

*Annual  
Report  
2014 - 2015*







<b>Board of Directors</b>	<b>NIE DELIN</b> <b>BO JINGEN</b> , <i>Managing Director</i> <b>WU XIAOHUI</b> , <i>Whole-time Director</i> <b>N. SUBRAMANIAN</b> <b>KAMANA SRIKANTH</b> (w.e.f. 13-02-2015)
<b>Chief Financial Officer</b>	<b>XIE DONGMING</b>
<b>Company Secretary</b>	<b>S.K. SUBRAMANYAN</b>

**Works**

RS No. 38/1, Sedarapet Industrial Area, Sedarapet, Puducherry - 605 111  
G 34, Addl. Jejuri Industrial Area, Jejuri, Tal. Purandar, Pune - 412 303  
Plot No-406, Sector-8, IMT Manesar, Gurgaon - 122050, Haryana  
Plot No. 15C, SIPCOT Indl. Complex, Pudukkottai - 622 002

**Registered Office**

Dhun Building, III Floor,  
827, Anna Salai, Chennai - 600 002  
Telephone : +91-44-28521736  
Fax : +91-44-28520420  
E-mail : info@hssil.com  
Website : www.hssil.com  
CIN : L25209TN1983PLC010438

**Auditors**

M/s. P. Srinivasan & Co.,  
Chartered Accountants,  
No. 6/24, Sambasivam Street,  
T.Nagar, Chennai - 600 017.  
Phone : 044 - 28151105  
E-mail : pscom@vsnl.net

**Bankers**

Citibank N.A., Chennai - 600 002  
Industrial and Commercial Bank of China Limited, Mumbai - 400 051  
State Bank of India, Chennai - 600 001

**Registrar & Share Transfer Agent**

M/s. Integrated Enterprises (India) Limited  
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 : yuvraj@integratedindia.in

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## FIVE - YEAR FINANCIAL DATA

(₹ in Millions)

For the Year	2014-15	2013-14	2012-13	2011-12	2010-11
Sales : Domestic	2,409.968	1,980.945	1,754.307	1,645.481	1,542.326
Exports	58.090	3.251	2.329	1.567	0.427
Operating (Loss) / Profit (PBITD)	65.817	(30.651)	26.863	91.004	86.498
Finance Cost	81.233	65.636	69.711	65.561	46.509
Depreciation and amortisation expense	31.418	26.573	28.185	26.794	26.909
Tax expenses - Current	—	—	—	—	3.200
- Deferred	(16.414)	(38.088)	(20.550)	(1.600)	(0.600)
Profit / (Loss) After Tax	(30.421)	(84.772)	(50.483)	0.249	10.480
<b>As at the end of the Year</b>					
Share Capital	64.072	64.072	64.072	64.072	64.072
Reserves & Surplus	17.557	49.835	134.607	185.090	184.817
Loan Funds	758.534	621.785	346.008	428.816	427.580
Gross Block	524.038	490.653	479.091	513.185	528.565
Net Current Assets	530.744	451.900	287.284	403.818	388.332
<b>Measures of Investment</b>					
Return on Capital Employed (%)	4.09%	-7.76%	-0.24%	9.47%	9.55%
Return on Equity (%)	-37.27%	-74.42%	-25.41%	0.10%	4.21%
Earnings per Share (₹)	(4.75)	(13.23)	(7.88)	0.04	1.64
Dividend Cover (Times)	—	—	—	—	2.73
Dividend (%)	—	—	—	—	6
Book Value of an Equity Share	12.74	17.78	31.01	38.89	38.85
<b>Of Performance</b>					
- Profitability (%)					
Profit / (Loss) before Tax (%)	-2.14%	-6.94%	-4.56%	-0.09%	0.94%
Profit / (Loss) after Tax (%)	-1.39%	-4.79%	-3.24%	0.02%	0.75%
- Capital Turnover (times)	2.94	2.70	3.23	2.43	2.28
- Stock Turnover (times)	7.72	8.64	9.17	9.03	7.32
- Working Capital Turnover (times)	4.65	4.36	6.11	4.08	3.97
<b>Of Financial Status</b>					
- Debt-Equity Ratio (times)	1.84:1	1.05:1	0.25:1	0.40:1	0.53:1
- Current Ratio	0.92:1	0.97:1	0.97:1	1.08:1	1.18:1
- Fixed Assets to Shareholders' Funds (times)	3.13:1	2.15:1	1.30:1	1.19:1	1.28:1

## DIRECTORS' REPORT

Your Directors hereby present their 31st Annual Report along with Audited Financial Statements for the year ended March 31, 2015.

## FINANCIAL RESULTS

(₹ in Lacs)

Particulars	Year Ended March 31, 2015		Year Ended March 31, 2014	
<b>Revenue from Operations</b>				
Gross		24,680.58		19,933.00
Net of Excise Duty		21,879.24		17,782.55
Other Income		12.65		23.26
<b>(Loss) / Profit before Finance Costs &amp; Depreciation and amortisation expense</b>		658.16		(306.51)
Finance Costs		812.33		656.36
<b>Loss before Depreciation and amortisation expense</b>		(154.17)		(962.87)
Depreciation and amortisation expense		314.18		265.73
<b>Loss before Tax</b>		(468.35)		(1,228.60)
Tax expenses - Current Tax	—		—	
- Deferred Tax	(164.14)		(380.88)	
		(164.14)		(380.88)
<b>Loss after Tax</b>		(304.21)		(847.72)
Balance brought forward		(1,247.75)		(400.03)
Depreciation adjustment as per Companies Act, 2013		(18.57)		—
<b>Deficit carried forward</b>		(1,570.53)		(1,247.75)

## BUSINESS OPERATIONS

Sales Revenue grew by 23% over the previous year, with volume growth of 15% achieved. Engineering Plastic Compounds sourced from HQ Kingfa, achieved its full year of sales, whilst the sale of EP compounds produced by the Company clocked revenue for last quarter of the year.

The benefit of drop of Polypropylene prices during the last quarter did not last long, as the prices started rising sharply towards the end of the last quarter.

Detailed analysis of the Company's performance during the year is provided in Annexure to this report under Management's Discussion and Analysis Report.

## DIVIDEND

The operations of the Company have resulted in a loss as explained in detail in the Management's Discussion and Analysis Report. Hence, your Directors regret that they are unable to recommend any dividend on the Equity Share Capital of the Company for the year under review.

## SHARE CAPITAL

The paid up equity capital as on March 31, 2015 was ₹ 640.72 lacs. The Company has not issued shares with differential voting rights nor granted stock options nor sweat equity.

## **OFFER FOR SALE BY PROMOTER**

The Promoter, Kingfa Sci. & Tech. Co., Ltd., China in order to comply with the minimum public shareholding requirements of the listing agreement with Stock Exchanges had gone for Offer for Sale (OFS) of 5,00,000 Equity Shares on 16.12.2014 and had offloaded 2,58,930 Equity Shares (4.04%). A second Offer for Sale of 2,41,070 (3.76%) Equity Shares on 15.01.2015 was done and achieved successfully.

With the above two OFS's done, the promoter shareholding is now in compliance with the minimum public shareholding requirements of the listing agreement.

## **RIGHTS ISSUE OF EQUITY SHARES**

The Company in order to augment resources for its long term funds requirement of the Company has proposed to go for Rights Issue of Equity Shares and intends to deploy the Issue Proceeds for Repayment of short term loans availed by the Company and Setting up of additional facilities at the existing locations. In this regard, the Company has filed draft letter of offer with SEBI and BSE Limited and awaiting its comments.

## **FINANCE**

The Company's claim with the Government of Maharashtra for the Industrial Promotion Subsidy for its investment in Jejuri was approved during the year. The Company has received the refund of Electricity duty and is awaiting receipt of the VAT subsidy.

## **BIFR**

Upon obtaining approval from the Shareholders at the Annual General Meeting held on 25th July, 2014, the Company had intimated Board for Industrial and Financial Reconstruction (BIFR) of the fact of erosion of more than 50% of the peak Net Worth. Subsequent status report of the steps undertaken have also been intimated.

## **FIXED DEPOSITS**

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

## **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

The Company has not given any loans or guarantees nor has made any Investments covered under the provisions of Section 186 of the Companies Act, 2013.

## **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit function is defined in the Internal Audit Manual. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board & to the Managing Director.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and recommendations along with corrective actions thereon are presented to the Audit Committee of the Board.

## **CORPORATE SOCIAL RESPONSIBILITY**

The Company does not meet the criteria prescribed under Section 135 of the Companies Act 2013, hence the same is not applicable for the year under review.

## **ENVIRONMENT, HEALTH AND SAFETY**

The facilities of the Company renewed their ISO 14001 and OHSAS 18001 certification.

Your Company's policy require the conduct of all operations in such a manner so as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

## **INDUSTRIAL RELATIONS**

Industrial relations remained cordial during the year.

Various HR initiatives are continuously taken to align the HR policies to the growing requirements of the business. Reviews, training and tools are being provided for the personnel to improve overall efficiency.

**DIRECTORS**

Your Director, Mr. Wu Xiaohui retire by rotation and being eligible, offers himself for re-appointment.

The Board appointed Ms. Kamana Srikanth as an Additional Director - Non Executive Independent Director of the Company with effect from 13th February, 2015 for a period of 5 years subject to approval by the Shareholders at the ensuing Annual General Meeting.

Your Directors have re-appointed Mr. Bo Jingen as Managing Director and Mr. Wu Xiaohui as Whole-time Director of the Company at their Meeting held on 31st October, 2014.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

**NUMBER OF MEETINGS OF THE BOARD**

The details of the number of Meetings of the Board held during the Financial Year 2014 - 15 forms part of the Corporate Governance Report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

To the best of knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 134(3)(c) of the Companies Act, 2013:

- (i) that in the preparation of the Annual Accounts for the year ended 31st March, 2015, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) 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 as at March 31, 2015 and of the profit or loss of the Company for the year ended on that date;
- (iii) that the Directors has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a "going concern" basis.
- (v) that the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (vi) that the Directors had devised proper system to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

**RELATED PARTY TRANSACTIONS**

All transactions entered into with the Related Parties as defined under the Companies Act, 2013 and Clause 49 of the Listing Agreement during the financial year were in the ordinary course of business and on arm's length basis.

**SUBSIDIARY COMPANIES**

The Company does not have subsidiary.

**AUDITORS**

M/s. P. Srinivasan and Co., Chartered Accountants, Chennai, Statutory Auditors, retire at the close of this Annual General Meeting and are eligible for reappointment. The Company has received confirmation regarding their consent and eligibility under sections 139 and 141 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 for appointment as the auditors of the company.

As required under Clause 41 of the Listing Agreement, the Auditors have also confirmed that they hold valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

The Audit Committee and the Board of Directors have recommended the appointment of the Auditors for the financial year 2015 - 16. The necessary resolution is being placed before the shareholders for their approval.

**SECRETARIAL AUDIT**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and rules made thereunder, the Company had appointed M/s.Lakshmmi Subramanian & Associates, Practising Company Secretaries to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is included as ANNEXURE - I and forms an integral part of this Report.

**EXTRACT OF ANNUAL RETURN**

The details forming part of the extract of the Annual Return in Form MGT-9 is annexed herewith as ANNEXURE - II.

**BUSINESS RISK MANAGEMENT**

Business risk evaluation and management is an ongoing process within the Company. The Assessment is periodically examined by the Board.

**STATUTORY INFORMATION**

The information on Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo pursuant to Section 134(3)(m) of the Companies Act, 2013, read with the Rule 8(3) of the Companies (Accounts) Rules, 2014 is given in ANNEXURE - III to this Report.

The particulars of employees are not applicable since there is no employee drawing remuneration more than ₹ 60,00,000/- per annum (full year) or ₹ 5,00,000/- p.m (part of the year).

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 Companies Act. Details of dividends remaining unclaimed as on 31.03.2015 are as under :

Year	Date of declaration	No. of Shareholders	Total Unclaimed Dividend ( ₹ )	Due date for transfer to IEPF Account
2007 - 2008 (Final)	16.09.2008	563	54,161.50	22.10.2015
2008 - 2009	No Dividend declared		N.A.	
2009 - 2010	No Dividend declared		N.A.	
2010 - 2011	29.09.2011	730	60,928.80	05.11.2018
2011 - 2012	No Dividend declared		N.A.	
2012 - 2013	No Dividend declared		N.A.	
2013 - 2014	No Dividend declared		N.A.	

**CORPORATE GOVERNANCE AND MANAGEMENT'S DISCUSSION & ANALYSIS REPORTS**

The Corporate Governance and Management's Discussion & Analysis Report, which form an integral part of this Report, are set out as separate Annexures, together with the Certificate from the Auditors of the Company regarding compliance with the requirements of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

**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 : 28th May, 2015

**N. SUBRAMANIAN**  
Chairman of the Meeting

**BO JINGEN**  
Managing Director



**SECRETARIAL AUDIT REPORT****FOR THE FINANCIAL YEAR ENDED 31.03.2015****[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]****To the Members****HYDRO S & S INDUSTRIES LIMITED**

Dhun Building, III Floor, 827, Anna Salai, Chennai 600 002

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by HYDRO S & S INDUSTRIES LIMITED (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2015 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by HYDRO S & S INDUSTRIES LIMITED ("the Company") for the financial year ended on 31st March, 2015 according to the provisions as applicable to the Company during the period of audit:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder to the extent of Regulation 55A;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Share Based employee Benefits) Regulations, 2014. **(Not Applicable for the Audit Period);**
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008. **(Not Applicable for the Audit Period);**
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client to the extent of securities issued;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009. **(Not Applicable for the Audit Period);** and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998. **(Not Applicable for the Audit Period);**
- (vi) There are no other laws/ Regulations (as amended from time to time), as informed and certified by the management of the Company which are specifically applicable to the Company based on their sector/industry.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India. **(Not applicable for the audit period).**
- (ii) The Listing Agreements entered into by the Company with the Stock Exchanges, where the equity shares of the Company are listed.

It is reported that during the period under review, the Company has generally been regular in complying with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc., as required under the Companies Act, listing agreement and SEBI Regulations.

We further report that, on examination of the relevant documents and records and based on the information provided by the Company, its officers and authorized representatives during the conduct of the audit, and also on the review of quarterly compliance reports by respective department heads / company secretary / CEO taken on record by the Board of Directors of the Company, in our opinion, adequate systems and processes and control mechanism exist in the Company to monitor and ensure compliance with applicable other general laws including Industrial Laws, Environmental Laws, Human Resources and labour laws.

We further report, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this Audit since the same have been subject to review by statutory financial auditor and other designated professionals.

We further report that:

The Board of Directors of the Company is generally well constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The Managing Director and Whole-time directors are non-residents, and hence, an application has been made for their appointment to the Central Government. Further, the Managing Director and the Whole-time director have made an application to the Company Law Board for compounding of the offense under section 269 of the Companies Act, 1956 on 20th May 2015 for continuing to hold office after the rejection of appointment by the Central Government for not possessing employment visa, which has been duly rectified prior to their re-appointment during the audit period. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were delivered at least 7 days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that during the audit period the company has not carried on any major activity such as:

- Public / Rights / Preferential Issue of Securities.
- Redemption / Buy back of Securities
- Major Decisions taken by the Members in pursuance to Section 180 (1) (a) of the Companies Act, 2013
- Amalgamation / Merger / Reconstruction
- Foreign Technical Collaborations.

For **LAKSHMMI SUBRAMANIAN & ASSOCIATES**  
**P.S.SRINIVASAN**

Partner

ACS No. 1090

C.P.NO. 3122

Place : Chennai

Date : 28th May, 2015

Note: This report is to be read with our letter of even date which is annexed as Annexure-A and forms an integral part of this report.



**ANNEXURE-A**

The Members  
HYDRO S & S INDUSTRIES LIMITED  
Dhun Building, III Floor  
827, Anna Salai  
Chennai 600 002

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on random test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For LAKSHMMI SUBRAMANIAN & ASSOCIATES**

**P.S.SRINIVASAN**  
Partner  
ACS No. 1090  
C.P.NO. 3122

Place : Chennai  
Date : 28th May, 2015

## FORM NO. MGT-9

## EXTRACT OF ANNUAL RETURN

As on Financial Year ended on 31.03.2015

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

## I. REGISTRATION AND OTHER DETAILS:

- i) CIN : L25209TN1983PLC010438
- ii) Registration Date : 10<sup>th</sup> November, 1983
- iii) Name of the Company : Hydro S & S Industries Limited
- iv) Category / Sub-Category : Company Limited by Shares / Indian Non-government Company of the Company
- v) Address of the Registered office and contact details : Dhun Building, III Floor, 827, Anna Salai, Chennai – 600 002. Tel : 044 – 28521736, Fax : 044 - 28520420
- vi) Whether listed company : Yes
- vii) Name, Address and Contact details of Registrar and Transfer Agent, if any : M/s. Integrated Enterprises (India) Limited, 2<sup>nd</sup> Floor, "Kences Towers", No. 1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600 017. Tel : +91-44-28140801 - 03, Fax No. : +91-44-28142479

## II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10% or more of the total turnover of the company shall be stated)

Sl.No.	Name and Description of main products / services	NIC Code of the Products / services	% to total turnover of the company
1	Modified Thermoplastics	22209	100%

## III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Foreign Holding and Associate Companies

Sl. No.	Name and Address of the Company	CIN / GIN	Holding/Subsidiary/ Associate	% of shares held	Applicable Section
1.	Kingfa Sci. & Tech. Co., Ltd. No.33, Kefeng Road, Science City, Guangzhou Hi-Tech Industrial Development Zone, Guangzhou, China 510663	—	Holding Company	74.99%	Section 2 (46)
2.	Shanghai Kingfa Sci And Tech Co. Ltd. No. 88, Kangyuan Road, Zhujiyajiao Industry Zone, Qingpu, Shanghai, China – 201 714	—	Associate Company	—	Section 2(6)
3.	Jiangsu Kingfa Sci. & Tech. Advanced Material Co. Ltd., No.388, Xijiang Road Kunshan, Economic & Technological Development Zone, Jiangsu, China	—	Associate Company	—	Section 2(6)
4.	Hongkong Kingfa Development Co., Ltd. Flat/RM 1211 12 / F Wealth Comm Ctr Kwong Wa Street, Mongkok, Hong Kong	—	Associate Company	—	Section 2(6)
5.	Tianjin Kingfa Advanced Materials Co., Ltd No. 1 Wei 7 Road, Tianjin Airport Economical Area, Tianjin, China	—	Associate Company	—	Section 2(6)



## IV. Shareholding Pattern (Equity Share Capital Break-up as percentage of Total Equity)

## (i) Category-wise Shareholding

Category Code	Category of Shareholder	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A.	SHAREHOLDING OF PROMOTER AND PROMOTER GROUP									
(1)	Indian									
a)	Individual/Hindu Undivided Family	0	0	0	0.00	0	0	0	0.00	0.00
b)	Central Government/ State Governments	0	0	0	0.00	0	0	0	0.00	0.00
c)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
d)	Financial Institutions / Banks	0	0	0	0.00	0	0	0	0.00	0.00
e)	Any other (Specify)	0	0	0	0.00	0	0	0	0.00	0.00
	Sub Total A(1)	0	0	0	0.00	0	0	0	0.00	0.00
(2)	Foreign									
a)	Individual (Non resident Individuals / Foreign individuals)	0	0	0	0.00	0	0	0	0.00	0.00
b)	Bodies Corporate	5305032	0	5305032	82.80	4805032	0	4805032	74.99	(7.80)
c)	Institutions	0	0	0	0.00	0	0	0	0.00	0.00
d)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
e)	Any other (Specify)	0	0	0	0.00	0	0	0	0.00	0.00
	Sub Total A(2)	5305032	0	5305032	82.80	4805032	0	4805032	74.99	(7.80)
	Total shareholding of Promoter and Promoter Group (A)= (A)(1) +(A)(2)	5305032	0	5305032	82.80	4805032	0	4805032	74.99	(7.80)
B.	Public Shareholding									
(1)	Institutions									
a)	Mutual Funds/ UTI	0	0	0	0.00	0	0	0	0.00	0.00
b)	Financial Institutions / Banks	0	200	200	0.00	0	200	200	0.00	0.00
c)	Central Government/ State Governments	0	0	0	0.00	0	0	0	0.00	0.00
d)	Venture capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
e)	Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
f)	Foreign Institutional Investors	0	0	0	0.00	0	0	0	0.00	0.00
g)	Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
h)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
i)	Any other	0	0	0	0.00	0	0	0	0.00	0.00
	Sub Total B(1)	0	200	200	0.00	0	200	200	0.00	0.00

## (i) Category-wise Shareholding cont...

Category Code	Category of Shareholder	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2)	<b>Non-Institutions</b>									
a)	Bodies Corporate	69992	962	70954	1.11	133938	929	134867	2.10	1.00
b)	Individuals									
(i)	Individual Shareholders holding Nominal Share Capital upto ₹ 1 Lakh	651132	155783	806915	12.59	618145	150674	768819	12.00	(0.59)
(ii)	Individual Shareholders holding Nominal Share Capital in excess of ₹ 1 Lakh	169895	21588	191483	2.99	513810	21588	535398	8.36	5.37
c)	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
d)	<b>Any other</b>									
(i)	CLEARING MEMBER	2486	0	2486	0.04	831	0	831	0.01	(0.03)
(ii)	CORPORATE CM/TM - CLIENT MARGIN A/C	1457	0	1457	0.02	136397	0	136397	2.13	2.11
(iii)	CORPORATE CM/TM - CLIENT BENEFICAIY A/C	28677	0	28677	0.45	25121	0	25121	0.39	(0.06)
(iv)	INDIVIDUAL - MARGIN TRADING ACCOUNT	0	0	0	0.00	39	0	39	0.00	0.00
(v)	LIMITED LIABILITY PARTNERSHIP	0	0	0	0.00	500	0	500	0.01	0.01
	<b>Sub Total B(2)</b>	923639	178333	1101972	17.20	1428781	173191	1601972	25.00	7.80
	Total Public Shareholding (B)= (B)(1)+(B)(2)	923639	178533	1102172	17.20	1428781	173391	1602172	25.01	7.80
	<b>TOTAL (A) + (B)</b>	6228671	178533	6407204	100.00	6233813	173391	6407204	100.00	0.00
C.	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>									
1.	Promoter and Promoter Group	0	0	0	0.00	0	0	0	0.00	0.00
2.	Public	0	0	0	0.00	0	0	0	0.00	0.00
	<b>Grand Total (A) + (B) + (C)</b>	6228671	178533	6407204	100.00	6233813	173391	6407204	100.00	0.00



**(ii) Shareholding of Promoters**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year		Shareholding at the end of the year		
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company	% of Shares Pledged/encumbered to total shares
1.	KINGFA SCI. AND TECH. CO. LTD	5305032	82.80	4805032	74.99	—
	Total	5305032	82.80	4805032	74.99	—

**(iii) Change in Promoters Shareholding**

Sl.No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	KINGFA SCI. AND TECH. CO. LTD - PAN : AAFCK0816Q	5305032	82.80	5305032	82.80
	At the beginning of the year				
	Date wise increase / Decrease in Promoters Shareholding during the year	(258930)	(4.04)	5046102	78.76
	Offer for Sale through Stock Exchange Mechanism - December 16, 2014	(241070)	(3.76)	4805032	74.99
	Offer for Sale through Stock Exchange Mechanism - January 15, 2015				
	At the End of the year			4805032	74.99

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

Sl. No.	NAME OF THE SHAREHOLDERS	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	VIJAY KUMAR JAIN	50000	0.780	43000	0.033
2.	MITA DIPAK SHAH	47000	0.734	56700	0.885
3.	JITENDRA D. BADANI	33831	0.528	24975	0.390
4.	NAVJEEVAN EQUITY BROKING PVT. LTD.	19000	0.297	1000	0.016
5.	JSEL SECURITIES LTD.	18395	0.287	360	0.006
6.	SHARDA S SHAH	13300	0.208	13300	0.208
7.	YOGESH CHANDRAKANT ASHER	13200	0.206	13200	0.206
8.	HEM SECURITIES LIMITED	13000	0.203	7000	0.109
9.	DILIP POONAMCHAND BABOO	12901	0.201	0	0.000
10.	RANI MADANGOPAL WADHWA	11611	0.181	11611	0.181

**(v) Shareholding of Directors and Key Managerial Personnel:**

Sl.No.	Shareholding of each Directors and Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
DIRECTORS					
1.	Mr. Nie Delin, Director				
	At the beginning of the year	—	—	—	—
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/ decrease(e.g. allotment / transfer / bonus/ sweat equity etc):	—	—	—	—
	At the End of the year	—	—	—	—
2.	Mr. Bo Jingen, Managing Director				
	At the beginning of the year	—	—	—	—
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	—	—	—	—
	At the End of the year	—	—	—	—
3.	Mr. Wu Xiaohui, Whole-time Director				
	At the beginning of the year	—	—	—	—
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	—	—	—	—
	At the End of the year	—	—	—	—
4.	Mr. N. Subramanian, Independent Director				
	At the beginning of the year	—	—	—	—
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	—	—	—	—
	At the End of the year	—	—	—	—
5.	Ms. Kamana Srikanth, Independent Director				
	At the beginning of the year	—	—	—	—
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	—	—	—	—
	At the End of the year	—	—	—	—

Sl.No.	Shareholding of each Directors and Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
KEY MANAGERIAL PERSONNEL					
1.	Mr. N.K. Ramaswamy, Chief Executive Officer				
	At the beginning of the year	—	—	—	—
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer / bonus/ sweat equity etc): 17/12/2014 - Buy 21/01/2015 - (Sell)	101 (101)	0.00 (0.00)	101 —	0.00 —
	At the End of the year	—	—	—	—
2.	Mr. Xie Dongming, Chief Financial Officer				
	At the beginning of the year	—	—	—	—
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer / bonus/ sweat equity etc):	—	—	—	—
	At the End of the year	—	—	—	—
3.	Mr. S.K. Subramanyan, Company Secretary				
	At the beginning of the year	—	—	—	—
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer / bonus/ sweat equity etc):	—	—	—	—
	At the End of the year	—	—	—	—

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment (₹ In Lacs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	1755.19	4442.39	—	6197.58
ii) Interest due but not paid	—	6.64	—	6.64
iii) Interest accrued but not due	—	11.49	—	11.49
<b>Total (i+ii+iii)</b>	1755.19	4460.52	—	6215.71
<b>Change in Indebtedness during the financial year</b>				
• Addition	—	3110.51	—	3110.51
• Reduction	1740.89	—	—	1740.89
<b>Net Change</b>	-1740.89	3110.51	—	1369.62
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	14.3	7525.45	—	7539.75
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	—	45.58	—	45.58
<b>Total (i+ii+iii)</b>	14.3	7571.03	—	7585.33

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(₹ In Lacs)

Sl.No.	Particulars of Remuneration	Name of MD / WTD / Manager		Total Amount
		Mr. Bo Jingen - MD *	Mr.Wu Xiaohui - WTD *	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act,1961	—	—	—
	(b) Value of perquisites u/s17(2) Income-tax Act,1961	—	—	—
	(c) Profits in lieu of salary under section 17(3) Income - tax Act, 1961	—	—	—
2.	Stock Option	—	—	—
3.	Sweat Equity	—	—	—
4.	Commission			
	- as % of profit	—	—	—
	- others, specify...	—	—	—
5.	Others, please specify	—	—	—
	Total (A)	—	—	—
	Ceiling as per the Act	NA	NA	NA

\* Mr.Bo Jingen and Mr.Wu Xiaohui have opted not to draw any remuneration.

**B. Remuneration to other directors:**

(₹ In Lacs)

Sl.No.	Particulars of Remuneration	Name of Directors		Total Amount
		Mr. N. Subramanian	Ms. Kamana Srikanth	
1.	Independent Directors			
	- Fee for attending board/committee meetings	1.40	0.20	1.60
	- Commission	—	—	—
	- Others, please specify	—	—	—
	Total (1)	1.40	0.20	1.60
2.	Other Non-Executive Director	Mr. Nie Delin		
	- Fee for attending board/committee meetings	0.66	—	0.66
	- Commission	—	—	—
	- Others, please specify	—	—	—
	Total (2)	0.66	—	0.66
	Total (B)=(1+2)	2.06	0.20	2.26
	Total Managerial Remuneration			2.26
	Overall Ceiling as per the Act			42.00



## C. Remuneration to key managerial personnel other than MD/Manager/WTD

(₹ In Lacs)

Sl.No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		CEO Mr. N.K. Ramaswamy	Company Secretary Mr. S.K. Subramanyan	CFO Mr. Xie Dongming	
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	41.41	21.91	13.20	76.52
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	5.95	4.70	2.09	12.74
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	—	—	—	—
2.	Stock Option	—	—	—	—
3.	Sweat Equity	—	—	—	—
4.	Commission				
	- as % of profit	—	—	—	—
	- others, specify...	—	—	—	—
5.	Others, please specify	—	—	—	—
	Total	47.36	26.61	15.29	89.26

## VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD/NCLT/ COURT)	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty	—	—	—	—	—
Punishment	—	—	—	—	—
Compounding	—	—	—	—	—
<b>B. DIRECTORS</b>					
Penalty	—	—	—	—	—
Punishment	—	—	—	—	—
Compounding	—	—	—	—	—
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	—	—	—	—	—
Punishment	—	—	—	—	—
Compounding	—	—	—	—	—

## ANNEXURE - III

**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

The information under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 for the year ended March 31, 2015 is given here below and forms part of the 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.

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

1. Higher efficiency screw compressors replaced conventional screw compressors.
2. New design Air-Knife of lower power input replacing the conventional air-knives.

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

The Company's R&D focus continues on developing newer formulations that deliver the new performance expectations of the Automotive OEM's which are evolving as the automotive market matures and the requirements become more specific. The industry is basically driven by lower cost and higher fuel efficiency with additional features like styling, innovation and differentiation. Additional challenges like CO2 foot print, emission norms, use of eco friendly materials and increased customer expectations lead to materials with low gloss, soft feel, lower CLTE, high stiffness, moldability at lower thickness. The focus of the company remains in meeting these enhanced needs at competitive prices.

**(ii) Expenditure on R & D (₹ in Lacs)**

(a) Capital	—	72.37
(b) Recurring	—	169.13
<b>Total</b>	<b>—</b>	<b>241.50</b>

**(b) Technology Absorption, Adaptation and Innovation:**

Manufacturing process using innovative formulation and new blending techniques for getting improved properties in our compounds have enabled us to win new business and be cost effective. The skill and capabilities for new developments were expanded. Technical and Marketing personnel were exposed to new techniques at our HQ in China. We are seeing positive response from our customers. We have also added capability to manufacture other engineering plastics which is being well accepted by the customers and OEM's.

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

Foreign Exchange Earnings	—	118.06
Foreign Exchange Outgo	—	5852.34

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 forming part of Financial Statements.

**For and on behalf of the Board of Directors**

Place : Chennai  
Date : 28th May, 2015

**N. SUBRAMANIAN**  
Chairman of the Meeting

**BO JINGEN**  
Managing Director

## CORPORATE GOVERNANCE REPORT

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 usage of 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 Managing Director, one Whole-time Director (the Executive Directors) and three Non-Executive Directors. Two of the three Non-Executive Directors are Independent Directors.

#### Meetings

During the year 2014 - 15, the Board met 5 times on 28th May, 2014, 27th June, 2014, 25th July, 2014, 31st October, 2014, and 13th February, 2015. The last AGM was held on 25th July, 2014.

The following table gives the details of category of Board of Directors and their attendance at Board Meetings and last AGM and details of Memberships in other Boards and Board Committees as on 31st March, 2015.

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. Nie Delin	NI-NE	2	No	1	—	2	1
Mr. Bo Jingen	NI-EX	5	Yes	—	—	1	—
Mr. Wu Xiaohui	NI-EX	4	Yes	—	—	—	—
Mr. N.Subramanian	IN-NE	5	Yes	2	—	3	1
Ms. Kamana Srikanth (*)	IN-NE	1	(*)	1	—	1	—

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

(\*) Inducted from 13th February, 2015.

@ As required under the Listing Agreement, Memberships / Chairmanships of only Audit Committee and Stakeholders' Relationship Committee have been included.

None of the Directors are related to one another.

## Board Procedure

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

#### Terms of reference

The Audit Committee of the Company functions under the mandate stipulated under the Listing Agreement and the Companies Act, 2013 which includes reviewing and taking corrective actions as and when required, in consultation with the Internal Auditors.

#### A. Powers of Audit Committee

The Audit Committee shall have powers, including the following:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

#### B. Role of Audit Committee

The role of the Audit Committee shall include the following:

1. Oversight of the Issuer's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;



- ii. Changes, if any, in accounting policies and practices and reasons for the same;
  - iii. Major accounting entries involving estimates based on the exercise of judgment by management;
  - iv. Significant adjustments made in the financial statements arising out of audit findings;
  - v. Compliance with listing and other legal requirements relating to financial statements;
  - vi. Disclosure of any related party transactions; and
  - vii. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
  6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
  7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
  8. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  9. Discussion with internal auditors any significant findings and follow up there on.
  10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
  11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
  13. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
  14. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
  15. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Further, the Audit Committee shall mandatorily review the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

It 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 was reconstituted as under with effect from 13th February, 2015:

- A) Mr. Nie Delin - Member
- B) Mr. N.Subramanian - Member
- C) Ms. Kamana Srikanth - Member from 13.02.2015

The Members present will appoint one of the Independent Director Member to chair at every meeting.

#### **Meetings**

During the financial year 2014 - 15, four Audit Committee Meetings were held on 28th May, 2014, 25th July, 2014, 31st October, 2014 and 13th February, 2015.

#### **Attendance**

Name of the Director	No. of Meetings Attended
Mr. Nie Delin	2
Mr. N. Subramanian	4

#### **4) Nomination and Remuneration Committee**

##### **Terms of reference**

The Nomination and Remuneration (N&R) Committee has adopted a broad principles which, inter alia, deals with the manner of selection of Board of Directors.

The Non Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in the fields of manufacturing, marketing, finance, taxation, law, governance and general management.

In case of appointment of Independent Directors, the N&R Committee shall satisfy itself with regard to the independent nature of the Directors vis-à-vis the Company so as to enable the Board to discharge its function and duties effectively.

The N&R Committee shall ensure that the candidate identified for appointment as a Director is not disqualified for appointment under Section 164 of the Companies Act, 2013.

The N&R Committee shall consider the following attributes / criteria, whilst recommending to the Board the candidature for appointment as Director.

- i. Qualification, expertise and experience of the Directors in their respective fields;
- ii. Personal, Professional or business standing;
- iii. Diversity of the Board.

In case of re-appointment of Non Executive Directors, the Board shall take into consideration the performance evaluation of the Director and his engagement level.

**Remuneration**

The Non Executive Directors shall be entitled to receive remuneration by way of sitting fees, reimbursement of expenses for participation in the Board meetings.

A Non Executive Director shall be entitled to receive sitting fees for each meeting of the Board attended by him, of such sum as may be approved by the Board of Directors within the overall limits prescribed under the Companies Act, 2013.

A Nomination and Remuneration Committee has been constituted to determine the quantum and components of the remuneration to be paid to the Managing Director / Whole-time Directors.

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

The composition of the Nomination and Remuneration Committee was reconstituted as under with effect from 13th February, 2015:

- A) Mr. Nie Delin - Member
- B) Mr. N.Subramanian - Member
- C) Ms. Kamana Srikanth - Member from 13.02.2015

The Members present will appoint one of the Independent Director Member to chair at every meeting.

**Meetings**

During the financial year 2014 - 15, one meeting of the Nomination and Remuneration Committee was held on 31.10.2014 and it was attended by Mr. Nie Delin and Mr. N.Subramanian.

**Remuneration policy**

The Nomination and Remuneration Committee determines and recommends to the Board, the quantum of remuneration including incentives and perquisites payable to Whole Time Directors / Directors of the Company as and when they come for review.

**Remuneration of Directors**

The compensation of the Managing Director / Whole-time Directors comprises of a fixed component plus commission / incentive. The Managing Director / Whole-time Directors are not paid Sitting fees for any Board / Committee Meetings attended by them. The Agreements with the Managing Director / Whole-time Directors are contractual in nature.

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	₹ 20,000/-
Stakeholder Relationship Committee Meetings	₹ 2,000/-
Audit Committee Meetings	₹ 10,000/-
Nomination and Remuneration Committee Meetings	₹ 10,000/-

The details of the remuneration paid / payable to the Directors for the year 2014 - 15 together with sitting fees paid and the shareholding held by the Non Executive Directors as on 31st March, 2015 are as under :

**Whole Time Directors**
**(in ₹)**

Name of the Director	Salary	Commission	Performance Incentive	Perks	Total
Mr. Bo Jingen ( * )	—	—	—	—	—
Mr. Wu Xiaohui ( * )	—	—	—	—	—

(\*) Mr.Bo Jingen and Mr. Wu Xiaohui have opted not to draw any remuneration from the Company for the year under review.

**Non Executive Directors**

Name of the Director	Sitting fees paid for Board and Committee Meetings (₹)	Commission (₹)	Shares held in the Company (Nos.)
Mr. Nie Delin	66,000	Nil	Nil
Mr. N.Subramanian	1,40,000	Nil	Nil
Ms. Kamana Srikanth ( * )	20,000	Nil	Nil

(\*) Inducted from 13th February, 2015

No other remuneration is being paid by the Company to any of the Non - Executive Directors other than the sitting fees. No convertible instruments are held by the Non - Executive Directors.

**5) Stakeholder Relationship Committee**

The Board of Directors has constituted a Stakeholder Relationship 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 :

1. Mr. Nie Delin - Chairman
2. Mr. Bo Jingen - Member

The Compliance Officer is Mr. S.K. Subramanyan, Company Secretary.

To expedite the process of Share Transfer, the Board has delegated the power to approve Share Transfers to Compliance Officer and those transfers which are so approved are ratified at the immediately following Stakeholder Relationship Committee Meeting.

During the year 2014 - 15, the Stakeholder Relationship Committee met three times on 28th May, 2014, 31st July, 2014, and 31st October, 2014.

**Attendance**

Name of the Director	No. of Meetings Attended
Mr. Nie Delin	3
Mr. Bo Jingen	3



The Company confirms that there were no share transfers pending for approval as on 31st March, 2015 and all requests for de-materialization and re-materialization as on that date were confirmed / rejected through NSDL / CDSL system.

During the year 2014 - 15, the Company received 6 complaints from the investors and all of them were resolved to the satisfaction of the investors concerned. There are no complaints pending to be resolved as on 31st March, 2015.

## 6) General Body Meetings

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

Financial Year Ended	Date	Time	Venue
31.03.2014	25.07.2014	10.15 a.m.	Narada Gana Sabha, "Mini Hall" No.314 (Old No.254), T.T.K. Road, Chennai - 600 018.
31.03.2013	18.09.2013	10.00 a.m.	Narada Gana Sabha, "Mini Hall" No.314 (Old No.254), T.T.K. Road, Chennai - 600 018.
31.03.2012	17.09.2012	3.00 p.m.	The Music Academy, Kasturi Srinivasan Hall (Mini Hall), New No.168, T.T.K.Road, Royapettah, Chennai - 600 014.

**(B) Details of Special Resolutions passed at the last three Annual General Meetings:**

**I. At the 30th Annual General Meeting held on 25th July, 2014**

- Borrowing an amount not exceeding ₹ 150,00,00,000/-
- Intimation to BIFR regarding erosion of more than fifty percent of its peak net worth.
- Preferential Allotment of Equity Shares

**II. At the 29th Annual General Meeting held on 18th September, 2013**

- Appointment of Mr. Bo Jingen as Managing Director for a period of three years with effect from 3rd July, 2013
- Appointment of Mr. Wu Xiaohui as Whole-time Director for a period of three years with effect from 3rd July, 2013

**III. At the 28th Annual General Meeting held on 17th September, 2012**

- Payment of Commission to Mr.Murali Venkatraman, Vice Chairman.
- Re-appointment of Mr.S.K.Subramanyan as Whole Time Director [Director (Finance & Administration) & Company Secretary] for a further period of three years w.e.f. 1st October, 2012

**(C) Postal Ballot**

No Resolution involving Postal Ballot was passed since last Report.

**(D) A brief resume and name of the companies in which Directors, who are being appointed / re-appointed, hold Directorships / Committee Memberships and Shareholding in the Company.**

Details of Director(s) retiring or being appointed or re-appointed are given in the notice of the Annual General Meeting which is forming part of the Annual Report of the Company.

## 7) Disclosures

- ❖ **Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the Management, their Subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large:**

All transactions entered into with the Related Parties as defined under the Companies Act, 2013 and Clause 49 of the Listing Agreement during the financial year were in the ordinary course of business and on arm's length basis. Transactions with Related Parties have been disclosed in Note No. 28 forming part of Financial Statements.

A statement in summary form of transactions with related parties in the ordinary course of business and arm's length basis is periodically placed before the Audit Committee for review and recommendation to the Board for their approval.

None of the transactions with related parties were in conflict with the interest of the Company. All the transactions are in the normal course of business and have no potential conflict with the interest of the Company at large and are carried out on an arm's length basis or fair value.

- ❖ **Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchanges or SEBI or any statutory authority on any matter related to the capital markets, during the last three years:**

No penalties or strictures have been imposed by any regulatory authority on any matter related to capital markets during the last three years.

- ❖ **Code of conduct for prevention of Insider Trading:**

The company has framed a code of conduct for prevention of Insider Trading based on SEBI (Insider Trading), Regulations.

This code is applicable to all Directors and Designated Employees having access to unpublished price sensitive information.

- ❖ **Whistle Blower Policy and affirmation that no personnel has been denied access to the audit committee:**

The Company confirms that it has not denied access to any personnel to approach the Management or the Audit Committee on any issue.

- ❖ **Details of Compliance with mandatory requirements stipulated under Clause 49 of the Listing Agreement and adoption of the non-mandatory requirements:**

The Company has complied with all the mandatory requirements stipulated under Clause 49 of the Listing Agreements entered into with the Stock Exchanges. Adoption of non-mandatory requirements of Clause 49 of the Listing Agreement is being reviewed by the Board from time-to-time.

## 8) Means of Communication

- |  |  |
|--|--|
| 1. Quarterly Results   | : Communicated through advertisement in newspapers.  |
| 2. Newspapers wherein results normally published                     | : Financial Express (English) and Maalai Sudar (Tamil).  |
| 3. Any Website where displayed                                       | : <a href="http://www.hssil.com">www.hssil.com</a><br><a href="http://www.bseindia.com">www.bseindia.com</a> |
| 4. Any official news release published                               | : No   |
| 5. Details of presentation needs to Institutional Investors/Analysts | : Nil  |

The Management's Discussion and Analysis highlighting specific details of the operations has been included in the Directors' Report.

## 9) General Shareholder Information

a) **Registered Office** : Dhun Building, III Floor, 827, Anna Salai, Chennai - 600 002

### b) Annual General Meeting

Day	:	} Details are given in the notice of the Annual General Meeting which is forming part of the Annual Report of the Company.
Date	:	
Time	:	
Venue	:	

c) **Financial Year** : 1st April to 31st March

### d) Financial Calendar for 2015 – 2016 :

[tentative schedule excluding Extraordinary General Meeting(s) if any]

First Quarter Results (30th June, 2015)	on or before August 14, 2015
Second Quarter Results (30th September, 2015)	on or before November 14, 2015
Third Quarter Results (31st December, 2015)	on or before February 14, 2016
Fourth Quarter Results (31st March, 2016)	before end of May, 2016
Annual General Meeting (2015-2016)	In accordance with Companies Act, 2013

e) **Date of Book Closure** : Details are given in the notice of the Annual General Meeting which is forming part of the Annual Report of the Company.

f) **Dividend Payment Date** : Equity Shares – Not Applicable

### g) Listing on Stock Exchanges

#### Stock Code

#### (1) BSE Limited (BSE)

(Scrip Code – 524019)

524019

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

#### (2) Madras Stock Exchange Limited (MSE)

HYDRO S & S

"Exchange Building", No.30, Second Line Beach, Chennai - 600 001.

(SEBI vide its exit order dated May 14, 2015 has allowed exit of Madras Stock Exchange Limited as a stock exchange. Therefore, presently the equity shares of our Company continues to list and trade only at BSE Limited).

Demat ISIN No. for CDSL and NSDL is INE473D01015

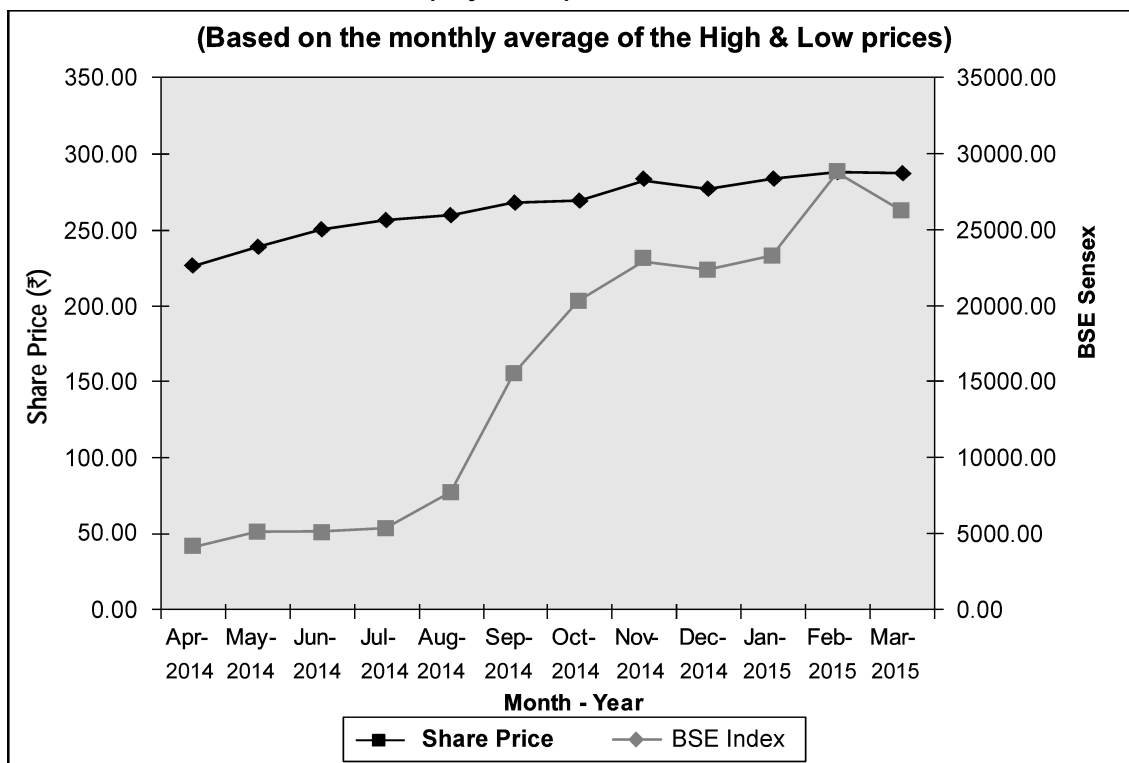
The Listing fees to BSE have been paid upto date.

## h) Market Price Data – High &amp; Low of Equity Shares of the Company

(in ₹)

Month	Year	BSE Limited		Madras Stock Exchange Ltd.	
		High	Low	High	Low
April	2014	46.00	36.70	<b>No Trading in 2014 - 2015</b>	
May	2014	63.00	38.20		
June	2014	54.60	47.00		
July	2014	58.95	47.50		
August	2014	98.10	55.00		
September	2014	210.85	100.00		
October	2014	228.45	177.05		
November	2014	269.95	192.15		
December	2014	264.40	183.00		
January	2015	285.85	180.10		
February	2015	332.50	244.00		
March	2015	305.00	221.00		

## i) Performance of Share Price of the Company in comparison to BSE Sensex



**j) Registrar & Share Transfer Agent :** M/s. Integrated Enterprises (India) Limited  
Unit : Hydro S & S Industries Limited  
2nd Floor, Kences Towers, No. 1, Ramakrishna Street,  
North Usman Road, T. Nagar, Chennai - 600 017.  
Phone Nos. : +91-44-28140801 - 803  
Fax No. : +91-44-28142479  
E-Mail : yuvraj@integratedindia.in  
Contact Person : K. Suresh Babu, Vice President

- k) Share Transfer System :**
1. Transfer of the shares held in electronic form are done through the depositories by the share transfer agent.
  2. Transfer of shares in the physical form are done within statutory time limit.
  3. The power to approve the transfer, transmission and other Share Certificate related matters has been delegated by the Board to Compliance Officer and his action is ratified at the next Stakeholder Relationship Committee Meeting.
  4. Certificate under Clause 47(c) of the Listing Agreement is obtained from a Practising Company Secretary every six months confirming the transfer, transmission etc. of equity shares within one month of their lodgement and sent to BSE Limited and Madras Stock Exchange Ltd.
  5. Reconciliation of Share capital Audit as stipulated by SEBI is conducted on quarterly basis reconciling the admitted equity share capital with the shares in electronic and physical form and Certificate issued in this regard by Practising Company Secretary is forwarded to BSE Limited and Madras Stock Exchange Ltd.

**l) Distribution of Shareholding and Shareholding Pattern as on 31.03.2015.**

**i) Distribution of Shareholding**

Category	Shareholders		Shares	
	Number	% to Total	Number	% to Total
Upto 2500	3019	97.45	557080	8.69
2501 – 5000	40	1.29	151255	2.36
5001 – 10000	19	0.61	136277	2.13
10001 – 20000	4	0.13	62176	0.97
20001 – 30000	6	0.19	141053	2.20
30001 – 40000	1	0.03	34000	0.53
40001 – 50000	4	0.13	190125	2.97
50001 – 100000	4	0.13	330206	5.15
100000 & above	1	0.03	4805032	74.99
<b>Total</b>	<b>3098</b>	<b>100.00</b>	<b>6407204</b>	<b>100.00</b>

## ii) Shareholding Pattern

Category	Holders	Shares	Voting Strength (Percentage)
Promoter	1	4805032	74.99
Non-Resident Individuals / OCBs	79	66203	1.03
Foreign Institutional Investors	0	0	0.00
Bodies Corporate	86	134867	2.10
FIIs/Mutual Funds/Banks	1	200	0.00
Resident Individuals	2901	1238014	19.32
Others (Clearing Member & Trusts)	30	162888	2.54
<b>Total</b>	<b>3098</b>	<b>6407204</b>	<b>100.00</b>

## m) Dematerialisation of Shares &amp; liquidity

The shares of the Company can be held and traded in electronic form. As on March 31, 2015, 97.30% of the Company's total equity shares representing 62,33,813 shares were held in dematerialised form and the balance 2.70% representing 1,73,391 shares in the physical form.

## n) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity — Nil

## o) Plant Locations

RS No.38/1, Sedarapet Industrial Area, Sedarapet, Puducherry - 605 111. — Modified Thermoplastics  
 G 34, Addl. Jejuri Industrial Area Jejuri, Tal. Purandar, Pune – 412 303. — Modified Thermoplastics  
 Plot No-406, Sector-8, IMT Manesar, Gurgaon - 122050, Haryana — Modified Thermoplastics  
 Plot No.15C, SIPCOT Industrial Complex, Pudukkottai - 622 002 — Modified Thermoplastics

## p) Address for Correspondence

(i) Share related matters — M/s. Integrated Enterprises (India) Limited  
 Unit : Hydro S & S Industries Limited  
 2nd Floor, Kences Towers, No. 1, Ramakrishna Street,  
 North Usman Road, T. Nagar, Chennai - 600 017.  
 Phone Nos. : +91-44-28140801 - 03  
 Fax No. : +91-44-28142479  
 E-Mail : yuvraj@integratedindia.in  
 Contact Person : K. Suresh Babu, Vice President

(ii) Other matters — Company Secretary  
 Hydro S & S Industries Limited (A Kingfa Group Company)  
 Dhun Building, III Floor, 827, Anna Salai, Chennai - 600 002.  
 Phone Nos. : +91-44-28521736  
 Fax No. : +91-44-28520420  
 E-Mail : secretarial@hssil.com

For and on behalf of the Board of Directors

Place : Chennai  
 Date : 28th May, 2015

N. SUBRAMANIAN  
 Chairman of the Meeting

BO JINGEN  
 Managing Director

## **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

### **To the Members of Hydro S & S Industries Limited**

We have examined the compliance of conditions of Corporate Governance by Hydro S & S Industries Limited ('the Company') for the year ended 31 March, 2015, as stipulated in clause 49 of the Listing Agreement of the Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that all investor grievances were redressed within 30 days of lodgment of grievance and as on 31.03.2015 no investor complaint is pending against the company as per the records maintained by the Stakeholders Relationship Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**for P.SRINIVASAN & Co.,**  
Chartered Accountants  
(Firm Registration No. : 004054S)

Place : Chennai  
Date : 28th May, 2015

**C.A.P.SRINIVASAN**  
Partner  
Membership No. : 02090

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## **CEO / CFO Certification**

As required by sub-clause IX of Clause 49 of the Listing Agreement with the Stock Exchanges, we have certified to the Board that for the financial year ended March 31, 2015, the Company has complied with the requirements of the said sub-clause.

**for HYDRO S & S INDUSTRIES LIMITED,**

Place : Chennai  
Date : 28th May, 2015

**BO JINGEN**  
Managing Director

**XIE DONGMING**  
Chief Financial Officer



## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

### A) INTRODUCTION

This report addresses the Management's perception of the current business environment, opportunities available and challenges foreseen while analyzing the company's performance for the year under review. The report below also summarizes the company's control measures and human resources development plan. The report should be read in conjunction with the Director's report to the shareholders, financial statements and other notes included elsewhere in this Annual report.

### B) BUSINESS SCENARIO

The automotive industry showed some signs of recovery and the passenger vehicle sales finally started showing some improvement in year on year sales. The sales remained Sluggish in growth as the interest rates remained high which did not attract buyer as originally envisaged. In spite of this our business volumes grew by around 15% on year on year basis thanks to our focus on multiple markets and OEM's to reduce risk. Additional product offerings from our parent KINGFA also helped us to gain access to other industries.

While our raw material prices remained firm with a marginal upward trend during the first 3 quarters we got a significant relief in the last quarter when the key raw material prices slumped by more than 25%. This was however short lived as the prices got back to almost peak levels by end of the quarter.

### C) COMPANY PERFORMANCE

There was a marginal improvement in the production of passenger cars and this we could take some advantage of in building our volumes. Our efforts to focus on all OEM's and also additional manpower in the front end enables us to gain a larger share with the OEM's. With greater coverage at OEM's and market we have been able to add new accounts and new shares during the year which is reflected in increase in our volumes and Additional product lines of Engineering plastics.

#### 1) Operations

While the volumes went up by around 15% our turnover went up by around 23% thanks to focus on grades with improved prices and also operational efficiency. Price corrections due from customers were implemented on time and also added newer products. Engineering plastics line was added in Pune and another new line is under commissioning in Puducherry. Our Plant at Manesar was able to increase its production due to increased sales in North.

#### 2) Optimization Initiatives

Initiatives with a clear focus on reducing our input costs helped us meet the demands of the market. Formulation optimization, help from HQ in sourcing and testing helped us further optimize our cost of production.

#### 3) Technology Upgradation

Our Technical and Sales people skill sets were mapped and focused training was given and also exposed to newer Techniques at our HQ in China to prepare them to handle the latest demands from our customers and OEM's. We are seeing the benefits of this in newer business from OEM's.

#### 4) HR & IR

Training and tools along with periodic reviews and communication to all personnel on the company's focus and goals sustained throughout the year. We are seeing the benefits in increased urgency among the employees approach.

#### 5) Business Initiatives

Diversification of industry/Application remained the focus and would remain the focus as we expand our product basket and industry application areas. We are also looking at and expanding the general market grades which would help us stabilize volumes.

Our focus on appliance segment is yielding some movement with major washing machine, air conditioner, television, lighting, and other manufacturers now working with us for development of material solutions.

New raw material sources, new raw material types, manufacturing and planning process and flexible approach helped us reduce impact of raw material inflation and also our ability to meet the customer's requirements in difficult times.

Our trading business clocked an impressive 20% year on year growth. We were able to add new segments like CPP and BOPP while consolidating our hold in FIBC segment.

**D) ENTERPRISE RISK ANALYSIS AND ITS MANAGEMENT**

The exposure of the Company to various types of risks is detailed below along with the strategy employed to manage / mitigate the same.

**Business risks**

These are of cyclical nature significantly dependent on customers ability to spend. The focus of the new government on MAKE IN INDIA is expected to increase manufacturing which in turn would result in increased demand for our products. The cycle of production and sales of the focus industries are being monitored regularly and steps are being reviewed regularly to ensure we are in tune with the demands of the market.

**Financial Risks**

The Company's operations and structure of inputs and outputs need significant alteration of working capital with due concentration required to be given to debtors management and control of the working capital employed in the business. To mitigate the consequent risks, debtors are managed through judicious payment terms. Inventories are also managed dynamically through lean management principles although tempered by the need to provide for input supply disruptions and swings in customer off-take from plan.

The Company uses petroleum based polymers as the primary raw material. Primary prices are beyond the Company's control. These exposures are mitigated to certain extent by developing a multiple vendor base and raw material options. Capital costs in India is very high and has a big impact on margins. We with support from HQ have been able to reduce it. But the focus remains on controlling the receivables and creditor management.

**Foreign Exchange Risks**

The risk of incurring a loss on payables due to adverse movements in the foreign exchange rates arises in view of the substantial imports of critical raw materials / components. The Company has opted for professional forex advisory services and uses a structured "Foreign Exchange Risk Management Process (FRMP)" to monitor and manage the risk arising from exchange rate movements. The objective of this process is:

- i) To reduce the probability and potential cause of financial risks by making the Company as neutral as possible to currency and interest rate fluctuations.
- ii) To create a stable planning environment by taking steps to reduce the impact of currency and interest rate fluctuations both in respect of short term and long term commitments.
- iii) Based on the advise received from the Forex advisories and also report on dollar views, hedging decisions are taken to hedge the foreign exchange exposures. This to a certain extent helped in mitigating the adverse currency fluctuation.

**Asset protection**

The Company has ensured that its assets are properly safeguarded against all insurable risks using appropriate valuation methods and the adequacy of the same is reviewed periodically with the assistance of independent outside agencies.

Your Company exposure to the passenger auto segment with potential risks of recession resulting in reduced domestic car production and sales has been considered in our future plans for developing alternate markets like appliances, power tools, Electrical for packaging segment as well as identification of other segments which will have less volatility in volumes and pricing pressure. The opportunity to participate in the increasing production of cars for global markets requires greater degree of sophistication in the development of compounds to meet stringent specifications. Besides the Company is also exploring newer uses of its compounds in other automotive sectors. Your company is confident of rising up to this challenge and is taking appropriate steps to equip itself with the necessary tools for this purpose.

**E) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The objective of the internal control systems is to ensure optimal use of resources, safeguard the Company's assets, exercise control, and minimise system deficiencies and weaknesses. Internal Audit is carried out by an independent professional audit firm to review all aspects of the internal control system and adherence to policies and procedures. The Audit Committee of the Board of Directors reviews the internal audit reports and the implementation of corrective actions and also addresses all aspects of the Company's functioning from this perspective as required under SEBI and Company Law guidelines.

## F) FINANCIAL PERFORMANCE

### Revenues

Sales Revenues of the Company grew by 23% over the previous year, whilst the volumes grew by about 15%. Implementation of the price corrections due from customers, helped in improving the revenues.

Trading volumes of Engineering Plastics products were significant in the first full year of operation. Orders booked and executed for the TOSAF's products also grew.

### Input Costs

Polypropylene prices during the first three quarters were relatively bound in a price band. However, PP prices fell substantially during the last quarter of the financial year. However this benefit did not sustain for long, as the prices started firming towards the end of the fourth quarter.

### Financial Costs

During the year, there was a change in the Banker to the Company, since the new Bankers were able to provide the credit facilities at a much lower interest rate.

However, since the year witness high level of Inventor holding, besides higher Receivables funding, besides also funding the CAPEX requirement the overall utilisation of credit from the Bank also increased substantially. This led to high Interest costs. Further the Company had also to provide for depreciation of rupee value in the ECB component borrowed.

## G) ONGOING INITIATIVES AND FUTURE OUTLOOK

- Only if the trend in increasing offtake of vehicles is sustained will the volume of tonnage increases materialise. Such increased volumes and management of supply chain and logistics should help in bettering margins during the current year subject of course to the price behaviour of Polypropylene and other crude oil based inputs.
- New commercial vehicles call for increased usage of PP compounds on interior parts and your Company is already working with major companies in this segment to benefit from this approach.
- Control of receivables and inventory and improved process efficiency, should also contribute to the reduction of working capital requirement leading to a reduction in interest costs.
- Company's strategy is to broadbase its product offerings into other segments of manufacturing, viz, Electrical, Powertools, Appliances through aggressive marketing and also offer products higher in the value chain ( viz. Engineering Plastics).

The overall outlook looks promising with the hope of stable Government at the Centre.

### Cautionary Statement

Statements in the Management's Discussion and Analysis Report describing the Company's projections, estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that would make a difference to the Company's operations include demand-supply conditions, raw material prices, changes in Government regulations, tax regimes, economic developments within the country and other factors such as litigation and labour negotiations.

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## DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a code of conduct for the members of its Board and Senior Management Personnel. I confirm that the Company has, in respect of the Financial year ended 31st March, 2015, received from the members of the Board and Senior Management Team of the Company, a declaration of compliance with the code of conduct as applicable to them.

Place : Chennai  
Date : 28th May, 2015

BO JINGEN  
Managing Director

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYDRO S&S INDUSTRIES LIMITED**

### **REPORT ON THE STANDALONE FINANCIAL STATEMENTS**

We have audited the accompanying standalone financial statements of Hydro S&S Industries Limited ('the Company'), which comprise the balance sheet as at 31 March 2015, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### **OPINION**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2015 and its losses and its cash flows for the year ended on that date.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
  - (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this Report are in agreement with the books of account;
  - (d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) on the basis of the written representations received from the directors as on 31 March 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164 (2) of the Act; and
  - (f) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. the Company has disclosed the impact of pending litigations on its financial position in its financial statements: Refer note 25 of the financial statements.
    - ii. the Company did not have long-term contracts including derivative contracts for which there were any material foreseeable losses; and
    - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For P. SRINIVASAN & Co.,**  
Chartered Accountants  
(Firm Registration No. : 004054S)

Place : Chennai  
Date : 28 May 2015

**CA. P. SRINIVASAN**  
Partner  
Membership No. : 02090

**ANNEXURE TO INDEPENDENT AUDITORS' REPORT OF EVEN DATE**

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) These fixed assets have been physically verified by the management at the end of the financial year which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- ii) (a) As explained to us, inventories held by the Company were physically verified during the year at reasonable intervals by the management.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iii) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained u/s 189 of the Act.
- iv) a) In our opinion and according to the information and explanations given to us, there exists and adequate internal control systems commensurate with the size of the Company and nature of its business with regard to the purchase of inventories and fixed assets and for the sale of goods and services.
- b) In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system of the Company.
- v) The Company has not accepted any deposits from the public during the year to which the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under are applicable.
- vi) The maintenance of cost records has not been prescribed by the Central Government under sub-section 1 of Section 148 of the Companies Act.
- vii) According to the records of the Company,
  - (a) The Company is regular in depositing undisputed statutory dues including provident fund, employee's state insurance, income tax, sales tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues applicable to it, with the appropriate authorities during the year.
  - (b) there are no dues of income tax or sales tax or wealth tax or service tax or duty of customs or duty of excise or value added tax or cess which have not been deposited on account of any dispute except the following pending in appeals:
    - (i) Income tax of ₹ 19.47 lakhs before the first appellate authority
    - (ii) Customs duty of ₹ 26.78 lakhs before the first appellate authority
    - (iii) Sales tax of ₹ 56.87 before the first appellate authority and
    - (iv) Central Excise and Service tax before the first appellate authority ₹ 14.07 lakhs.
  - (c) The Company is required to transfer amounts of ₹ 2,61,261 to investor education and protection fund under the relevant provisions of the Companies Act, 2013 and the same has been transferred to the said fund within time.
- viii) The Company has accumulated losses at the end of the financial year i.e. 31.03.2015 which is more than fifty percent of its net worth. The Company has incurred cash losses in this financial year ended 31.03.2015 and also in the immediately preceding financial year ended 31.03.2014.
- ix) On the basis of records produced, the Company has not defaulted in repayment of the dues to bank. The Company has not availed borrowing facilities from financial institutions and debenture holders.
- x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions during the year.
- xi) As per records produced and information and explanations given, the term loans have been applied for the purpose for which these term loans were obtained.
- xii) On the basis of the audit procedures carried out by us and information and explanations given by the management, we state that no material fraud on or by the Company has been noticed or reported during the course of our audit.

**For P. SRINIVASAN & Co.,**  
Chartered Accountants  
(Firm Registration No. : 004054S)

Place : Chennai  
Date : 28th May 2015

**CA. P. SRINIVASAN**  
Partner  
Membership No. : 02090

**BALANCE SHEET AS AT MARCH 31, 2015**

(₹ in Lacs)

	Note No.	As at March 31, 2015	As at March 31, 2014
<b>I EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
(a) Share Capital	1	640.72	640.72
(b) Reserves and Surplus	2	175.57	498.35
<b>2 Non - Current liabilities</b>			
(a) Long - term borrowings	3	1,505.27	1,456.70
(b) Deferred tax liabilities (Net)	4	(441.36)	(277.22)
(c) Other long term liabilities	5	8.50	5.50
(d) Long - term provisions	6	18.59	12.49
<b>3 Current liabilities</b>			
(a) Short - term borrowings	7	6,023.27	4,740.88
(b) Trade payables	8	3,589.95	2,802.79
(c) Other current liabilities	9	451.36	299.37
(d) Short - term provisions	10	58.96	43.69
<b>TOTAL</b>		<b>12,030.83</b>	<b>10,223.27</b>
<b>II ASSETS</b>			
<b>1 Non - current assets:</b>			
(a) <b>Fixed Assets</b>	11		
(i) Tangible assets		2,486.83	2,413.31
(ii) Intangible assets		2.33	11.48
(iii) Capital work-in-progress		64.39	24.27
(b) Long term loans and advances	12	133.01	109.25
<b>2 Current assets</b>			
(a) Inventories	13	3,197.52	2,295.42
(b) Trade receivables	14	5,593.63	4,707.72
(c) Cash and Cash equivalents	15	31.66	142.93
(d) Short-term loans and advances	16	521.47	518.89
<b>TOTAL</b>		<b>12,030.83</b>	<b>10,223.27</b>

See accompanying Notes forming part of financial statements

As per our Report of even date  
**For M/s. P. SRINIVASAN & Co.**  
Chartered Accountants

**CA. P. SRINIVASAN**  
Partner  
Membership No. : 2090  
FRN. 004054S  
Place : Chennai  
Date : 28th May, 2015

**CA/CS N. SUBRAMANIAN**  
Chairman of the Meeting

**BO JINGEN**  
Managing Director

**XIE DONGMING**  
Chief Financial Officer

**CA/CS S.K. SUBRAMANYAN**  
Company Secretary



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2015**

	Note No.	Year ended 31-03-2015	(₹ in Lacs) Year ended 31-03-2014
I Revenue from operations (Gross)	17	24,680.58	19,933.00
Less: Excise duty		2,801.34	2,150.45
Revenue from operations (Net)		21,879.24	17,782.55
II Other Income	18	12.65	23.26
III Total revenue (I+II)		21,891.89	17,805.81
IV Expenses			
Cost of materials consumed	19	17,772.52	15,523.74
Purchases of stock-in-trade	20	736.72	59.12
Changes in inventories of finished goods and work-in-progress	21	(334.77)	(26.14)
Employee benefits expense	22	811.71	729.04
Finance costs	23	812.33	656.36
Depreciation and amortisation expense		314.18	265.73
Other expenses	24	2,247.54	1,826.56
Total Expenses		22,360.23	19,034.41
V Loss before exceptional and extraordinary items and tax (III-IV)		(468.35)	(1,228.60)
VI Exceptional items		—	—
VII Loss before extraordinary items and tax (V-VI)		(468.35)	(1,228.60)
VIII Extraordinary items		—	—
IX Loss before tax (VII-VIII)		(468.35)	(1,228.60)
X Tax expenses			
1. Current tax		—	—
2. Deferred tax		(164.14)	(380.88)
		(164.14)	(380.88)
XI Loss for the year (IX-X)		(304.21)	(847.72)
XII Earnings per Equity Share			
1. Basic		(4.75)	(13.23)
2. Diluted		(4.75)	(13.23)

See accompanying notes forming part of financial statements

As per our Report of even date

**For M/s. P. SRINIVASAN & Co.**

Chartered Accountants

**CA. P. SRINIVASAN**

Partner

Membership No. : 2090

FRN. 004054S

Place : Chennai

Date : 28th May, 2015

**CA/CS N. SUBRAMANIAN**

Chairman of the Meeting

**BO JINGEN**

Managing Director

**XIE DONGMING**

Chief Financial Officer

**CA/CS S.K. SUBRAMANYAN**

Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2015

(₹ in Lacs)

		Current Year	Previous Year
<b>A. Cash Flow arising from Operating Activities</b>			
Net Profit Before Tax and Extraordinary Items		<b>(468.35)</b>	(1,228.60)
Add:			
a) Depreciation and amortisation expense	<b>314.18</b>	265.73	
b) Finance costs paid	<b>812.33</b>	656.36	
c) Loss on sale of fixed asset	<b>3.73</b>	2.85	
		<b>1,130.24</b>	924.94
		<b>661.89</b>	(303.66)
Deduct:			
a) Dividend and other income	—	1.25	
b) Profit on sale of fixed assets	<b>9.07</b>	0.35	
c) Interest received	<b>3.58</b>	21.64	
d) Gain on sale of Investments	—	0.02	
		<b>12.65</b>	23.26
Operating Profit before Working Capital Changes		<b>649.24</b>	(326.92)
Add:			
a) Increase in Trade and other payables	<b>954.42</b>	—	
b) Decrease in Deposits	<b>126.21</b>	—	
		<b>1,080.63</b>	—
		<b>1,729.87</b>	(326.92)
Deduct:			
a) Increase in Inventories	<b>902.10</b>	379.00	
b) Decrease in Trade and other payables	—	187.67	
c) Increase in Trade and other receivables	<b>885.91</b>	1,535.30	
d) Increase in Long term loans and advances	<b>23.76</b>	—	
e) Increase in Short Term loans & Advances	<b>2.58</b>	—	
		<b>1,814.35</b>	2,101.97
Net Cash inflow/(outflow) from Operating Activities		<b>(84.48)</b>	(2,428.89)

(₹ in Lacs)

**Current Year**
**Previous Year**
**B. Cash Flow arising from Investing Activities**

Inflow:	a) Disposal of fixed asset	10.94		1.64	
	b) Dividend and other income	—		1.25	
	c) Interest received	3.58		21.64	
	d) Sale of Investments	—		45.47	
			14.52		70.00
Outflow:	a) Acquisition of fixed assets	442.83			140.15
Net Cash (Outflow)/Inflow in the course of Investing Activities		(428.31)			(70.15)

**C. Cash Flow arising from Financing Activities**

Inflow:	a) Increase in long term borrowings	57.69		1,476.04	
	b) Increase in short term borrowings	1,293.62	1,351.31	2,057.53	3,533.57
Outflow:	a) Repayment of long term borrowings	—		351.38	
	b) Repayment of hire purchase finance	11.22		14.77	
	c) Finance costs paid	812.33	823.55	656.36	1,022.51
Net Cash inflow/(outflow) in the course of Financing Activities		527.76			2,511.06
Net Increase in Cash and Cash equivalents (A+B+C)		14.96			12.02
Add: Cash and Cash equivalents at the beginning of the year		15.55			3.53
Cash and Cash equivalents at the close of the year		30.51			15.55

As per our Report of even date  
**For M/s. P. SRINIVASAN & Co.**  
Chartered Accountants

**CA. P. SRINIVASAN**

Partner

Membership No. : 2090

FRN. 004054S

Place : Chennai

Date : 28th May, 2015

**CA/CS N. SUBRAMANIAN**

Chairman of the Meeting

**XIE DONGMING**

Chief Financial Officer

**BO JINGEN**

Managing Director

**CA/CS S.K. SUBRAMANYAN**

Company Secretary

## NOTES FORMING PART OF FINANCIAL STATEMENTS

### I. Statement of significant accounting policies

#### (i) Accounting Convention:

The financial statements are prepared under historical cost convention on accrual basis of accounting to comply with the Accounting standards prescribed under section 133 and read with the relevant provisions of the Companies Act, 2013. All the assets and liabilities have been classified as current and non-current as per company's normal operating cycle and other criteria set out in Schedule III to the Companies Act, 2013.

#### (ii) Use of Estimates:

- a) In the preparation of financial statements, certain estimates and assumptions are made by the management to conform with the generally accepted accounting principles. The actual results could differ from these estimates.
- b) The Trade receivables outstanding are reviewed as to their prevailing status of ageing and probability of recovery and necessary provision for receivables doubtful of recovery is made based on their ageing.
- c) The items of inventories remaining dormant for more than one year are considered as 'non-moving inventories' and due allowance is made for the same against the closing inventories.

#### (iii) Provisions and Contingencies:

##### Contingent liability:

Contingent liabilities are disclosed when there is a possible obligation arising from past events the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or an obligation that arises from the past event, where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

##### Provisions:

Provisions are recognized where there is present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of the amount of the obligation.

Provisions are measured at the best estimate of expenditure required to settle the present obligation at the balance sheet date and are not discounted for their present value.

#### (iv) Revenue Recognition :

Revenue is recognised as under :

- a) Sales of products: On despatch of the product to the customer which generally coincides with transfer of ownership. Sales are inclusive of excise duty and net of discounts.
- b) Sale of services represents commission accrued on orders booked with principals and executed.
- c) Interest: On a time proportion basis taking into account the amount outstanding and the rate applicable.
- d) Dividends: When the Company's right to receive payment is established.

#### (v) Fixed Assets :

- a) Fixed assets are capitalised at the acquisition cost (viz.) purchase price, import duties, levies and expenses and costs directly attributable for bringing the assets to their working condition for intended use.
- b) Capital work-in-progress represents expenditure incurred for new projects / capex under implementation.

Resultant expenditure (including borrowing costs, if any) incurred for these projects up to the date of commencement of commercial production have been considered as part of the project cost.

#### (vi) Depreciation and amortisation expenses:

- 1) On fixed assets except freehold lands at the rates and in the manner specified in Part "C" of Schedule II of the Companies Act, 2013 as under:
  - a) Straight line method on buildings, plant and machinery, electrical installations and intangible assets and

b) W.D.V. method on other assets having regard to the expected useful life residual value commencing from the date the asset is available for use.

- 2) Premium on leasehold land is amortised over the period of lease.
- 3) Assets individually costing Rs.5000/- or less are fully depreciated.

**(vii) Borrowing Costs :**

The borrowing costs incurred on loans taken for acquisition of qualifying assets are capitalised up to the date of commencement of commercial production/ till the asset is ready for its intended use.

**(viii) Inventories :**

Inventories as taken and certified by the Management are valued at "lower of cost and estimated net realisable value" using the following cost formulae:

- a) Raw materials and packing materials : Weighted Average Cost
- b) Store and Spares parts : At cost
- c) Materials in Bond : At cost (exclusive of customs duty)
- d) Finished goods and Work-In-Progress : Material cost plus appropriate share of production overheads
- e) Finished goods are inclusive of applicable excise duty.

**(ix) Research and Development :**

Revenue expenditure pertaining to Research and Development is expensed. Capital expenditure is treated as forming part of fixed assets.

**(x) Foreign Currency Transactions :**

Foreign currency transactions are recorded at the rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at year - end rates. Exchange differences arising on settlement of transactions and translation of monetary items are recognised as income or expense. In respect of liability relating to acquisition of fixed assets loss/ gain, if any, arising out of such conversion, is adjusted

to the cost of the fixed assets. Depreciation on the revised unamortised depreciable amount is provided prospectively in accordance with Schedule II of the Companies Act, 2013.

**(xi) Accounting for Taxes :**

Tax expense charged to the profit and loss account comprises current tax and deferred tax. Provision for current tax is made on a yearly basis, under the tax payable method after taking into consideration credit for allowances, deductions and exemptions and considering Minimum Alternate Tax, as applicable. The deferred tax is recognised for all temporary differences at currently available tax rates. Deferred tax assets are recognised subject to the consideration of prudence. Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the balance sheet date.

**(xii) Segment Reporting :**

The company has identified Reinforced Polypropylene as the only reportable business segment.

**(xiii) Employee Benefit : As per AS 15**

The Company has adopted "Employee Benefits" as per AS 15.

**(xiv) Related party disclosures :**

The related party relationships and / or transactions with them have been identified in accordance with Accounting Standard (AS 18).

**(xv) Impairment of Assets:**

The company determines whether there is any indication of impairment of the carrying amount of its assets. The recoverable amount of such assets are estimated, if any indication exists and impairment loss is recognized wherever the carrying amount of the assets exceeds its recoverable amount. An impairment loss is recognised in the statement of profit and loss to the extent the carrying amount exceeds the recoverable amount.

**(xvi) Earnings per share :**

The Paid up share capital of the company consists only of equity shares. The basic and diluted earnings per equity share are disclosed.

## NOTES FORMING PART OF FINANCIAL STATEMENTS

	As at 31-03-2015	(₹ in Lacs) As at 31-03-2014
<b>Note: 1. Share Capital</b>		
<b>Authorised:</b>		
18,000,000 Equity Shares of ₹ 10/- each	1,800.00	1,800.00
300,000 16% Cumulative Redeemable Preference Shares of ₹ 100/- each	300.00	300.00
<b>Total</b>	<b>2,100.00</b>	<b>2,100.00</b>
<b>Issued, Subscribed and Paid up:</b>		
6,407,204 Equity Shares of ₹ 10/- each fully paid up	640.72	640.72
<b>Total</b>	<b>640.72</b>	<b>640.72</b>

- i) The company is authorised to issue Equity and 16% Cumulative Redeemable Preference shares. However the company has One class of equity shares having a par value of ₹ 10 each. Each share holder is eligible for one vote per share. The dividend proposed by the Board of directors is subject to approval of share holders, except in case of interim dividend. In the event of liquidation, the equity share holders are eligible to receive remaining assets of the company after distribution of all preferential amounts, in proportion of their share holding.
- ii) 4805032 (5305032) equity shares are held by the holding company, M/s. Kingfa Sci. & Tech. Co. Ltd. in the paid up share capital of the company.
- iii) Details of shares held by shareholders holding more than 5% of the shares in the company :

Name of the shareholder	As at 31st March 2015		As at 31st March 2014	
	Nos.	% of Holding	Nos.	% of Holding
M/s. Kingfa Sci. & Tech. Co. Ltd.	4,805,032	74.99	5,305,032	82.80

- iv) The company had bought back 103204 number of equity shares during the financial year 2009-2010.

**Note: 2. Reserves and Surplus**

<b>Capital Reserve:</b>			
Subsidy received from SIPCOT, Tamil Nadu	19.77		19.77
<b>Capital Redemption Reserve:</b>			
As per last Balance Sheet	87.09		87.09
<b>Securities Premium Account:</b>			
As per last Balance Sheet	516.48		516.48
<b>Special General Reserve:*</b>			
As per last Balance Sheet	41.50		41.50
Transfer to General Reserve	41.50	—	41.50
<b>General Reserve:</b>			
As per last Balance Sheet	1,081.26		1,081.26
Transfer from Special General Reserve	41.50	1,122.76	1,081.26

	As at 31-03-2015	(₹ in Lacs) As at 31-03-2014
Surplus/(Deficit):		
Opening Balance	(1,247.75)	(400.03)
Depreciation adjustment as per Companies Act, 2013	(18.57)	—
Loss for the year	(304.21)	(847.72)
Closing Balance	(1,570.53)	(1,247.75)
<b>Total</b>	<b>175.57</b>	<b>498.35</b>

\* Special General Reserve transferred to General Reserve Account in the absence of requirement to "Transfer to Reserve" under the Companies Act, 2013.

**Note: 3. Long - term borrowings**

a) Loan from Related Party under ECB Scheme (Unsecured)	1,502.18	1,442.39
b) Hire Purchase finance (Secured)	3.09	14.31
<b>Total</b>	<b>1,505.27</b>	<b>1,456.70</b>

- i) The Loan under ECB Scheme is repayable after 90 / 78 months.  
 ii) Hire purchase finance relating to vehicles are secured by hypothecation of the said vehicles.

**Note: 4. DEFERRED TAX LIABILITIES (NET)**

<b>a) Deferred Tax Liabilities</b>		
Depreciation on fixed assets	368.07	332.36
<b>b) Deferred tax assets</b>		
Unabsorbed Depreciation / Losses	732.61	550.61
Others: Employee benefit expenses, MAT credit etc.	76.82	58.97
Sub Total	809.43	609.58
Net	(441.36)	(277.22)

**Note: 5. Other long-term liabilities**

Earnest Money Deposits	8.50	5.50
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**Note: 6. Long-term provisions**

Employee benefits	18.59	12.49
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	As at 31-03-2015	(₹ in Lacs) As at 31-03-2014
<b>Note: 7. Short-term borrowings</b>		
<b>From Banks (Secured)</b>		
Cash Credit	—	1,740.88
<b>From Banks (Unsecured)</b>		
Cash Credit	1,706.43	—
Buyer's credit arrangement in foreign currency	316.84	—
<b>From Bank (Unsecured)</b>		
Working Capital Term Loan	4,000.00	3,000.00
<b>Total</b>	<b>6,023.27</b>	<b>4,740.88</b>

**Secured Loans:** Cash credit, Buyers credit and other working capital facilities from banks are secured against hypothecation of inventories (including those lying in the warehouses), receivables, documentary bills and supply bills and collaterally secured by second charge on the present and future fixed assets of the company(excluding vehicles) on pari passu basis with consortium bank at Pudukkottai, Puducherry, Jejuri & Manesar.

<b>Note: 8. Trade payables</b>	<b>3,589.95</b>	<b>2,802.79</b>
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In the absence of information from the suppliers with regard to their registration with the specified authority, despite the company calling for such information through a circular letter, the additional disclosure as required under the Micro, Small and Medium Enterprises Development Act, 2006 is not furnished.

**Note: 9. Other current liabilities**

(a) Current Maturities of other borrowings - HP Liabilities	11.21	14.77
(b) Interest accrued but not due on borrowings	45.58	11.49
(c) Interest accrued and due on borrowings	—	6.64
(d) Unpaid Dividends	1.15	2.91
(e) Statutory dues	96.32	102.78
(f) Payable for capital goods	13.64	2.37
(g) Other Liabilities(including employee benefit expenses)	283.45	158.41
<b>Total</b>	<b>451.35</b>	<b>299.37</b>

**Note: 10. Short term provisions**

Employee Benefit expenses etc.	<b>58.96</b>	<b>43.69</b>
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The Company received a notice from the labour department, Government of Puducherry seeking reasons as to why the settlement towards backwages and bonus entitlements to certain ex workers of the puducherry plant of the company in respect of industrial disputes raised by them consequent to the closure of operations of the puducherry plant in 2002, should not be recovered as arrears of land revenue. Though the company had taken up this matter with the Higher authorities, by way of prudence, a lumpsum provision of ₹ 41.60 lacs has been made under "Short Term Provisions" in the earlier year. The balance of the said lumpsum provision as at 31.03.15 is ₹ 33.65 lacs.

**Note: 11. FIXED ASSETS**

(₹ in Lacs)

DESCRIPTION OF ASSET	GROSS BLOCK			DEPRECIATION / AMORTISATION						NET BLOCK	
	As at 01-04-2014	Additions	Deletions / Adjustments	As at 31-03-2015	Upto 01-04-2014	For the year	On life Completed assets *	On Withdrawals	Upto 31-03-2015	As at 31-03-2015	As at 31-03-2014
(a) Tangible Assets											
Land - Freehold	31.62	—	—	31.62	—	—	—	—	—	31.62	31.62
Lease hold	53.85	—	—	53.85	2.67	0.57	—	—	3.25	50.60	51.17
Buildings	1,226.01	12.90	0.86	1,238.04	333.43	53.41	1.38	0.48	387.73	850.31	892.58
Plant and Equipments	3,142.08	371.36	35.69	3,477.74	1,835.14	162.45	—	35.69	1,961.90	1,515.85	1,306.94
Furniture & Fixtures	92.81	—	—	92.81	53.23	27.03	—	—	80.26	12.54	39.58
Vehicles	84.05	7.67	6.81	84.91	46.22	27.44	—	2.18	71.48	13.44	37.83
Office equipments	71.96	7.19	0.77	78.38	32.71	24.44	10.46	0.25	67.35	11.03	39.25
Computer systems	92.18	3.15	0.45	94.89	77.84	14.79	1.21	0.39	93.45	1.44	14.34
Total	4,794.55	402.27	44.58	5,152.24	2,381.24	310.14	13.04	39.00	2,665.42	2,486.83	2,413.31
(b) Intangible Assets											
Computer Software	87.71	0.43	—	88.14	76.23	4.05	5.53	—	85.81	2.33	11.48
Total	87.71	0.43	—	88.14	76.23	4.05	5.53	—	85.81	2.33	11.48
(c) Capital work-in-progress	24.27	40.13	—	64.39	—	—	—	—	—	64.39	24.27
<b>Grand Total</b>	<b>4,906.53</b>	<b>442.83</b>	<b>44.58</b>	<b>5,304.77</b>	<b>2,457.47</b>	<b>314.18</b>	<b>18.57</b>	<b>39.00</b>	<b>2,751.23</b>	<b>2,553.55</b>	<b>2,449.06</b>
Previous Year's Total	4,790.92	140.15	24.54	4,906.53	2,210.45	265.73	—	18.71	2,457.47	2,449.06	2,580.46

Note :

A) Capital Work In Progress includes ₹ 23.25 lacs being the lease amount paid to WBIDC for the lease hold land at Singhur. The possible consequential impact on the valuation of the asset is yet to quantified.

\* Adjusted against opening balance in retained earnings.

	As at 31-03-2015	(₹ in Lacs) As at 31-03-2014
<b>Note: 12. Long term loans and advances - (unsecured and considered good)</b>		
(a) Security Deposits	131.15	104.94
(b) Bank Deposits*	—	0.24
(c) Others	1.86	4.07
Total	<u>133.01</u>	<u>109.25</u>

\*Represents Cash and cash equivalents restricted from being exchanged or used to settle a liability for more than 12 months from the balance sheet date and are under lien to the company's bankers.

**Note: 13. Inventories**

Raw & Packing Materials	1,213.54	1,114.24
Raw Materials in Transit	409.60	339.81
Materials in Bond	103.73	81.79
Work-In-Progress	89.06	39.95
Finished Goods	917.38	631.72
Stock - in - Trade	388.77	9.21
Stores and Spares	75.44	78.70
	<u>3,197.52</u>	<u>2,295.42</u>

For mode of valuation refer Note I (viii)

**Note: 14. Trade Receivables (Unsecured)**

Outstanding for a period exceeding six months from the date due for payment		
Considered good	302.09	160.05
Considered doubtful	63.38	45.49
	<u>365.47</u>	<u>205.54</u>
Less: Provision for Doubtful Debts	63.38	45.49
Sub-total	<u>302.09</u>	<u>160.05</u>
Outstanding for a period of less than six months from the date due for payment		
Considered good	5,291.54	4,547.67
Considered doubtful	53.88	46.23
	<u>5,345.42</u>	<u>4,593.90</u>
Less: Provision for Doubtful Debts	53.88	46.23
Sub-total	<u>5,291.54</u>	<u>4,547.67</u>
Total	<u>5,593.63</u>	<u>4,707.72</u>

As at 31-03-2015

(₹ in Lacs)  
As at 31-03-2014**Note: 15. Cash and Cash equivalents:**

(i) Cash and Cash equivalents		
a) Balances with Banks	27.59	14.83
b) Cash on hand	2.92	0.72
Sub total	30.51	15.55
(ii) Other Bank Balances		
a) Unpaid Dividend accounts	1.15	2.91
b) Deposit accounts*	—	124.47
Sub total	1.15	127.38
Total	31.66	142.93

Note :

\*Deposit accounts are under lien to the company's bankers.

As at 31-03-2015

(₹ in Lacs)  
As at 31-03-2014**Note: 16. Short-term loans and advances (unsecured considered good)**

Balance with Central Excise department etc.,	268.29	203.70
Advance Tax (Net of provisions)	43.61	42.66
Others - Prepaid exp, Claims receivable etc.,	209.57	272.54
Total	521.47	518.89

Year ended  
31-03-2015(₹ in Lacs)  
Year ended  
31-03-2014**Note: 17. Revenue from operations (Gross)**

(a) Sale of products	24,620.61	19,841.96
(b) Sale of services	59.97	91.04
Total Revenue from operations	24,680.58	19,933.00

(₹ in Lacs)  
 Year ended  
 31-03-2015      Year ended  
 31-03-2014

**Note: 18. Other Income**

Interest Income	3.58	21.64
Income from current investments		
Dividend income	—	1.25
Profit on sale of fixed assets	9.07	0.35
Net gain on sale of investments	—	0.02
Total	<u>12.65</u>	<u>23.26</u>

**Note: 19. Cost of material consumed**

Inventory at the beginning of the Year	1,535.84	1,197.70
Add: Purchases	17,963.56	15,861.88
	<u>19,499.40</u>	<u>17,059.58</u>
Less: Inventory at the end of the year	1,726.88	1,535.84
Cost of Raw Material consumed	<u>17,772.52</u>	<u>15,523.74</u>

**Imported and indigenous raw materials consumed**

	%		%	
Imported	26.81	4,764.46	34.75	5,395.21
Indigenous	73.19	13,008.06	65.25	10,128.53
Total	100.00	<u>17,772.52</u>	100.00	<u>15,523.74</u>

**Details of raw materials consumed**

Polymers	13,453.41	12,226.49
Others	4,319.11	3,297.25
Total	<u>17,772.52</u>	<u>15,523.74</u>

**Note: 20. Purchase of stock - in - trade**

Polymers	736.72	59.12
----------	--------	-------

Year ended  
31-03-2015

(₹ in Lacs)  
Year ended  
31-03-2014

**Note: 21.Changes in Inventories of Finished goods, Work-in-Progress**

Opening Stock		
Finished Goods	561.89	543.74
Work - in - Progress	39.95	34.53
Sub Total	601.84	578.27
Closing Stock		
Finished Goods	917.38	561.89
Work - in - Progress	89.06	39.95
Sub Total	1,006.44	601.84
Changes in Inventories	(404.60)	(23.57)
Add: Variation in Excise duty on Opening and Closing Stock of Finished Goods	69.83	(2.57)
Total	(334.77)	(26.14)

**Note: 22.Employee benefits expense (Refer also note no:27)**

Salaries and Wages	747.27	664.57
Contributions to:		
Provident, ESI, Super annuation and Gratuity funds	42.39	47.75
Staff Welfare Expenses	68.74	49.60
	858.40	761.92
Less: Considered in Research and Development Expenses	46.69	32.88
Total	811.71	729.04

**Note. 23.Finance costs**

Interest expense	675.24	609.89
Other borrowing costs	29.47	47.23
Net (Gain)/Loss in foreign currency transactions / translation	107.62	(0.76)
	812.33	656.36

		Year ended 31-03-2015	(₹ in Lacs) Year ended 31-03-2014
<b>Note: 24. Other Expenses</b>			
Consumption of Stores and Spare parts*		77.34	76.20
Power and Fuel	358.65		394.81
Less: Considered in Research and Development Expenses	13.10	345.55	11.61
Rent		87.49	84.07
Insurance		30.25	31.29
Repairs and Maintenance			
Buildings		3.78	6.99
Plant and Machinery		25.32	33.69
Other Assets		76.30	54.26
Rates and Taxes		25.34	22.21
Travelling and Conveyance		222.18	119.95
Professional & Consultancy Charges		513.21	320.02
Freight Outwards		437.10	376.24
Research and Development		169.13	113.45
Loss on sale / discard of fixed assets		3.73	2.85
Miscellaneous Expenses		230.82	202.14
		<u>2,247.54</u>	<u>1,826.56</u>
* Consumption of stores and spare parts	%	%	
Imported	7.33	5.67	11.44
Indigenous	92.67	71.67	88.56
	100.00	<u>77.34</u>	<u>76.20</u>

**Note: 25. Contingent Liabilities not provided for**

a) Letters of credit	402.68	404.74
b) Letters of guarantee	7.37	7.37
c) Commitment on capital accounts	45.55	—
d) Customs duty on materials-in-bond	6.08	6.31
e) Custom duty disputed in appeals	26.78	26.78
f) Income Tax disputed in appeals	19.47	19.47
g) Sales Tax disputed in appeals	56.87	12.75
h) Excise duty & Service Tax disputed in appeals	14.07	15.05

**Note: 26. Remuneration to Auditors (included under Miscellaneous Expenses)**

a) Statutory Audit	1.75	1.75
b) Certification and taxation matters	0.50	0.50
c) Tax Audit	0.75	0.75
	<u>3.00</u>	<u>3.00</u>



## Note: 27. Disclosure relating to Employee Benefits under

## Accounting Standard 15 (Revised) :

(₹ in Lacs)

	Gratuity		Leave Encashment	
	Current Year	Previous Year	Current Year	Previous Year
<b>a) Reconciliation of present value of obligations</b>				
Present value of the obligation as at the beginning of the year	52.36	43.53	20.49	12.78
Interest Cost	4.19	3.48	1.64	1.02
Current Service Cost	7.31	4.88	0.86	0.37
Benefits Paid	5.86	6.44	0.35	—
Actuarial (Gain) / Loss on obligation	1.19	6.90	(2.88)	6.32
Present value of the obligation as at the end of the year	59.18	52.36	19.76	20.49
<b>b) Fund movements</b>				
Fair value of plan assets as at the beginning of the period	52.98	44.93	17.53	13.94
Expected return on plan assets	4.46	3.88	4.54	1.22
Contributions	14.62	6.34	0.35	0.89
Benefits Paid	5.86	6.44	0.35	—
Actuarial Gain / (Loss) on planned assets	—	—	—	—
Fair value of plan assets as at the end of the period	66.20	48.70	22.07	16.05
<b>c) Amounts recognised in Balance Sheet</b>				
Present value of the obligation at the end of the year	59.18	52.36	19.76	20.49
Fair value of the plan assets	66.20	48.70	22.07	16.05
Funded status of the plan assets	7.01	(3.66)	2.30	(4.44)
<b>Net Asset recognised in the Balance Sheet</b>	<b>7.01</b>	<b>(3.66)</b>	<b>2.30</b>	<b>(4.44)</b>
<b>d) Cost for the period recognised in the P&amp;L a/c</b>				
Current Service Cost	7.31	4.88	0.86	0.37
Interest Cost	4.19	3.48	1.64	1.02
Expected return on plan assets	4.46	3.88	4.54	1.22
Net actuarial loss recognised in the year	1.19	6.90	(2.88)	6.32
<b>(Income) / Expense recognised in the statement of profit and loss relating to current year</b>	<b>8.23</b>	<b>11.39</b>	<b>(4.92)</b>	<b>6.49</b>
<b>e) Actuarial assumptions</b>				
Discount rate	8.00%	8.00%	8.00%	8.00%
Salary escalation	5.00%	5.00%	5.00%	5.00%
Rate of Return on Plan Assets	8.50%	8.75%	8.50%	8.75%
Resignations Rate (Per Annum)	2.50%	2.50%	2.50%	2.50%
Income / Expenses Recognised as per AS 15	(6.39)	5.05	(5.27)	5.60

## f) General description of Employee Benefits:

### (i) Short term Employee Benefits

The employee benefits payable wholly within 12 months of rendering the service are classified as short term benefits. Benefits such as salaries, wages, short term compensated absences and the expected cost of bonus and ex-gratia are recognised at the undiscounted amount in the year in which the employee renders the related service.

### (ii) Post Employment Benefits

- (a) Provident fund is a defined contribution plan and contributions made to the fund in accordance with the applicable rules/statutes are expensed.
- (b) The Employees Group Gratuity Scheme is a defined benefit plan which is funded with the Life Insurance Corporation of India and the annual contribution to the fund actuarially assessed by them is expensed.
- (c) Superannuation is a defined contribution plan. The contributions in accordance with the company's scheme made to the fund administered by the Life Insurance Corporation of India are expensed.
- (d) The Employee Group Gratuity Fund and the Employee Superannuation Fund respectively have been constituted through Hydro S & S Employees Group Gratuity Trust and Hydro S & S Employee Superannuation Trust in which one of the Company's director is a Trustee.
- (e) Leave encashment is provided as per the Company's policies and is expensed as under :
  1. The leave accumulation upto 60 days is funded through a policy with LIC of India.
  2. The encashment of leave accumulated beyond 60 days is borne by the company.
  3. Any difference arising out of actuarial valuation is expensed.

## Note: 28. Related Party Disclosures:

### (i) Related parties : Names & Descriptions

Key Management Personnel	Holding Company	Associates	Others
Mr. Nie Delin	M/s. Kingfa Sci. & Tech. Co., Ltd.,	M/s. Shanghai Kingfa Sci. and Tech. Co. Ltd.	NIL
Mr. Bo Jingen		M/s. Jiangsu Kingfa Sci. & Tech. Advanced Material Co., Ltd.	
Mr. Wu Xiaohui		M/s. Hongkong Kingfa Development Co., Ltd. M/s. Tianjin Kingfa Advanced Materials Co., Ltd.	

## (ii) Related Party transactions: Description &amp; Nature

(₹ in Lacs)

Description	Key Management Personnel	Holding Company	Associates	Others
Interest	—	51.49	—	—
Purchase of Materials	—	1,114.11	976.69	—
Purchase of Machinery	—	9.68	—	—
Sale of Materials	—	27.58	—	—
Sitting Fees	0.66	—	—	—
Outstanding (from/to) as at 31.03.2015	—	2,583.99	976.69	—

(₹ in Lacs)

## Note: 29. C I F Value of Imports

	Current Year	Previous Year
(i) Raw materials	4,713.05	3,957.75
(ii) Capital goods & Spares	109.51	17.14
(iii) Trading Materials	982.76	14.41

## Note: 30. Expenditure in Foreign Currency during the year

(i) Travelling expenses	35.96	9.05
(ii) Testing charges	2.84	15.19
(iii) Interest paid to Banks	8.22	6.76

## Note: 31. Earnings in Foreign Currency

FOB value of goods exported	58.09	32.51
Commission received	59.97	91.04

## Note: 32. Earnings Per Share

	31-Mar-15	31-Mar-14
Nominal Value of Equity share (₹)	10.00	10.00
Net profit after Taxes (₹) *	(304.21)	(847.72)
Weighted average number of shares (Nos.) **	6,407,204	6,407,204
Basic and diluted earnings per share (₹)	(4.75)	(13.23)

\* Numerator

\*\* Denominator

**Note: 33.** Effective from 01.04.2014, depreciation on tangible assets has been provided as per “useful life” specified in part C in Schedule II of the Companies Act, 2013. The carrying amount as on 01.04.2014 is accordingly depreciated over “useful life”. Due to these changes, the impact on depreciation for the year ended 31.03.2015 is higher by ₹ 6.48 lakhs. The Carrying value of ₹ 18.57 lakhs relating to assets whose “useful life” is Nil as on 01.04.2014 has been adjusted in the opening balance of retained earnings in terms of Schedule II of the Act.

**Note: 34.** There being no indication of impairment of fixed assets determined by the Company, no loss has been recognized on impairment of assets.

**Note: 35.** Previous year's figures (including those given within bracket) have been regrouped/ reclassified wherever necessary to correspond to the current period's classification/ disclosure. Figures in the financial statements have been shown Rs.in lacs except per share data.







## **Hydro S & S Industries Limited**

**(A Kingfa Group Company)**

CIN : L25209TN1983PLC010438

Regd. Office : Dhun Building, III Floor, 827, Anna Salai,

Chennai – 600 002. Tamilnadu, India.

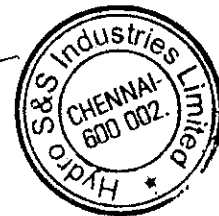
Phone : 044 – 28521736 Fax : 044 – 28520420

Works : Puducherry, Pune, Manesar & Pudukkottai

# FORM A

## ANNUAL AUDIT REPORT

1.	Name of the Company	Hydro S & S Industries Limited
2.	Annual financial statements for the year ended	31 <sup>st</sup> March, 2015
3.	Type of Audit observation	Un-qualified / Matter of Emphasis – Nil
4.	Frequency of observation	Whether appeared first time .... / Repetitive .... / Since how long period .... - <b>Not Applicable</b>
5.	Signed by –	<p><b>For HYDRO S &amp; S INDUSTRIES LIMITED,</b></p> <p><i>[Signature]</i> <b>Bo Jingen</b> Managing Director.</p> <p><b>For HYDRO S &amp; S INDUSTRIES LIMITED,</b></p> <p><i>[Signature]</i> <b>Xie Dongming</b> Chief Financial Officer.</p> <p><b>For P. SRINIVASAN &amp; Co.,</b> Chartered Accountants</p> <p><i>[Signature]</i> <b>S. GOPALAN</b> Partner</p> <p><i>[Signature]</i></p> <p><b>Audit Committee Chairman</b></p>





**KINGFA | Hydro S & S**  
**HYDRO S & S INDUSTRIES LIMITED**  
**(A Kingfa Group Company)**

CIN : L25209TN1983PLC010438

Registered Office : Dhun Building, III Floor, 827, Anna Salai, Chennai – 600 002.

Phone : 044 - 28521736 Fax : 044 - 28520420 E-mail : info@hssil.com Website : www.hssil.com

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**Notice of the Annual General Meeting**

**NOTICE** is hereby given that the 31<sup>st</sup> Annual General Meeting (AGM) of the Company will be held on Monday, the 28<sup>th</sup> September, 2015 at 10.15 a.m. at Raj Park Chennai, “Summit Hall”, 180, T. T. K. Road, Alwarpet, Chennai - 600 018 to transact the following Business:

**ORDINARY BUSINESS**

- 1) To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2015, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
- 2) To appoint a Director in the place of Mr. Wu Xiaohui (holding DIN 06617977), who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To ratify the appointment of auditors of the Company, and to fix their remuneration and to pass the following resolution as an ordinary resolution thereof:

“**RESOLVED that**, pursuant to Section 139, 142 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, pursuant to the recommendations of the audit committee of the Board of Directors, and pursuant to the resolution passed by the members at the AGM held on July 25, 2014, the appointment of M/s. P. Srinivasan & Co., Chartered Accountants (Firm Registration No.004054S) as the auditors of the Company to hold office till the conclusion of the AGM to be held in the calendar year 2017 be and is hereby ratified and that the Board of Directors be and is hereby authorized to fix the remuneration payable to them for the financial year ending March 31, 2016 as may be determined by the audit committee in consultation with the auditors.

**SPECIAL BUSINESS**

- 4) To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

“**RESOLVED that**, pursuant to Section 149, 152, Schedule IV and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, Ms.Kamana Srikanth (holding DIN 02133068), who was appointed as an Additional Director of the Company by the Board of Directors with effect from 13<sup>th</sup> February, 2015 and who holds office till the date of the AGM, in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Ms.Kamana Srikanth as a candidate for the office of a Director of the Company, be and is hereby appointed as an Independent Director of the Company for a period up to 12<sup>th</sup> February, 2020, not liable to retire by rotation.”



- 5) To consider, and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

**“RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 198, Schedule V and other applicable provisions, if any, of the Companies Act, 2013, (including any amendment/modification thereof) and subject to the approval of the Central Government and such other necessary approval(s), consent(s) or permission(s), as may be required, the consent of the Members of the Company be and is hereby accorded to re-appoint Mr. Bo Jingen (holding DIN 06617986) as Managing Director of the Company, liable to retire by rotation, for a period of 3 years w.e.f. February 27, 2014 with such remuneration as set out in the Explanatory Statement provided that the total remuneration (including all perquisites) shall not exceed the ceiling limit as provided in Schedule V, Part II, of the Companies Act, 2013 or such amounts as may be specified by any amendment to the Act.

**RESOLVED FURTHER THAT** in the event the Company making adequate profits, the Board of Directors / Nomination and Remuneration Committee constituted by the Board, be and hereby authorized to revise, amend, alter and vary the terms of the remuneration and/or perquisites payable to Mr. Bo Jingen, at its absolute discretion, subject to the guidelines or ceilings wherever applicable, within the applicable provisions of the Companies Act, 2013 and the amount of remuneration shall not exceed the limits specified in such section.

**RESOLVED FURTHER THAT** in case the Company has no profits or its profits are inadequate in any financial year during the tenure of re-appointment of Mr. Bo Jingen, it may pay a remuneration to Mr. Bo Jingen, which shall not exceed the ceiling as provided in Schedule V, Part II, of the Companies Act, 2013 or such amounts as may be specified by any amendment to the Act.”

**RESOLVED FURTHER THAT** the Board of Directors and the Company Secretary be and are hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and do all statutory filings, as mandated, as per the provisions of Companies Act, 2013.”

- 6) To consider, and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION**:

**“RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 198, Schedule V and other applicable provisions, if any, of the Companies Act, 2013, (including any amendment/modification thereof) and subject to the approval of the Central Government and such other necessary approval(s), consent(s) or permission(s), as may be required, the consent of the Members of the Company be and is hereby accorded to re-appoint Mr. Wu Xiaohui (holding DIN 06617977) as Whole-time Director of the Company, liable to retire by rotation, for a period of 3 years w.e.f. February 27, 2014 with such remuneration as set out in the Explanatory Statement provided that the total remuneration (including all perquisites) shall not exceed the ceiling limit as provided in Schedule V, Part II, of the Companies Act, 2013 or such amounts as may be specified by any amendment to the Act.

**RESOLVED FURTHER THAT** in the event the Company making adequate profits, the Board of Directors/ Nomination and Remuneration Committee constituted by the Board, be and hereby authorized to revise, amend, alter and vary the terms of the remuneration and/or perquisites payable to Mr. Wu Xiaohui, at its absolute discretion, subject to the guidelines or ceilings wherever applicable, within the applicable provisions of the Companies Act, 2013 and the amount of remuneration shall not exceed the limits specified in such section.

**RESOLVED FURTHER THAT** in case the Company has no profits or its profits are inadequate in any financial year during the tenure of re-appointment of Mr. Wu Xiaohui, it may pay a remuneration to Mr. Wu Xiaohui, which shall not exceed the ceiling as provided in Schedule V, Part II, of the Companies Act, 2013 or such amounts as may be specified by any amendment to the Act.

**RESOLVED FURTHER THAT** the Board of Directors and the Company Secretary be and are hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and do all statutory filings, as mandated, as per the provisions of Companies Act, 2013."

- 7) To consider, and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), Mr.K.Suryanarayanan, Cost Accountant (Registration No. 102347), appointed by the Board of Directors of the Company to conduct the audit of the cost records of the Company, be paid a remuneration, for the Financial Year ending March 31, 2016, amounting to ₹ 1,00,000/- plus service tax as applicable and re-imbursement of out of pocket expenses incurred by them in connection with the aforesaid audit."

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

Place : Chennai

Date : 10<sup>th</sup> August, 2015

**S.K. SUBRAMANYAN**

**Company Secretary**

### **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.**
2. Instrument of Proxies, in order to be effective, must be received at the Company's Registered office not later than 48 (forty eight) hours before the time fixed for holding the Annual General Meeting. A Proxy form is sent herewith.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 22<sup>nd</sup> September, 2015 to Monday, 28th September, 2015 (both days inclusive).
4. Members holding Equity Shares in physical form are requested to advise any change of address immediately to the Company's Registrar and Share Transfer Agent, M/s. Integrated Enterprises (India) Limited, 2nd Floor, Kences Towers, No. 1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600 017. Members holding Equity Shares in dematerialized form must intimate the change in address to their respective Depository Participants.
5. Shareholders / Proxy holders are requested to bring their copy of the annual report with them at the meeting and to produce at the entrance, the attached attendance slip duly completed and signed for the admission to the meeting hall.
6. Members desirous of getting any information about the accounts and operation of the company are requested to address their query to the company at the registered office of the company well in advance so that the same may reach at least seven days before the date of meeting to enable the management to keep the required information readily available at the meeting.

7. Profile of Directors being appointed / reappointed as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

Particulars	Item No.2 & 6	Item No.4	Item No.5
Name of the Director	Mr. Wu Xiaohui	Ms.Kamana Srikanth	Mr. Bo Jingen
Date of Birth	09/04/1979	15/09/1982	07/03/1982
Date of first appointment	03.07.2013	13.02.2015	03.07.2013
Qualifications	Master's degree in Polymer Science	LLB degree from ILS Law College, Pune.	Master's degree in Polymer Science
Experience in specific functional area	Technical Support	Handling different aspects of the law.	Marketing and Sales
Directorships held in other Public Companies	—	Chendur Forgings Limited	—
Committee Chairmanship/ Membership held in other Companies	—	—	—
Number of shares held in the Company as on 31 <sup>st</sup> March 2015	NIL	NIL	NIL

8. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the Meeting, is annexed hereto.

#### 9. Voting through electronic means

- I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 ('Amended Rules 2015') and Clause 35B of the Listing Agreement, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the 31<sup>st</sup> Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
- II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
- III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- IV. The remote e-voting period commences on 25<sup>th</sup> September, 2015 (9:00 am) and ends on 27<sup>th</sup> September, 2015 (5:00 pm). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 21<sup>st</sup> September, 2015, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

- V. The process and manner for remote e-voting are as under:
- A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/ Depository Participants(s)]:
- (i) Open email and open PDF file viz; "Hydro S & S remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.
  - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>
  - (iii) Click on Shareholder – Login
  - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
  - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
  - (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
  - (vii) Select "REVEN" of Hydro S & S Industries Limited.
  - (viii) Now you are ready for remote e-voting as Cast Vote page opens.
  - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
  - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
  - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
  - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/ JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to [psrinivasan1939@gmail.com](mailto:psrinivasan1939@gmail.com) or [evoting@hssil.com](mailto:evoting@hssil.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
- B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participants(s) or requesting physical copy] :
- (i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM :

<b>REVEN (Remote e-voting Event Number)</b>	<b>USER ID</b>	<b>PASSWORD/PIN</b>
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  - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990.
- VII. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.
- VIII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

- IX. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 21<sup>st</sup> September, 2015.
- X. Any person, who acquires shares of the Company and become member of the Company after dispatch of the Notice of AGM and holding shares as of the cut-off date i.e. 21<sup>st</sup> September, 2015, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or [yuvraj@integratedindia.in](mailto:yuvraj@integratedindia.in). However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
- XI. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- XII. Mr.P.S.Srinivasan, Practising Company Secretary (C.P. No.3122) has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XIII. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of ballot paper for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XIV. The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XV. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company [www.hssil.com](http://www.hssil.com) and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai.
10. The documents referred to in this notice and explanatory statement are available for inspection during business hours on all working days (except Saturdays, Sundays and holidays) at the Registered Office of the Company up to and including the date of the Annual General Meeting.
11. This Notice has been updated with the instructions for voting through electronic means as per the Amended Rules 2015.

**EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS  
PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

**Item No. 4**

Ms. Kamana Srikanth was appointed as an Additional Director by the Board with effect from 13<sup>th</sup> February, 2015 and holds office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a Member of the Company alongwith requisite deposit proposing her candidature for the office of Director of the Company. The Company has received from Ms. Kamana Srikanth consent in writing to act as director, intimation to the effect that she is not disqualified and declaration to the effect that she meets the criteria of independence.

Ms. Kamana Srikanth is a lawyer by profession, having passed out from ILS Law College, Pune and has been involved in wide variety of projects, handling different aspects of the law and have focused primarily on the area of Indirect Tax litigation specifically Central Excise and Service Tax. She has also handled matters relating to Company Law and briefs with Senior Advocates.

Ms. Kamana Srikanth is also the Member of the Audit Committee and Member of the Nomination and Remuneration Committee of the Board of the Company.

The resolution seeks the approval of members for the appointment of Ms. Kamana Srikanth as an Independent Director of the Company up to 12<sup>th</sup> February, 2020 and is not liable to retire by rotation.

In the opinion of the Board of Directors, Ms. Kamana Srikanth, the Independent Director proposed to be appointed, fulfils the conditions specified in the Companies Act, 2013 and the Rules made thereunder and she is independent of the Management.

Except Ms. Kamana Srikanth, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

The Board considers that the appointment of Ms. Kamana Srikanth would be of immense benefit to the Company. Accordingly, the Board recommends the resolution for the approval of the members.

**Item No. 5**

Mr.Bo Jingen was re-appointed as Managing Director of the Company by the Board for a period of three years with effect from February 27, 2014 subject to the consent of the Members of the Company and the Central Government.

Mr.Bo Jingen is also the Member of the Stakeholder Relationship Committee of the Board of the Company.

In view of the current business situation globally and more particularly the industry segment in which the Company operates, it is felt that there is a likelihood of a situation of inadequacy of profits for payment of Managerial remuneration as specified in Schedule V of the Companies Act, 2013. However, the remuneration payable to Mr. Bo Jingen, Managing Director shall not exceed the limit as provided under Schedule V, Part II of the Companies Act, 2013 and his re-appointment is being moved as Special Resolution.

The following additional information as required by Section II of Part II of Schedule V to the Companies Act, 2013 is given below:

**I. General Information:**

**1. Nature of Industry.**

The Company is engaged in the business of manufacture of Modified Thermoplastics.

**2. Date or expected date of commencement of Commercial production.**

Not applicable as the Company is an existing Company.

**3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.**

Not applicable as the Company is an existing Company.

**4. Financial Performance based on given indicators.**

(₹ in Lacs)

Particulars	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2015
Sales	17,634.38	19,933.00	24,680.58
PBDIT	268.64	(306.51)	658.16
PBIT	(13.21)	(572.24)	343.98
Loss after Tax	(504.83)	(847.72)	(304.21)

**5. Export Performance.**

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

**6. Foreign investments or collaborations, if any.**

Technology transfer and Investments are envisaged from M/s. Kingfa Sci. & Tech. Co. Ltd., Guangzhou, China.

**II. Information about the appointee:**

S.No.	Description	Particulars
1.	Background details	Mr. Bo Jingen, aged 33 years, is the Managing Director of our Company. He holds Master's Degree in Polymer Science. He has been working for M/s. Kingfa Sci. & Tech. Co., Ltd., in Marketing and Sales for 7 years and he was nominated by the Promoter of our Company as Managing Director who is presently in charge of overall operations of our Company.
2.	Past Remuneration for the Financial year 20014 – 15.	Nil
3.	Recognition or awards / job profile and suitability.	He has been working for M/s. Kingfa Sci. & Tech. Co., Ltd., and was awarded as the Excellent Member for the Sales and Marketing for the years 2011 & 2012.
4.	Remuneration Proposed	It shall not exceed ₹ 25 lacs per annum.
5.	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person.	The remuneration proposed to be paid is consistent with the responsibility of the position and is comparable with the remuneration in similar industries in the same segment of business.
6.	Pecuniary relationship directly or indirectly with the Company, or relationship with managerial personnel, if any.	He has been nominated by M/s. Kingfa Sci. & Tech. Co. Ltd., China, the Promoters of the Company and is not related to any other Directors of the Company.

### III. Other Information:

(1) Reasons of loss or inadequate profits.

The substantial increase in the input Raw Material, steep depreciation of the value of the Indian Rupee thereby increasing input cost and inability to pass on the full impact to the Customer.

(2) Steps taken or proposed to be taken for improvement.

i) Broad based product offering.

ii) More focus on non auto business.

iii) Enhancing geographical customer base.

iv) Introducing various cost control measures including implementation of Energy Conservation, Optimization of formulation, reduction in interest costs through efficient funds management and seeking appropriate price revision from Customers.

(3) Expected increase in productivity and profits in measurable terms.

The Company is seeking revision in the terms of reference with major OEMs to rework pricing on a quarterly basis from the current half yearly / annual basis which will benefit the Company by way of faster passing on the cost increases.

The Company which is expanding its business horizon is now poised to take advantage of several new opportunities. It also faces several challenges which are to be addressed from time to time with regard to costs etc. The Company is confident of successfully addressing these issues in the long term interest of all stakeholders.

### IV. Disclosures:

None of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financial or otherwise, in the said Resolution except Mr.Bo Jingen.

The information contained in the foregoing paragraphs may also be treated as a notice to be issued to the members of the Company under the applicable provisions of the Companies Act, 2013.

Your Directors accordingly recommend the resolution proposing his re-appointment for the approval of the members of the Company.

### Item No.6

Mr. Wu Xiaohui was re-appointed as Whole-time Director of the Company by the Board for a period of three years with effect from February 27, 2014 subject to the consent of the Members of the Company and the Central Government.

In view of the current business situation globally and more particularly the industry segment in which the Company operates, it is felt that there is a likelihood of a situation of inadequacy of profits for payment of Managerial remuneration as specified in Schedule V of the Companies Act, 2013. However, the remuneration payable to Mr. Wu Xiaohui, Whole-time Director shall not exceed the limit as provided under Schedule V, Part II of the Companies Act, 2013 and his re-appointment is being moved as Special Resolution.

The following additional information as required by Section II of Part II of Schedule V to the Companies Act, 2013 is given below:

#### I. General Information:

1. Nature of Industry.

The Company is engaged in the business of manufacture of Modified Thermoplastics.

2. Date or expected date of commencement of Commercial production.

Not applicable as the Company is an existing Company.



3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

Not applicable as the Company is an existing Company.

4. Financial Performance based on given indicators.

(₹ in Lacs)

Particulars	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2015
Sales	17,634.38	19,933.00	24,680.58
PBDIT	268.64	(306.51)	658.16
PBIT	(13.21)	(572.24)	343.98
Loss after Tax	(504.83)	(847.72)	(304.21)

5. Export Performance.

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

6. Foreign investments or collaborations, if any.

Technology transfer and Investments are envisaged from M/s. Kingfa Sci. & Tech. Co. Ltd., Guangzhou, China.

## II. Information about the appointee:

S.No.	Description	Particulars
1.	Background details	Mr. Wu Xiaohui, aged 36 years, is the Whole-time Director of our Company. He holds Master's Degree in Polymer Science. He has been working as Technical Engineer and became the Technical Manager of our promoter company's Shanghai factory for 10 years as an automotive specialist. He was nominated by the promoter of our company as Whole-time Director who is presently in-charge of product development and sourcing for our Company.
2.	Past Remuneration for the Financial year 20014 – 15.	Nil
3.	Recognition or awards / job profile and suitability.	Being a Polymer Science graduate and having worked as Technical Manager is aptly suited for the role of technical support.
4.	Remuneration Proposed	It shall not exceed ₹ 20 lacs per annum.
5.	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person.	The remuneration proposed to be paid is consistent with the responsibility of the position and is comparable with the remuneration in similar industries in the same segment of business.
6.	Pecuniary relationship directly or indirectly with the Company, or relationship with managerial personnel, if any.	He has been nominated by M/s. Kingfa Sci. & Tech. Co. Ltd., China, the Promoters of the Company and is not related to any other Directors of the Company.

### III. Other Information:

(1) Reasons of loss or inadequate profits.

The substantial increase in the input Raw Material, steep depreciation of the value of the Indian Rupee thereby increasing input cost and inability to pass on the full impact to the Customer.

(2) Steps taken or proposed to be taken for improvement.

- i) Continuous rework of formulation's that effectively brings down the cost is a ongoing exercise.
- ii) Further substituting the ingredient RM with different alternative that provide value is also looked.
- iii) Transfer of technology and support to introduce Engineering Plastic Compounds.

(3) Expected increase in productivity and profits in measurable terms.

The Company is seeking revision in the terms of reference with major OEMs to rework pricing on a quarterly basis from the current half yearly / annual basis which will benefit the Company by way of faster passing on the cost increases.

The Company which is expanding its business horizon is now poised to take advantage of several new opportunities. It also faces several challenges which are to be addressed from time to time with regard to costs etc. The Company is confident of successfully addressing these issues in the long term interest of all stakeholders.

### IV. Disclosures:

None of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financial or otherwise, in the said Resolution except Mr. Wu Xiaohui.

The information contained in the foregoing paragraphs may also be treated as a notice to be issued to the members of the Company under the applicable provisions of the Companies Act, 2013.

Your Directors accordingly recommend the resolution proposing his re-appointment for the approval of the members of the Company.

#### Item No. 7

The Board of Directors of the Company on the recommendation of the Audit Committee, approved the appointment and remuneration of Mr.K.Suryanarayanan, Cost Accountant, to conduct the audit of the Cost records of the Company for the Financial Year ending March 31, 2016.

In terms of the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor is to be ratified by the Members of the Company. Accordingly, the Members are requested to ratify the remuneration payable to the Cost Auditor for the Financial Year ending March 31, 2016, as set out in the Resolution for the aforesaid services to be rendered by them.

None of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financial or otherwise, in the said Resolution.

The Board of Directors recommend the Ordinary Resolution set out at Item No. 7 of the Notice for approval by the Members.

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

Place : Chennai  
Date : 10<sup>th</sup> August, 2015

**S.K. SUBRAMANYAN  
Company Secretary**

### **IMPORTANT COMMUNICATION TO MEMBERS**

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to give their consent by providing their e - mail Id to the Company's Registrar and Share Transfer Agent, M/s. Integrated Enterprises (India) Limited, to their e-mail ID i.e., [yuvraj@integratedindia.in](mailto:yuvraj@integratedindia.in).