Hydro S & S Industries Limited

Annual General Meeting – 17th September, 2012

Speech of the Chairman of the Meeting

Ladies and Gentlemen:

It gives me immense pleasure to welcome all of you to the Twenty Eighth Annual General Meeting of your Company. The Annual Report for the year ended 31st March, 2012 has already been circulated and with your permission, I will take it as read.

India has been recently impacted by a multiplicity of problems which have unfortunately become aggravated during the current year. These include economic issues like high inflation, poor export demand, adverse performance of the rupee as well as social and drought issues. The signals which have been coming out recently are forbidding - the industrial growth, breakdown of the national power grid, the failure of the monsoon etc. which will all result in drop in GDP growth for the year.

These multiplicity of problems have been reflected in the demand scenario which turned extremely soft with the passenger vehicle growth dropping below 5% year on year. This grim scenario is continuing during the current year as well with volume off-take remaining somewhat flat.

As indicated in the Annual Report, the revenue from operations recorded an increase of 7% over the previous year although volumes remained stagnant. Although there was temporary dip in the pricing of Polypropylene, which is the largest contributor of raw material cost due to international demand slackening, we once again see the prices rising. Your company, as mentioned in my speech last year, has continued to aggressively pursue cost rationalization and customer diversification in order to deal with the challenges of tight contribution margins. At the same time, we are faced with rising input costs which are not fully being able to be passed on to customers. We are closely working with many of the OEM's to develop formulations for the new models which are expected in the next two years. All these will ultimately contribute to reducing your company's dependence on specific models/OEM's.

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Your company is also taking steps to expand and redeploy its manufacturing capacity. The objective is to locate the Production closer to the respective Auto hubs so as to eliminate movement costs and improve the contribution margins. We are also working on formulations to increase our exposure in the other segments like Appliance and related white goods. Investigation on the expansion of company's range of products into complementary areas as well which will help in terms of enhancing the topline of the company is being carried out. We are confident that these plans should materialize at an early date and allows us to deal with the volatility of the market with confidence.

I also wish to acknowledge with gratitude the contribution of each and every employee, the stakeholders including the customers, vendors, bankers and most importantly, you the Shareholders in standing by the Company during these trying times.

Let us now proceed to take up the business of today's meeting.

Chairman of the Meeting