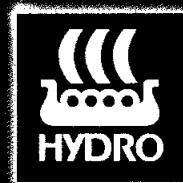


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Hydro S&S

Annual Report  
2001-2002

**Hydro S&S Industries Limited**

<b>Board of Directors</b>	<b>V. SRINIVASAN</b> <b>AAGE FROHDE</b> <b>K.D. PARAKH</b> <b>MURALI VENKATRAMAN</b> <b>BABULAL M. VARMA</b> <b>A. ASTHANA</b> <b>NARAYAN SETHURAMON</b> <b>S.K.SUBRAMANYAN</b>	<b>Chairman</b>     <b>Nominee - G I C of India</b> <b>Director- Corporate Affairs</b> <b>Director (Fin. &amp; Admn.) &amp; Co. Secy.</b>
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<b>Audit Committee</b>	<b>MURALI VENKATRAMAN</b> <b>A. ASTHANA</b> <b>S.K.SUBRAMANYAN</b>
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<b>Auditors</b>	<b>P. Srinivasan &amp; Co.</b> <b>Chartered Accountants</b> <b>Chennai : 600 017</b>
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<b>Bankers</b>	<b>Canara Bank, Chennai - 600 002</b> <b>State Bank of India, Chennai - 600 001</b> <b>The Karnataka Bank Limited, Chennai - 600 002</b>
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<b>Registered Office</b>	<b>Dhun Building, III Floor,</b> <b>827, Anna Salai, Chennai : 600 002</b>
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<b>Works</b>	<b>15C, SIPCOT Industrial Complex</b> <b>Pudukkottai : 622 002</b> <b>RS No. 38/1, Sedarapet Village</b> <b>Villiyannur Commune</b> <b>Pondicherry : 605 111</b>  <b>RS No. 15/15, Vazhudavur Road</b> <b>Kurumbapet, Pondicherry : 605 111</b>
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**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Company will be held on Saturday, the 28th September, 2002 at 10.35 a.m. at Mini Hall, The Music Academy, (Old No. 306), New No. 168, T.T.K. Road, Chennai : 600 014 to transact the following Business:

**Ordinary Business**

- 1) To receive, consider and adopt the Directors' Report, Auditors' Report, Audited Balance Sheet and Profit & Loss Account for the year ended March 31, 2002.
- 2) To declare Dividend
- 3) To appoint a Director in place of Mr. V. Srinivasan, Director who retires by rotation and being eligible, offers himself for re-appointment
- 4) To appoint a Director in place of Mr. K.D. Parakh, Director who retires by rotation and being eligible, offers himself for re-appointment
- 5) To appoint a Director in place of Mr. Murali Venkatraman, Director who retires by rotation and being eligible, offers himself for re-appointment
- 6) To appoint Auditors and fix their remuneration

**Special Business**

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the company hereby accords its approval for the re-appointment of Mr. S.K. Subramanyan as Whole-time Director (Director - Finance & Administration) & Company Secretary w.e.f. 1st October, 2002 for a period of one year on such terms and conditions as to remuneration by way of Salary/ Commission and perquisites as set out in the

Explanatory statement annexed hereto provided that the total remuneration (including all perquisites shall fall within the overall ceiling of 5% or 10% of the net profits of the Company calculated in the manner specified in the Act, provided further that in the event where in any financial year during the currency of tenure of Mr. S.K. Subramanyan, the company has no profits or its profits are inadequate, it may pay a remuneration to Mr. S.K. Subramanyan, the total of which shall not exceed the ceiling limit as provided in Section II of Part II of Schedule XIII of the Companies Act or such amounts as may be specified by any amendment to the Act .

"RESOLVED FURTHER THAT in the event of relaxation by the Government on ceilings on Managerial remuneration, the Board of Directors be and are hereby authorised to increase the remuneration and/or perquisites of Mr. S.K. Subramanyan, if they in their absolute discretion think fit within such guidelines or ceilings wherever applicable and for which consent of the company as required under provisions of the Companies Act, 1956 be and is hereby granted.

"RESOLVED FURTHER THAT so long as Mr. S.K. Subramanyan 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**  
Director (Fin. & Admn.) & Co.Secy.

Chennai  
30th July, 2002

## Hydro S&S Industries Limited

### NOTES:

- a) 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.
- b) An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
- c) Share Transfer Books and Register of Members of the Company will remain closed from Friday, the 20<sup>th</sup> September, 2002 to Saturday, the 28<sup>th</sup> September, 2002 (both days inclusive) in connection with the Annual General Meeting.
- d) The dividend for the year ended 31<sup>st</sup> March, 2002 as recommended by the Board, if sanctioned at the meeting, will be paid on 26<sup>th</sup> October, 2002 to those members whose names appear in the Company's Register of Members on 28<sup>th</sup> September, 2002.
- e) Information u/s 205 A 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 4<sup>th</sup> 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.
  - (f) 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.
  - (g) (i) Instructions regarding bank details which they wish to have incorporated on their dividend warrants must be submitted to their depository participants. As per the regulations of NSDL and CDSL, the company is obliged to print the bank details on the dividend warrants, as furnished by these depositories to the Company.
  - (ii) No tax will be deducted at source if the dividend amount payable to an individual shareholder does not exceed Rs. 2,500/-. Shareholders who are entitled to receive dividend in the aggregate not exceeding Rs. 50,000/- during the Financial year 2002-2003 and who desire to receive dividend without deduction at tax may file with the company a declaration in Form 15G, in duplicate, on or before 20<sup>th</sup> September, 2002.
  - (iii) In terms of section 139A (5A)&(5B) of the Income Tax Act, 1961, the Company will be able to issue tax deduction certificate wherever applicable, only if permanent account number (PAN) together with designation and particulars of the ward/circle or range of the Assessing Officer is furnished.

- (h) 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.
- (i) Members can now avail the facility of nomination in respect of shares held by them pursuant to the amendment to the Companies Act, 1956. The prescribed Form (Form 2B) can be obtained from the Share Department from the Company. Members desiring to avail this facility, may send their nomination Form duly filled-in, to the Company by quoting their respective Folio Numbers.
- (j) Members are requested to inform their Bank Account Numbers and Bank branch details to the Company to enable it to include these details in the dividend warrants and thus minimise the chances of loss of dividend warrants. The above information may be given to the Company before Friday, the 20<sup>th</sup> September, 2002.

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

**Item No. 3**

Reappointment of Mr. V.Srinivasan (As required by Clause 49(vi) of the Listing Agreement of the Stock Exchanges)

He is a B.E. (Hons.) Graduate, Member of the Institution of Engineers (India) and Past President of Confederation of Indian Industry (CII).

He is the Founder Director of our company and is one of the leading Industrialists in Chennai besides being the Hon.Consul for Canada in South India.

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

Mr. Murali Venkatraman and Mr. Narayan Sethuramon, Directors are deemed to be concerned/interested in the subject by virtue of their relationship with Mr. V. Srinivasan.

**Item No. 4**

Reappointment of Mr. K.D. Parakh

Mr. K.D. Parakh is the Founder Director of our Company and a leading Industrialist in Chennai.

He is presently the Chairman of M/s. Tarapore Constructions Limited, Chennai, a leading Construction firm and M/s.SICGIL India Limited, Chennai.

Apart from the above, he is also on the Board of certain other leading Corporates.

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

**Item No. 5**

Reappointment of Mr. Murali Venkatraman.

Mr. Murali Venkatraman is a B.E. Graduate and also Master of Engineering Management from Stanford University, U.S.A.

He is a leading Industrialist and has been associated with the Board for the last 15 years.

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

Mr. V. Srinivasan and Mr. Narayan Sethuramon, Directors are deemed to be concerned/interested in the subject by virtue of their relationship with Mr. Murali Venkatraman.

**Item No. 7**

Mr. S.K. Subramanyan was appointed as Whole-time Director (Director – Fin. & Admn.) & Co.Secy., for a period of two years w.e.f. 1<sup>st</sup> October, 2000.

Mr. Subramanyan is a Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India.

Mr. Subramanyan, apart from being Director (Fin. & Admn.) & Co.Secy., is also the "Manager" under the Companies Act, 1956.

**Hydro S&S Industries Limited**

The terms and conditions on which Mr. S.K. Subramanyan has been appointed as Director (Fin. & Admn.) & Co.Secy. of the Company contains the following remuneration which shall be within the overall ceilings as specified in Schedule XIII of the Companies Act, 1956.

**i) SALARY:**

Rs. 22,000/- (Rupees Twenty Two Thousand only) per mensem

**PART A:****ii) HOUSING:**

House Rent Allowance of Rs. 11,500/- per mensem

**iii) ALLOWANCES**

- a) An allowance of Rs. 4,500/- per mensem towards professional pursuits
- b) An allowance of Rs. 225/- per mensem towards Children Education
- c) A Special allowance of Rs. 7,000/- per mensem

**iv) MEDICAL REIMBURSEMENT:**

Reimbursement of medical expenses incurred for self and family, the total cost of which shall not exceed Rs. 17,500/- per annum

**v) LEAVE TRAVEL CONCESSION:**

Reimbursement for self and family for travel anywhere in India or abroad, subject to a limit of Rs. 17,500/- per annum

**vi) ATTIREMENT EXPENSES:**

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

**vii) PERSONAL ACCIDENT INSURANCE & MEDICLAIM INSURANCE**

Of an amount, as per the Company's scheme in force from time to time

**viii) HARD FURNISHING:**

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

**PART B:****ix) 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.

**x) GRATUITY**

As per rules of the Company.

**PART C:****xi) CAR AND TELEPHONE:**

Entitled to a company leased car and the operational expenses thereof to discharge his official responsibilities.

Use of telephone at residence for official purposes. A reimbursement of Rs.4,500/- per mensem towards driver's salary. Use of car for private purposes shall be billed by the company.

He will also be eligible to participate in the company's "Variable Compensation Scheme for Executives (VCSE).

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

None of the Directors are deemed interested in the Resolution.

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

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

Chennai  
30th July, 2002

## Hydro S&amp;S Industries Limited

## FIVE-YEAR FINANCIAL DATA

(Rs. 000's)

	2001-02	2000-01	1999-00	1998-99	1997-98
<b>For the Year</b>					
Sales : Domestic	447,058	441,123	415,507	311,004	277,522
: Exports	24,655	31,176	28,313	3,310	425
Operating Profit (PBITD)	44,509	46,010	41,414	33,806	26,472
Interest	11,784	15,076	12,129	13,040	14,689
Depreciation	10,934	10,386	8,668	8,314	8,047
Taxation - Current	1,750	2,100	--	--	--
Deferred	964	--	--	--	--
Profit after Tax	19,077	18,448	20,901	12,452	3,729
<b>As at the end of the Year</b>					
Share Capital	67,781	70,281	72,781	72,781	72,781
Reserves & Surplus	93,245	106,709	95,890	82,821	77,496
Loan Funds	95,398	99,088	116,845	80,137	86,060
Gross Block	209,986	207,498	198,264	161,730	154,912
Net Current Assets	138,906	125,886	134,340	97,569	94,485
Deferred Tax Liability	26,328	-	-	-	-
<b>Measures</b>					
<b>Of Investment</b>					
- Return on Equity (%)	11.85	10.42	12.39	8.00	2.48
- Earnings Per Share (Rs.)	2.82	2.67	3.02	1.72	0.39
- Dividend Cover (Times)	2.92	2.96	3.77	2.15	--
- Dividend (%)	10%	9%	8%	8%	--
- Book Value of an equity share	24.67	27.12	25.84	23.84	23.02
<b>Of Performance</b>					
- <b>Profitability (%)</b>					
Profit before Tax (%)	4.62	4.35	4.64	3.96	1.34
Profit after Tax (%)	4.04	3.90	4.70	3.96	1.34
- Capital Turnover (times)	1.79	1.71	1.55	1.33	1.17
- Stock Turnover (times)	10.74	11.60	8.37	15.32	11.47
- Working Capital Turnover (times)	3.39	3.87	3.37	3.25	2.97
<b>Of Financial Status</b>					
- Debt-Equity Ratio (times)	0.16:1	0.20:1	0.31:1	0.32:1	0.38:1
- Current Ratio	1.64:1	1.58:1	1.64:1	2.28:1	2.17:1
- Fixed Assets to Shareholders Funds (times)	0.84:1	0.83:1	0.87:1	0.77:1	0.82:1
Credit Rating - Commercial Paper	"A1"	--	--	--	--

## Hydro S&S Industries Limited

### DIRECTORS' REPORT

Your Directors have pleasure in presenting their Annual Report and the Audited Accounts for the year ended March 31, 2002.

### Financial Highlights

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

Rs.in 000's

	Year Ended March 31, 2002		Year Ended March 31, 2001	
<b>Sales Turnover</b>				
Gross		471,740		472,299
Net of Excise Duty		407,243		410,129
Profit before Interest & Depreciation		44,540		46,010
Interest		11,784		15,076
Profit before Depreciation		32,756		30,934
Depreciation		10,936		10,386
<b>Profit before tax</b>		21,820		20,548
Taxation -- Current Tax		1,750		2,100
-- Deferred Tax		964		--
<b>Profit after Tax</b>		19,106		18,448
Balance brought forward		9,108		8,289
Profit available for Appropriation		28,214		26,737
<b>Appropriations:</b>				
<b>Transfers:</b>				
To General Reserve	15,000		10,000	
<b>Proposed Dividend</b>				
On Preference Capital @ 16%	650		1,050	
On Equity Capital @ 10%	6525		5,873	
<b>Tax on Distributed Profits</b>	--		706	
		22,175		17,629
Balance carried forward		6,039		9,108
		28,214		26,737



**Dividend:**

Your Directors are pleased to recommend for your consideration:

- a) a dividend of 16% (subject to income-tax) amounting to Rs. 650,000/- (pro-rated) on the Preference Share Capital of the Company for the year 2001-2002
- b) a dividend of 10% (subject to income-tax) amounting to Rs. 6,525,629/- on the Equity Share Capital of the Company for the year 2001-2002

**Operations:**

Your company had to cope with a difficult year due to economic stagnation caused by various events across the globe and hence was able to record only a similar performance as compared to the previous year.

However, a significant achievement was that your company was adjudged the "Best Supplier" for the year 2001 by M/s. Visteon Automotive Systems Limited (associate of Ford (India) Limited). The award is a recognition of your company's commitment to quality and customer service.

Exports were steady and at about the same level as last year. During the year, your company entered the Middle East market through supply of compounds to a couple of manufacturers in the furniture segment. Your company is optimistic that the volumes will go up during the current year. Further, new markets are also being explored and these should translate into enhanced business.

The technology imported is being put to use for development of Thermoplastic Elastomer compounds targeted to various users like automobiles, appliances etc. The compounds have been put to rigorous tests by two-wheeler & automobile OEMs and have come out successfully for use in their vehicles. Your company expects to step up activity in this line of business during the year.

Your company has further, as part of its program to broaden the product offerings, sourced consulting services for the manufacture of PP-Nylon Blends. Trials taken recently have yielded very positive results and the company is working jointly with potential users of this product to develop a variety of applications.

The Pultrusion division recorded its first full year of operation and the performance is considered modest and satisfactory. The production was stabilised and new markets explored. Your company looks forward to enhancing its contribution through this division also.

**Finance**

Your Company was awarded a Certification of "A1" (Highest Safety) for its Short term borrowing program by Rating agency, M/s. ICRA Limited. This rating was utilised for issue of commercial paper for a value of Rs. 50,000,000/- and the same has been utilised for working capital requirements.

In terms of the provisions of the issue of Preference Capital during 1995, the second instalment of Rs. 2,500,000/- was due for redemption during the year and the same was honoured.

Your company has been regular in its repayment obligations to the financial institutions under the various agreements. It has also been regular in repaying its obligation to the Government of Tamil Nadu under the Sales Tax Deferral program.

There are no fixed deposits due for repayment as at the end of the year.

Your company continues to focus on cost reduction, procurement of raw materials at competitive prices and adequate control over overhead costs for better profitability.

Your company has adopted the various Accounting Standards introduced by the Institute of Chartered Accountants of India during the year and the financial statements have been prepared keeping the above in mind.

**Human Resources**

During the year, industrial relations at the Pudukkottai Plant were quite satisfactory.

Certain technical problems were faced at the Pondicherry Plant. We engaged the services of technical consultants to assist us in identifying the causes of these problems and also to suggest solutions. One of their recommendations was that only a qualified workforce should be employed in order to ensure that operations are carried out consistently without technical or quality defects.

## Hydro S&S Industries Limited

Accordingly, we regretfully had to dispense with the services of several workmen, offering them full settlement of all their statutory dues. Several have accepted this, but still have raised an industrial dispute, which is under conciliation. However, the operations at the plant are being carried on quite satisfactorily. The company is continuing its efforts to settle the matter amicably.

As none of the employees were in receipt of remuneration of Rs. 2,00,000/- per month, Information in terms of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 is not applicable.

### Dematerialisation of Shares

As enumerated in the Report of the Directors during the last financial year, the Company's shares are now traded compulsorily under the Electronic Form. The ISIN Number allotted to the Company by the Depository Participants namely M/s. National Securities Depository Limited (NSDL) & Central Depository Services (India) Limited (CDSL) is INE 473 D 01015. Shareholders are advised to convert their holding in the electronic form to avoid loss of share certificates and bad deliveries.

### Auditors:

M/s. P. Srinivasan and Co., Chartered Accountants and Auditors of the company hold office until the conclusion of the Annual General Meeting and have given their consent for re-appointment.

### Directors:

Mr Jan Heber, Director resigned from the Board w.e.f 07.09.2001. The Board wishes to place its appreciation of the valuable services rendered by Mr. Heber in guiding your company during his tenure in office.

Mr. Aage Frohde was elected as a Director on 07.09.2001 representing the interest of M/s. Norsk Hydro ASA.

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

### Directors' Responsibility Statement Pursuant to Section 217(2aa) of the Companies Act, 1956

The Directors do hereby state in good faith:-

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the company had 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;
- that the company had 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;
- that the company had prepared the annual accounts on a going concern basis.

### Corporate Governance Report

The Corporate Governance Report is set out as a separate Annexure to this Report.

### 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.

On behalf of the Board of Directors

V. SRINIVASAN

Chairman

Chennai

30<sup>th</sup> July, 2002