

# Hydro S & S

150th ANNIVERSARY

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2004 - 05

**Hydro S&S Industries Limited**

<b>Board of Directors</b>	<b>V. SRINIVASAN</b>	<b>Chairman</b>
	<b>MURALI VENKATRAMAN</b>	<b>Vice-Chairman</b>
	<b>BABULAL M. VARMA</b>	<b>Director</b>
	<b>V. THIRUPATHI</b>	<b>Director</b>
	<b>NARAYAN SETHURAMON</b>	<b>Managing Director</b>
	<b>DINSHAW KEKU PARAKH</b>	<b>Director</b>
	<b>S.K. SUBRAMANYAN</b>	<b>Director (Fin. &amp; Admn.) &amp; Co.Secy.,</b>
<b>Audit Committee</b>	<b>V. THIRUPATHI</b>	<b>Chairman</b>
	<b>BABULAL M. VARMA</b>	<b>Member</b>
	<b>MURALI VENKATRAMAN</b>	<b>Member</b>
<b>Remuneration Committee</b>	<b>BABULAL M. VARMA</b>	<b>Chairman</b>
	<b>V. THIRUPATHI</b>	<b>Member</b>
	<b>V. SRINIVASAN</b>	<b>Member</b>
<b>Investors Grievances Committee</b>	<b>V. SRINIVASAN</b>	<b>Chairman</b>
	<b>MURALI VENKATRAMAN</b>	<b>Member</b>
<b>Compliance Officer</b>	<b>S.K. SUBRAMANYAN</b>	

**Works :**

15C, SIPCOT Indl.Complex  
Pudukkottai : 622 002

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

RS 15/15, Vazhudavur Road  
Kurumbapet, Pondicherry : 605 009

**Registered Office**

Dhun Building, III Floor,  
827, Anna Salai, Chennai : 600 002  
Telephone : (044) 2852 17 36 / 2852 02 92  
Fax : (044) 2852 04 20  
E-mail : [info@hssil.com](mailto:info@hssil.com)

**Auditors**

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

**Bankers**

State Bank of India, Chennai - 600 001  
Canara Bank, Chennai - 600 002

**Registrar & Share Transfer Agents**

M/s. Integrated Enterprises (India) Ltd.,  
Kences Enclave, IIInd Floor,  
No. 1, Ramakrishna Street, T. Nagar, Chennai : 600 017  
Telephone: (044) 2814 08 01 / 02 / 03  
Fax : (044) 2814 24 79  
E-mail : [sureshbabu@iepindia.com](mailto:sureshbabu@iepindia.com)

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## Hydro S&amp;S Industries Limited

## FIVE-YEAR FINANCIAL DATA

(Rs. in Millions)

For the Year	2004-05	2003-04	2002-03	2001-02	2000-01
Sales : Domestic	816.146	683.846	546.478	447.058	441.123
Exports	7.574	6.691	13.565	24.655	31.176
Operating Profit (PBITD)	35.249	59.058	45.156	44.509	46.010
Interest	12.245	11.687	9.597	11.784	15.076
Depreciation	13.851	13.187	13.140	10.934	10.386
Taxation - Current	0.750	2.650	1.750	1.750	2.100
- Deferred	4.650	2.250	1.682	0.964	
Profit After Tax	3.753	29.284	18.987	19.077	18.448
<b>As at the end of the Year</b>					
Share Capital	65.281	65.281	65.281	67.781	70.281
Reserves & Surplus	118.403	132.432	103.148	93.245	106.709
Loan Funds	200.324	128.789	104.485	95.398	99.088
Gross Block	290.663	224.860	221.283	209.986	207.498
Net Current Assets	230.797	213.534	158.700	138.906	125.886
<b>Measures of Investment</b>					
Return on Capital Employed (%)	5.14%	13.32%	10.76%	12.03%	13.07%
Return on Equity (%)	2.04%	15.50%	11.27%	11.85%	10.42%
Earnings per Share (Rs.)	0.58	4.49	2.87	2.82	2.67
Dividend Cover (Times)	0.48	3.73	2.39	2.82	2.97
Dividend (%)	12	12	12	10	9
Book Value of an equity share	28.15	28.94	25.81	24.68	27.12
<b>Of Performance</b>					
<b>- Profitability (%)</b>					
Profit before Tax (%)	1.30%	5.76%	4.64%	5.33%	4.35%
Profit after Tax (%)	0.53%	4.94%	3.93%	4.67%	3.90%
- Capital Turnover (times)	2.15	2.17	2.05	1.84	1.71
- Stock Turnover (times)	6.99	9.55	12.02	10.74	11.60
- Working Capital Turnover (times)	3.57	3.10	3.52	3.39	3.75
<b>Of Financial Status</b>					
- Debt-Equity Ratio (times)	0.32:1	0.10:1	0.13:1	0.16:1	0.20:1
- Current Ratio	1.37:1	1.53:1	1.53:1	1.64:1	1.58:1
- Fixed Assets to Shareholders' Funds (times)	1.00:1	0.69:1	0.82:1	0.84:1	0.83:1

## Hydro S&S Industries Limited

### DIRECTORS' REPORT

#### PART I – PERFORMANCE / OPERATIONS

Your Directors are pleased to present the Annual Report of the Company together with the audited Accounts for the year ended March 31, 2005.

#### FINANCIAL RESULTS

Rs.in 000's

	Year Ended March 31, 2005		Year Ended March 31, 2004	
<b>Sales Turnover</b>				
Gross		823,721		690,537
Net of Excise Duty		703,340		593,133
Profit before Interest & Depreciation		35,249		59,058
Interest		12,245		11,687
Profit before Depreciation		23,004		47,370
Depreciation		13,851		13,186
Profit before tax		9,153		34,185
Taxation – Current Tax		750		2,650
– Deferred Tax		4,650		2,250
Profit after Tax		3,753		29,285
Balance brought forward		10,612		5,911
Profit available for Appropriation		14,365		35,196
<b>Appropriations:</b>				
<b>Transfers:</b>				
To Special General Reserve	250		750	
To General Reserve	—		15,000	
<b>Proposed Dividend</b>				
On Equity Capital @ 12 %	7,831		7,831	
Tax on Distributed Profits	1,118		1,003	
		9,199		24,584
Balance carried forward		5,166		10,612
		14,365		35,196

## Hydro S&S Industries Limited

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### DIVIDEND:

Your Directors have considered the operating results of the year as well as the outlook for the current year and have decided to recommend for your consideration, a dividend of 12% amounting to Rs. 78,30,755/- @ Rs. 1.20 per equity share of the Company for the year 2004-2005. The above dividend together with the distribution tax thereon, have been provided for, in the appropriation out of the profits of the Company.

### BUSINESS OPERATIONS

During the financial year 2004-05, your company recorded a growth of 6% and 19% in volume and value respectively as compared to the previous financial year. However, the significant increases in the price of polypropylene which is the major raw material, affected the profitability significantly. In addition, the company has written off certain amounts which are not collectible. The continuing efforts on cost management, waste reduction and energy conservation, offset the increases to some extent. The highlights of the operations are discussed in detail in the Management Discussion and Analysis Report covered in **Annexure - D** to this Report.

The automotive sector continued to remain the primary customer segment for your Company's products. The sale of Thermoplastic Elastomer compounds increased appreciably as compared to the previous year.

### RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, ENERGY CONSERVATION ETC.

Your Company continues to focus on its Research and Development efforts by allocation of substantial investments to provide increased value added services to its customers. The activities in this area are included in the development of formulations for newer applications as well as higher performance specifications.

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.

### PROJECTS

Your Company commissioned its capacity expansion during the year at its Pudukkottai works to meet the enhanced volume requirements of its automotive customers.

Faced with the enhanced power requirements arising out of this expansion and increasing tariff, your Company erected a 500 KW Wind Energy Generator at Tenkasi, Tamil Nadu.

Both the above projects were funded using a combination of debt and internal accruals and completed within the budget. The benefits of these projects will start accruing in the coming years.

### DIVERSIFICATION

Your Company has established itself in a leading position to supply polypropylene compounds to customers in India and also exports its products to other countries. Your company is examining various diversification plans in related areas to broaden its product profile.

## PART - II CORPORATE MATTERS

### CORPORATE GOVERNANCE

Your Company has complied with standards of Corporate Governance as prescribed by SEBI Guidelines. The details are furnished 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 Management Discussions and Analysis Report giving a comprehensive presentation of the Company's performance and business scenario forms **Annexure - D** to this Report.

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

**Details of Employees**

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

**DIRECTORS:**

In accordance with the Articles of Association of the Company, Mr. V. Srinivasan and Mr. V. Thirupathi, Directors retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment. The necessary resolutions are being placed before the shareholders for approval.

**SECRETARIAL AUDIT:**

As directed by Securities and Exchange Board of India (SEBI), Secretarial Audit is being carried out at the specified periodicity by a Practising Company Secretary. The findings of the Secretarial Audit were satisfactory.

**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. The Company has received confirmation that their appointment will be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956. The Audit Committee of the Board has recommended their re-appointment. The necessary resolution is being placed before the shareholders for approval.

**ACKNOWLEDGEMENT**

Your Directors wish to express their appreciation of the continued co-operation received from the customers,

suppliers, bankers, shareholders and other stakeholders during the year.

Your Directors also wish to thank all the employees for their contribution, support and continued co-operation through the year.

**On behalf of the Board of Directors**

**V. SRINIVASAN**  
Chairman

**Chennai**  
**25th July, 2005**

## Hydro S&S Industries Limited

### Annexure "A" to Directors' Report

#### (A) CONSERVATION OF ENERGY

Both the plants have implemented energy saving initiatives leading to cost savings during the year 2004-05. Some of the initiatives relate to:

- (a) Restructuring the components of the extruder for reducing energy
- (b) Introducing new material compositions of the components for improving throughput
- (c) Reduction in blower motor capacity by optimising outputs
- (d) Better usage of natural light in key areas and eliminating artificial lighting

#### (B) TECHNOLOGY ABSORPTION

##### a. Research and Development (R & D)

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

The Company continues to develop products to meet emerging requirements of the automotive and appliance sectors. Continuous efforts on cost reduction through value engineering and improvement in the processes are carried out utilising the capabilities within the company as well as accessing external agencies. These developments have helped the company to reduce the unit costs of several products as well as develop products with very stringent technical specifications.

- (ii) Expenditure on R & D

- (a) Capital : Rs. 21,03,148/-
- (b) Recurring : Rs. 8,09,341/-
- (c) Total : Rs. 29,12,489/-

##### b. Technology Absorption, Adaptation and Innovation

Status of Technology imported

The technology on Thermoplastic Elastomer compounds is being extended to various application areas.

Continuous development work is already on to add new businesses in this category.

##### Foreign Exchange Earnings & Outgo

Foreign Exchange Earnings Rs. 75,74,690/-

Foreign Exchange Outgo Rs. 18,64,33,061/-

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

For and on behalf of the Board of Directors

V. SRINIVASAN  
Chairman

Chennai  
25th July, 2005



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

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

1) **Brief statement on company's philosophy on code of governance**

The Company endeavours to practice sound corporate governance policies and be a responsible corporate citizen. The Company firmly believes in the value of professionalism and accountability in its relationships with customers, suppliers, employees, shareholders and every individual who interfaces with it.

The Company will use "Corporate Governance" as a framework to leverage its capabilities and resources to translate opportunities into realities, and to empower every individual within the organisation with dynamism and intrapreneurship along with responsibility thus resulting in building sustainable value and enhancing stakeholder confidence.

2) **Board of Directors**

Composition

The Board consists of 7 Directors details of whom are given below:

Board Meetings:

During the year 2004-05, the Board met four times on 2<sup>nd</sup> June, 2004, 30<sup>th</sup> July, 2004, 28<sup>th</sup> October, 2004 and 28<sup>th</sup> January, 2005.

The following table gives details of the Directors, attendance of the Directors at the board meetings and at the last annual general meeting, number of memberships held by Directors in Board / Committees of various companies as on 31<sup>st</sup> March, 2005.

Name of Director	Category	Attendance Particulars		Number of other Directorships in public companies and companies and committee Memberships	
		Board Meetings	Last AGM held on 30 <sup>th</sup> Sept. 2004	Directorships	Committee Memberships
Mr. V. Srinivasan	Chairman (Non Executive) (Promoter)	4	Yes	5	3
Mr. Murali Venkatraman	Vice-Chairman (Non Executive) (Promoter)	4	Yes	7	4
Mr. Babulal M. Varma	Independent (Non Executive)	2	No	4	2
Mr. Narayan Sethuram	Managing Director (Executive) (Promoter)	4	Yes	1	—
Mr. V. Thirupathi	Independent (Non Executive)	4	Yes	8	3
Mr. S.K. Subramanyan	Whole-time Director (Director (Fin. & Admn.) & Co. Secy.) (Executive)	4	Yes	—	—
Mr. Dinshaw K. Parakh	Non-Executive (Promoter)	4	Yes	5	—

## Hydro S&S Industries Limited

### 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 including risk assessment and mitigation procedures. 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
- 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 of any regulatory or statutory provision or listing requirements as well as shareholder services

### 3) Audit Committee

The company's Audit Committee consists of three Non-Executive Directors – two of them being independent. The composition of the Committee and the qualification of the members of the Committee are in compliance with the requirements of Clause 49 of the Listing Agreement.

During the year 2004-05, the Audit Committee met four times – 2<sup>nd</sup> June, 2004, 30<sup>th</sup> July, 2004, 28<sup>th</sup> October, 2004 and 28<sup>th</sup> January, 2005. The attendance of the Directors are as follows:

Name of the Director		No. of Meetings	
		Held	Attended
Mr. V. Thirupathi	Chairman	Four	Four
Mr. Babulal M. Varma	Member	Four	Four
Mr. Murali Venkatraman	Member	Four	Four

### 4) Remuneration Committee:

The Remuneration Committee consists of three Non-Executive independent directors.

During the year, the Remuneration Committee was reconstituted consequent to the changes in the company's Board of Directors. In the place of Mr. K.D. Parakh, Mr. V. Srinivasan was co-opted. 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 Wholtime Directors of the company as and when they come for review.