of the company and a second charge on the fixed assets.

In order to create necessary security towards the working capital facilities, it is proposed to create the aforesaid charges in favour of the bankers. The equitable mortgage is to be created by deposit of title deeds of the company's immoveable properties on a second charge basis by way of constructive delivery, the same being held by M/s. ICICI Limited acting for themselves and on behalf of IDBI and the bankers.

Under Section 293(1)(a), the Board of Directors of the Company shall not, except with the consent of the members in General Meetings, sell, lease or dispose off the whole or substantially the whole of the undertaking of the company. An explanation to this clause that the words otherwise "dispose off" covers all other modes of disposing of property such as transfer by mortgage has been suggested and hence this approval from the members is sought for the mortgaging of the company's properties.

None of the Directors are interested in the Resolution.

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

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

Chennai
3rd June 2000



DIRECTORS' REPORT

Your Directors have pleasure in submitting their report and the audited accounts for the year ended March 31, 2000.

Financial Highlights

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

	Year Ended March 31, 2000	In Rupees Thousands Year Ended March 31, 1999
Sales Turnover		
Gross	443,820	314,314
Net of Excise Duty	364,109	250,744
Profit before Interest & Depreciation	41,414	33,806
Interest	12,129	13,040
Profit before Depreciation	29,285	20,766
Depreciation	8,668	8,314
Profit before tax	20,617	12,452
Taxation	--	--
Prior Year adjustment	285	--
Profit after Tax	20,902	12,452
Balance brought forward	5,220	6,894
Profit available for Appropriation	26,122	19,347
Appropriations:		
Transfers:		
To Capital Redemption Reserve		4,500
To General Reserve	10,000	2,500
Proposed Dividend		
On Preference Capital @ 16%	1,200	1,200
On Equity Capital @ 8%	5,221	5,221
Tax on Distributed Profits	1,412	706
	17,833	14,127
Balance carried forward	8,289	5,220
	26,122	19,347

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Dividend

Your Directors are pleased to recommend for your consideration.

- a) a dividend of 16% amounting to Rs. 1,200,000 on the Preference Share Capital.
- b) a dividend of 8% amounting to Rs. 5,220,503 on the Equity Share Capital.

Operations

Domestic sales grew 41% by value and 21% by volume on the back of a recovery witnessed in the automobile segment during the second half of the year. Supplies of compounds were effected to most of the major car manufacturers. This segment is expected to grow this year with more import substitution and growth in volume sales of cars.

The thrust given by the company during last year to Exports started yielding results with supplies of about 1000 tons of compounds, which include repeat orders. It is felt that the same trend would continue during the current year also.

Initiatives at the plant level to improve downtime saw improvement in productivity also. This, along with better procurement management led to improved profitability.

In the context of the increased off-take of Polypropylene products, the company undertook an expansion of capacity by 3500 Mts in the early part of the year at its Pondicherry division. This expansion was commissioned in the last quarter of the financial year. The combined capacity available with the company has now increased to 12,000 Mts per annum. The expansion was funded by a term loan from the Industrial Development Bank of India and Internal Accruals.

The process of implementing QS 9000 Quality Standards at the Pudukkottai works was completed during the year and the company is now awaiting the results of the Certification audit under process.

Year 2000 Compliance

Your company managed to roll over its systems to the new Millennium in a smooth manner. Adequate advance preparations ensured that there was no adverse impact of the Y2K changeover on the company's operations.

Taxation

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

Human Resources

Industrial relations continued to be harmonious throughout the year. A three year wage settlement was entered into with the workmen of Pudukkottai works. The agreement provides for linkages with productivity and flexibility in operations.

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

Development of Human Resources receives continuous emphasis of the Management. As part of initiatives of QS 9000, training of all employees is an on-going programme and these have been largely responsible for the improved performance of the units.

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

Health, Safety and environment

Keeping in mind the emphasis laid by our Partners, Norsk Hydro, on health, safety and the environment, your company also has instituted necessary measures to ensure this.

Both the units at Pudukkottai and Pondicherry have in-house Safety committees constituted to monitor the implementation of the various safety procedures in a proactive manner. Inter plant safety audits are conducted regularly taking the assistance of both inhouse experts and external consultants. Training the plant personnel in the use of various safety equipments is regularly conducted.

Fixed Deposits

The total amount of fixed deposits as at March 31, 2000 was Rs. 96 lakhs. Of the above, four deposits amounting to Rs. 99,000/- due for repayment were unclaimed by depositors. The company has sent reminders to these depositors to complete the formalities for the repayment.



Directors

Mr. R.K. Chari, Director resigned from the Board with effect from 1st November, 1999. M/s. W. Adams and S. Ramaswamy, Directors resigned from the Board with effect from 4th February, 2000. Mr. S. Muthusami, Nominee Director relinquished office with effect from 3rd June, 2000. The Board wishes to place on record its deep appreciation of the valuable services rendered by the above Directors during their tenure of office.

Mr. A. Asthana was appointed as Director with effect from 3rd June, 2000, representing General Insurance Corporation of India.

In accordance with the Articles of Association of the company, M/s. Murali Venkataraman and K.D. Parakh, Directors will retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-election.

Your Directors regret to inform of the death of Mr. W. Adams on 23.05.2000. He had made significant contributions to the growth of your company.

Auditors

M/s. P. Srinivasan and Company, 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
3rd June, 2000



Hydro S&S Industries Limited

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:

- Installation of Capacitors to improve Power Factor.
- Intensified vigil against wastage and towards conservation awareness.
- Improving the efficiency of own generation and improving production processes on an ongoing basis.

Total energy consumption and energy consumption per unit of production

	Current Year	Previous Year
A. Power and Fuel Consumption		
1. Electricity		
(a) Purchased		
Units	3,140,776	2,300,599
Total Amount (Rs. 000's)	11,078	7,891
Rate/Unit (Rs.)	3.52	3.43
(b) Own Generation		
(i) Through Diesel Generator Unit		
Units	357,715	409,364
Diesel used (Litres)	129,882	144,843
Units per litre of Diesel (Rs.)	2.75	2.82
Cost/Unit (Rs.)	5.02	3.92
(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	8,932	7,289
Electricity (Units/MT)	391.68	371.79
Furnace Oil	---	---
Coal	---	---
Others	---	---