

Board of Directors**V. SRINIVASAN****MURALI VENKATRAMAN, Vice-Chairman****BABULAL M. VARMA (upto 23-09-2010)****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

Dhun Building, III Floor,
827, Anna Salai, Chennai - 600 002
Telephone : 91-44-28521736 (4 lines)
Fax : 91-44-28520420
E-mail : 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 Agent

M/s. Integrated Enterprises (India) Ltd.,
2nd Floor, Kences Towers,
No. 1, Ramakrishna Street,
North Usman Road,
T. Nagar, Chennai - 600 017
Telephone : 91-44-28140801 - 03
Fax : 91-44-28142479
E-mail : corpserv@iepindia.com

Contents

Financial Highlights	-	2
Directors' Report	-	3
Corporate Governance	-	7
M D & A Report	-	21
Auditors' Report	-	25
Balance Sheet	-	28
Profit & Loss Account	-	29
Cash Flow Statement	-	30

FIVE - YEAR FINANCIAL DATA

(₹ in Millions)

For the Year	2010-11	2009-10	2008-09	2007-08	2006-07
Sales : Domestic	1,542.326	1,183.225	1,337.834	1350.876	1153.099
Exports	0.427	1.933	0.001	0.154	5.432
Operating Profit (PBIDT)	91.468	71.142	42.958	128.933	77.596
Interest	51.516	47.526	48.298	32.512	21.642
Depreciation	26.873	25.768	20.565	15.617	14.300
Taxation - Current	3.200	—	0.660	23.100	9.300
- Deferred	(0.600)	(2.000)	(8.235)	4.091	3.000
Profit/(Loss) After Tax	10.480	(0.152)	(18.329)	53.613	29.353
As at the end of the Year					
Share Capital	64.072	64.072	65.104	65.256	65.256
Reserves & Surplus	184.817	178.818	181.636	200.286	155.834
Loan Funds	427.580	353.068	359.649	282.163	216.541
Gross Block	528.565	499.920	490.072	375.900	312.796
Net Current Assets	388.332	305.582	289.992	342.171	279.168
Measures of Investment					
Return on Capital Employed (%)	9.55%	7.61%	3.69%	20.69%	14.46%
Return on Equity (%)	4.21%	(0.06%)	(7.43%)	20.19%	13.28%
Earnings per Share (₹)	1.64	(0.02)	(2.82)	8.22	4.50
Dividend Cover (Times)	2.73	NA	NA	6.85	3.75
Dividend (%)	6	NA	NA	12	12
Book Value of an Equity Share	38.85	37.91	37.90	40.70	33.88
Of Performance					
- Profitability (%)					
Profit/(Loss) before Tax (%)	0.94%	(0.20%)	(2.19%)	6.93%	4.18%
Profit/(Loss) after Tax (%)	0.75%	(0.01%)	(1.55%)	4.60%	3.64%
- Capital Turnover (times)	2.28	1.99	2.21	2.47	2.65
- Stock Turnover (times)	7.32	7.66	8.43	6.44	9.15
- Working Capital Turnover (times)	3.97	3.88	4.61	3.95	4.15
Of Financial Status					
- Debt-Equity Ratio (times)	0.53:1	0.55:1	0.57:1	0.19:1	0.20:1
- Current Ratio	1.18 :1	1.24:1	1.21:1	1.26:1	1.37:1
- Fixed Assets to Shareholders' Funds (times)	1.28 :1	1.29:1	1.33:1	0.88:1	0.84:1

DIRECTORS' REPORT

PART I – PERFORMANCE / OPERATIONS

Your Directors hereby present their 27th Annual Report alongwith Audited Accounts of the Company for the year ended March 31, 2011.

FINANCIAL RESULTS

(₹ in 000's)

Particulars	Year Ended March 31, 2011		Year Ended March 31, 2010	
Income from Operations				
Gross		1,542,753		1,185,159
Net of Excise Duty		1,397,109		1,092,150
Other Income		5,268		3,577
Profit before Interest & Depreciation		91,469		71,142
Interest		51,516		47,526
Profit before Depreciation		39,953		23,616
Depreciation		26,873		25,768
Profit / (Loss) before Tax		13,080		(2,152)
Taxation - Current Tax	3,200		—	
- Deferred Tax (Asset)	(600)		(2,000)	
		2,600		(2,000)
Profit / (Loss) after Tax		10,480		(152)
Balance brought forward		14,484		15,668
Profit available for Appropriation		24,964		15,516
Appropriations:				
Transfers to				
General Reserve	10,000		—	
Special General Reserve	250		—	
Capital Redemption Reserve	—		1,032	
Proposed Dividend				
On Equity Shares	3,844		—	
Tax on distributable profits	638		—	
		14,732		1,032
Surplus carried forward		10,232		14,484
		24,964		15,516

BUSINESS OPERATIONS

Sales in terms of value increased by 28% over the previous year, whilst the volume improved by 21%. Your Company had to deal with the challenge of high PP prices throughout the year with particularly sharp increase during the last quarter of the financial year. In addition, restrictions on power usage in Tamil Nadu and poor quality of power in Puducherry were also irritants impacting production optimisation.

Your Company took multiple steps to tackle these issues which has resulted in improvement in margins. A new line at Jejuri was commissioned during the year. Capacity utilisation was however restricted there in view of power inadequacy, which is being addressed.

The Pultrusion Division however had to face the challenges of declining prices during the year due to surplus capacity pressures which resulted in a lower performance as compared to the previous year.

Your Company has provided for taxation under Minimum Alternate Tax (MAT) after considering the carry over losses of the earlier years.

DIVIDEND

Your Directors after consideration of the financial results of the previous year and outlook for the current year have decided to recommend for your consideration a dividend on Equity Shares at the rate of ₹ 0.60 per share. The above dividend together with distribution tax thereon has been provided for out of the profits of the Company for the year under review.

RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, ENERGY CONSERVATION ETC.

The new Application Development Centre at Puducherry developed compounds with advanced properties based on the requirements of automotive OEMs for their newer models. Development Agreements with key OEMs to ensure continuing business opportunities going into the future, are being entered into.

The Centre also had to optimise formulations, to improve manufacturing consistency and development of compounds using multiple PP sources, to remain competitive in the market and to keep the supply chain robust.

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo 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.

EMPLOYEE RELATIONS

Your Company implemented a Voluntary Retirement Scheme at its Pudukottai Plant. There was good response to this. Relations between the Employees and the Management continued to be cordial during the year under review.

DIRECTORS

Your Directors, Mr.G.Balasubramanyan and Mr. Murali Venkatraman retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

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

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.

STATUTORY INFORMATION

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure to the Director's Report. However, as per the provisions of Section 219 of the Companies Act, 1956, the Report and Accounts are being sent to all Shareholders of the Company, excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

All the dividends of the earlier years, which have remained unclaimed, have since been transferred to the Investor Education and Protection Fund at the expiry of the specified period(s) as required under Section 205C of the Companies Act, 1956. Details of dividends remaining unclaimed as on 31.03.2011 are as under :

Year	Type	Date of declaration / payment	Total No. of Shareholders	Total Unclaimed Dividend (₹)	Due date for transfer to Central Government
2003 - 2004	Final	30.09.2004	119	83,676.00	10/10/2011
2004 - 2005	Final	28.09.2005	82	74,304.00	08/10/2012
2005 - 2006	Final	18.09.2006	46	32,040.00	28/09/2013
2006 - 2007	Final	13.09.2007	525	1,61,200.80	20/10/2014
2007 - 2008	Interim	31.01.2008	570	41,523.50	08/03/2015
2007 - 2008	Final	06.10.2008	573	54,639.90	13/11/2015

FIXED DEPOSITS

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

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

Place : Chennai
Date : 21st July, 2011

CA. G. BALASUBRAMANYAN
Chairman of the Meeting

MURALI VENKATRAMAN
Vice-Chairman

ANNEXURE - A TO DIRECTORS' REPORT**(A) CONSERVATION OF ENERGY****(a) Energy Conservation measures taken:**

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's application for Carbon Credit under the Voluntary Carbon Standard 2007 is in the final stages of approval.

(b) Additional measures taken for reduction of consumption of energy:

Compressed Air Circuits to meet the requirements for instrumentation and services have been segregated based on the optimal need thereby reducing the load on the Air Compressors and the same have been implemented at all the plant locations.

Common circuits for Air and Cooling water have been adopted to optimise load on the Water and Air system.

(B) TECHNOLOGY ABSORPTION**(a) Research and Development (R & D):****(i) Specific areas in which R & D carried out by the Company**

R&D continues to remain focused on evolution of OEM's requirements which at times are not fully quantified. Property enhancements like increased gloss, low thickness molding, soft and non synthetic feel, replacement of more expensive plastics.

Operational efficiency could never be more critical than in the present situation when costs of inputs and cost of funds are on upward trend. This is to be done without drop in service levels to customers. We have expanded the third party logistics to other areas to reduce cost of over all operations without loss in supply efficiency.

(ii) Expenditure on R & D (₹ in 000's)

(a) Capital	—	2,637
(b) Recurring	—	3,478
Total	—	6,115

(b) Technology Absorption, Adaptation and Innovation:

With innovative design and formulating our compounds, we have been successful in replacing engineering plastics offering customers savings in cost without significant loss in performance. We are seeing good progress and interest from our customers here.

With the performance requirements of our customers becoming more demanding and also complex with each passing day the efforts on formulation optimization and enhancement are being stepped up on a continuous basis with additional resources.

(c) Imported Technology : Not applicable**(C) FOREIGN EXCHANGE EARNINGS & OUTGO (₹ in 000's)**

Foreign Exchange Earnings	—	3,898
Foreign Exchange Outgo	—	338,424

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

Place : Chennai
Date : 21st July, 2011

CA. G. BALASUBRAMANYAN
Chairman of the Meeting

MURALI VENKATRAMAN
Vice-Chairman

ANNEXURE - B TO DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

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

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

The Company believes in adopting appropriate Corporate Governance policy to achieve the corporate goal of enhancing stakeholder 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 Six Non-Executive Directors. Two of the Six 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 2010-11, the Board met four times on 24th April, 2010, 28th July, 2010, 23rd October, 2010 and 25th January, 2011.

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, 2011.

Name of the Director	Category	No. of Board Meetings Attended	Attendance at the Last AGM	Directorships in other Boards		Committee(s)* Membership (inclusive of Hydro S & S)	
				Directorships	Chairmanships	Memberships	Chairmanships
Mr. V. Srinivasan	NI-NE	4	Yes	5	4	3	1
Mr. Murali Venkatraman	NI-NE	4	Yes	3	—	3	—
Mr. Babulal M. Varma	IN-NE	2	No	Retired at the AGM held on 23-09-2010			
Mr. Narayan Sethuramon	NI-NE	4	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	4	Yes	4	—	2	—

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 and Investors' Grievances 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.

Consequent upon Mr. Babulal M. Varma, a Member of the Audit Committee who retired at the Annual General Meeting held on 23rd September, 2010, the composition of the Audit Committee was reconstituted as under:

- A) Mr. V. Thirupathi, Chairman
- B) Mr. Murali Venkatraman
- C) Mr. G. Balasubramanyan

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 2010-11, four Audit Committee Meetings were held on 24th April, 2010, 28th July, 2010, 23rd October, 2010 and 25th January, 2011.

Attendance

Name of the Director	No. of Meetings Attended
Mr. V. Thirupathi, Chairman	4
Mr. Babulal M. Varma, Member *	2
Mr. Murali Venkatraman, Member	4
Mr. G.Balasubramanyan, Member	2

* Retired at the Annual General Meeting held on 23rd September, 2010.

4) Remuneration Committee

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

Consequent upon Mr. Babulal M. Varma, a Member and Chairman of the Remuneration Committee who retired at the Annual General Meeting held on 23rd September, 2010, the composition of the Remuneration Committee was reconstituted as under :

- A) Mr. G.Balasubramanyan, Chairman
- B) Mr. V. Thirupathi
- C) 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 2010-11, one meeting of the Remuneration Committee was held on 23rd October, 2010.

Attendance

Name of the Director	No. of Meetings Attended
Mr. G.Balasubramanyan, Chairman	1
Mr. V. Thirupathi, Member	1
Mr. V.Srinivasan, Member	1

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	₹ 5,000/-
Share Transfer and Investors' Grievances Committee Meetings	₹ 2,000/-
Audit Committee Meetings	₹ 7,500/-
Remuneration Committee Meetings	₹ 2,000/-

The details of the remuneration paid / payable to the Directors for the year 2010 -11 together with sitting fees paid and the shareholding held by the Non Executive Directors as on 31st March, 2011 are as under :

Whole Time Director

(in ₹)

Name of the Director	Salary	Commission	Performance Incentive	Perks	Total
Mr. S.K. Subramanyan	663,000	Nil	356,012	1,125,270	2,144,282

Non Executive Directors

Name of the Director	Total Sitting fees paid for Board and Committees (₹)	Commission (₹)	Shares held in the Company (Nos.)
Mr.V.Srinivasan	30,000	Nil	Nil
Mr.Babulal M.Varma	25,000	Nil	Nil
Mr.Murali Venkatraman	58,000	159,085	932300
Mr. V. Thirupathi	52,000	Nil	Nil
Mr.Narayan Sethuramon	20,000	Nil	800000
Mr.Dinshaw K.Parakh	15,000	Nil	56250
Mr.G.Balasubramanyan	37,000	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.