Hydro S & S Industries Limited

Annual General Meeting – 29th September, 2011

Speech of the Chairman of the Meeting

Ladies and Gentlemen:

It gives me immense pleasure to welcome all of you to the Twenty Seventh Annual General Meeting of your Company. The Annual Report for the year ended 31st March, 2011 has already been circulated and with your permission, I will take it as read.

NATIONAL SCENE :

Last year when we met, I had spoken about the Global Economic Crisis, mainly caused by the problems in certain European countries. I had also spoken about the surprising recovery of the Indian Economy. This year, we have had the credit de-rating of the USA, which has caused worldwide reverberations. India is also affected now and the Economy is definitely slowing down.

This I believe is a clear indicator of how much the USA controls world economic activity. India was not much affected by the events in Europe last year, but it is certainly impacted by the global events this year. Predictions of GDP growth are being steadily brought down from 9% to around 7%.

Inflation continues uninterruptedly. The Reserve Bank has greatly increased interest rates and tightened credit; yet, this has not brought down the rate of inflation, clearly reflecting the need for paying attention to the supply side of goods also to control inflation.

While the Chinese colossus is also slowing down slightly due to world developments, they seem to be focused and single minded in their response to the situation. China continues to be a major threat to India in every sphere. Unfortunately, neither the Government nor the Industry seems to fully appreciate the magnitude of this threat.

India is at present convulsed with Corruption scandals. This has resulted in Governance almost grinding to a halt. The availability of coal has become a major bottleneck and most power projects are unable to proceed due to this. Power generation targets are slipping badly. Land acquisition for Infrastructure and Industry has also been paralysed with severe consequences.



We seem to be more concerned with issues not directly related to the development of the Economy and the Nation. Our enemies including the terrorists are taking full advantage of this weakness.

YOUR COMPANY :

After a couple of difficult years, your company has produced a positive performance while operating under tough challenges. The sales in terms of value increased by 28% over the previous year whilst the volumes improved by 21%. However, we had to deal with the complications of high raw material prices through out the year with particularly sharp increases during the last quarter of the financial year. The focus on diversifying our customer base as well as end product model lines paid off. We have been able to steadily widen our portfolio, particularly in the western auto hub with increased volumes to some of the newer auto entrants. The pricing is however extremely competitive with the constant challenge of passing on cost increases through the tier-1 vendors ultimately to the OEM's. The major part of these cost increases will have to be necessarily offset by increase in volumes as well as re-engineering of product formulations to help us combat impact on our contribution margins. The Application Development Centre at Puducherry has been extremely busy with the new developments for existing customers as well as new partners.

We continue to invest in capacity creation ahead of industry volume growth. However, the current year is of concern to us since automotive off-take has been very lackluster in an environment of high inflation and pessimistic economic performance. We hope that the off-take would improve in the 2nd half of the year. We are also aggressively developing newer applications in non-automotive areas so that we would be able to broad-base our exposure across a multiplicity of applications.

In conclusion, I wish to assure the shareholders that the Company faces the future with confidence and hope.

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

