



SUPREME PETROCHEM LTD

ANNUAL REPORT  
2006-2007

## BOARD OF DIRECTORS:

M. P. Taparia, Chairman  
Rajan B. Raheja  
A. H. Parpia  
B. L. Taparia  
Satish B. Raheja  
S. J. Taparia  
Hasmukh Shah  
M. S. Ramachandran  
R. Kannan – ICICI Bank Ltd. Nominee  
Nihalchand Chauhan

## REGISTERED OFFICE:

612, Raheja Chambers,  
Nariman Point, Mumbai - 400 021

## CORPORATE OFFICE:

Solitaire Corporate Park,  
Building No. 11, 5th Floor,  
Andheri-Ghatkopar Link Road,  
Andheri (East), Mumbai - 400 093

## PLANT:

Amdoshi,  
Wakan Roha Road,  
Post : Patansai,  
Taluka Roha,  
Dist. Raigad, Maharashtra - 402 106

## BANKERS:

State Bank of India  
Abn-Amro Bank N. V.  
Central Bank of India  
ICICI Bank Ltd.  
IDBI Bank Ltd.  
Indusind Bank Ltd.  
The ING Vysya Bank Ltd.  
The Karur Vysya Bank Ltd.  
UTI Bank Ltd.

## AUDITORS:

M/s. Parikh & Shah  
Chartered Accountants

## INTERNAL AUDITORS:

G.M. Kapadia & Co.  
Chartered Accountants

## REGISTRARS & TRANSFER AGENTS:

Karvy Computershare Private Limited  
17-24, Vithalrao Nagar,  
Madhapur,  
Hyderabad – 500 081

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## NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of **SUPREME PETROCHEM LTD** will be held at Indian Merchants' Chambers, Walchand Hirachand Conference Hall, IMC Marg, Churchgate, Mumbai 400 020 on Thursday, October 04, 2007 at 3.00 p.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and the Audited Statement of Accounts together with Auditors' Report thereon for the financial year ended June 30, 2007.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri Hasmukh Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri A. H. Parpia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri M. S. Ramachandran, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Statutory Auditors and fix their remuneration.

### SPECIAL BUSINESS:

7. To consider and, if thought fit, to pass with or without modification, as a Special Resolution the following:

"RESOLVED THAT pursuant to Section 198, 269, 310, 311, 387 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government, if required and such other approvals as may be necessary, consent of the Company

be and is hereby accorded to the appointment of Shri N. Gopal as a Manager of the Company and to his being paid and provided remuneration, benefits and amenities as the Manager of the Company for the period April 02, 2007 to March 31, 2009 on the terms, conditions and stipulations contained in the Agreement dated June 26, 2007 entered into between the Company and Shri N. Gopal a copy whereof is placed before the meeting and for purpose of identification, is initialled by the Chairman.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution".

8. To consider and, if thought fit, to pass with or without modification, as a Special Resolution the following:

"RESOLVED THAT approval be and is hereby given pursuant to the provisions of Section 149(2-A) of the Companies Act, 1956 to the commencement by the Company of a new business, provided in Clause 59 of the Memorandum of Association of the Company viz. to promote and undertake the promotion of any subsidiary company or other companies for any purpose which may seem directly or indirectly calculated to benefit this company".

**For and on behalf of the Board**

**M. P. Taparia**  
Chairman

**Registered Office:**  
612, Raheja Chambers  
Nariman Point  
Mumbai - 400 021

Date: August 09, 2007

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## NOTES

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. The Proxy Form should be lodged with the Company at the Registered Office at least 48 hours before the time of the meeting.

An explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business at Item No. 7 and 8 of the above notice is annexed.

Register of Members of the Company will remain closed from **Thursday, September 20, 2007 to Thursday, October 04, 2007** (both days inclusive).

Members who hold shares in de-materialised form are requested to write their Client ID and DP ID Number and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.

Members are requested to avail Electronic Clearing Service (ECS) for receipt of dividend. Please contact Company's Registrar and Share Transfer Agents - Karvy Computershare Private Limited, 17-24, Vithalrao Nagar, Madhapur, Hyderabad-500 081.

Members are requested to bring their copies of the Annual Report to the Meeting.

**ANNEXURE TO THE NOTICE**

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 regarding Special Business.

**ITEM NO. 7:**

The Board of Directors at their meeting held on April 24, 2007 have appointed Shri N. Gopal as Manager of the Company for the period April 02, 2007 to March 31, 2009 subject to approval of the Members of the Company and other statutory approvals as may be necessary.

The qualifications and experience of Shri N. Gopal together with the responsibilities entrusted to him have been taken into account by the Remuneration Committee of Directors which has recommended the following remuneration:

**REMUNERATION:**

- (a) Not exceeding Rs.82,00,000/- per annum (inclusive of ex-gratia, if any).

In case, accommodation is provided to Shri N. Gopal by the Company, the same shall be valued as per the Income Tax Rules.

In case the Company does not provide accommodation to Shri N. Gopal he shall be entitled to House Rent Allowance. The value of the accommodation or the House Rent Allowance paid shall form a part of the remuneration stated above.

- (b) The above remuneration may be increased by the Board (or any Committee thereof constituted for the purpose) in its discretion in one or more steps at any time or from time to time during the tenure of the Agreement.
- (c) The remuneration shall not exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including any

statutory modification or re-enactment thereof, for time being in force) or any amendment made thereto, without the approval of the Central Government.

Shri N. Gopal shall also be eligible for the following perquisites which shall not be included in the computation of the ceiling on remuneration specified above:

- i) Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or together are not taxable under the Income Tax Act, 1961.
- ii) Gratuity payable by the Company not exceeding half a months salary for each completed year of service.
- iii) Encashment of Leave at the end of the tenure as per the rules of the Company.

The Company will provide a car to Shri N. Gopal and shall reimburse expenses incurred by him for use of and repairs to the car. The driver's salary shall also be reimbursed to Shri N. Gopal as per the rules of the Company.

The Company shall provide a telephone at the residence of Shri N. Gopal. Personal long distance calls on telephone shall be billed by the Company to Shri N. Gopal.

Shri N. Gopal shall be entitled to reimbursement of all actual expenses, including entertainment and traveling, incurred in the course of the Company's business.

Shri N. Gopal shall be entitled to earned/privilege leave on full pay and allowances as per Rules of the Company.

In the event of absence or inadequacy of profits of the Company for any year, Shri N. Gopal shall be entitled to the aforesaid remuneration and reimbursement of expenses during the currency of this Agreement.

**Statement of Information as required under schedule XIII of the Companies Act, 1956:****I. General Information:**

1. Nature of Industry	:	Manufacture and sale of Polystyrene.		
2. Date of Commencement of Commercial Production	:	October 01, 1995.		
3. Financial Performance	:	<b>2004-2005</b>	<b>2005-2006</b>	<b>2006-2007</b>
				(Rs. In lacs)
Gross Sales		143510.06	152217.26	161103.74
Profit before Tax		6121.31	2759.58	4730.52
Net Profit		3661.07	1653.31	3324.87
4. Export Performance	:	56288.65	66323.55	66784.86
Net Foreign Exchange Earnings		(48349.86)	(48440.86)	(58747.56)
5. Foreign Investment or Collaborators, if any	:	ABB Lummus Global Inc (USA) (Technical Collaboration)		

**II. Information about the Appointee:**

1. Background Details : Shri N. Gopal is B-Tech (in Chemical Engineering) from Madras University and M. Sc., DIC (Advanced Chemical Engineering) from Imperial College, London. He has 38 years experience in the Petrochemicals field having worked with Companies like ICI Petrochemicals Division, U. K.; Indian Petrochemical Corporation Limited (IPCL) and Reliance Industries Limited (Reliance). At IPCL and Reliance he was actively involved in the project implementation.



2. Past Remuneration : Rs.60.00 lacs p.a. + perquisites and other benefits.
3. Recognition or Award : —
4. Job profile and his suitability : Shri N. Gopal shall have overall responsibility for the day to day operations of the Company's plant, supply chain management and project implementation subject to the direction, superintendence and control of the Board of Directors. Shri N. Gopal has 38 years experience in the petrochemical industry.  
He joined the Company in 1991 as Sr. Vice President (Projects & Operations) and was in fact the first employee of the Company. He was instrumental in setting up the Company's grass root Polystyrene plant with a capacity of 66000 TPA which has since been successfully revamped/expanded to increase the capacity to 272000 TPA. Shri N. Gopal is part of the top management team and his contributions have been vital to the successful implementation of the Company's operating plans.
5. Remuneration Proposed : As given above in the explanatory statement.
6. Comparative remuneration profile with respect to industry, size of Company, profile of the position and person (in case of expatriates the relevant details would be w. r. t. the country of his origin) : Your Company is the largest domestic manufacturer of Polystyrene and has a domestic market share of about 50%. It has customers in 80 countries across the globe. The proposed remuneration is comparable with other Companies of similar size and nature.
7. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any : No pecuniary relationship apart from remuneration drawn from the Company. No relationship with managerial personnel.

**III. Other information:**

1. Reasons of loss or inadequate profits : N. A.
2. Steps taken or proposed to be taken for improvement : N. A.
3. Expected increase in productivity and profits in measurable terms : N. A.

The Agreement with Shri N. Gopal can be inspected at the Secretarial Department of the Company at Solitaire Corporate Park, Building No. 11, 5<sup>th</sup> Floor, Andheri-Ghatkopar Link Road, Andheri (East), Mumbai 400 093 between 11.00 a.m. to 5.00 p.m. on any working day from Monday to Friday.

The Directors commend the resolution at Item No.7 for your approval

None of the Directors of the Company may be deemed to be in any way concerned or interested in the resolution.

**ITEM NO. 8:**

The rate and pace of the economic growth in India has opened up new avenues for your Company for investment in projects which are directly or indirectly calculated to benefit your Company. Your Company proposes to promote/invest in such companies.

Clause 59 of the Memorandum of Association allows the Company to undertake these activities, however, authorization u/s. 149(2-A) of the Companies Act, 1956 is required for commencement of any new business from the 'other objects' of the Memorandum.

This is an enabling resolution and your Directors commend the resolution at Item No. 8 for your approval.

None of the Directors of the Company may be deemed to be concerned or interested in the resolution.

**For and on behalf of the Board**

**M. P. Taparia**  
Chairman

**Registered Office:**

612, Raheja Chambers  
Nariman Point  
Mumbai – 400 021.

Date : August 09, 2007



## DIRECTORS' REPORT

Your Directors are pleased to present the Eighteenth Annual Report alongwith Audited Accounts of your Company for the financial year ended June 30, 2007.

### 1. FINANCIAL RESULTS

(Rupees in lacs)

	2006 -2007	2005-2006
Income (Net of Excise)	149484.71	142379.96
Operating Profit	8522.92	6434.92
<b>Cash Profit/(Loss)</b>	<b>6449.61</b>	<b>4421.81</b>
Profit for the year	4746.73	2752.28
Provision for tax	(1700.00)	(42.50)
Deferred Tax	181.72	(1063.14)
Profit after tax	3228.45	1646.64
Prior period adjustments	96.42	6.67
Balance brought forward from Previous Year	1069.82	1028.40
<b>Amount available for appropriation</b>	<b>4394.69</b>	<b>2681.71</b>
Appropriation thereof:		
Dividend on equity shares (including corporate dividend tax)	1140.85	1111.89
Transfer to general reserve	1000.00	500.00
Balance carried forward	2253.84	1069.82

Your Directors recommend a dividend of 10% for the year 2006-2007.

### 2. REVIEW OF OPERATIONS

The Polystyrene market grew marginally in the domestic market segment during the year under review. However, the high price regime on account of high Styrene Monomer prices kept the margins under pressure. On the export front your Company concentrated only on those markets which gave a better netback. This resulted in lower exports during the year compared to the previous year.

Your Company received an in principle approval from Ministry of Commerce to establish sector specific Special Economic Zone for processing of plastic products. Your Company is in the process of acquisition of approx. 500 acres of land for its SEZ project in District Raigad, Maharashtra through MIDC.

### 3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review as stipulated under clause 49 of the Listing Agreement with Stock Exchanges is presented separately forming part of the Annual Report.

### 4. ISO CERTIFICATION

Your Company continues to be certified with ISO 9001:2000, Environmental Management System ISO 14001:1996 and with OHSAS 18001 Specification by BVQI. Your Company is also a signatory to Responsible Care and is taking active steps in implementation and maintenance of all the applicable codes under Responsible Care.

Your Company has achieved following recognitions and awards during the year under review:

National Safety Award (Winner under longest Accident Free Period), from Ministry of Labour & Employment, Government of India.

Maharashtra Safety Council Award - First prize for lowest Accident Frequency Rate from National Safety Council, Maharashtra Chapter.

Maharashtra Safety Council Award - First Prize for longest Accident Free Period from National Safety Council, Maharashtra Chapter.

Suraksha Puraskar, from National Safety Council of India.

First & Second Prize in State Level Fire Drill Competition from Director, Maharashtra Fire and Emergency Services and Fire Advisor, Mumbai.

Best Fireman of the year Award, from Director, Maharashtra Fire and Emergency Services and Fire Advisor, Mumbai.

Second Prize at State Level Award for Excellence in Energy Conservation and Management from Maharashtra Energy Development Agency.

Greentech Environment Excellence Silver Award from Greentech Foundation, New Delhi.

### 5. HEALTH & SAFETY

Your Company has continued the implementation of HSE Management Systems under the guiding principles of declared 'Health and Safety Policy' and 'Environmental Policy'. Both the Environmental Management System & Occupational Health and Safety Management Systems are continued to be maintained as per ISO 14001 standard and OHSAS 18001 Specification respectively.

HSE performance index for the year under review stood to be in excellent range.

The Company has completed 2449 accident free days and 6022367 accident free man-hours as on June 30, 2007.

### 6. DIRECTORS

Shri Hasmukh Shah, Shri A. H. Parpia and Shri M. S. Ramachandran, Directors of the Company retire by rotation and being eligible offer themselves for re-appointment.

A brief resume of the Directors eligible for re-appointment is given in the report on Corporate Governance.

### 7. SUBSIDIARY COMPANY – SPL POLYMERS LIMITED

(i) Name of the subsidiary Company has changed to SPL Polymers Limited (formerly known as Shin Ho Petrochemical (India) Limited) w.e.f. January 07, 2007.



- (ii) There was a major fire on June 10, 2007 in the drying and bagging section of the subsidiary Company which caused disruption of operations and damage to the structure of the said Company. Assets are adequately insured. Your Directors are however pleased to inform that there was no loss of life or injury to any person.
- (iii) The Ministry of Corporate Affairs, Government of India by letter dated August 03, 2007 has exempted your Company from attaching a copy of the Balance Sheet and the Profit and Loss Account of the subsidiary company and other documents required to be attached under Section 212(1) of the Companies Act, 1956 to the Annual Report of your Company. Accordingly, the said documents are not being attached with the Balance Sheet of the Company. A gist of the financial performance of the subsidiary company is contained in the report. The Annual Accounts of the subsidiary are open for inspection by any member/investor and the Company will make available these documents/details upon request by any Member of the Company or to any investor of its subsidiary who may be interested in obtaining the same. Further, the annual accounts of the subsidiary company will also be kept for inspection by any investor at the Corporate Office of the Company and that of the subsidiary Company.
- (iv) Consolidated Group Accounts comprising of consolidated balance sheet of Supreme Petrochem Ltd and its subsidiary as at June 30, 2007, the consolidated profit and loss account and the consolidated cash flow statement of the group for the year ended on that date are annexed in accordance with Accounting Standard 23.
- (v) SPL Polymers Limited has reported a loss of Rs.129.79 lacs for the year ended June 30, 2007.

#### **8. MERGER OF SPL POLYMERS LIMITED WITH SUPREME PETROCHEM LTD**

Your Directors at the Meeting held on August 09, 2007 have approved in principle and subject to requisite approvals, the proposal to merge the subsidiary Company viz. SPL Polymers Limited with your Company. M/s. G. M. Kapadia & Co., Chartered Accountants have been appointed as valuers to value the shares to arrive at the share exchange ratio. SPL Polymers Limited is engaged in the business of manufacturing Expandable Polystyrene (EPS). The business of SPL Polymers Limited and your Company are complementary to each other and there exist operational synergies in integration of the business.

The domestic as well as international market for EPS is growing well. Your Company is therefore proposing to set up EPS production facilities at its plant near Nagothane. In view of SPL's increased focus on EPS and also considering SPL Polymers Limited's need for more management and financial resources it is considered that the merger will be beneficial to both. This will help in faster revival of the subsidiary. The proposed merger will therefore help in integrating, purchase, marketing, finance and personnel functions leading to efficiencies in running the business.

#### **9. DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors confirm that:

- (i) in the preparation of the annual accounts, applicable accounting standards have been followed, with proper disclosure of any departures;
- (ii) the accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the accounts on a going concern basis.

#### **10. CORPORATE GOVERNANCE**

Pursuant to clause 49 of the listing agreement with the stock exchanges, your Company has implemented Corporate Governance practices during the period. A separate section titled corporate governance has been included in this annual report. The compliance of "Corporate Governance" conditions has also been certified by the Auditors and the same is annexed to the report on Corporate Governance.

#### **11. TRANSFERS TO INVESTOR EDUCATION AND PROTECTION FUND**

Your Company has transferred the unclaimed interest on non-convertible debentures paid on January 01, 2000 and the unclaimed amounts of the first instalment of Debenture redemption paid on April 22, 2000 to the Investor Education and Protection Fund. In the aggregate an amount of Rs. 88.18 lacs has been transferred till date.

The unclaimed interest on debentures paid on January 01, 2001 will be due for transfer to the fund on February 01, 2008, whereas the unclaimed amounts of second instalment of Debentures, redeemed in April 22, 2001 will be due for transfer to the fund on May 22, 2008. Investors who have not yet claimed interest amount or the redemption amount are requested to contact the Secretarial Department of the Company.

#### **12. FIXED DEPOSIT SCHEME**

The outstanding fixed deposits as on June 30, 2007 were Rs.498.97 lacs. There were 86 due but unclaimed deposits aggregating Rs.14.42 lacs out of which 10 deposits aggregating Rs.1.17 lacs have been paid as on the date of this report. There are no claimed and unpaid deposits.

#### **13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO**

Information as per Section 217(1)(e) of the Companies Act, 1956 read together with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is Annexed hereto forming part of this report.



**14. PERSONNEL**

Excellent relations were maintained throughout the year. The Directors place on record their appreciation of the continuous efforts put in by all the employees to consolidate and improve the operations of your Company.

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956 the Report and the Accounts is being sent to all shareholders of the Company excluding the aforesaid information.

Any shareholder interested in obtaining such particulars may write to the Secretary at the Registered Office of the Company.

**15. AUDITORS**

The retiring auditors M/s. Parikh & Shah, Chartered Accountants having furnished the necessary certificate u/s. 224(1-B) of the Companies Act, 1956 are eligible for re-appointment.

The members are requested to re-appoint the auditors. There are no qualifications or adverse remarks in the auditors report.

**16. DELISTING OF SECURITIES**

Your Company had applied for delisting to Stock Exchange Kolkata in December 2003. However the delisting intimation is awaited inspite of rigorous follow-up.

**17. ACKNOWLEDGEMENT**

The Directors take this opportunity to thank Banks and Financial Institutions, for the guidance and support. The Directors are also thankful to Suppliers, Customers and other Business Associates for their continued co-operation and support extended to your Company.

**For and on behalf of the Board**

**M. P. Taparia  
Chairman**

Place : Mumbai  
Date : August 09, 2007

## ANNEXURE I TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES DISCLOSURE OF PARTICULARS IN THE REPORT OF THE (BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED JUNE 30, 2007.

### A. CONSERVATION OF ENERGY

Your Company has embarked on an on-going programme for Energy Conservation.

Your Company was recognised with a 1st prize for its efforts in Energy Conservation and Management among Petrochemical Industries at State level by the Maharashtra Government.

### B. TECHNOLOGY ABSORPTION

Product offerings from the Company are continuously upgraded and optimized to meet the ever increasing demand of the processing sector.

SPL's enhanced product basket now consists modified Polystyrene range, Masterbatches and olefinic compounds.

## ANNEXURE - FORM A

Form for disclosure of particulars with respect to conservation of energy.

### A. Power and fuel consumption

	Current Year July 01, 2006 to June 30, 2007
1. Electricity	
(a) Purchased	
Units (KWH)	28137000
Total amount (Rs. Lacs)	1192.60
Rate/unit (Rs.)	4.24
(b) Own Generation	
Through diesel generator	
Unit (KWH)	141102
Unit per ltr. of diesel oil	2.99
Cost/Unit	12.96
2. Furnace Oil	
Quantity (MT)	1702.892
Total amount (Rs. Lacs)	264.97
Average rate (Rs. per Kg.)	**15.50
3. Other/internal generation – P S Purge	
Quantity (MT)	221.908
Total cost	—
Rate per unit	—

### B. Consumption per unit of production

	Current Year	Previous Year
Product (POLYSTYRENE) (MT)	*185590	*212798
Electricity (KWH/MT)	*152.37	*145.91
Furnace Oil (Kgs/MT)	9.18	9.78
Others - P. S. Purge (Kgs/MT)	1.20	1.42

\* Including Speciality Polystyrene

\*\* On Standby Mode

For and on behalf of the Board

**M. P. Taparia**  
Chairman

Place : Mumbai  
Date : August 09, 2007



## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

Supreme Petrochem Ltd (SPL) is the largest Polystyrene manufacturer in India with an installed capacity of 272000 TPA. No new Polystyrene capacities were added during the period under review hence the domestic installed capacity remains at 462000 TPA of which SPL has a share of 59%.

Polystyrene prices remained high during the year as a consequence of high raw material prices fuelled by the tight SM/Benzene supply position which is likely to continue upto mid 2008. As a result the domestic Polystyrene market remained stagnant during the year under review. However with the rising GDP and price of competing raw materials the domestic Polystyrene market is estimated to grow @ 8-10% during the year 2007-2008. The sectors driving this growth would be CTV, consumer durables, stationery items, retail, food packaging and insulation of new buildings. Moreover, there is good potential for exports of products made out of various polymers including polystyrene from India which should contribute to the growth of Polystyrene business in India in the coming years. The plant load factors on global basis may see improvement in the coming years due to the mothballing of Polystyrene plants in North America and Western Europe.

Your Company manufactures alloys/blends/compounds as value added extension to its Polystyrene business. Your Company has had good success during the year in products such as Modified Polystyrene, Masterbatches and olefinic compounds.

Your Company in association with industry bodies is following up with the Government for the mandation of insulation in construction as followed by many countries including European Union. This will give a boost to the demand for Polystyrene (XPS) and Expandable Polystyrene (EPS).

### NEW PROJECTS

#### Special Economic Zone - SEZ

Your Company having received in principle approvals from both, the State Government and Ministry of Commerce for setting up sector specific special economic zone for plastic processing sector in District Raigad, Maharashtra is now in the process of acquisition of approx. 500 acres of land through MIDC. A separate company viz. SPL Industrial Park Limited has been floated to implement this project.

#### Minor Port

The Company had acquired most of the required land needed for the project and actual construction of the jetty was to begin by the end of last year. However the Government of Maharashtra notified this land for some other projects therefore the work could not proceed. The GOM after hearing your Company has now agreed to denotify the land needed for the

minor port and the process of denotification is in progress. The work will be taken up as soon as the land including land for approach road is denotified.

#### Expandable Polystyrene (EPS)

The proposed expansion in the EPS capacity to 20,000 tons of SPL Polymers Ltd. your Company's subsidiary is being taken up on a priority basis. The setting up of the EPS plant at your Company's existing site at Amdoshi near Nagothane is also continuing. The EPS plant at our existing site at Amdoshi is now likely to be commissioned by last quarter 2008.

#### Speciality Polystyrene (SPS)

One of the Specialty Polystyrene lines has been revamped to produce value added products like Master Batches for PE & PP film & injection moulding segments, as well as reinforced Polypropylene for Automotive industry.

Initial response from customers for these products has been excellent from quality point of view. Based on this success, plans have been drawn for further enhancing capacity by installing a new line for manufacturing of wide variety of Master Batches as well as PP compounds. Initiatives have also been taken to get our facilities approved under TS 16949, a Quality Management System which is mandatory for participating in Automotive segment.

#### Expanded Polystyrene (XPS)

Expanded Polystyrene (XPS) board is emerging as an important insulation medium for residential as well as commercial buildings all over the world due to renewed efforts for environmental protection by reducing emission of greenhouse gases. Your Company proposes to set up a plant with a capacity of 5000 TPA for producing XPS board at its existing plant site at Amdoshi, Maharashtra. Necessary plant and equipment are being finalised and the plant is expected to be commissioned by third quarter 2008.

### FINANCE

Interest rates hardened during the year under review. Your Company however managed to maintain the interest outgo during the financial year 2006-2007 by not resorting to expensive working capital borrowing from banks and also by meeting the needs from funds generated out of operations.

SPL continues to be rated by Fitch Credit Rating Agency for issue of commercial paper with rating of F1 (indicating strongest credit quality and capacity for timely payment of financial commitments). Dun & Bradstreet has given your company a composite credit approval rating of 2 (two) indicating a good standing.

### OUTLOOK

Polystyrene consumption is linked to growth of GDP and with GDP growth likely to exceed 10% in the coming years the demand for Polystyrene may also see a robust growth. The domestic growth is expected from sectors like consumer durables, stationery and writing instruments, CTV, food



packaging and insulation whereas growth would be less in sectors like wall clock and food service ware which though on the growth path use re-cycled material to some extent. This does not result in proportionate increase in Polystyrene consumption.

Internationally Polystyrene supply is expected to be tight in the year 2007-2008 due to rationalization in Polystyrene capacities in North America, Europe and Japan and the expected increase in PS consumption compared to the previous year. However, with raw material prices likely to continue at high levels, appreciable increase in margins of Polystyrene is unlikely.

#### **SUBSIDIARY COMPANY – SPL POLYMERS LIMITED (SPPL)**

The efforts to turn around the subsidiary SPPL suffered a temporary setback when a fire broke out on June 10, 2007 in the drying and bagging section of the Plant. The fire caused major damage to the building and all the machinery in the said section. There were no casualties or injuries to any person. The plant was adequately insured. The manufacturing activities at the plant have therefore been disrupted and production is expected to commence only in January 2008.

In view of the expected increase in EPS demand worldwide it is proposed to enhance the capacity of this plant while restoring the production facility. SPL's increased focus on EPS and also considering SPPL's need for more management and financial resources after its expansion has prompted your Board of Directors to approve in principle the merger of SPPL with your Company w.e.f. July 1, 2007. The business of SPL and SPPL are complementary to each other and there exist operational synergies in integration of both businesses. Valuers have been appointed to determine the share exchange ratio.

#### **OPPORTUNITIES**

With the rationalization of PS capacities in North America, Europe and Japan, to address over supply concerns, opportunities exist for your Company to increase exports with better net back compared to current margins. Since your Company has existing presence in all major markets it will be able to capitalize on this opportunity.

India's rapid economic development has ensured a double digit growth for the plastic compounding industry for last 5-6 years. It is expected that this will continue to grow or exceed these rates in the next five years to serve specialized needs of end-use markets such as automotive, building and construction, electrical and electronics, and appliances. Your Company manufactures and markets Alloys/Blends/Compounds as 'Value Added' extension to its core product business of Polystyrene and is in a position to take advantage of growing compound markets in the country. SPL's product basket consists of Modified Polystyrene range, Color & Additive concentrates (Masterbatches) and olefinic compounds.

#### **THREATS**

With no barriers to import including very low tariff barriers there is always a threat of possible imports of Polystyrene into the

country. With increased number of FTAs and PTAs import of articles of Polystyrene may also increase particularly when many of the Polystyrene articles are still reserved for the small scale and not able to compete with cheap imports. It is hoped that the de-reservation will be taken up by Government of India at the earliest which will bring in technology development in this sector and thus increase polymer consumption.

#### **AWARDS AND RECOGNITION**

Your Company continues to be certified with ISO 9001:2000, Environmental Management System ISO 14001:1996 and with OHSAS 18001 Specification by BVQI. Your Company is also a signatory to Responsible Care and is taking active steps in implementation and maintenance of all the applicable codes under Responsible Care.

Your Company has achieved recognitions and awards from prestigious organisations during the year under review like the - National Safety Award from Ministry of Labour & Employment, Government of India and Maharashtra Safety Council Award from National Safety Council, Maharashtra Chapter for longest Accident Free Period;

Maharashtra Safety Council Award for lowest Accident Frequency Rate from National Safety Council, Maharashtra Chapter;

Suraksha Puraskar, from National Safety Council of India;

First & Second Prize in State Level Fire Drill Competition from Director, Maharashtra Fire and Emergency Services and Fire Advisor, Mumbai;

Second Prize at State Level Award for Excellence in Energy Conservation and Management from Maharashtra Energy Development Agency and

Greentech Environment Excellence Silver Award from Greentech Foundation, New Delhi.

#### **RISKS AND CONCERN**

Polystyrene being an internationally traded commodity, SPL's operations and performance is vulnerable to global market forces. Other factors that influence price volatility and fluctuations in raw material as well as in polystyrene also impact SPL's operations.

Raw material procurement contracts with inbuilt flexibility, efficient inventory management, focus on sale of speciality grades and selling price linked to global polystyrene price are strategies drawn up by SPL to minimise this risk.

Foreign exchange risks are minimised by SPL's export revenues and due to selling price parity of domestic product is in line with the landed cost of imported products.

The surplus cash generated during the course of business is invested in financial instruments from time to time. The detailed guidelines for investment of such surplus have been laid down and which are adhered to by the Management and also reviewed regularly by the Board.



Insurance policies to adequately cover plant and machinery, stocks of finished goods and raw materials, projects under erection and also third party liabilities have been purchased by SPL. The management periodically reviews the adequacy of the insurance cover.

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Adequate internal control procedures commensurate with the nature of its business and the size of its operations for the smooth conduct of its businesses have been instituted by SPL.

Internal audit is conducted at regular intervals concerning the key areas of operations. It is an independent, objective and assurance function responsible for evaluating and improving the effectiveness of risk management, control and governance processes.

An Audit Committee consisting of three independent directors is in place. The Audit Committee monitors performance of internal audit on a periodic basis through review of the audit plans, audit findings and promptness of issue resolution through follow ups.

**HUMAN RESOURCES/INDUSTRIAL RELATIONS**

SPL has a team of qualified and dedicated personnel who have contributed to the consolidation of the operations of the Company. The core team has been with the Company since inception and have ensured timely completion of the various projects undertaken by the Company. SPL's industrial relations continue to be harmonious during the period under review. SPL considers human resources as on one of its strengths.

The dedicated team of employees at SPL, earns, credit for the Company's performance. Sound human resource development policies ensure that each employee, an asset, grows as an individual and contributes to the performance of the Company.

To maintain high level of motivation and leadership development, the training of the employees is an ongoing process. SPL's

operations during the period under report were accident free. This is possible due to extensive training, standard operating procedures, safety audit, hazardous operations, studies, safety checks and controls planned at every stage of operations.

SPL is a signatory to "Responsible Care" an international movement engaged in improving the performance of its members by implementing world-class management practices, tracking performance through environmental health, safety and security measures and extending these best practices to business partners throughout the industry.

**SOCIAL RESPONSIBILITY**

SPL considers social, economic and environmental responsibility as an integral part of the business. The Environmental Management System of SPL is certified to be compliant with ISO 14001 : 2004 Standard by Det Norske Veritas (DNV) Netherlands.

SPL has adopted clean processes that encourage sustainable environment. State of the art industrial effluent treatment plant has been installed at Company's plant. Treated effluent is used for horticulture and irrigation.

**CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis describing SPL's objectives, estimates, expectations or projections may constitute "forward looking statements", within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied in the statements.

Important factors that could make a difference to Company's operations include economic conditions affecting demand/ supply and price conditions in the domestic and international markets, changes in the Government regulations, tax laws and other statutes and other incidental factors.



## CORPORATE GOVERNANCE

### PHILOSOPHY OF THE COMPANY ON CORPORATE GOVERNANCE:

Your Company is fully committed to the principles of transparency, integrity and accountability and has been practicing the principles of good corporate governance over the years. Good governance ensures adoption of best business practices and accountability of the persons in-charge of the Company's operations. Your Directors fully endorse and support the Corporate Governance practices in accordance with the provisions of the listing agreement.

### 1. BOARD OF DIRECTORS:

#### Composition and Category:

The Board of Directors comprised of 10 members as on June 30, 2007. The Directors bring to the Board a wide range of experience and skills

Name of the Director	Category	No. of outside Directorship		No. of Committees Chairpersonship/ Membership held		No of Shares Held
		Public	Private	Chairperson	Member	
M. P. Taparia	Non-Executive - Promoter/Chairman	5	3	3	1	20100
Rajan B. Raheja	Non-Executive - Promoter	11	54	2	6	—
A. H. Parpia	Non-Executive - Independent	4	4	1	4	43101
B. L. Taparia	Non-Executive - Promoter	2	2	—	1	20100
Satish B. Raheja	Non-Executive - Promoter	3	1	—	2	—
S. J. Taparia	Non-Executive - Promoter	4	2	—	6	20100
Hasmukh Shah	Non-Executive - Independent	8	—	5	3	2800
Manoj Chhabra	Non-Executive - Alternate Director to Satish B. Raheja	1	—	—	4	—
R. Kannan	ICICI Nominee - Independent	6	—	1	5	—
M. S. Ramachandran	Non-Executive - Independent	1	—	—	—	—
Nihalchand Chauhan	Non-Executive - Independent	2	—	—	1	—

During the year under review the Board met on 4 occasions i.e. August 17, 2006; October 27, 2006; January 24, 2007 and April 24, 2007.

The attendance of each Director at the Board Meetings during the period under review and at the last Annual General Meeting is listed below:

Name of the Director	Category	Meetings held during the tenure of the Directors	Meetings Attended	Attendance at the Last AGM
M. P. Taparia	Non-Executive-Promoter/Chairman	4	4	Yes
Rajan B. Raheja	Non-Executive - Promoter	4	4	Yes
A. H. Parpia	Non-Executive - Independent	4	4	Yes
B. L. Taparia	Non-Executive - Promoter	4	3	Yes
Satish B. Raheja	Non-Executive - Promoter	4	Nil	No
S. J. Taparia	Non-Executive - Promoter	4	4	Yes
Hasmukh Shah	Non-Executive - Independent	4	3	No
Manoj Chhabra	Non-Executive - Alternate Director to Satish B. Raheja	4	Nil	No
R. Kannan	ICICI Nominee - Independent	4	3	Yes
M. S. Ramachandran	Non-Executive - Independent	4	4	Yes
Nihalchand Chauhan	Non-Executive - Independent	4	4	Yes

**2. AUDIT COMMITTEE:**

Your Company has an independent Audit Committee which was constituted on January 29, 2001. The composition, procedure, role/function of the Committee complies with the requirements of the Companies Act, 1956 as well as those of the Listing Agreement.

The terms of reference of the Audit Committee inter-alia includes overseeing the Company's financial reporting process and disclosures of financial information. The prime responsibility of the Audit Committee is to review with Management, the quarterly/ annual financial statements prior to it being submitted to the board for approval.

The committee recommends to the Board, the appointment or re-appointment of the Statutory Auditors and the audit fees payable. In addition, the committee approves payment of fees for other services rendered by the Statutory Auditors. The committee approves the appointment or re-appointment of Internal Auditors of the Company and the fees payable to them.

The Audit Committee's functions include reviewing the adequacy of internal control functions and systems, its structures, reporting process, and coverage and frequency of internal audit. The responsibility of the committee is to also to review the findings of any internal investigation by the Internal Auditors in matters relating to suspected fraud or irregularity or failure in internal control systems of material nature and report the same to the Board.

The Committee reviews the reports of the Internal and Statutory Auditors and ensures that adequate follow-up action is taken by the management on observations and recommendations made by the respective auditors.

During the year under review, the Audit Committee met on 5 occasions i.e. August 17, 2006; September 15, 2006; October 27, 2006; January 24, 2007 and April 24, 2007.

Members	Category	Meetings held	Meetings Attended
A. H. Parpia	Non-Executive - Independent Chairman	5	5
S. J. Taparia	Non-Executive - Promoter	5	5
R. Kannan	ICICI Nominee - Independent	5	4
Nihalchand Chauhan	Non-Executive - independent	5	5

**3. REMUNERATION COMMITTEE:**

Your Company has constituted an independent Remuneration Committee to decide the amount of salary, perquisites and commission to be paid to the Managerial Personnel, if any, within the overall ceiling approved by the shareholders.

During the year under review the Remuneration Committee met on 2 occasions i.e. August 17, 2006 and April 24, 2007.

Member	Category	Meetings Held	Meetings Attended
Hasmukh Shah	Non-Executive – Independent/Chairman	2	2
A. H. Parpia	Non-Executive – Independent	2	2
S. J. Taparia	Non-Executive – Promoter	2	2
R. Kannan	ICICI Nominee – Independent	2	1

**4. SITTING FEES PAID TO NON-EXECUTIVE DIRECTORS:**

During the year under review, sitting fees paid to the Non-Executive Directors for attending Meetings of the Board & Committees thereof are as follows:

Name of the Director	Category	Sitting Fees (Rs.)
M. P. Taparia	Non-Executive – Promoter/ Chairman	32,000
Rajan B. Raheja	Non-Executive – Promoter	32,000
A. H. Parpia	Non-Executive – Independent	88,000
B. L. Taparia	Non-Executive – Promoter	24,000
Satish B. Raheja	Non-Executive – Promoter	Nil
S. J. Taparia	Non-Executive – Promoter	88,000
Hasmukh Shah	Non-Executive – Independent	40,000
Manoj Chhabra	Non-Executive – Alternate Director to Satish B. Raheja	Nil
R. Kannan	ICICI Nominee – Independent	64,000
M. S. Ramachandran *	Non-Executive – Independent	32,000
Nihalchand Chauhan	Non-Executive – Independent	72,000
<b>TOTAL</b>		<b>4,72,000</b>

\* Remuneration by way of commission of Rs.5,00,000/- was also paid to Shri M. S. Ramachandran as approved by Members in Annual General Meeting.

## 5. INVESTORS' GRIEVANCE COMMITTEE:

Your Company has constituted Investors' Grievance Committee of the Board of Directors to look into the specific complaints received from the investors of the Company. **The Investors' Grievance Committee also approves share transfers.** The composition of the Investors' Grievance Committee and details of meetings held during the period under review is listed below:

Members	Category	Meetings held	Meetings Attended
M. P. Taparia	Non-Executive – Promoter/Chairman	23	23
Rajan B. Raheja	Non-Executive – Promoter	23	21
A. H. Parpia	Non-Executive – Independent	23	23
S. J. Taparia	Non-Executive – Promoter	23	18
Satish B. Raheja	Non-Executive – Promoter	23	-
Manoj Chhabra	Non-Executive – Alternate Director to Satish B. Raheja	23	Nil

Compliance Officer : Shri Rakesh Nayyar - Company Secretary

During the period under review, your Company received 337 complaints including complaints through the Stock Exchanges and the Securities and Exchange Board of India (SEBI) and majority of these complaints were resolved immediately. There were NIL pending complaints as on June 30, 2007.

## 6. INVESTMENT COMMITTEE

Your Company has constituted an Investment Committee of Directors to oversee the purchase/sale of investments made by the Company from time to time.

During the year under review the said Committee met on 4 occasions i.e. on July 01, 2006; October 03, 2006; January 09, 2007 and April 05, 2007.

Members	Category	Meetings held	Meetings Attended
M.P. Taparia	Non-Executive – Promoter/ Chairman	4	4
Rajan B. Raheja	Non-Executive – Promoter	4	4
A.H. Parpia	Non-Executive – Independent	4	4
S.J. Taparia	Non-Executive – Promoter	4	3

## 7. FINANCE COMMITTEE:

Your Company has constituted an independent Finance Committee of Directors on July 26, 2005. The terms of reference of the Finance Committee is primarily to:

- i. Opening of new Bank Accounts/closing of inoperative Bank Accounts and authorise officials of the Company for operating of Bank Accounts and
- ii. Authorisation to invest temporary surplus funds in money market investments and delegate financial powers for approved projects capital expenditure, borrow moneys from Banks, Financial Institutions or any other source including temporary loans and authorisation for creation of security on the Company's assets to secure the borrowings.

During the year under review Finance Committee met on 4 occasions i.e. August 08, 2006; October 27, 2006; January 15, 2007 and April 05, 2007.

Members	Category	Meetings held	Meetings Attended
M. P. Taparia	Non-Executive – Promoter/Chairman	4	4
Rajan B. Raheja	Non-Executive – Promoter	4	4
A. H. Parpia	Non-Executive – Independent	4	4
B. L. Taparia	Non-Executive – Promoter	4	4
Satish B. Raheja	Non-Executive – Promoter	4	-
S. J. Taparia	Non-Executive – Promoter	4	3
Manoj Chhabra	Non-Executive – Alternate Director to Satish B. Raheja	4	Nil

## 8. CODE OF CONDUCT

The Company has framed and adopted a Code of Conduct which is approved by the Board of Directors. The code is applicable to all Directors and Senior Management of the Company. This code has been posted on the Company's website [www.supremepetrochem.com](http://www.supremepetrochem.com). For the year under review, all Directors and Senior Management have confirmed their adherence to the provisions of the said code.



**9. CEO/CFO CERTIFICATION**

The Manager and the CFO heading the finance function have certified to the Board that:

- (a) They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief.
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) there are, to the best of their knowledge and belief no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and they have disclosed to the Auditors and Audit Committee deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) They have indicated to the Auditors and the Audit Committee:
  - (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting polices during the year and that the same has been disclosed in the notes to the financial statements and
  - (iii) instances of significant fraud of which they have become aware and the involvement there in if any, of the Management or an Employee having a significant role in the Company's internal control system over financial reporting.

The above certificate was placed before the Board at its meeting held on August 09, 2007.

**10. GENERAL BODY MEETINGS:**

Location and time of the last three AGMs held :

Year		Location	Date	Time	Special Resolutions Passed
2003-04	15th	I. M. C., Walchand Hirachand Conference Hall, Churchgate, Mumbai 400 020	25.10.2004	3.00 p.m.	No
2004-05	16th	I. M. C., Walchand Hirachand Conference Hall, Churchgate, Mumbai 400 020	20.10.2005	3.00 p.m.	Yes
2005-06	17th	I. M. C., Walchand Hirachand Conference Hall, Churchgate, Mumbai 400 020	27.10.2006	4.00 p.m.	Yes

No resolutions were passed through postal ballot last year.

**11. SUBSIDIARY COMPANY:**

Your Company does not have any material non-listed Indian Subsidiary Company.

**12. DISCLOSURES:**

**a. Basis of related party transaction**

Your Company places all the details before the Audit Committee periodically. A comprehensive list of related party transactions as required by the Accounting Standard (AS)18 issued by the Institute of Chartered Accountants of India, forms part of the Notes to the Accounts in the Annual Report. However, these transactions are not likely to have any conflict with the interest of the Company at large.

**b. Disclosure of Accounting Treatment**

Your Company has followed all relevant Accounting Standards while preparing the financial statements.

**c. Risk Management**

Your Company has a comprehensive risk management policy. The risk management policy inter-alia provides for review of the risk assessment and minimisation procedure, laying down procedure to inform the Board in the matter and for periodical review of the procedure to ensure that executive management controls the risks through properly defined framework.

**d. Proceeds from public issues, right issues, preferential issues etc.**

During the year under review your Company has not raised any proceeds from public issue, right issue or preferential issue.



**e. Disclosure of non-compliance of the Company:**

There were no instances of non-compliance or penalty, strictures imposed on your Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

**f. Whistle Blower Policy**

Your Company does not as yet have a Whistle Blower Policy in place, however no personnel has been denied access to the Audit Committee.

**13. IMPLEMENTATION OF CODE OF INTERNAL PROCEDURE FOR PREVENTION OF INSIDER TRADING:**

Your Company has adopted Code of Conduct for prevention of insider trading which is based on the SEBI framework. Your Company follows strict guidelines in respect of insiders' stock trading and related disclosures. The Company Secretary is designated as the Compliance Officer to oversee its implementation. Periodic disclosures have been obtained from all the Directors and Designated Employees. Under the aforesaid code all the Directors and Designated Employees are required to conduct all their dealings in securities of the Company only in valid trading window after obtaining pre clearance from the Company as per the pre dealing procedure described in the Code.

**14. MEANS OF COMMUNICATIONS:**

Shareholders are intimated through the press and the Company's website: <http://www.supremepetrochem.com> of the quarterly performance and financial results of the Company. The website also displays Chairman's statement and the shareholding pattern. The financial results, shareholding pattern etc. are also posted on SEBI's EDIFAR site. The quarterly results during the year under review were published in Economic Times, Times of India, Business Standard, Maharashtra Times and Navbharat Times.

**15. MANAGEMENT DISCUSSION AND ANALYSIS:**

The Management discussion and analysis is a part of the Annual Report and annexed separately.

**16. PARTICULARS OF DIRECTORS:**

Particulars of Directors as required under Clause 49VI(A), of the Listing Agreements, seeking re-appointment are given below:

Name of the Director	Hasmukh Shah	A. H. Parpia	M. S. Ramachandran
Age (Years)	72	78	62
Date of Appointment	18.10.1994	14.12.1989	26.07.2005
Qualification	B. A.	LLB	B. E. (Mechanical)
Experience of specific functional area	Long experience in industry and is the Ex-Chairman of IPCL besides being the member of the Board of Directors of reputed Companies.	Sr. Solicitor and Advocate with long experience in legal field and on the Board of Directors of reputed Companies.	Former Chairman of Indian Oil Corporation. Attended advanced management programmes from Ashridge Management College in England and IIM in Ahmedabad. Also served as the Executive Director of Oil Co-ordination Committee. One of the foremost authorities on the Oil, Gas and Petrochemical Sector. Inducted into the Hall of Fame at Chemtech Pharma Bio Award Function in April 2005.
Chairman/Director of other Companies	<ul style="list-style-type: none"> <li>- Shaily Engineering Plastics Ltd.;</li> <li>- Gujarat Gas Co. Ltd.;</li> <li>- Sun Pharmaceutical Industries Ltd.;</li> <li>- Atul Ltd.;</li> <li>- Deepak Nitrite Ltd.;</li> <li>- Cosmo Films Ltd.;</li> <li>- Micro Inks Ltd.</li> <li>- Dinesh Remedies Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>- Exide Industries Ltd.;</li> <li>- Prism Cement Ltd.;</li> <li>- H &amp; R Johnson (I) Ltd.;</li> <li>- SPL Industrial Park Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>- Gulf Oil Limited.</li> </ul>

**17. GENERAL SHAREHOLDERS INFORMATION:**

<b>Annual General Meeting</b>	: October 04, 2007 at 3.00 p. m. at I. M. C., Walchand Hirachand Conference Hall, Churchgate, Mumbai 400 020.
<b>Period under review</b>	: July 01, 2006 to June 30, 2007.
<b>Date of Book Closure</b>	: September 20, 2007 to October 04, 2007 (both days inclusive).
<b>Dividend Payment Date</b>	: October 04, 2007, dividend warrants will be posted on or after October 04, 2007.
<b>Listing on Stock Exchanges</b>	: The Stock Exchange Bombay and National Stock Exchange.
<b>Stock Code</b>	: Mumbai - 500405 National Stock Exchange - SUPPETRO

Market Price Data:	Mumbai Stock Exchange		National Stock Exchange (Rs.)	
	High	Low	High	Low
July 2006	20.05	16.60	20.00	16.40
August 2006	25.80	17.50	23.85	16.00
September 2006	26.70	21.05	27.40	21.15
October 2006	27.50	22.20	27.40	23.10
November 2006	32.30	23.00	32.85	23.10
December 2006	25.50	21.25	25.80	21.15
January 2007	26.90	23.10	27.20	23.00
February 2007	25.40	21.00	25.80	21.10
March 2007	21.70	18.25	21.75	18.00
April 2007	22.65	18.00	22.50	18.25
May 2007	24.45	20.85	24.45	20.95
June 2007	23.85	21.00	23.95	17.40

**COMPARISON WITH INDICES:**

	July 2006 Opening	June 2007 Closing	% Rise (Fall)
BSE Sensex	10616.97	14650.51	37.99
NSE Nifty	2580.55	3625.75	40.51
SPL Shares	20.05	22.85	13.97

**REGISTRAR AND TRANSFER AGENT** : Karvy Computershare Private Limited, 17-24, Vithalrao Nagar, Madhapur, Hyderabad-500 081.

**SHARE TRANSFER SYSTEM** : The Company has outsourced its share transfer function to Karvy Computershare Private Limited, which is registered with SEBI as Category 1 Registrar. Karvy has been appointed as the common agency for all work related to share registry in terms of both physical and electronic modes.

**DISTRIBUTION OF SHAREHOLDING ( AS ON JUNE 30, 2007)**

No. of Equity Shares Held	No. of Shareholders	% of Shareholders	No. of shares	% of Shareholdings
1 – 5000	54044	87.03	9655904	9.90
5001 – 10000	4136	6.66	3594309	3.69
10001 – 20000	1856	2.99	2932749	3.01
20001 – 30000	662	1.07	1742729	1.79
30001 – 40000	292	0.47	1073381	1.10
40001 – 50000	310	0.50	1496482	1.53
50001 – 100000	445	0.72	3420073	3.51
100001 & above	353	0.57	73597173	75.47
<b>TOTAL</b>	<b>62098</b>	<b>100.00</b>	<b>97512800</b>	<b>100.00</b>



**CATEGORIES OF SHAREHOLDERS (AS ON JUNE 30, 2007)**

	<b>Category</b>	<b>No. of shares held</b>	<b>% of shareholding</b>
1.	Promoters	57876800	59.35
2.	Mutual Funds and UTI	58300	0.06
3.	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutional/Non-Government Institutions)	29900	0.03
4.	FII's	333429	0.34
5.	Private Corporate Bodies	6501288	6.67
6.	Indian Public	30018924	30.78
7.	NRIs	2580320	2.65
8.	Others	113839	0.12
	<b>GRAND TOTAL</b>	<b>97512800</b>	<b>100.00</b>

**DEMATERIALIZATION OF SHARES & LIQUIDITY :** Equity Shares of the Company can be held in the dematerialised form with either National Securities Depository Limited or Central Depository Services Limited. 92.48% Shares have been dematerialised upto June 30, 2007.

**PLANT LOCATION :** Amdoshi,  
Wakan Roha Road,  
Post Patansai,  
Taluka Roha,  
District Raigad,  
MAHARASHTRA 402 106.

**ADDRESS FOR CORRESPONDENCE :** Registered Office: 612, Raheja Chambers, Nariman Point, MUMBAI-400 021.  
Corporate Office: Solitaire Corporate Park, Building No. 11, 5th Floor, Andheri-Ghatkopar Link Road, Andheri (East), Mumbai - 400 093.

**Shareholder Assistance**

The Secretarial Department operates from the Company's Corporate Office at Andheri in Mumbai, besides, the Company's Registrars and Transfer Agents Karvy Computershare Private Limited has investor services Offices at Ahmedabad, Bangalore, Chennai, Cochin, Jaipur, Kolkata, Lucknow, Mumbai (Fort & Andheri), New Delhi, Pune, Vadodara and Vijaywada.

For any assistance related to the Company's shares please write to:

(1) Shri Ravi V Kuddyady/ Shri Pratap P. Jadhav/ Ms. Jean Ruke  
Secretarial Department,  
Supreme Petrochem Ltd,  
Solitaire Corporate Park,  
Building No. 11, 5th Floor,  
Andheri-Ghatkopar Link Road,  
Andheri (East), **Mumbai - 400 093**  
Telephone No. : 022-67091900 and 66935927  
Fax No. : 022-40055681  
E-mail : investorhelpline@spl.co.in

**OR**



(2) Shri K. S. Reddy  
Karvy Computershare Private Limited  
Unit: Supreme Petrochem Ltd.  
17-24, Vithalrao Nagar, Madhapur,  
**Hyderabad – 500 081**  
Telephone No. : 040-23420816-824  
Fax No. : 040-23420814  
E-mail : ksreddy@karvy.com

**OR**

(3) Shri Praveen Amlani  
Karvy Computershare Private Limited,  
Unit: Supreme Petrochem Ltd,  
7, Andheri Industrial Estate,  
Off Veera Desai Road, Andheri (W),  
**Mumbai – 400 053**  
Telephone No. : 022-26730799/26730843  
Fax No. : 022-26730305  
E-mail : pbamlani@karvy.com

**Website :** Please visit us at <http://www.supremepetrochem.com> for financial and other information about the Company.

**For and on behalf of the Board**

**M. P. Taparia**  
Chairman

Place : Mumbai  
Date : August 09, 2007

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

To the Members of

Supreme Petrochem Limited.

We have examined the compliance of the conditions of corporate governance by Supreme Petrochem Ltd, for the year ended on June 30, 2007 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 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 Parikh & Shah**  
Chartered Accountants

**(D.B. Mohini)**  
Partner  
Membership No. 5681

Place : Mumbai  
Date : August 09, 2007

## AUDITORS' REPORT

TO  
THE MEMBERS OF  
**SUPREME PETROCHEM LIMITED**

We have audited the attached Balance Sheet of SUPREME PETROCHEM LIMITED as at June 30, 2007 and also the annexed Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

- (1) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- (2) As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the Order) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (3) Further to our comments in the Annexure referred to in paragraph (2) above, we report that :
  - (a) We have 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 accounts as required by law have been kept by the Company so far as appears from our examination of the books of the Company;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts of the Company;
  - (d) In our opinion, the Balance sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
  - (e) On the basis of the written representations received from the Directors, as on June 30, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on June 30, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
  - i) In the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2007;
  - ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **PARIKH & SHAH**  
Chartered Accountants

**D. B. MOHINI**  
Partner  
Membership No.5681

Mumbai

Date : August 09, 2007

## ANNEXURE TO AUDITORS' REPORT

**Statement referred to in Paragraph 2 of the Auditors' Report of even date to the Members of SUPREME PETROCHEM LIMITED on the Accounts for the year ended June 30, 2007.**

On the basis of the records produced to us for our verification/perusal, such checks as we considered appropriate and in terms of information and explanations given to us on our enquiries, we state that :

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) We are informed that the Company has verified part of fixed assets during the year as per its programme of physical verification of all fixed assets over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and nature of its fixed assets. No material discrepancies have been noticed on such verification.
- (c) As per the information and explanations given to us, no substantial part of fixed assets has been disposed off during the year affecting the going concern status of the Company.
2. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.



- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) The Company is maintaining proper records of inventory. No material discrepancies were noted on verification between the physical stocks and the book records.
3. (a) The Company has not granted any loans to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (b) The Company has not taken any loans from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
5. According to the information and explanations given to us, there were no particulars of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provision of clause 4 (v) of the Order are not applicable.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted by it from the public. As informed to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any Tribunal.
7. In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for the products of the Company.
9. (a) According to the records of the Company, the Company has been regular in depositing undisputed statutory dues including Provident fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues

with the appropriate authorities and no such dues were in arrears, as at June 30, 2007 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the statutory dues as at June 30, 2007 which have not been deposited on account of any dispute are as under :-

Sr. No.	Statutes	Nature of Dues	Fiscal Year	Amount (Rs. in lacs)	Forum where dispute is pending.
1	Bombay Sales Tax	Sales Tax on High Seas Sales.	1998 - 1999 1999 - 2000	0.61 176.98	Maharashtra Sales Tax Tribunal
2	Central Excise Act, 1944	Valuation in case of Related Party Valuation	April 2001 to June 2006 2003 - 2007	203.96 148.17	CESTAT Commissi- onerate
3	Service Tax, 1994	Service Tax Credit	2003 - 2007	363.90	Commissi- onerate

10. The Company does not have accumulated losses at the end of the financial year and it has not incurred any cash losses in the financial year covered by our audit and in the immediately preceding financial year.
11. In our opinion and as per the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks as at the date of Balance Sheet. The Company has no borrowing through debentures.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order, are not applicable to the Company. All the shares held as investments at the close of the year are held in the name of the Company.
15. According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
16. Based on information and explanations given to us by the management, the term loans were applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, no funds raised on short-term basis have been used for long-term investment.



18. The Company has not made any preferential allotment of shares to companies or parties covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
19. The Company did not have outstanding debentures during the year and accordingly, the creation of securities thereof does not arise.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according

to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

For **PARIKH & SHAH**  
Chartered Accountants

**D. B. MOHINI**  
Partner  
Membership No.5681

Mumbai  
Date : August 09, 2007



**BALANCE SHEET AS AT 30TH JUNE, 2007**

	Schedule	As at 30-06-2007 (Rs. in Lacs)	As at 30-06-2006 (Rs. in Lacs)
<b>I. SOURCES OF FUNDS :</b>			
<b>1. Shareholders' Funds :</b>			
(a) Capital	1	9,751.28	9,751.28
(b) Reserves and Surplus	2	7,380.05	5,196.03
		<u>17,131.33</u>	<u>14,947.31</u>
<b>2. Loan Funds :</b>			
(a) Secured Loans	3	13,772.70	17,314.49
(b) Unsecured Loans	3	498.97	616.92
		<u>14,271.67</u>	<u>17,931.41</u>
<b>3. Deferred Tax Liability (Net)</b>			
		<u>4,754.63</u>	<u>4,936.35</u>
	<b>TOTAL</b>	<u><u>36,157.63</u></u>	<u><u>37,815.07</u></u>
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. Fixed Assets :</b>			
(a) Gross Block	4	37,958.18	37,414.51
(b) Less : Depreciation		14,157.65	12,547.47
(c) Net Block		<u>23,800.53</u>	<u>24,867.04</u>
(d) Capital Work-in-Progress		1,849.57	2,040.21
		<u>25,650.10</u>	<u>26,907.25</u>
<b>2. Investments :</b>			
	5	300.82	340.05
<b>3. Current Assets, Loans and Advances :</b>			
(a) Inventories	6	8,708.42	9,386.79
(b) Sundry Debtors		11,223.18	10,409.96
(c) Cash and Bank Balances		1,870.54	1,973.25
(d) Loans and Advances		5,231.86	6,599.22
		<u>27,034.00</u>	<u>28,369.22</u>
<b>Less: Current Liabilities and Provisions :</b>			
(a) Current Liabilities	7	13,606.49	16,242.52
(b) Provisions		3,317.23	1,698.22
		<u>16,923.72</u>	<u>17,940.74</u>
<b>Net Current Assets</b>			
		10,110.28	10,428.48
<b>4. Miscellaneous Expenditure :</b>			
(To the extent not amortised or adjusted)	8	96.43	139.29
	<b>TOTAL</b>	<u><u>36,157.63</u></u>	<u><u>37,815.07</u></u>
<b>Significant Accounting Policies</b>	13		
<b>Notes on Accounts</b>	14		

As per our report attached  
For **PARIKH & SHAH**  
Chartered Accountants

**D. B. Mohini**  
Partner  
Membership No.5681

Mumbai  
Date : August 09, 2007

**Rakesh Nayyar**  
Executive Director  
(Finance & Corporate Affairs)  
and Company Secretary

**M. P. Taparia** Chairman

**A. H. Parpia**  
**B. L. Taparia**  
**Satish B. Raheja**  
**S. J. Taparia**  
**Nihalchand Chauhan** } Directors



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2007**

	Schedule	2006-2007 (Rs. in Lacs)	2005-2006 (Rs. in Lacs)
<b>INCOME :</b>			
Sales & Operating Income	9	161,103.74	152,217.26
Less : Excise Duty		11,619.03	9,837.30
Sales & Operating Income (Net)		149,484.71	142,379.96
Other Income	10	859.38	632.45
		<u>150,344.09</u>	<u>143,012.41</u>
<b>EXPENDITURE :</b>			
Manufacturing and other expenses	11	141,821.17	136,577.49
Interest	12	2,073.31	2,013.11
Depreciation		1,660.02	1,626.67
Amortisation of Miscellaneous Expenditure		42.86	42.86
		<u>145,597.36</u>	<u>140,260.13</u>
<b>Profit before Taxes</b>		<u>4,746.73</u>	<u>2,752.28</u>
Income Tax		1,665.00	143.00
MAT Credit Entitlement		—	(143.00)
Wealth Tax		6.00	4.50
Fringe Benefit Tax		29.00	38.00
Deferred Tax (refer note 9 of schedule 14 )		(181.72)	1,063.14
<b>Profit after Taxes</b>		<u>3,228.45</u>	<u>1,646.64</u>
Prior Period Adjustments (refere note 16(a) schedule 14)		(16.20)	7.30
Excess/(short) Provision of Taxes for earlier years (Net) (refere note 16(b) schedule 14)		112.62	(0.63)
<b>Balance Brought Forward From Previous Year</b>		<u>1,069.82</u>	<u>1,028.40</u>
<b>Profit Available for Appropriation</b>		<u>4,394.69</u>	<u>2,681.71</u>
<b>Appropriations</b>			
Proposed Dividend		975.13	975.13
Corporate Dividend Tax thereon		165.72	136.76
Transfer to General Reserve		1,000.00	500.00
<b>Balance carried to Balance Sheet</b>		<u>2,253.84</u>	<u>1,069.82</u>
		<u>4,394.69</u>	<u>2,681.71</u>
<b>Significant Accounting Policies</b>	13		
<b>Notes on Accounts</b>	14		

As per our report attached  
For **PARIKH & SHAH**  
Chartered Accountants

**D. B. Mohini**  
Partner  
Membership No.5681

Mumbai  
Date : August 09, 2007

**Rakesh Nayyar**  
Executive Director  
(Finance & Corporate Affairs)  
and Company Secretary

**M. P. Taparia** Chairman  
**A. H. Parpia**  
**B. L. Taparia**  
**Satish B. Raheja**  
**S. J. Taparia**  
**Nihalchand Chauhan** Directors



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 30-06-2007 (Rs. in Lacs)	As at 30-06-2006 (Rs. in Lacs)
<b>SCHEDULE 1.</b>		
<b>SHARE CAPITAL :</b>		
<b>AUTHORISED :</b>		
12,50,00,000	Equity Shares of Rs.10 each	12,500.00
2,50,00,000	Redeemable Cumulative Preference Shares of Rs. 10 each	2,500.00
	<b>TOTAL</b>	<b>15,000.00</b>
<b>ISSUED, SUBSCRIBED AND PAID UP :</b>		
9,75,12,800	(Previous Year 9,75,12,800) Equity Shares of Rs.10 each	9,751.28
	<b>TOTAL</b>	<b>9,751.28</b>
<b>SCHEDULE 2.</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital Redemption Reserve :</b>		
	Balance as per the last Balance Sheet	1,376.00
<b>Share Premium :</b>		
	Balance as per the last Balance Sheet	750.21
<b>General Reserve :</b>		
	Balance as per the last Balance Sheet	2,000.00
	Add : Transferred from Profit & Loss Account	1,000.00
		3,000.00
<b>Profit and Loss Account :</b>		
		2,253.84
	<b>TOTAL</b>	<b>7,380.05</b>
<b>SCHEDULE 3.</b>		
<b>(A) SECURED LOANS :</b>		
<b>FROM BANKS :</b>		
	<b>NOTES</b>	
(a) Working Capital Loans	1	—
(b) Rupee Term Loans	2	6,200.84
(c) Foreign Currency Term Loan	2	6,571.86
		12,772.70
<b>FROM FINANCIAL INSTITUTION :</b>		
(a) Rupee Term Loans	2	1,000.00
	<b>TOTAL</b>	<b>13,772.70</b>



**SCHEDULE 3. (Contd.)**

**Notes :**

- Working capital facilities(including letters of credit) from banks are secured by hypothecation of Company's stocks and book debts and by a second paripassu charge by way of an equitable mortgage on the Company's immovable properties (including plant and machinery) situated at the plant site.
- Rupee and Foreign Currency Term Loans from Financial Institution and Banks are secured by a first charge by way of an equitable mortgage on the Company's immovable properties (including Plant and Machinery) Situated at the plant site and by hypothecation of movable assets (except book debts) subject to prior charge in favour of Company's Bankers for working capital facilities (except for Rupee Term Loan of Rs. 2,000 lacs from ING Vysya Bank Ltd which is secured by residual charge on the Company's movable assets and ECB borrowing of US\$ 5 mio equivalent to Rs. 2,150 lacs from ICICI Bank (U.K.) Ltd. which is secured by first charge on the Company's movable and immovable assets). Creation of equitable mortgage for Securing Foreign Currency Term Loan Equivalent to Rs. 1,000 lacs availed from Bharat Overseas Bank is pending.

**(B) UNSECURED LOANS :**

Fixed Deposits	<b>498.97</b>	616.92
<b>TOTAL</b>	<b>498.97</b>	616.92

**SCHEDULE 4.**

**FIXED ASSETS**

( Rs. in Lacs)

Particulars	GROSS BLOCK (COST)				DEPRECIATION				NET BLOCK	
	As At 30-06-2006	Additions/ Adjustments During the Year	Deductions / Adjustments During the Year	As At 30-06-2007	Upto 30-06-2006	Provided During the Year	Deductions / Adjustments During the Year	Upto 30-06-2007	As At 30-06-2007	As At 30-06-2006
Land (Freehold)	1,847.08	98.48	—	<b>1,945.56</b>	—	—	—	—	<b>1,945.56</b>	1,847.08
Buildings	8,376.99	59.89	(222.43)	<b>8,659.31</b>	1,587.84	204.51	(6.35)	<b>1,798.70</b>	<b>6,860.61</b>	6,789.15
Plant & Machinery	26,451.82	385.52	222.43	<b>26,614.91</b>	10,599.98	1,390.83	10.04	<b>11,980.77</b>	<b>14,634.14</b>	15,851.84
Office Equipments	157.54	5.80	0.39	<b>162.95</b>	54.62	7.39	0.16	<b>61.85</b>	<b>101.10</b>	102.92
Computers	172.68	22.43	6.69	<b>188.42</b>	99.40	20.45	5.79	<b>114.06</b>	<b>74.36</b>	73.28
Air-conditioners	45.79	0.55	0.75	<b>45.59</b>	17.22	2.16	0.26	<b>19.12</b>	<b>26.47</b>	28.57
Vehicles	132.28	53.01	75.90	<b>109.39</b>	69.62	9.60	39.94	<b>39.28</b>	<b>70.11</b>	62.66
Furniture & Fixtures	230.33	1.72	—	<b>232.05</b>	118.79	25.08	—	<b>143.87</b>	<b>88.18</b>	111.54
<b>TOTAL</b>	<b>37,414.51</b>	<b>627.40</b>	<b>83.73</b>	<b>37,958.18</b>	<b>12,547.47</b>	<b>1,660.02</b>	<b>49.84</b>	<b>14,157.65</b>	<b>23,800.53</b>	<b>24,867.04</b>
PREVIOUS YEAR	35,960.23	1,595.56	141.28	37,414.51	10,979.73	1,626.67	58.93	12,547.47	24,867.04	

**Notes :**

- Buildings include Rs. 400.67 lacs (previous year Rs.400.67 lacs) being cost of premises in Co-operative Societies including cost of Shares of the face value of Rs. 0.02 lacs (Previous year Rs. 0.02 lacs).
- Additions/Deduction to Plant & Machinery includes net addition of Rs.1.02 lacs (previous year net addition of Rs. 14.88 lacs) on account of Increase in rupee liability for repayment consequent upon fluctuation in exchange rates in respect of foreign currency loans.
- The Company has reclassified certain assets from Plant & Machinery to Building. Consequently, the cost and accumulated depreciation of Building is increased by Rs. 222.43 Lacs and Rs. 6.35 Lacs respectively and the Cost and accumulated depreciation of Plant & Machinery is lower by Rs. 222.43 Lacs and Rs. 10.04 Lacs respectively. The said figures are reflected in Deduction/Adjustment columns above.
- Deduction/adjustments include assets scrapped.



	Face Value	Nos	As at 30-06-2007 (Rs. in Lacs)	Nos	As at 30-06-2006 (Rs. in Lacs)
<b>SCHEDULE 5.</b>					
<b>INVESTMENTS (AT COST) :</b>					
<b>QUOTED : LONG TERM :</b>					
<b>NON-TRADE :</b>					
In Shares :					
In fully Paid up Equity Shares :					
Finolex Industries Ltd.	10	48000	32.73	97000	68.16
Suraj Diamonds (India) Ltd.	10	500	0.47	4500	4.27
			<u>33.20</u>		<u>72.43</u>
<b>TRADE :</b>					
Investment in Subsidiary Company					
SPL Polymers Limited (Formerly Shin Ho Petrochemical (India) Ltd)	10	6617992	267.62	6617992	267.62
			<u>267.62</u>		<u>267.62</u>
		<b>TOTAL</b>	<u>300.82</u>		<u>340.05</u>
<b>Market Value of Quoted Investments</b>			<b>401.67</b>		<b>408.38</b>

**Note: Particulars of Investments in Mutual Funds purchased and Redeemed during the year.**

Sr. No.	Name of Fund	No. of Units	Cost price (Rs. in Lacs)
1.	SBI Premier Liquid Fund – Inst. daily dividend reinvestment Plan	36938634	3,705.87
2.	Magnum Insta. Cash Fund daily dividend reinvestment	14638220	2,451.95
3.	Kotak liquid institution premium daily dividend reinvestment	15170057	1,855.01
4.	UTI liquid cash plan institutional daily dividend reinvestment	3335477	34,003.38
5.	UTI liquid cash plan institutional Growth	34106	400.00
6.	ICICI prudential liquid plan super institutional daily dividend	14054570	1,405.46
7.	ICICI prudential institutional liquid Plus daily dividend	9015243	901.52
8.	LIC MF liquid fund daily dividend plan	268560233	29,488.18
9.	Principal cash mang. fund liquid option inst. plan daily dividend reinvestment	36539240	3,654.73
10.	Templeton floating rate income fund long term inst. daily dividend reinvestment	8723809	902.31
11.	Reliance liquidity fund daily dividend reinvestment Option	62482467	6,250.18
12.	Dws insta. Cash plus fund daily dividend	34113924	3,514.08
13.	Dws money plus fund regular plan weekly dividend reinvestment	15053765	1,509.89
14.	HDFC liquid fund premier plan dividend reinvestment	2014130	251.36
15.	DSP Merrill Lynch liquidity inst. daily dividend reinvestment	230710	2,307.56
	<b>TOTAL</b>	<b>520904585</b>	<b>92,601.48</b>

**SCHEDULE 6.****CURRENT ASSETS, LOANS AND ADVANCES :****CURRENT ASSETS :****(a) INVENTORIES :**

(As taken , valued and certified by the Management)

Stores & Spares	860.18	801.55
Fuel	32.78	29.42
Stock - in - Trade :		
Raw Materials and Packing Materials	1,391.35	3,498.95
Stock-in-Process	231.32	354.32
Finished goods	6,192.79	4,702.55
	<u>8,708.42</u>	<u>9,386.79</u>



**SCHEDULE 6. (Contd.)**

	As at 30-06-2007 (Rs. in Lacs)	As at 30-06-2006 (Rs. in Lacs)
<b>(b) SUNDRY DEBTORS :</b>		
(Unsecured -Considered Good)		
Over Six Months	62.94	346.87
Others	11,160.24	10,183.09
	<u>11,223.18</u>	<u>10,529.96</u>
Less : Provision for doubtful debts	—	120.00
	<u>11,223.18</u>	<u>10,409.96</u>
<b>(c) CASH AND BANK BALANCES :</b>		
Cash on hand	13.09	8.52
Bank Balances :		
With Scheduled Banks :		
In Current & Cash Credit Accounts	812.07	466.43
In Fixed Deposits and Margin Money	1,045.38	1,498.30
	<u>1,870.54</u>	<u>1,973.25</u>
<b>(d) LOANS AND ADVANCES :</b>		
(Unsecured - Considered Good)		
Advances recoverable in cash or in kind or for value to be received	3,787.70	5,915.49
Advances to Subsidiary Company	332.72	373.27
Advance payment of Income-tax and tax deducted at source	1,111.44	167.46
MAT Credit Entitlement	—	143.00
	<u>5,231.86</u>	<u>6,599.22</u>
<b>TOTAL</b>	<u><u>27,034.00</u></u>	<u><u>28,369.22</u></u>

**SCHEDULE 7.**

**CURRENT LIABILITIES AND PROVISIONS :**

**(a) CURRENT LIABILITIES :**

Acceptances	8,900.34	12,113.76
Sundry Creditors	4,648.09	4,094.29
Interest Accrued but not due on Loans	58.06	34.47
	<u>13,606.49</u>	<u>16,242.52</u>

**(b) PROVISIONS :**

Taxation	2,004.54	
Less : MAT Credit	<u>173.00</u>	
Provision for Retirement Benefits	344.84	231.79
Proposed Dividend	975.13	975.13
Dividend Tax on Proposed Dividend	165.72	136.76
	<u>3,317.23</u>	<u>1,698.22</u>
<b>TOTAL</b>	<u><u>16,923.72</u></u>	<u><u>17,940.74</u></u>

**SCHEDULE 8.**

**MISCELLANEOUS EXPENDITURE :**

**(To the extent not amortised or adjusted)**

Loan Restructuring Fees	96.43	139.29
<b>TOTAL</b>	<u><u>96.43</u></u>	<u><u>139.29</u></u>



**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

	2006-2007 (Rs. in Lacs)	2005-2006 (Rs. in Lacs)
<b>SCHEDULE 9.</b>		
<b>SALES &amp; OPERATING INCOME</b>		
Sales including Excise Duty	159,819.80	147,152.50
Other Operating Income (refere note.14 of schedule.14)	1,283.94	5,064.76
<b>TOTAL</b>	<b>161,103.74</b>	<b>152,217.26</b>
<b>SCHEDULE 10.</b>		
<b>OTHER INCOME :</b>		
Dividend (gross)	172.85	27.48
Profit on sale of investments (net)	10.09	49.40
Gain on redemption of Mutual Fund securities	0.77	267.69
Profit on sale of Fixed Assets (net)	—	123.77
Miscellaneous Income	675.67	164.11
<b>TOTAL</b>	<b>859.38</b>	<b>632.45</b>
<b>SCHEDULE 11.</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
1. Raw Materials (Including Packing Materials) Consumed	108,073.71	108,888.66
2. Purchases of Goods For Re-Sale	25,961.61	17,303.03
3. Stores and Spares Consumed	428.91	381.01
4. Power and Fuel	1,475.86	1,432.90
5. Labour Charges	96.36	164.33
6. Employees' Remuneration and Benefits :		
Salaries, Wages, Bonus, Gratuity etc.	1,269.06	1,002.58
Contribution to Provident Fund and Other Funds	113.13	98.19
Staff Welfare Expenses	51.25	44.46
	<b>1,433.44</b>	<b>1,145.23</b>
7. Rent, Rates and Taxes	138.26	81.76
8. Repairs :		
Buildings	208.91	60.64
Machinery	98.25	76.18
Others	123.36	89.86
	<b>430.52</b>	<b>226.68</b>
9. Directors' Fees	4.72	3.76
10. Insurance	208.40	189.90
11. Commission on Sales	631.14	603.82
12. Carriage outward	3,051.28	3,698.10
13. Loss on Sale of Fixed Assets (net)	21.54	—
14. Other Expenses	1,013.48	1,148.50
15. Bad debts Written Off	237.09	
Less:Provision for doubtful debts Written back	120.00	1.90
16. Provision for doubtful debts	—	120.00



**SCHEDULE 11. (Contd.)**

	<b>2006-2007</b>	2005-2006
	<b>(Rs. in Lacs)</b>	(Rs. in Lacs)
17 a. Increase / (Decrease) in excise duty included in opening and closing stock of finished goods	<b>102.09</b>	(46.10)
b. (Increase) / Decrease in work in process and finished goods		
Stocks on 01.07.2006 :		
Stock-in-Process	<b>354.32</b>	354.07
Finished Goods	<b>4,702.55</b>	5,936.81
	<b>5,056.87</b>	6,290.88
Stocks on 30.06.2007 :		
Stock-in-Process	<b>231.32</b>	354.32
Finished Goods	<b>6,192.79</b>	4,702.55
	<b>6,424.11</b>	5,056.87
<b>TOTAL</b>	<b>(1,367.24)</b>	1,234.01
	<b>141,821.17</b>	<b>136,577.49</b>

**SCHEDULE 12.**

**INTEREST :**

On Fixed Loans and Deposits	<b>1,250.37</b>	1,183.18
Others	<b>1,059.06</b>	974.29
	<b>2,309.43</b>	2,157.47
Less: Interest Received		
On Fixed Deposits With Banks	<b>13.40</b>	15.19
On Overdue payments from Debtors	<b>198.85</b>	110.96
Others	<b>23.87</b>	18.21
	<b>236.12</b>	144.36
<b>TOTAL</b>	<b>2,073.31</b>	2,013.11

**SCHEDULE 13.****SIGNIFICANT ACCOUNTING POLICIES****1. BASIS OF ACCOUNTING**

The accounts are prepared on the basis of historical cost convention and on accrual basis.

**2. FIXED ASSETS**

Fixed Assets are valued at cost less depreciation. Costs comprise of the purchase price and any attributable cost of bringing the asset to working condition for its intended use.

**3. DEPRECIATION**

Depreciation on Fixed Assets is provided on "Straight Line Method" at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

**4. INVESTMENTS**

Investments are stated at cost. Temporary diminution in the value of long term investments, meant to be held for a long period of time is not recognised.

**5. INVENTORIES**

Inventories are valued at lower of cost and net realisable value except stores and spares which are valued at cost. The method of determination of cost of various categories of inventories are as follows :

- a. Stores, spares and fuel : At cost. (weighted average)
- b. Raw Materials (including packing materials) : At cost. (weighted average)
- c. Stock in process : At cost. (weighted average)
- d. Finished goods : At cost. (weighted average)

**6. FOREIGN CURRENCY TRANSACTIONS**

Foreign Currency assets and liabilities covered by forward contracts are stated at the forward contract rates while those not covered by forward contracts are restated at rates ruling at the year end. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Any other exchange differences are dealt with in the profit and loss account.

**7. CENVAT CREDIT**

CENVAT credit on Raw Materials and Capital Goods has been accounted for by reducing the purchase cost of Raw Materials and Capital Goods respectively.

**8. RECOGNITION OF INCOME AND EXPENDITURE**

Items of Income and Expenditure are generally recorded on accrual basis.

**9. EXPORT BENEFITS**

Benefits on account of entitlement to import duty-free raw materials under the Advance Licence scheme is accounted for in the year of export calculated on the basis of rate of exchange and import duty prevailing at the date of the Balance sheet. This is included under the head "Other Operating Income."

**10. RETIREMENT BENEFITS**

Contributions to Provident and Superannuation Funds are accounted on actual liability basis. Provisions for Gratuity and Leave encashment benefit on retirement, are made on actuarial valuation basis.

**11. MISCELLANEOUS EXPENDITURE**

Loan restructuring fees is amortised over a period of seven years.

**12. SEGMENT REPORTING**

The Company's main business is manufacturing and marketing of Polystyrene. There are no separate segments within the Company as defined by AS 17 (Segment Reporting) issued by The Institute of Chartered Accountants of India.

**13. DEFERRED TAX**

- (a) Current Tax and Fringe Benefit Tax have been accounted as per payable method.
- (b) Deferred tax asset or liability is recognised for timing differences between the profit as per financial statements and the profit offered for income tax, based on tax rates that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised only if there is reasonable certainty that sufficient future taxable income will be available, against which they can be realized.

**14. CONTINGENT LIABILITIES**

All known liabilities are provided for in the accounts except liabilities of a contingent nature, which are disclosed at their estimated value in the notes on accounts.

**SCHEDULE 14.**

**NOTES ON ACCOUNTS**

	<b>2006-2007</b> <b>(Rs. in Lacs)</b>	2005-2006 (Rs. in Lacs)
1. Contingent liabilities not provided for in respect of :		
i) Estimated value of contracts remaining to be executed on capital accounts and not provided for	<b>528.18</b>	867.40
ii) Letters of Credit opened by Bankers and outstanding at the year end.	<b>8,305.61</b>	4386.10
iii) Bills discounted but not matured.	<b>12,985.01</b>	13,693.49
iv) Counter guarantees given to Banks against Banks' guarantees to Customs/ Sales Tax.	<b>193.61</b>	170.53
v) Excise / Service Tax matters under dispute.	<b>716.03</b>	304.42
vi) Sales Tax matter under dispute.	<b>177.59</b>	177.59
vii) Other Claims.	<b>71.31</b>	71.31

2. Quantitative and other information :

[A] Finished Goods :

(manufactured)

Registered and Installed Capacity

	Registered Capacity (MT)	* Installed Capacity (MT)	** Production (MT)
Styrene	<b>1,00,000</b> (1,00,000)	— (—)	— (—)
Polystyrene	<b>5,54,000</b> (5,54,000)	<b>2,72,000</b> (2,72,000)	<b>1,79,777</b> (2,07,908)
Speciality Polystyrene	<b>47,000</b> (47,000)	<b>17,000</b> (17,000)	<b>5,813</b> (4,890)
Expandable Polystyrene	<b>1,20,000</b> (1,20,000)	— (—)	— (—)

\* As certified by the management and not verified by the auditors.

\*\* Actual production excludes items produced on conversion basis for the Company by third parties. Polystyrene Nil MT (Previous year 1,728 MT) and Expandable Polystyrene 1,322 MT (Previous Year 1,004 MT).

Note : Figures in brackets are in respect of previous year.

[B] The Department of Company Affairs, Government of India vide its Order dated 19.07.2007 issued under section 211(4) of the Companies Act, 1956 has exempted the Company from disclosure of quantitative details in the Profit and Loss Account under para 3(i) (a), 3(ii) (a) and 3 (ii) (b) of Part II of Schedule VI to the Companies Act, 1956.

[C] Consumption of Raw Materials, Stores and Spares :

i) Raw Materials including Packing Materials :

	%	2006-2007 (Rs. in Lacs) Value	%	2005-2006 (Rs. in Lacs) Value
Imported	<b>96.64</b>	<b>104,437.75</b>	97.14	105,776.33
Indigenous	<b>3.36</b>	<b>3,635.96</b>	2.86	3,112.33
	<b>100.00</b>	<b>108,073.71</b>	100.00	108,888.66
ii) Stores and Spares :				
Imported	<b>22.08</b>	<b>94.70</b>	19.21	73.18
Indigenous	<b>77.92</b>	<b>334.21</b>	80.79	307.83
	<b>100.00</b>	<b>428.91</b>	100.00	381.01



	<b>2006-2007</b>	2005-2006
	<b>(Rs. in Lacs)</b>	(Rs. in Lacs)
[D] CIF Value of Imports :		
Raw Materials	<b>124,455.06</b>	113,726.80
Stores & Spares	<b>132.96</b>	52.43
Capital Goods	<b>Nil</b>	312.51
[E] Expenditure in Foreign Currency :		
1. Interest	<b>327.68</b>	490.65
2. Legal and Professional	<b>36.70</b>	27.20
3. Membership & Subscription	<b>21.19</b>	14.44
4. Seminar, Training, Exhibition & Product Development	<b>6.02</b>	22.81
5. Travelling Expenses	<b>17.12</b>	26.34
6. Advertisement Expenses	<b>0.32</b>	0.23
7. Freight	<b>548.93</b>	564.73
8. Commission	<b>255.40</b>	298.74
9. Technical knowhow fees	<b>260.06</b>	152.27
10. Bank Charges	<b>19.91</b>	13.02
[F] Income in Foreign Currency :		
FOB Value of Exports	<b>66,784.86</b>	66,323.55
3. Miscellaneous expenses include :		
Remuneration to Auditors		
As Auditors	<b>8.80</b>	8.00
For Certification	<b>1.62</b>	1.62
Service Tax	<b>1.22</b>	0.13
<b>TOTAL</b>	<b>11.64</b>	9.75
4. Tax deducted at source on Income :		
Interest	<b>22.75</b>	9.62
Others	<b>8.50</b>	6.84
5. CENVAT Credit recorded on Capital goods/stores & spares.	<b>44.43</b>	59.19
6. Exchange differences recorded under respective heads by credit/(debit) in the Profit and Loss account (Net).	<b>519.48</b>	34.63
7. Managerial Remuneration		
To Manager :		
Salary	<b>59.01</b>	46.07
Contribution to PF and other funds	<b>12.02</b>	11.05
Perquisites	<b>0.43</b>	0.62
<b>TOTAL</b>	<b>71.46</b>	57.74
8. There are no amounts payable to any Small Scale Industrial undertaking.	—	—
9. In compliance with the Accounting Standard relating to 'Accounting for Taxes on Income' (AS 22), issued by the Institute of Chartered Accountants of India, the break up of deferred tax liabilities and deferred tax assets is as under :		
	<b>As at</b>	As at
	<b>30.06.2007</b>	30.06.2006
	<b>(Rs. in Lacs)</b>	(Rs. in Lacs)
<b>Deferred Tax Assets</b>		
Unabsorbed depreciation/ Business Loss	—	26.79
Other items	<b>137.95</b>	87.74
	<b>137.95</b>	114.53
<b>Deferred Tax Liabilities</b>		
Depreciation	<b>4,859.80</b>	5,004.00
Other items	<b>32.78</b>	46.88
	<b>4,892.58</b>	5,050.88
Net Deferred Tax Liability/(Asset)	<b>4,754.63</b>	4,936.35

10. Disclosure of transactions with Related Parties, as required by Accounting Standards 18 "Related Party Disclosures" is given below :

a) Names of the related parties and description of relationship

Sr. No.	Particulars	Name of the Party
1	Promoters	The Supreme Industries Ltd., R Raheja Investments Pvt. Ltd.
2	Subsidiary	SPL Polymers Ltd. (formerly known as Shin Ho Petrochemical (India) Ltd.)
3	Key Management Personnel	Shri N. Gopal.

b) Transactions with Related Parties (Rs. in Lacs)

Sr. No.	Nature of Transactions*	Year	Promoters	Subsidiary	Key Management Personnel
1	Sales of Goods (Net)	<b>2006-07</b>	<b>4,057.11</b>	<b>2,899.42</b>	—
		2005-06	4,805.89	—	—
2	Purchase of Goods	<b>2006-07</b>	<b>16.36</b>	<b>54.44</b>	—
		2005-06	11.81	23.47	—
3	Purchase of other items	<b>2006-07</b>	<b>1.71</b>	—	—
		2005-06	0.41	—	—
4	Reimbursement of Expenses Paid/(Received)	<b>2006-07</b>	<b>0.47</b>	<b>(59.55)</b>	—
		2005-06	9.98	(2.31)	—
5	Job Work Charges Paid/ (Received)	<b>2006-07</b>	<b>(21.09)</b>	<b>90.49</b>	—
		2005-06	(7.02)	62.05	—
6	Dividend Paid on Equity Shares	<b>2006-07</b>	<b>578.73</b>	—	<b>0.16</b>
		2005-06	694.47	—	0.19
7	Loans Given	<b>2006-07</b>	—	<b>303.97</b>	—
		2005-06	—	438.27	—
8	Loans Repaid	<b>2006-07</b>	—	<b>344.51</b>	<b>2.25</b>
		2005-06	—	65.00	3.00
9	Free Trade Samples	<b>2006-07</b>	<b>0.02</b>	—	—
		2005-06	0.05	—	—
10	Remuneration Paid	<b>2006-07</b>	—	—	<b>71.46</b>
		2005-06	—	—	57.74
11	Interest on Loan given	<b>2006-07</b>	—	<b>43.49</b>	—
		2005-06	—	—	—
12	Balance Payable On Job Work Charges & Purchase Of Raw Materials	As on			
		<b>30th June 2007</b>	—	—	—
13	Balance Receivable	30th June 2006	7.45	81.82	—
		<b>30th June 2007</b>	—	<b>332.72</b>	—
a	Loans	30th June 2006	—	373.27	2.25
		<b>30th June 2007</b>	<b>129.51</b>	<b>1,289.96</b>	—
b	Sales of Goods/ Job Work Charges	30th June 2006	538.28	—	—
		<b>30th June 2007</b>	<b>9.24</b>	<b>45.42</b>	—
c	Others	30th June 2006	—	2.69	—
		<b>30th June 2007</b>	—	—	—

\* All Transactions are on commercial basis at market rates

	<b>2006-2007</b> <b>(Rs. in Lacs)</b>	2005-2006 (Rs. in Lacs)
11. Earnings per share (EPS)		
Profit after tax.	<b>3,324.87</b>	1,653.31
Number of equity shares at the beginning of the year.	<b>97512800</b>	9,7512800
Number of equity shares at the end of the year.	<b>97512800</b>	9,7512800
Weighted average number of shares outstanding for basic EPS during the year.	<b>97512800</b>	9,7512800



	<b>2006-2007</b> <b>(Rs. in lacs)</b>	2005-2006 (Rs. in lacs)
Basic earning per share (Rupees) (Face value - Rs.10/- per share)	<b>3.41</b>	1.69
Profit after tax for computing Diluted EPS	<b>3,359.69</b>	1,658.82
Weighted average number of shares for computing Diluted EPS during the year.	<b>120594118</b>	120777503
Diluted earning per share (Rupees) (Face value - Rs.10/- per share)	<b>2.79</b>	1.37
12. In the opinion of the Board, the current assets, loans and advances are approximately of the value stated, if realised in the ordinary course of business. The provisions for all the known liabilities and depreciation are adequate and not in excess of the amount reasonably required.		
13. Leasing - Operating Lease		
a. Obligations on non cancellable leases		
i) Not later than one year.	<b>107.92</b>	109.48
ii) Later than one year and not later than five years.	<b>66.92</b>	173.60
iii) Later than five years.	—	—
b. Lease rental expenses in respect of operating lease.	<b>113.81</b>	49.26
c. Contingent rent recognised in Profit & Loss account.	—	—
14. The Government vide notification dated June 12, 2006 reduced the incentive to 5% from 10% of incremental exports under Target Plus Scheme of 2005 – 2006, with retrospective effect. The Company accounted for export incentives under Target Plus Scheme at 10% of the incremental exports in the previous year based on the legal advice then received. The Company had moved Bombay High Court against the said amendment issued by the Government. The Government however, has now moved the Supreme Court against ours and similar other appeals filed all over India. The matter is now pending with The Supreme Court. In view of this, as an abundant precaution, the Company has now decided to recognize the export incentive @ 5% as notified by the Government vide aforesaid notification. Accordingly Rs. 720.07 lacs (out of Rs. 1,440.13 lacs credit accounted in previous year) has been reduced from the export incentives under "Other Operating Income."		
15. In absence of any intimation received from vendors regarding the status of their registration under "The Micro, Small and Medium Enterprises Development Act, 2006" the Company is unable to comply with the disclosures required to be made under said Act.		
16. (a) Prior period adjustments include expenses Rs. 24.45 lacs (previous year Rs. 10.21 lacs) and income Rs. 8.25 lacs (Previous year Rs. 17.51).		
(b) Excess provision for taxes for earlier years includes credit of Rs. 30 lacs of MAT credit entitlement for earlier year.		
17. Debtors/ Creditors balances are subject to confirmation.		
18. Additional information required under Part IV of Schedule VI to the Companies Act, 1956 is attached herewith.		
19. Previous year's figures are regrouped, wherever necessary.		

As per our report attached  
For **PARIKH & SHAH**  
Chartered Accountants

**D. B. Mohini**  
Partner  
Membership No.5681

Mumbai  
Date : August 09, 2007

**Rakesh Nayyar**  
Executive Director  
(Finance & Corporate Affairs)  
and Company Secretary

**M. P. Taparia**

**A. H. Parpia**

**B. L. Taparia**

**Satish B. Raheja**

**S. J. Taparia**

**Nihalchand Chauhan**

Chairman

Directors

## CASH FLOW FOR THE YEAR : 2006 - 2007

	Rs.in Lacs Year Ended Jun 30, 2007	Rs.in Lacs Year Ended Jun 30, 2006
<b>A. Cash Flow from Operating activities</b>		
Net Profit before tax	4,746.73	2,752.28
Adjustment for :		
Depreciation	1,660.02	1,626.67
Miscellaneous Expenditure	42.86	42.86
Investment Income	(419.82)	(612.70)
Interest and Finance Charges	2,309.43	2,157.47
Loss on sale of Fixed Assets	21.54	—
Expenses/Income Related to Earlier Year	(16.20)	6.67
Operating profit before working capital changes	<u>8,344.56</u>	<u>5,973.25</u>
Adjustment For :		
Trade & Other receivables	1,355.12	(3,522.49)
Inventories	678.37	3,567.56
Trade Paybles & Other Provision	(2,546.57)	(2,552.22)
Cash generated from operations	<u>7,831.48</u>	<u>3,466.10</u>
Direct Tax Paid	(911.36)	(47.09)
Net Cash from Operating activities (A)	<u>6,920.12</u>	<u>3,419.01</u>
<b>B. Cash Flow from Investing activities</b>		
Purchase of Fixed Assets	(440.45)	(1,645.68)
Sale of Fixed Assets	16.04	206.12
Sale of Investment	50.08	136.23
Interest received	236.12	144.36
Dividend Received	172.85	27.48
Net cash used in investing activities (B)	<u>34.64</u>	<u>(1,131.49)</u>
<b>C. Cash Flow from Financing activities</b>		
Increase in Equity Share	—	—
Interest Paid	(2,285.84)	(2,150.82)
Dividend & Dividend Tax Paid	(1,111.89)	—
Proceeds from borrowings	(3,659.74)	1,296.58
Net cash from financing activities (C)	<u>(7,057.47)</u>	<u>(854.24)</u>
<b>Net Change in cash &amp; cash equivalents (A)+(B)+(C)</b>	<u>(102.71)</u>	<u>1,433.28</u>
<b>Opening balance of Cash &amp; Cash equivalents</b>	1,973.25	539.97
<b>Closing balance of Cash &amp; Cash equivalents</b>	1,870.54	1,973.25

As per our report attached  
For **PARIKH & SHAH**  
Chartered Accountants

**D. B. Mohini**  
Partner  
Membership No.5681

Mumbai  
Date : August 09, 2007

**Rakesh Nayyar**  
Executive Director  
(Finance & Corporate Affairs)  
and Company Secretary

**M. P. Taparia** Chairman

**A. H. Parpia**  
**B. L. Taparia**  
**Satish B. Raheja**  
**S. J. Taparia**  
**Nihalchand Chauhan** } Directors

**STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956  
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. REGISTRATION DETAILS**

a) Registration Number	0054633
b) State Code	11
c) Balance Sheet Date	June 30 <sup>th</sup> 2007

**II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN Rs. THOUSANDS)**

a) Public Issue	NIL
b) Right Issue	NIL
c) Bonus Issue	NIL
d) Private Placement	NIL

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN Rs. THOUSANDS)**

a) Total Liabilities	3615763
b) Total Assets	3615763

**SOURCES OF FUNDS**

a) Paid-up capital	975128
b) Reserves and Surplus	738005
c) Secured Loans	1377270
d) Unsecured Loans	49897
e) Deferred Tax Liability (Net)	475463

**APPLICATION OF FUNDS**

a) Net Fixed Assets	2565010
b) Investments	30082
c) Net Current Assets	1011028
d) Miscellaneous Expenditure	9643
e) Accumulated Losses	NIL

**IV. PERFORMANCE OF THE COMPANY (AMOUNT IN Rs. THOUSANDS)**

a) Turnover (including other income)	15034409
b) Total Expenditure	14559736
c) Profit before tax after extra ordinary items	474673
d) Profit after tax	332487
e) Earnings per share (in Rupees)	3.41
f) Dividend rate %	10

**V. GENERIC NAMES OF THE THREE PRINCIPAL PRODUCTS/ SERVICES OF THE COMPANY**

Item Code No.	(ITC Code)	Product Description
39031909		Polystyrene

For and behalf of the Board

**M.P. TAPARIA**  
Chairman

Dated: August 09, 2007



**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES  
ACT, 1956 RELATING TO SUBSIDIARY COMPANIES.**

1. Name of the Subsidiary Company : SPL Polymers Limited  
(Formerly known as Shin Ho Petrochemical (India) Ltd)
2. Financial year of the Subsidiary ended on : June 30, 2007
3. Holding Company's Interest:
  - i) Equity Shares of Rs.10 each
    - (a) Number of shares Fully paid : 66,17,992
    - (b) Extent of Holding : 56.10%
4. Net aggregate amount of loss of the Subsidiary so far as they concern members of Supreme Petrochem Ltd.
  - i) For the financial year of Subsidiary
    - (a) Dealt with in the accounts of the Holding Company. : NIL
    - (b) Not dealt with in the accounts of the Holding Company : Rs.1,29,79,011/-
  - ii) For the previous Financial years of the Subsidiary since it became the holding Company's Subsidiary.
    - (a) Dealt with in the accounts of the Holding Company. : NIL
    - (b) Not dealt with in the accounts of the Holding Company : NIL
5. As the Financial Year of the Subsidiary Company coincides with the Financial Year of the Holding Company, Section 212(5) of the Companies Act, 1956, is not applicable.

**Rakesh Nayyar**  
Executive Director  
(Finance & Corporate Affairs)  
& Company Secretary

Mumbai  
Date : August 09, 2007

<b>M. P. Taparia</b>	}	Chairman
<b>A. H. Parpia</b>		Directors
<b>B. L. Taparia</b>		
<b>Satish B. Raheja</b>		
<b>S. J. Taparia</b>		
<b>Nihalchand Chauhan</b>		

**Annexure - 1****Summarised statement of Financials of subsidiary Companies pursuant to approval u/s. 212(8) of the Companies Act 1956 As on 30.06.2007**

<b>Name of Subsidiary</b>	
SPL Polymers Limited (Formerly known as Shin Ho Petrochemical (India) Ltd.	<b>Rs. in Lacs</b>
Capital	1179.60
Reserves	402.53
Total Assets	3399.59
Total Liabilities	1817.46
Details of Investments	NIL
Turnover	3008.43
Profit/(Loss) Before Taxation	(131.71)
Provision for Taxation	2.73
Profit /(Loss) After Taxation	(134.44)
Proposed Dividend	NIL



## AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF SUPREME PETROCHEM LIMITED

We have audited the attached Consolidated Balance Sheet of SUPREME PETROCHEM LTD ("the Company") and its subsidiary, SPL POLYMERS LIMITED (Formerly SHIN HO PETROCHEMICAL (INDIA) LIMITED) collectively referred to as "the Group", as at 30<sup>th</sup> June 2007, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We did not audit the Financial Statements of subsidiary, SPL POLYMERS LIMITED (Formerly SHIN HO PETROCHEMICALS (INDIA) LIMITED), whose financial statements reflect total assets of Rs. 2,749.15 lacs as at 30<sup>th</sup> June 2007 and total revenues of Rs.3,424.91 lacs for the year ended on that date. These financial statements have been audited by other auditors, whose report has been furnished to us, and our opinion is so far as it relates to the amounts included in respect of this subsidiary, is based solely on report of the other auditors.
3. Based on our audit of SUPREME PETROCHEM LTD, and on consideration of the report of other auditors on the Financial Statements of subsidiary, SPL POLYMERS LIMITED (Formerly SHIN HO PETROCHEMICALS (INDIA) LIMITED) and to the best of our information and according to the explanations given to us, we are of the opinion that the Consolidated Financial Statements read together with Notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. In the case of the Consolidated balance Sheet, of the state of affairs of the Group as at 30<sup>th</sup> June 2007;
  - b. In the case of the Consolidated Profit and Loss Account of the Profit of the Group for the year ended on the date; and
  - c. In the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.
4. We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by The Institute of Chartered Accountants of India.

For **PARIKH & SHAH**

Chartered Accountants

**D. B. MOHINI**

Partner

Membership No.5681

Mumbai

Date : August 09, 2007



**CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2007**

	Schedule	As at 30-06-2007 (Rs. in Lacs)	As at 30-06-2006 (Rs. in Lacs)
<b>I. SOURCES OF FUNDS :</b>			
<b>1. Shareholders' Funds :</b>			
(a) Capital	1	9,751.28	9,751.28
(b) Reserves and Surplus	2	7,811.82	5,700.63
		<u>17,563.10</u>	<u>15,451.91</u>
<b>2. Loan Funds :</b>			
(a) Secured Loans	3	13,772.70	17,314.49
(b) Unsecured Loans	3	498.97	616.92
		<u>14,271.67</u>	<u>17,931.41</u>
<b>3. Minority Interest</b>		232.28	289.25
<b>4. Deferred Tax Liability (Net)</b>		4,754.63	4,936.35
		<u>36,821.68</u>	<u>38,608.92</u>
<b>TOTAL</b>			
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. Fixed Assets :</b>	4		
(a) Gross Block		39,529.11	39,445.28
(b) Less : Depreciation		14,822.89	13,451.79
(c) Net Block		24,706.22	25,993.49
(d) Capital Work-in-Progress		1,884.16	2,040.21
		<u>26,590.38</u>	<u>28,033.70</u>
<b>2. Investments :</b>	5	33.20	72.43
<b>3. Current Assets, Loans and Advances :</b>	6		
(a) Inventories		9,281.77	9,433.29
(b) Sundry Debtors		10,615.99	10,672.18
(c) Cash and Bank Balances		1,934.75	2,019.58
(d) Loans and Advances		5,342.24	6,276.69
		<u>27,174.75</u>	<u>28,401.74</u>
<b>Less: Current Liabilities and Provisions :</b>	7		
(a) Current Liabilities		13,727.43	16,317.66
(b) Provisions		3,345.65	1,720.58
		<u>17,073.08</u>	<u>18,038.24</u>
<b>Net Current Assets</b>		10,101.67	10,363.50
<b>4. Miscellaneous Expenditure :</b>	8		
(To the extent not amortised or adjusted)		96.43	139.29
		<u>36,821.68</u>	<u>38,608.92</u>
<b>TOTAL</b>			
Notes on Accounts	13		

As per our report attached  
For **PARIKH & SHAH**  
Chartered Accountants

**D. B. Mohini**  
Partner  
Membership No.5681

Mumbai  
Date : August 09, 2007

**Rakesh Nayyar**  
Executive Director  
(Finance & Corporate Affairs)  
and Company Secretary

**M. P. Taparia**

**A. H. Parpia**

**B. L. Taparia**

**Satish B. Raheja**

**S. J. Taparia**

**Nihalchand Chauhan**

Chairman

Directors

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2007**

	Schedule	2006-2007 (Rs. in Lacs)	2005-2006 (Rs. in Lacs)
<b>INCOME:</b>			
Sales & Operating Income	9	161,559.85	153,304.73
Less : Excise Duty		12,110.94	10,107.55
Sales & Operating Income (Net)		149,448.91	143,197.18
Other Income	10	1,275.85	693.74
		<b>150,724.76</b>	<b>143,890.92</b>
<b>EXPENDITURE:</b>			
Manufacturing and other expenses	11	142,210.79	137,849.51
Interest	12	2,115.22	2,033.82
Depreciation		1,740.88	1,706.64
Amortisation of Miscellaneous Expenditure		42.86	42.86
		<b>146,109.75</b>	<b>141,632.83</b>
<b>Profit before Tax &amp; Extra Ordinary item</b>		<b>4,615.01</b>	<b>2,258.09</b>
Impairment Loss		—	512.29
<b>Profit before Taxes</b>		<b>4,615.01</b>	<b>2,770.38</b>
Income Tax		1,665.00	143.00
MAT Credit Entitlement		—	(143.00)
Wealth Tax		6.00	4.50
Fringe Benefit Tax		31.74	38.00
Deferred Tax (refer note. 7 of schedule.13 )		(181.72)	1,066.46
<b>Profit after Taxes</b>		<b>3,093.99</b>	<b>1,661.42</b>
Prior Period Adjustments (refere note .14 schedule .13)		(11.54)	8.83
Excess/(Short) Provision of Taxes for earlier years (Net)		112.63	(0.63)
<b>Profit before Minority Interest</b>		<b>3,195.08</b>	<b>1,669.62</b>
Minority Interest		56.97	6.67
<b>Net Profit</b>		<b>3,252.05</b>	<b>1,676.29</b>
<b>Balance Brought Forward From Previous Year</b>		<b>1,061.29</b>	<b>996.89</b>
<b>Profit Available for Appropriation</b>		<b>4,313.34</b>	<b>2,673.18</b>
<b>Appropriations</b>			
Proposed Dividend		975.13	975.13
Corporate Dividend Tax thereon		165.72	136.76
Transfer to General Reserve		1,000.00	500.00
<b>Balance carried to Balance Sheet</b>		<b>2,172.49</b>	<b>1,061.29</b>
		<b>4,313.34</b>	<b>2,673.18</b>

Notes on Accounts

13

As per our report attached  
For **PARIKH & SHAH**  
Chartered Accountants

**D. B. Mohini**  
Partner  
Membership No.5681

Mumbai  
Date : August 09, 2007

**Rakesh Nayyar**  
Executive Director  
(Finance & Corporate Affairs)  
and Company Secretary

<b>M. P. Taparia</b>		Chairman
<b>A. H. Parpia</b>	}	Directors
<b>B. L. Taparia</b>		
<b>Satish B. Raheja</b>		
<b>S. J. Taparia</b>		
<b>Nihalchand Chauhan</b>		



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 30-06-2007 (Rs. in Lacs)	As at 30-06-2006 (Rs. in Lacs)
<b>SCHEDULE 1.</b>		
<b>SHARE CAPITAL :</b>		
<b>AUTHORISED :</b>		
12,50,00,000 Equity Shares of Rs.10 each	12,500.00	13,700.00
2,50,00,000 Redeemable Cumulative Preference Shares of Rs. 10 each	2,500.00	2,500.00
<b>TOTAL</b>	<b>15,000.00</b>	<b>16,200.00</b>
<b>ISSUED, SUBSCRIBED AND PAID UP :</b>		
9,75,12,800 (Previous Year 9,75,12,800) Equity Shares of Rs.10 each	9,751.28	9,751.28
<b>TOTAL</b>	<b>9,751.28</b>	<b>9,751.28</b>
<b>SCHEDULE 2.</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Capital Redemption Reserve :</b>		
Balance as per the last Balance Sheet	1,376.00	1,376.00
<b>Capital Reserve on consolidation :</b>		
	110.60	110.60
<b>Share Premium :</b>		
Balance as per the last Balance Sheet	750.21	750.21
<b>General Reserve :</b>		
Balance as per the last Balance Sheet	2,000.00	1,500.00
Add : Transferred from Profit & Loss Account	1,000.00	500.00
	<b>3,000.00</b>	<b>2,000.00</b>
<b>Revaluation Reserve - Free hold Land :</b>		
Balance as per the last Balance Sheet	402.52	402.53
<b>Profit and Loss Account :</b>		
	2,172.49	1,061.29
<b>TOTAL</b>	<b>7,811.82</b>	<b>5,700.63</b>
<b>SCHEDULE 3.</b>		
<b>(A) SECURED LOANS :</b>		
<b>FROM BANKS :</b>		
(a) Working Capital Loans	1	1.85
(b) Rupee Term Loans	2	10,080.90
(c) Foreign Currency Term Loan	2	5,231.74
	<b>12,772.70</b>	<b>15,314.49</b>
<b>FROM FINANCIAL INSTITUTION :</b>		
(a) Rupee Term Loans	2	2,000.00
<b>TOTAL</b>	<b>13,772.70</b>	<b>17,314.49</b>
<b>Notes :</b>		
1. Working capital facilities(including letters of credit ) from banks are secured by hypothecation of Company's stocks and book debts and by a second paripassu charge by way of an equitable mortgage on the Company's immovable properties(including plant and machinery) situated at the plant site.		
2. Rupee and Foreign Currency Term Loans from Financial Institution and Banks are secured by a first chargeby way of an equitable mortgage on the Company's immovable properties (including Plant and Machinery) Situated at the plant site and by hypothecation of movable assets(except book debts) subject to prior charge in favour of Company's Bankers for working capital facilities (except for Rupee Term Loan of Rs.2,000 lacs from ING Vysya Bank Ltd which is secured by residual charge on the Company's movable assets and ECB borrowing of US\$ 5 mio equivalent to Rs.2,150 lacs from ICICI Bank (U.K.) Ltd. which is secured by first charge on the Company's movable and immovable assets). Creation of equitable mortgage for Securing Foreign Currency Term Loan Equivalent to Rs.1,000 lacs availed from Bharat Overseas Bank is pending.		
<b>(B) UNSECURED LOANS :</b>		
Fixed Deposits	498.97	616.92
<b>TOTAL</b>	<b>498.97</b>	<b>616.92</b>





As at  
**30-06-2007**  
(Rs. in Lacs)

As at  
30-06-2006  
(Rs. in Lacs)

**SCHEDULE 6.**

**CURRENT ASSETS, LOANS AND ADVANCES :**

**CURRENT ASSETS :**

**(a) INVENTORIES :**

(As taken , valued and certified by the Management )

Stores, Spares & Fuel	900.27	831.88
Stock - in - Trade :		
Raw Materials and Packing Materials	1,689.93	3,524.53
Stock-in-Process	231.32	354.32
Finished goods	6,460.25	4,722.56
	9,281.77	9,433.29

**(b) SUNDRY DEBTORS :**

(Unsecured -Considered Good)

Over Six Months	214.80	528.81
Others	10,401.19	10,263.37
	10,615.99	10,792.18
Less : Provision for doubtful debts	—	120.00
	10,615.99	10,672.18

**(c) CASH AND BANK BALANCES :**

Cash on hand	15.16	9.72
Bank Balances :		
With Scheduled Banks :		
In Current & Cash Credit Accounts	867.31	495.11
In Fixed Deposits and Margin Money	1,052.28	1,514.75
	1,934.75	2,019.58

**(d) LOANS AND ADVANCES :**

(Unsecured - Considered Good)

Advances recoverable in cash or in kind or for value to be received	4,216.12	5,953.91
Advance payment of Income-tax and tax deducted at source	1,126.12	179.78
MAT Credit Entitlement	—	143.00
	5,342.24	6,276.69
<b>TOTAL</b>	<b>27,174.75</b>	<b>28,401.74</b>

**SCHEDULE 7.**

**CURRENT LIABILITIES AND PROVISIONS :**

**(a) CURRENT LIABILITIES :**

Acceptances	8,900.34	12,158.02
Sundry Creditors	4,769.03	4,125.17
Interest Accrued but not due on Loans	58.06	34.47
	13,727.43	16,317.66

**(b) PROVISIONS :**

Taxation	2,004.54	
Less : MAT credit	173.00	
Fringe Benefit Tax (Net)	0.34	0.85
Provision for Retirement Benefits	372.92	253.30
Proposed Dividend	975.13	975.13
Dividend Tax on Proposed Dividend	165.72	136.76
	3,345.65	1,720.58
<b>TOTAL</b>	<b>17,073.08</b>	<b>18,038.24</b>

**SCHEDULE 8.**

**MISCELLANEOUS EXPENDITURE :**

**(To the extent not amortised or adjusted)**

Loan Restructuring Fees	96.43	139.29
<b>TOTAL</b>	<b>96.43</b>	<b>139.29</b>



**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

	2006-2007 (Rs. in Lacs)	2005-2006 (Rs. in Lacs)
<b>SCHEDULE 9.</b>		
<b>SALES &amp; OPERATING INCOME</b>		
Sales including Excise Duty	160,275.91	148,239.97
Other Operating Income	1,283.94	5,064.76
<b>TOTAL</b>	<b>161,559.85</b>	<b>153,304.73</b>
<b>SCHEDULE 10.</b>		
<b>OTHER INCOME :</b>		
Service charges received	—	17.60
Dividend (gross)	172.85	27.48
Profit on sale of investments (net)	10.09	49.40
Gain on redemption of Mutual Fund securities	0.77	267.69
Profit on sale of Fixed Assets (net)	—	123.77
Miscellaneous Income	729.22	168.83
Sale - Others	423.30	44.18
Less : Excise Duty	60.38	(5.21)
<b>TOTAL</b>	<b>1,275.85</b>	<b>693.74</b>
<b>SCHEDULE 11.</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
1. Raw Materials (Including Packing Materials) Consumed	107,891.19	109,643.71
2. Purchases of Goods For Re-Sale	26,310.44	17,394.82
3. Stores and Spares Consumed	445.15	383.07
4. Power and Fuel	1,573.10	1,534.48
5. Labour Charges	5.86	86.41
6. Employees' Remuneration and Benefits :		
Salaries, Wages, Bonus, Gratuity etc.	1,430.82	1,112.10
Contribution to Provident Fund and Other Funds	118.51	108.65
Staff Welfare Expenses	64.75	64.53
	<b>1,614.08</b>	<b>1,285.28</b>
7. Rent, Rates and Taxes	152.33	97.94
8. Repairs :		
Buildings	212.59	61.04
Machinery	124.77	94.83
Others	124.96	100.30
	<b>462.32</b>	<b>256.17</b>
9. Directors' Fees	5.05	4.13
10. Insurance	221.29	200.91
11. Commission on Sales	649.88	610.58
12. Carriage outward	3,131.37	3,733.95
13. Loss on Sale of Fixed Assets (net)	21.54	—
14. Other Expenses	1,122.70	1,238.46
15. Bad debts Written Off	237.09	
Less:Provision for doubtful debts Written back	120.00	1.90
16. Provision for doubtful debts	—	120.00
17 a. Increase / (Decrease) in excise duty included in opening and closing stock of finished goods	102.09	(46.10)



	<b>2006-2007</b> <b>(Rs. in Lacs)</b>	2005-2006 (Rs. in Lacs)
<b>SCHEDULE 11. (Contd.)</b>		
b. (Increase) / Decrease in work in process and finished goods		
Stocks on 01.07.2006 :		
Stock-in-Process	354.32	354.07
Finished Goods	4,722.56	6,026.61
	<u>5,076.88</u>	<u>6,380.68</u>
Stocks on 30.06.2007 :		
Stock-in-Process	231.32	354.32
Finished Goods	6,460.25	4,722.56
	<u>6,691.57</u>	<u>5,076.88</u>
	<u>(1,614.69)</u>	1,303.80
<b>TOTAL</b>	<b><u>142,210.79</u></b>	<b><u>137,849.51</u></b>
<b>SCHEDULE 12.</b>		
<b>INTEREST :</b>		
On Fixed Loans and Deposits	1,293.99	1,201.92
Others	1,059.06	978.56
	<u>2,353.05</u>	<u>2,180.48</u>
Less: Interest Received		
On Fixed Deposits With Banks	13.77	17.49
On Overdue payments from Debtors	198.85	110.96
Others	25.21	18.21
	<u>237.83</u>	<u>146.66</u>
<b>TOTAL</b>	<b><u>2,115.22</u></b>	<b><u>2,033.82</u></b>

**SCHEDULE 13.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. PRINCIPLES OF CONSOLIDATION :**

The Consolidated Financial Statements (CFS) comprise the Financial Statements of SUPREME PETROCHEM LTD (“the Company”) and its Subsidiary, SPL POLYMERS LIMITED (Formerly SHIN HO PETROCHEMICAL (INDIA) LIMITED) (“Subsidiary”) incorporated in India of which 56.10% (previous year 56.10%) shares are held by SUPREME PETROCHEM LTD, collectively referred to as (‘Group’).

The CFS of the Company and its Subsidiary Company have been prepared using uniform accounting policies in accordance with the generally accepted accounting policies on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances, intra-group transactions and unrealised profits or losses as per Accounting Standard 21 ‘Consolidated Financial Statements’ issued by the Institute of Chartered Accountants of India, (ICAI).

The excess of Company’s portion of equity of the Subsidiary as at the date of its investment is treated as Capital Reserve.

**Minority Interest in the net assets of Subsidiary consists of :**

- (i) the amount of equity attributable to the minorities at the date on which investment in a Subsidiary is made; and
- (ii) the minorities’ share of movements in equity since the date the parent-subsidiary relationship came into existence.

2 Accounting Policies and Notes on Accounts of the Financial Statements of the Company and its Subsidiary are set out in their respective Financial Statements.

	<b>As at 30/06/2007 (Rs. in Lacs)</b>	<b>As at 30/06/2006 (Rs. in Lacs)</b>
3. Contingent liabilities not provided for in respect of :		
i) Estimated value of contracts remaining to be executed on capital accounts and not provided for :	<b>528.18</b>	867.40
ii) Letters of Credit opened by Bankers and outstanding at the year-end.	<b>8305.61</b>	4386.10
iii) Bills discounted but not matured.	<b>12985.01</b>	13701.45
iv) Counter guarantees given to Banks against Banks’ guarantees to Customs.	<b>193.61</b>	170.53
v) Excise / Service Tax matters under dispute.	<b>716.03</b>	304.42
vi) Sales Tax matter under dispute.	<b>177.59</b>	177.59
vii) Income Tax matters under dispute.	<b>57.63</b>	—
viii) Other Claims.	<b>71.31</b>	71.31
4. Exchange differences recorded under respective heads by credit/(debit) in the Profit and Loss account (Net).	<b>524.35</b>	32.32
5. The shareholders of the Company in their meeting held on February 9, 2007 approved capital restructuring scheme for reduction of paid-up capital of the Company from Rs.11,79,60,000 divided into 1,17,96,000 equity shares of Rs.10/- each to Rs.5,89,80,000 divided into 1,17,96,000 equity shares by canceling Rs.5/- per equity share which has been lost and is unrepresented by available assets and setting off against accumulated losses of the Company. The Company has filed petition in the matter before the Hon’ble High Court, Madras and awaiting approval. Consequently no adjustment entry has been effected in the books.		
6. The main business of the Group is manufacturing and marketing of Polystyrene. There are no separate material segments as defined by AS 17 (Segment Reporting) issued by The Institute of Chartered Accountants of India (ICAI)		
7. In compliance with the Accounting Standard relating to ‘Accounting for Taxes on Income’ (AS 22), issued by the Institute of Chartered Accountants of India, the break up of deferred tax liabilities and deferred tax assets is as under:		



	As at <b>30.06.07</b> (Rs. in Lacs)	As at 30.06.06 (Rs. in Lacs)
<b>Deferred Tax Assets</b>		
Unabsorbed depreciation/ Business Loss	—	26.79
Other items	<b>137.95</b>	87.74
	<b>137.95</b>	114.53
<b>Deferred Tax Liabilities</b>		
Depreciation	<b>4859.80</b>	5004.00
Other items	<b>32.78</b>	46.88
	<b>4892.58</b>	5050.88
Net Deferred Tax Liability / (Asset) <b>TOTAL</b>	<b>4754.63</b>	4936.35

8. Disclosure of transactions with Related Parties, as required by Accounting Standards 18 "Related Party Disclosures" is given below:

a) Names of the related parties and description of relationship

Sr. No.	Particulars	Name of the Party
1	Promoters	The Supreme Industries Ltd. R Raheja Investments Pvt. Ltd.
2	Key Management Personnel	Shri N. Gopal (Manager – Supreme Petrochem Ltd.)

b) Transactions with Related Parties

(Rs. in Lacs)

Sr. No.	Nature of Transactions*	Year	Promoters	Key Management Personnel
1	Sales of Goods (Net)	<b>2006-07</b>	<b>4057.11</b>	—
		2005-06	4805.89	—
2	Purchase of Goods	<b>2006-07</b>	<b>16.36</b>	—
		2005-06	81.07	—
3	Purchase of other items	<b>2006-07</b>	<b>1.71</b>	—
		2005-06	0.41	—
4	Reimbursement of Expenses Paid/(Received)	<b>2006-07</b>	<b>0.47</b>	—
		2005-06	9.98	—
5	Job Work Charges Paid/ (Received)	<b>2006-07</b>	<b>(21.09)</b>	—
		2005-06	(7.02)	—
6	Dividend Paid on Equity Shares	<b>2006-07</b>	<b>578.73</b>	<b>0.16</b>
		2005-06	694.47	0.19
7	Loans Given	<b>2006-07</b>	—	—
		2005-06	—	—
8	Loans Repaid	<b>2006-07</b>	—	<b>2.25</b>
		2005-06	—	3.00
9	Free Trade Samples	<b>2006-07</b>	<b>0.02</b>	—
		2005-06	0.05	—
10	Remuneration Paid	<b>2006-07</b>	—	<b>71.46</b>
		2005-06	—	67.72
11	Interest on Loan given	<b>2006-07</b>	—	—
		2005-06	—	—
12	Balance Payable	As on		
	On Job Work Charges & Purchase Of Raw Materials	<b>30th June 2007</b>	—	—
		30th June 2006	7.45	—
13	Balance Receivable			
a	Loans	<b>30th June 2007</b>	—	—
		30th June 2006	—	2.25
b	Sales of Goods/ Job Work Charges	<b>30th June 2007</b>	<b>129.51</b>	—
		30th June 2006	538.28	—
c	Others	<b>30th June 2007</b>	<b>9.24</b>	—
		30th June 2006	—	—

\* All Transactions are on commercial basis at market rates



9. In the opinion of the Board, the current assets, loans and advances are approximately of the value stated, if realised in the ordinary course of business. The provisions for all the known liabilities and depreciation are adequate and not in excess of the amount reasonably required.

10. Leasing - Operating Lease

	<b>2006-2007</b> <b>(Rs. in Lacs)</b>	2005-2006 (Rs. in Lacs)
a. Obligations on non cancelable leases		
i) Not later than one year.	<b>107.92</b>	109.48
ii) Later than one year and not later than five years.	<b>66.92</b>	173.60
iii) Later than five years.	—	—
b. Lease rental expenses in respect of operating lease.	<b>113.81</b>	49.26
c. Contingent rent recognised in Profit & Loss account	<b>NIL</b>	NIL

11. The Government vide notification dated June 12, 2006 reduced the incentive to 5% from 10% of incremental exports under Target Plus Scheme of 2005 – 2006, with retrospective effect. The Company accounted for export incentives under Target Plus Scheme at 10% of the incremental exports in the previous year based on the legal advice then received. The Company had moved Bombay High Court against the said amendment issued by the Government. The Government however, has now moved the Supreme Court against ours and similar other appeals filed all over India. The matter is now pending with The Supreme Court. In view of this, as an abundant precaution, the Company has now decided to recognize the export incentive @ 5% as notified by the Government vide aforesaid notification. Accordingly Rs. 720.07 lacs (out of Rs. 1,440.13 lacs credit accounted in previous year) has been reduced from the export incentives under "Other Operating Income."

12. During the year portion of factory building and plant and machinery of drying and bagging section and inventory stored in that section were destroyed due to major fire at Chennai plant. These assets are adequately insured on re-instatement basis. The Company has preferred insurance claim and pending acceptance of the claim, claim receivable has been recognized to the extent of loss suffered of Rs. 221.37 lacs. The management is in the process of replacing the destroyed assets and commencement of production. However, in the opinion of the management, normal production can be restored by January, 2008.

	<b>2006-2007</b> <b>(Rs. in Lacs)</b>	2005-2006 (Rs. in Lacs)
13. Earnings per share (EPS)		
Profit after tax	<b>3252.05</b>	1676.29
Number of equity shares at the beginning of the year.	<b>97512800</b>	97512800
Number of equity shares at the end of the year.	<b>97512800</b>	97512800
Weighted average number of shares outstanding for basic EPS during the year.	<b>97512800</b>	97512800
Basic earning per share (Rupees) (Face value - Rs.10/- per share)	<b>3.33</b>	1.72
Profit after tax for computing Diluted EPS	<b>3286.87</b>	1681.80
Weighted average number of shares for computing Diluted EPS during the year.	<b>120594118</b>	120777503
Diluted earning per share (Rupees) (Face value - Rs.10/- per share)	<b>2.73</b>	1.39

14. Prior period adjustment include expenses of Rs. 27.07 lacs (Previous year Rs. 10.21 lacs) and income of Rs. 15.53 lacs (Previous year Rs. 19.04 lacs).



15. Exemption in respect of attaching the Balance Sheet and Profit and Loss Account of Subsidiaries under Section 212 (1) of the Companies Act, 1956 has been received by letter Dtd.03.08.2007 from The Ministry of Corporate Affairs, Government of India under Section 212 (8) of the Companies Act, 1956.
16. Debtors/ Creditors balances are subject to confirmation.
17. Figures of the previous year have been regrouped/ reclassified wherever necessary.
18. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the parent company's financial statement.

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As per our report attached  
For **PARIKH & SHAH**  
Chartered Accountants

**D. B. Mohini**  
Partner  
Membership No.5681

Mumbai  
Date : August 09, 2007

**Rakesh Nayyar**  
Executive Director  
(Finance & Corporate Affairs)  
and Company Secretary

**M. P. Taparia** Chairman

**A. H. Parpia**

**B. L. Taparia**

**Satish B. Raheja**

**S. J. Taparia**

**Nihalchand Chauhan**

} Directors



**CONSOLIDATED CASH FLOW FOR THE YEAR : 2006 - 2007**

	Rs.in Lacs Year Ended Jun 30, 2007	Rs.in Lacs Year Ended Jun 30, 2006
<b>A. Cash Flow from Operating activities</b>		
Net Profit before tax & Extraordinary items	4,615.01	2,258.09
Adjustment for :		
Depreciation	1,740.88	1,706.64
Miscellaneous Expenditure	42.86	42.86
Investment Income	(421.54)	(491.23)
Interest and Finance Charges	2,353.05	2,180.48
Loss/(Profit) on Sale/Fire of Assets	176.33	(123.77)
Expenses/Income Related to Earlier Year	(11.54)	8.19
	<u>3,880.04</u>	<u>3,323.17</u>
Operating profit before working capital changes	8,495.05	5,581.26
Adjustment For :		
Trade & Other receivables	1,793.98	(2,982.91)
Inventories	151.52	3,949.20
Trade Paybles & Other Provision	(2,497.44)	(3,200.61)
	<u>(551.94)</u>	<u>(2,234.32)</u>
Cash generated from operations	7,943.11	3,346.94
Direct Tax Paid	(913.74)	(50.41)
Net Cash from Operating activities (A)	<u>7,029.37</u>	<u>3,296.53</u>
<b>B. Cash Flow from Investing activities</b>		
Purchase of Fixed Assets	(490.72)	(1,654.04)
Sale of Fixed Assets	16.84	206.12
Sale of Investment	50.09	136.23
Interest received	237.83	146.66
Dividend Received	172.85	27.48
Net cash used in investing activities (B)	<u>(13.11)</u>	<u>(1,137.55)</u>
<b>C. Cash Flow from Financing activities</b>		
Interest Paid	(2,329.46)	(2,173.83)
Dividend & Dividend Tax Paid	(1,111.89)	—
Proceeds from borrowings	(3,659.74)	1,418.06
Net cash from financing activities (C)	<u>(7,101.09)</u>	<u>(755.77)</u>
<b>Net Change in cash &amp; cash equivalents (A)+(B)+(C)</b>	<b>(84.83)</b>	<b>1,403.21</b>
<b>Opening balance of Cash &amp; Cash equivalents</b>	<b>2,019.58</b>	<b>616.37</b>
<b>Closing balance of Cash &amp; Cash equivalents</b>	<b>1,934.75</b>	<b>2,019.58</b>

As per our report attached  
For **PARIKH & SHAH**  
Chartered Accountants

**D. B. Mohini**  
Partner  
Membership No.5681

Mumbai  
Date : August 09, 2007

**Rakesh Nayyar**  
Executive Director  
(Finance & Corporate Affairs)  
and Company Secretary

**M. P. Taparia**

**A. H. Parpia**

**B. L. Taparia**

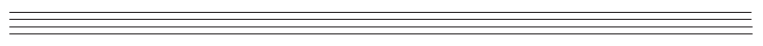
**Satish B. Raheja**

**S. J. Taparia**

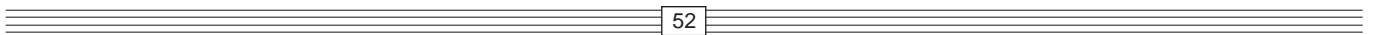
**Nihalchand Chauhan**

Chairman

Directors



**NOTES**





**MANDATE FOR ELECTRONIC CLEARING SERVICE (ECS)**

ECS helps to avoid any delay, loss in transit, pilferage and fraud.

To avail of this service, you are requested to furnish details of your Bank Account in the attached Mandate Form and send the same to our Registrars, Karvy Computershare Pvt. Ltd. to enable us to make arrangements for electronic credit of dividend through the Bankers of the Company **whenever such payments are due.**

At present only transactions upto Rs. 5,00,000/- (Rupees Five Lacs only) are covered under the scheme.

Kindly also note that if you have already furnished any mandate instructions or bank particulars for printing on the face of the warrant, the same will stand cancelled and this ECS mandate will be taken on record, in case you opt for ECS.

The information should be complete, accurate in all respects and preferably certified by your Bank Manager. A blank cancelled cheque or a photocopy of a cheque issued by your bank relating to your above account should be attached to the ECS mandate form for verifying the accuracy of the code number.

The ECS mandate form should be mailed to:

**SHRI K.S. REDDY, KARVY COMPUTERSHARE PRIVATE LIMITED, UNIT: SUPREME PETROCHEM LTD, 17-24, VITHALRAO NAGAR, MADHAPUR, HYDERABAD-500 081.**

The information provided by you will be kept confidential and will be used only for the purpose of crediting dividends. Kindly note that this facility is optional. You are at liberty to opt for receipt of warrants directly, if you so desire.

**BANK ACCOUNT PARTICULARS/ECS MANDATE FORM**

I/We ..... are holding ..... shares against Folio/Client ID No. .... do hereby authorise Supreme Petrochem Ltd

- 1. \* To print the following details on my/our dividend warrant.
- 2. \* To credit my dividend amount directly to my/our Bank Account in accordance with RBI's scheme.  
\* **(strike out whichever is not applicable)**

Particulars of Bank Account:

- a. Bank Name : .....
- b. Branch Name : .....
- Address (for Mandate only) : .....
- c. 9 Digit Code number of the bank & branch name appearing on the MICR cheque : .....
- d. Account type (saving/current) : .....
- e. Account No. as appearing on the cheque book : .....
- f. STD code & Telephone No. : .....

I/We shall not hold the Company responsible if the ECS could not be implemented or the Bank discontinues the ECS, for any reason.

Mail to  **SHRI K.S. REDDY, KARVY COMPUTERSHARE PRIVATE LIMITED, UNIT: SUPREME PETROCHEM LTD, 17-24, VITHALRAO NAGAR, MADHAPUR, HYDERABAD-500 081.**

**Signature of Members**

Please attach the photocopy of a cheque or a blank cancelled cheque issued by your Bank relating to your above account for verifying the accuracy of the code number.



# SUPREME PETROCHEM LTD

Registered Office : 612, Raheja Chambers, Nariman Point, Mumbai - 400 021

## ATTENDANCE SLIP 18TH ANNUAL GENERAL MEETING

Please complete this attendance slip and hand it over at the venue of the Meeting

Name of the Member/s or Proxy	Regd. Folio / Client ID No.	No. of Shares held
<p>I/We hereby record my/our presence at the 18th Annual Genral Meeting of the Company held at Indian Merchants' Chambers, Walchand Hirachand Conference Hall, IMC Marg, Churchgate, Mumbai 400 020 on Thursday October 04, 2007 at 3.00 p.m.</p>		
<p style="text-align: right;">_____ SIGNATURE OF THE MEMBER OR PROXY</p>		



# SUPREME PETROCHEM LTD

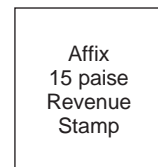
Registered Office : 612, Raheja Chambers, Nariman Point, Mumbai - 400 021

## PROXY FORM

I/We \_\_\_\_\_ of \_\_\_\_\_ being member/s of SUPREME PETROCHEM LTD hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to attend and vote for me/us and on my/our behalf at the 18th Annual General Meeting of the Company to be held at Indian Merchant's Chambers, Walchand Hirachand Conference Hall, IMC Marg, Churchgate, Mumbai 400 020 on Thursday, October 04, 2007 at 3.00 p.m.

Regd. Folio/Client ID No. \_\_\_\_\_

No. of shares held \_\_\_\_\_



(Signature of the Member/s)

Signed by the said \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

**Note:** The Proxy Form must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

## BOOK POST

If undelivered, please return to

**Supreme Petrochem Ltd**

(Secretarial Department)

Solitaire Corporate Park,

Building No. 11, 5th Floor,

Andheri-Ghatkopar Link Road, Chakala,

Andheri (East), Mumbai-400 093.

**ANNEXURE II TO THE DIRECTORS' REPORT**

Information as per Section 217(2A) read with Companies (Particulars of Employees), Rules 1975 and forming part of Directors' Report for the year ended June 30, 2007.

Sr. No.	Name	Age	Designation/ Nature of Duties	Gross Remuneration Received/ Receivable	Qualification	Experience (No. of Years)	Date of Commencement of employment	Previous employment & designation
1	Shri Bedi S.J.S.	56	Chief Executive (Marketing)	24,22,696.00	B.Tech (Hons) Chemical PGDBA (IIM Ahmedabad)	34	07.02.2006	LG Polymers Pvt. Ltd., Executive Director (Marketing)
2	Shri N. Gopal	61	Executive Director (Styrenics) & Manager	71,45,267.00	B.Tech (Chem) MS,DIC (Advanced Chemical Engineering)	38	12.11.1990	Reliance Petrochemicals Ltd. - General Manager
3	Shri Mujumdar K V	54	Chief Executive (Works)	29,40,018.00	BSP,BE, DBM	30	26.08.1992	Hindustan Organic Chemicals Ltd. Manager (Instrumentation)
4	Shri Nayyar Rakesh	50	Executive Director (Finance & Corporate Affairs) & Company Secretary	74,68,053.00	B.Com(Hons) AICWA,ACS,AIIA	31	15.04.1992	IL&FS - Consultant
5	Shri Raje G.G.	57	Chief Executive (Works)	26,38,387.00	M.Tech (Chemical Engg.) IIT - Mumbai	34	11.06.1992	Hindustan Organic Chemicals Ltd. General Manager (Cooling Unit)
6	Shri Rangarajan R	52	Chief Executive (Exports)	28,77,959.00	B.Tech (Chemical)	29	02.05.1992	McDowell & Co. Ltd. Polymer Division Manager (Project)
7	Shri Rastogi S K	53	Dy. Chief Executive (Marketing)	25,76,138.00	B.Tech (Plastic) HBTI - Kanpur	29	14.05.1996	McDowell & Co. Ltd. - Dy. General Manager (Marketing)

**Notes:**

1. Gross remuneration includes salaries, Company's contribution to provident and superannuation funds, medical reimbursement, leave travel assistance and value of other perquisites as per income tax rules, wherever applicable.
2. The designation represents the nature of duties of the employees.
3. None of the employees listed above are related to any Director of the Company.

**For and on behalf of the Board**

**M. P. Taparia**  
Chairman

Place : Mumbai  
Date : August 09, 2007