



# **SUPREME PETROCHEM LTD**

**ANNUAL REPORT  
2010-2011**



## BOARD OF DIRECTORS :

M. P. Taparia, Chairman  
 Rajan B. Raheja  
 Aziz Parpia  
 B. L. Taparia  
 Satish B. Raheja  
 S. J. Taparia  
 Hasmukh Shah  
 M. S. Ramachandran  
 R. Kannan  
 Nihalchand Chauhan  
 Viren Raheja - Alternate Director to Satish B. Raheja

## REGISTERED OFFICE :

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

## CORPORATE OFFICE :

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

## PLANTS :

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

Ammulavoyil Village,  
 Andarkuppam Post, Manali New Town,  
 Chennai - 600 103, Tamil Nadu.

## BANKERS :

State Bank of India  
 AXIS Bank Ltd.  
 Central Bank of India  
 ICICI Bank Ltd.  
 IDBI Bank Ltd.  
 Indusind Bank Ltd.  
 ING Vysya Bank Ltd.  
 The Karur Vysya 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, Vittalrao Nagar,  
 Madhapur,  
 HYDERABAD - 500 081

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**SUPREME PETROCHEM LTD**
**Performance Highlights**

₹ Lacs unless indicated otherwise

	2006-07	2007-08	2008-09	2009-10	2010-11
Net Sales	149484.71	148127.40	139496.39	161184.41	<b>194349.48</b>
Other Income	859.38	322.55	297.48	270.93	<b>411.35</b>
Total Income	150344.09	148449.95	139793.87	161455.34	<b>194760.83</b>
Operating Profit (PBIDT + Misc. Exp. W/Off)	8522.92	6147.02	7342.36	12718.60	<b>16262.17</b>
Interest	2073.31	1630.57	1801.20	1631.91	<b>1380.18</b>
Gross Profit	6449.61	4516.45	5541.16	11086.69	<b>14881.99</b>
Depreciation/Amortisation	1702.88	1758.50	2040.60	2068.29	<b>2037.01</b>
Profit Before Tax & Exceptional items	4746.73	2757.95	3500.57	9018.40	<b>12844.98</b>
Net Profit	3324.87	2257.31	1918.44	6047.49	<b>8769.07</b>
Paid up Equity Capital	9751.28	9837.65	9683.86	9683.86	<b>9683.86</b>
Reserves and Surplus	7283.62	9010.53	9941.24	13966.84	<b>19584.55</b>
Shareholders' Funds	17034.90	18848.18	19625.10	23650.70	<b>29268.41</b>
Loans	14271.67	13972.63	13771.62	15510.66	<b>16641.98</b>
Deferred Tax Liability (Net)	4754.63	4419.65	4555.14	4349.29	<b>4096.64</b>
Capital Employed	36157.63	37294.03	37962.57	43510.65	<b>50007.03</b>
Earning Per Equity Share (₹)	3.41	2.29	1.96	6.24	<b>9.06</b>
Cash Earning Per Equity Share (₹)	5.16	4.08	4.09	8.38	<b>11.16</b>
Book Value (₹)	17.47	19.16	20.27	24.42	<b>30.22</b>
Dividend (%)	10.00	10.00	10.00	18.00	<b>28.00</b>
ROACE (%)					
(PBIT/Average capital Employed)	15.59	8.70	12.24	25.40	<b>30.02</b>
ROANW (%)					
(PAT/ Average Net Worth)	20.88	12.58	9.97	27.95	<b>33.14</b>
Debt : Equity					
(Long Term Debt/Total Net Worth)	0.84	0.74	0.70	0.66	<b>0.57</b>
Total Outside Liabilities/ Total Net Worth	1.83	1.98	1.99	2.13	<b>2.23</b>

## NOTICE

NOTICE is hereby given that the twenty second 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 Wednesday, September 21, 2011 at 4.00 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, 2011.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri B. L. Taparia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Nihalchand Chauhan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri R. Kannan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri M. P. Taparia, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Statutory Auditors and fix their remuneration.

### SPECIAL BUSINESS:

8. 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 September 01, 2011 to June 30, 2014 on the terms, conditions and stipulations contained in the Agreement between the Company and Shri N. Gopal a copy whereof is placed before the meeting and for the purpose of identification, is initialed 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".

9. To consider and, if thought fit, to pass with or without modification, as an Ordinary Resolution the following:

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the creation by the Board of Directors of the Company of such mortgages, charges and hypothecations in addition to the existing mortgages, charges and hypothecations created by the Company as may be necessary on such of the assets of the Company both present and future, in such manner as the Board may direct, in favour of financial institutions, investment institutions and their subsidiaries, banks, multilateral agencies, overseas banks and other bodies corporate (hereinafter referred to as the 'Lending Agencies')/ Trustees for the holders of debentures/bonds or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, debentures, bonds and other instruments of an equivalent aggregate value not exceeding ₹ 100 crores (Rupees one hundred crores only) together with the interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment, costs, charges, expenses and all other moneys payable by the Company to the Lending Agencies/Trustees under the respective Agreement/ Loan Agreements/ Debenture Trust Deeds to be entered into by the Company in respect of the said borrowings.

RESOLVED FURTHER THAT the Board be and is hereby authorised to finalise with the Lending Agencies/Trustees the documents for creating the aforesaid mortgages, charges and/or hypothecations and to accept any modifications to, or to modify, alter or vary, the terms and conditions of the aforesaid documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to the above resolution".

**For and on behalf of the Board**

**M. P. Taparia**  
Chairman

**Registered Office:**  
612, Raheja Chambers, Nariman Point,  
Mumbai - 400 021  
Date : July 18, 2011

## 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 Nos. 8 & 9 of the notice is annexed.

Register of Members of the Company will remain closed from Wednesday, September 07, 2011 to Wednesday, September 21, 2011 (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 holding shares in physical form are advised to furnish, on or before September 06, 2011 particulars of their Bank Account, if changed, to Karvy Computershare Private Limited, Hyderabad to incorporate the same in the dividend warrants/ payment instrument.

For security reasons, no articles/baggage will be allowed at the venue of the meeting.

To receive faster communication of all shareholders communications, including Annual Reports the Members are requested to kindly register/update their e-mail address with their respective depository participant where shares are held in electronic form. If, however, shares are held in physical form, Members are advised to register their e-mail address with Karvy Computershare Private Limited, Hyderabad.

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. 8:

The Board of Directors at their meeting held on April 15, 2011 have appointed Shri N. Gopal as Manager of the Company for the period September 01, 2011 to June 30, 2014 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 ₹ 150.00 lacs 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 pay the bills for cellular and landline telephones used by Shri N. Gopal, for official purposes. 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, subject to receipt of requisite approvals, if any.

### 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, Expandable Polystyrene and SPC.
2. Date of Commencement of Commercial Production : October 01, 1995.

		(₹ In lacs)		
3. Financial Performance :	2008-09	2009-10	2010-11	
Gross Sales	150096.60	172208.98	210157.39	
Profit before tax	3500.57	9018.40	12844.98	
Net Profit	1933.58	6057.79	8770.29	
Export Performance	36532.31	34303.82	41628.49	
Net Foreign Exchange Earnings	(47894.20)	(53818.32)	(69924.63)	
4. Foreign Investment or Collaborators, if any	: NOVA Chemicals (International) S.A (Technical knowhow)			

**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 42 years experience in the Petrochemical field having worked with companies like ICI Petrochemicals Division, U.K.; Indian Petrochemical Corporation Limited (IPCL) and Reliance Industries Limited (Reliance).
2. Past Remuneration and other benefits : ₹ 89.62 lacs p.a. + perquisites
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 42 years experience in the petrochemical industry. He joined the Company in 1991 as Sr. Vice President (Projects & Operations). He was instrumental in setting up the Company's grass root Polystyrene plant with a capacity of 66000 TPA which has since been expanded to 272000 TPA. He oversaw the restoration and expansion of the fire damaged EPS plant in Chennai. The SPS Plant and its expansion and the projects for cup grade EPS and Extruded Polystyrene (XPS) were spearheaded by him.
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 date would be w.r.t. the country of this origin) : Your Company is the largest domestic manufacturer of Polystyrene and has a domestic market share of about 50%. It also has a presence in the Expandable Polystyrene, Speciality Polystyrene, and Extruded Polystyrene Insulation Board markets. It has customers in more than 90 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 other Managerial Personnel.

**III. Other information:**

1. Reasons of loss or inadequate profits : N. A.
- Steps taken or proposed to be taken for improvement : N. A.
- 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.8 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. 9:**

The Company proposes to approach financial institutions, investment institutions and their subsidiaries, banks, multilateral agencies, overseas banks and other bodies corporate and/or other Lending Agencies for term loans/debentures/bonds not exceeding ₹ 100 crores (Rupees one hundred crores only) for capital expenditure and for general corporate purposes including to augment long term resources for working capital requirements of the Company.

The said term loans/debentures/bonds when sanctioned/availed of/subscribed to, may be secured by appropriate mortgage/charge in favour of respective financial institutions, investment institutions and their subsidiaries, banks, multilateral agencies, overseas banks and other bodies corporate (hereinafter referred to as the 'Lending Agencies')/ Trustees for the holders of debentures/bonds on such of the assets of the Company both present and future, as may be decided by the Board of Directors. The resolution at Item No. 9 is considered necessary having regard to Section 293(1)(a) of the Companies Act, 1956.

The Directors commend the resolution at Item No. 9 for your approval.

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

**For and on behalf of the Board**

**M. P. Taparua  
Chairman**

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

Date : July 18, 2011

## DIRECTORS' REPORT

Your Directors take pleasure in presenting the twenty second Annual Report together with Audited Accounts of your Company for the year ended June 30, 2011.

### 1. FINANCIAL RESULTS

(Rupees in lacs)

	2010-2011	2009-2010
Income (Net of Excise)	194760.83	161455.34
Profit before Tax	12844.98	9018.40
Tax expenses	4074.69	2960.61
Profit after tax	8770.29	6057.79
Prior period adjustments	(1.22)	(10.30)
Balance brought forward from Previous Year	3960.55	1945.66
<b>Amount available for appropriation</b>	<b>12729.62</b>	<b>7993.15</b>
Appropriation thereof :		
Dividend on equity shares (including corporate dividend tax)	3151.36	2032.61
Transfer to general reserve	5000.00	2000.00
Balance carried forward	4578.26	3960.55

The performance for the year under review was best so far. The return on net worth before and after tax increased to 43.89% and 29.97% respectively. Return on average capital employed increased to 30.02%. Your Directors recommend a dividend of ₹ 2.80 per equity share for the year 2010-2011.

### 2. REVIEW OF OPERATIONS

The domestic Polystyrene market grew by 15% during the year under review while your Company's Polystyrene sales grew by 18.7% compared to the previous year. This growth was driven by growth in the market for refrigerators, water purifiers and foamed disposable wares. Export volumes increased marginally by 8.6% due to geo-political events in the Middle East and North Africa. Net realisations however showed market improvement due to the policy of selective acceptance of orders giving high net back.

Speciality Polymers and Compounds business grew by 35% in the domestic market due to demand for compounds used in appliances and water purifiers. Additive master batch business doubled over the previous year on acquisition of new domestic and export customers.

Expandable Polystyrene (EPS) production at the Chennai Plant has been optimised. EPS sales grew by 34% over the previous year.

Extruded Polystyrene Insulation boards (XPS) production was further optimised in the year under review.

### 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. HEALTH & SAFETY

Your Company has continued implementation of HSE Management System under the guiding principles of declared 'Occupational Health & Safety Policy' and 'Environmental Policy'. Both the Environmental Management System and Occupational Health and Safety Management Systems continued to be maintained as per ISO 14001:2004 Standards and OHSAS 18001:2007 specifications respectively.

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

Your Company has completed 3907 accident free days and 10.26 million accident free man hours as on June 30, 2011.

### 5. DIRECTORS

Shri B. L. Taparia, Shri Nihalchand Chauhan, Shri R. Kannan and Shri M. P. Taparia, 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.

### 6. SUBSIDIARY COMPANIES

As informed in the last report your Company decided not to proceed with SEZ project. It was therefore decided to wind up subsidiary Companies set up for this purpose.

The applications of the Subsidiary Companies viz. "SPL Industrial Park Limited" and "SPL Industrial Support Services Limited" made to Government of India, Ministry of Corporate Affairs for striking off their names from the Register under the Easy Exit Scheme were approved. The consolidated accounts of your Company and the erstwhile subsidiaries are therefore not annexed to this Annual Report. The names of both the Companies were struck off w.e.f. March 15, 2011 and April 23, 2011 respectively.

### 7. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

- in the preparation of the annual accounts, applicable accounting standards have been followed, with proper disclosure of any departures;
- 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.

#### **8. CORPORATE GOVERNANCE**

Your Company continued to implement Corporate Governance practices during the period in line with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges. 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.

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

Your Company transferred an aggregate amount of ₹ 0.10 lacs during the year to the Investor Education and Protection Fund. The aggregate amount transferred to the fund since January 2002 is ₹150.83 lacs.

The unclaimed dividends on equity shares paid in October 2004 and May 2005 will be due for transfer to the Fund in November 2011 and June 2012 respectively. Investors who have not yet claimed these dividends are requested to contact either the Company's Secretarial Department or the R & T Agents.

#### **10. UNCLAIMED SHARES**

SEBI vide its circular dated December 16, 2010 amended Clause 5 A to the Equity Listing Agreement with the Stock Exchanges laying down uniform procedure for dealing with unclaimed shares. There were 1091 shareholders with 99650 unclaimed shares on the date of this report. Your Company has sent reminders as stipulated in Clause 5 A to these members at the address given in the application form. If no response is received the Company shall, in conformity with Clause 5 A transfer the unclaimed shares to one folio in the name of Unclaimed Shares Suspense Account.

#### **11. FIXED DEPOSIT SCHEME**

The outstanding fixed deposits as on June 30, 2011 were ₹ 2215.57 lacs. There were 112 due but unclaimed deposits aggregating ₹ 28.88 lacs out of which 4 deposits aggregating ₹ 1 lacs have been paid as on the date of this report. There are no claimed and unpaid deposits.

#### **12. 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.

#### **13. PERSONNEL**

Excellent relations were maintained throughout the year. The Directors acknowledge the sincerity and dedication of the employees which has contributed to the improved operating results.

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.

#### **14. 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.

#### **15. APPOINTMENT OF COST AUDITORS**

The Central Government has by its order no. 52/120/CAB-2010 dated December 16, 2010 as clarified by letter dated June 01, 2011 directed a cost audit of the cost accounts maintained by the Company. Kishore A. Bhatia, Cost Accountant has been appointed to audit the cost accounts of the Company for the period July 01, 2010 to June 30, 2011. Audit report will be filed with the authorities within the stipulated time.

#### **16. ACKNOWLEDGEMENT**

The Directors are thankful to its Bankers, Customers, Suppliers and other Business Associates/Stakeholders for their continued co-operation and support extended to your Company.

**For and on behalf of the Board**

**M. P. Taparua**  
Chairman

Place : Mumbai

Date : July 18, 2011





## 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, 2011.

### A. CONSERVATION OF ENERGY

The on going programme of energy conservation is on course and electrical energy saving to the extent of 1045440 units has been achieved during this year. The 4000 KVA gas based power plant to be commissioned during the current year will further your Company's energy conservation efforts.

### B. TECHNOLOGY ABSORPTION

The technology for Polystyrene sourced from ABB Lummus Crest Inc has been fully absorbed by your Company which successfully further developed the technology and expanded the installed capacity to 272000 TPA on its own.

The technology for Expandable Polystyrene (EPS) was taken from S H Chemical Company, Republic of Korea. This technology has been absorbed by your Company and successfully developed further.

The technology for the Cup Grade EPS has been received from NOVA Chemical Inc and absorption of this technology is in progress.

Technology flows from Ultrabatch, Italy for manufacturing high end masterbatches have commenced and are being assimilated in your Company.

## ANNEXURE - FORM A

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

### A. Power and fuel consumption

		Current Year July 01, 2010 to June 30, 2011	Previous Year July 01, 2009 to June 30, 2010
<b>1</b>	<b>Electricity</b>		
	(a) Purchased		
	Units (KWH)	33506098	31796720
	Total amount (₹ Lacs)	2000.67	1725.72
	Rate/unit (₹)*	5.97	5.43
	(b) Own Generation		
	Through Diesel Generator		
	Units (KWH)	246578	509149
	Unit per ltr. of diesel oil	3.00	3.05
	Cost/Unit*	13.46	13.36
	(b) Own Generation		
	Through Gas Engine		
	Units (KWH)	809270@	-
	Unit per MMBTU of Gas	110.88	-
	Cost/Unit*	4.75	-
<b>2</b>	<b>Furnace Oil</b>		
	Quantity (MT)	1986.14	1700.25
	Total amount (₹ Lacs)	571.44	414.31
	Average rate (₹ per Kg.)*	28.77	24.37

### B. Consumption per unit of production

Product	PS	EPS	XPS	PS	EPS	XPS
Electricity (KWH/MT)	**175.87	195.37	1984.10	**186.60	181.50	3443.42
Furnace Oil (Kgs/MT)	8.34	38.66	NIL	8.90	39.90	NIL

\*Average of all plants

\*\*Including Speciality Polystyrene

@Units generated on trial run of captive power plant

For and on behalf of the Board

**M. P. Taparia**  
Chairman

Place : Mumbai

Date : July 18, 2011

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

While global economies are still on the path of recovery, the Indian economy witnessed a robust GDP growth of 8.5% in FY 2010-11. It out performed the emerging markets during the year and its GDP growth rate was second only to China. However, amidst this positive economic development, concern over rising inflation due to high levels of crude oil, food and other commodity prices remains. Rising crude oil prices is an important cause of concern for India as it imports significant quantities of crude oil.

To moderate inflation Reserve Bank of India took tight monetary policy measures leading to hike in interest rates. RBI's tight monetary policy may have a negative impact on the economy's GDP growth for the year 2011-12.

Indian economy although insulated to some extent from global demand fluctuations as compared to many other export dominated economies due to its large domestic consumption, may witness a negative impact on its growth in the event of adverse global economic fluctuations.

The domestic market for Polystyrene (PS) grew at 15% during the year under review. Your Company's sales of Polystyrene during the year grew by 18.7% as compared to the previous year. The market growth could have been better had the demand not suffered in the last quarter due to high inflation and increased interest rates.

The driving factors for this growth are foamed disposable wares, refrigerator and water purifiers. Demand from foamed disposable wares sector was encouraging with a total of 31 plants installed across the country compared to five plants in the previous year. Refrigerator industry grew at more than 15% during this year and is expected to continue the pace of growth even further with new international players joining the fray along with aggressive growth plans of existing MNC and local players. In the water purifier business not only existing manufacturers expanded their capacities but four new players entered this segment thus increasing demand for Polystyrene – both natural and coloured.

Export volumes of Polystyrene increased only marginally by 8.6% due to disturbance in some of the Middle East nations and also due to slow down in some of the major economies. The net realizations however improved substantially on account of Company's policy of exporting premium grades and accepting selective orders with high netback.

Specialty Polymers and Compounds (SPC) business grew by a healthy 35% in the domestic market over the last financial year. Major portion of this growth was from Polystyrene compounds used mainly in appliances & water purifier businesses. High Gloss pre coloured HIPS produced by your Company is well received by reputed manufacturers of these products. Your company's Masterbatches have been well

accepted by quality conscious plastic processors, due to the high quality standards maintained by your company.

The Additive Masterbatch business grew by 100% over last financial year due to new customers acquired in the domestic as well as international markets. Various new additive Masterbatches were introduced successfully during the current year. Your Company also developed a Mineral reinforced PP Compound for two wheeler battery. This product is now well established and your Company has emerged as the only local player in the hitherto import dominated business.

Export of Speciality Polymers and Compounds was severely hurt due to unrest in Middle East and North Africa which are amongst the major markets for compounded products. Efforts are being made to further diversify customer base to insulate the company from such geopolitical events.

Production at your Company's 27700 TPA Expandable Polystyrene (EPS) plant at Chennai has been optimised. The Company's EPS product is also well established in the market. Your Company's sales increased by 34% over previous year. Increased demand from cold storage, insulation and for packaging needs in the appliances, household goods, perishable goods is helping the demand growth for EPS.

Seed marketing programme of EPS cup grade imported from Nova Chemicals initiated by your company was very successful and the product was well received by customers.

Your Company has further optimized production of Extruded Polystyrene Insulation Boards (XPS) in the year under review. Conventional Freon based blowing agent hitherto used for making XPS boards was banned during the year for use in India in line with Kyoto Protocol. Sources for the more environmentally friendly blowing agent were identified and imports arranged so that business can be continued without interruption. This has been complemented by the use of CO<sub>2</sub>/ Ethanol etc. as additional blowing agent for a greener product. Your Company participated in several exhibitions for creating awareness of use of insulation for energy conservation. Your Company's product is well established in the insulation market.

### OUTLOOK

**Polystyrene:** The Polystyrene outlook continues to be positive. The domestic Polystyrene market is likely to grow at 15% during the year 2011-12 on the back of increased demand of Polystyrene applications such as domestic appliances, water filters, foamed disposable wares. Additionally with the commissioning of two new plants of rigid transparent sheets with latest technology indigenous production will take over hitherto imports from China and Korea. With few more plants expected in near future demand of Polystyrene from this application will help grow the industry.

To cater to the increased demand for premium grades your Company has decided to revamp all the three lines for

increased production of value added premium grades. This revamp to be taken up in stages shall be over in the current financial year. After the revamp the capacity of premium value added grades will increase by 50,000 TPA within the same overall capacity.

**Expandable Polystyrene :** Domestic market is expected to grow at 15% during 2011-12. Construction industry is going to be the thrust area for market development for your Company apart from exploring the export markets for both EPS and Cup Grade EPS.

EPS finds application in construction industry both for infrastructure as well as residential buildings all over the world. In India so far only Insulation board and panels have been developed. For full development of EPS in construction segment your company is pursuing with overseas companies for bringing technology for applying EPS in segment like Insulated Concrete Forms, Light Weight concrete etc.

**Speciality Polymers & Compounds:** Considering the growth in the domestic appliances sector and the improving business environment in the international market, business outlook for SPC is positive. Your Company plans to further increase its market share in this segment by over 50% increase over the previous year. With development of new markets SPC sale in export front is likely to improve.

**Extruded Polystyrene Insulation Board:** Rising energy costs and growing concern about the environment will lead to increased usage of energy saving boards. Several NGO's like TERI have been continuously promoting concept of Green rating system for building which incorporate roof and wall insulation as building envelopes. TERI showcased a modern eco-house in an exhibition in Mumbai to prove saving of 39% on energy consumption due to insulation.

## PROJECTS

**Polystyrene :** Your Company is revamping all the existing lines of Polystyrene plant with a view to increase the production capacity of premium value added grades by 50000 TPA. Orders for long delivery items have already been placed. Revamp in stages will be completed during the current financial year.

**Cup Grade & EPS:** EPS including Cup Grade EPS project with installed capacity of 44400 TPA at the existing plant site in Maharashtra are mechanically complete. Trial runs have commenced.

**Speciality Polymers and Compounds :** Three new lines have been installed enhancing the current capacity to 30000 TPA. The Fourth line shall be installed by September 2011 thus taking the capacity to 33500 TPA. Additional line to increase capacity to 43800 will be installed in due course to synchronise with demand.

**Gas Power Project :** The 4000 KVA Captive Gas Engine Power plant achieved mechanical completion towards end of May 2011. Successful trial runs of gas engines were carried out in June 2011. Regular generation of power is expected

in July 2011. Installation of equipment for heat recovery for steam generation and absorption refrigeration to utilize steam are in progress. These will ensure high thermal efficiencies.

**Minor Port :** Purchase of balance land which had stopped due to village opposition to land acquisition by a large industrial house in the vicinity of our site has re-started. Issue relating to construction of approach road is showing some progress with the government having carried out required survey. The road drawings are under preparation.

Your Company made a capital expenditure of ₹ 91.85 crores during the year under review. Investment of ₹ 84 crores planned for 2011-12 on the above mentioned projects will be met from loans and internal accruals.

## OPPORTUNITIES

On the back of good GDP growth, the rural economy growing at a good pace provides impetus to Polystyrene demand. Increased affluence in the rural economy is bound to increase the demand for appliances and in particular refrigerators, televisions and water purifiers. Rise in living standards and change in lifestyle in tier 2 and tier 3 cities will give further rise to demand for Polystyrene. It may be mentioned that against a global per capita consumption of Polystyrene of 1.46 kgs, consumption in India is only 0.21 kgs. Similar consumption for China, Middle East, North East Asia, South East Asia and South America is 1.76 kgs, 1.75 kgs, 2.18 kgs, 0.89 kgs and 1.17 kgs respectively indicating a huge demand potential.

Govt. of India has declared creation of cold chain as "Specified Business" eligible for 100% tax deduction in respect of capital expenditure incurred. Full exemption of excise duty has been extended for panels and refrigerator panel used in cold chain infrastructure. Above facilities augurs well for high growth of cold chain across the country which will increase capacity utilization of your company's Expandable Polystyrene and Extruded Polystyrene Board Plant.

India is emerging as a global exporter of temperature sensitive pharmaceutical intermediates as well as life saving vaccines which require specially insulated packages capable of maintaining the cargo at specified temperature for 3-4 days required for air-shipment. Your company's INSU board has been approved for this sensitive application by an internationally renowned company in this business.

## THREATS

The growing trend of consumer preference to LCD TVs as against conventional TVs will reduce PS consumption in the TV industry. Increased prices of HIPS due to high cost of PBR may lead converters to look for other cheaper polymers for non-core applications.

Any external environment development which may lead to slowing of Indian economy may adversely affect domestic demand. Low tariff barrier and FTA with various countries may cause cheaper imports particularly from countries which have surplus PS/EPS capacity thus affecting local production. Your Company is conscious of these threats and keeps a

close watch on such imports. Your Company with the Industry Association may take appropriate actions, if required, against such imports.

#### **AWARDS & RECOGNITION**

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

1. Vasundhara Award 2011, in the large scale industries category for exemplary work for protection of environment from Government of Maharashtra.
2. Safety Award 2009 – Suraksha Puraskar, in recognition for developing and implementing effective Management System and achieving good performance in Occupational Safety and Health from National Safety Council of India.
3. Greentech Environment Excellence Award 2010 – for outstanding achievement in Environmental Management from Greentech Foundation, New Delhi.
4. Greentech Safety Gold Award 2010 – for outstanding achievement in Safety Management from Greentech Foundation, New Delhi.

#### **RISK MANAGEMENT**

Exports represent a considerable part of your Company's PS and SPC sales. The ever changing global economic scenario has a direct effect on sales in the overseas market. Your Company exports only in those markets which provide better netback in rupee terms and continues to take steps to strengthen existing customer relationship by introducing new products, developing new customers and markets.

Styrene Monomer the main raw material is wholly imported and therefore vulnerable to international pricing and demand/supply risk. In view of the improved demand of styrene based polymers and engineering plastics and the fact that no new capacity is going on stream during the current year the price of styrene is likely to remain strong. To minimise the risks your Company enters into procurement contracts on annual basis for import of Styrene Monomer with inbuilt flexibility with regard to quantities. Your Company is also increasing sales linked to raw material prices so that any increase in raw material cost is passed on.

SPL's export competitiveness gets affected by the performance of Rupee particularly against US Dollar since major exports and imports are in US Dollar. Hedging of open foreign exchange exposure helps to lessen the impact of foreign exchange rate fluctuations in respect of both exports of finished products and import of raw material.

Your Company has adequately insured plant and machinery on reinstatement basis, stocks of finished goods and raw materials, projects under erection and also third party liabilities. Adequate loss of profit insurance policy to cover loss of gross profit if any, due to interruption has also been purchased by your Company. The management periodically reviews the adequacy of the insurance cover.

#### **HUMAN RESOURCES/INDUSTRIAL RELATIONS**

Harmonious industrial relations were maintained during the year under review. The Company follows the system of training as an on going process to maintain high level of motivation and leadership development of employees. Campus recruitment of entry level engineers and management candidates fills the gap whenever internal resources are not available.

#### **INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY**

Your Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and those transactions are authorised, recorded and reported quickly.

The company's internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. The internal control is designed to ensure that financial and other records are reliable for preparing financial information and other data and for maintaining accountability of assets.

#### **SOCIAL RESPONSIBILITY**

Adhering to the principle of Social Responsibility being an integral part of the conduct of business, your Company continued its interaction with and participation in the activities of the neighbouring villages viz.

- Water supply scheme for drinking water to villages with technical and financial support by your Company.
- Scholarships to school going children.
- Scholarships to deserving students interested in pursuing higher technical education.
- Financial help for cultural activities.
- Active participation in activities of District Crises Group.
- Extending help to local and district authorities for handling "Off Site Emergencies" such as road accidents, fire etc.

#### **CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis describing your Company'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, 2011. The Directors bring to the Board a wide range of experience and skills.

Name of the Director	Category	No. of outside Directorship		No. of Chairpersonship/ Membership in other Board/Committees		No of Shares Held
		Public	Private	Chairperson	Member	
M. P. Taparia	Non-Executive – Promoter/Chairman	4	2	-	-	24833
Rajan B. Raheja	Non-Executive – Promoter	7	38	2	3	300
Aziz Parpia	Non-Executive – Independent	-	3	-	-	43101
B. L. Taparia	Non-Executive – Promoter	2	1	-	-	15467
Satish B. Raheja	Non-Executive – Promoter	3	-	-	-	-
S. J. Taparia	Non-Executive – Promoter	3	1	-	1	30100
Hasmukh Shah	Non-Executive – Independent	7	1	5	2	2800
R. Kannan	Non-Executive – Independent	6	-	1	4	7600
M. S. Ramachandran	Non-Executive – Independent	4	-	-	-	-
Nihalchand Chauhan	Non-Executive – Independent	2	-	-	1	-
Viren Raheja	Non-Executive – Alternate Director to Satish B. Raheja	4	72	1	5	200

During the year under review the Board met on 5 occasions i.e. July 20, 2010; October 06, 2010; October 21, 2010; January 25, 2011 and April 15, 2011.

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	5	5	Yes
Rajan B. Raheja	Non-Executive – Promoter	5	3	No
Aziz Parpia	Non-Executive – Independent	5	5	Yes
B. L. Taparia	Non-Executive – Promoter	5	4	No
Satish B. Raheja	Non-Executive – Promoter	5	-	No
S. J. Taparia	Non-Executive – Promoter	5	5	Yes
Hasmukh Shah	Non-Executive – Independent	5	2	No
R. Kannan	Non-Executive – Independent	5	4	No
M. S. Ramachandran	Non-Executive – Independent	5	4	No
Nihalchand Chauhan	Non-Executive – Independent	5	5	Yes
Viren Raheja	Non-Executive – Alternate Director to Satish B. Raheja	5	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 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 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.

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.

During the year under review, the Audit Committee met on 4 occasions i.e. July 20, 2010; October 21, 2010; January 25, 2011 and April 15, 2011.

Members	Category	Meetings held	Meetings Attended
Aziz Parpia	Non-Executive – Independent/Chairman	4	4
S. J. Taparia	Non-Executive – Promoter	4	4
R. Kannan	Non-Executive – Independent	4	4
Nihalchand Chauhan	Non-Executive – Independent	4	4

## 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, Remuneration Committee met on 2 occasions i.e. on July 20, 2010 and April 15, 2011.

Member	Category	Meetings Held	Meetings Attended
Hasmukh Shah	Non-Executive – Independent/Chairman	2	2
Aziz Parpia	Non-Executive – Independent	2	2
S. J. Taparia	Non-Executive – Promoter	2	2
R. Kannan	Non-Executive – Independent	2	2

## 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 (₹)
M. P. Taparia	Non-Executive – Promoter/Chairman	75,000.00
Rajan B. Raheja	Non-Executive – Promoter	45,000.00
Aziz Parpia	Non-Executive – Independent	1,65,000.00
B. L. Taparia	Non-Executive – Promoter	60,000.00
Satish B. Raheja	Non-Executive – Promoter	–
S. J. Taparia	Non-Executive – Promoter	1,65,000.00
Hasmukh Shah	Non-Executive – Independent	60,000.00
R. Kannan	Non-Executive – Independent	1,50,000.00
M. S. Ramachandran	Non-Executive – Independent	60,000.00
Nihalchand Chauhan	Non-Executive – Independent	1,35,000.00
Viren Raheja	Non-Executive – Alternate Director to Satish B.Raheja	60,000.00
	<b>TOTAL</b>	<b>9,75,000.00</b>

## 5. INVESTORS' GRIEVANCE COMMITTEE :

Your Company has constituted Investors' Grievance Committee 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	18	18
Rajan B. Raheja	Non-Executive – Promoter	18	11
Aziz Parpia	Non-Executive – Independent	18	18
S. J. Taparia	Non-Executive – Promoter	18	17
Satish B. Raheja	Non-Executive – Promoter	18	-
Viren Raheja	Non-Executive – Alternate Director to Satish B. Raheja	18	16

Compliance Officer : Shri Rakesh Nayyar – Company Secretary.

During the period under review, your Company received 210 complaints including complaints through the Stock Exchanges and the Securities and Exchange Board of India (SEBI) and majority of these complaints were resolved within 30 days. There were NIL pending complaints as on June 30, 2011.

## 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 20, 2010; October 21, 2010; January 06, 2011 and April 15, 2011.

Member	Category	Meetings Held	Meetings Attended
M.P. Taparia	Non-Executive – Promoter/ Chairman	4	4
Rajan B. Raheja	Non-Executive – Promoter	4	3
Aziz Parpia	Non-Executive – Independent	4	4
S.J. Taparia	Non-Executive – Promoter	4	4

## 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 are primarily to:

- Opening of new Bank Accounts/closing of inoperative Bank Accounts and authorise officials of the Company for operating of Bank Accounts and
- 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. July 20, 2010; October 21, 2010; January 06, 2011 and April 15, 2011.

Members	Category	Meetings held	Meetings Attended
M. P. Taparia	Non-Executive – Promoter/Chairman	4	4
Rajan B. Raheja	Non-Executive – Promoter	4	3
Aziz 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	4
Viren Raheja	Non-Executive – Alternate Director to Satish B. Raheja	4	3

## 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. CFO CERTIFICATION :

CFO heading the finance function have certified to the Board that:

- (a) He has reviewed financial statements and the cash flow statement for the year and that to the best of his 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 his 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) He accepts responsibility for establishing and maintaining internal controls for financial reporting and that he has evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and he has disclosed to the Auditors and Audit Committee deficiencies in the design or operation of internal controls, if any, of which he is aware and the steps he has taken or propose to take to rectify these deficiencies.
- (d) He has indicated to the Auditors and the Audit Committee that there were no:
  - (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 he has 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 July 18, 2011.

## 10. GENERAL BODY MEETINGS :

Location and time of the last three AGMs held :

Year		Location	Date	Time	Special Resolutions Passed
2007-08	19 <sup>th</sup>	I. M. C., Walchand Hirachand Conference Hall, Mumbai – 20	17.10.2008	4.00 p.m.	No
2008-09	20 <sup>th</sup>	----- “ -----	06.10.2009	4.00 p.m.	Yes
2009-10	21 <sup>st</sup>	----- “ -----	06.10.2010	4.00 p.m.	No

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 transactions

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 employee 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 quarterly results during the year under review were published in Business Standard, DNA and Sakal.

**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:

<b>Name of the Director</b>	<b>B. L. Taparia</b>	<b>Nihalchand Chauhan</b>	<b>R. Kannan</b>	<b>M. P. Taparia</b>
Age (Years)	76	75	63	73
Date of Appointment	22/11/1993	27/04/2006	21/04/2009	14/12/1989
Qualification	B. A.	B. Com (Hons.), LLB, CAIIB	M. Tech. Chemical Engineering and Chartered Financial Analyst.	B. A.
Experience of specific functional area	Chairman of The Supreme Industries Limited. Started his business career over 53 years ago, long experience in business management. Also associated with Philanthropic activities.	He is respected and well known personality in Banking & Financial circles, has over 52 years experience in domestic and international banking. His rich and varied experience includes long stints with State Bank of India and Arab Monetary Fund, Abudhabi. He is a consultant to Multi Commodities Exchange of India Limited.	He was formerly General Manager of ICICI Limited, in charge of the Oil & Gas division and thereafter Director of The Institute of Financial Management and Research, Chennai. He is currently a faculty Member of the Institute and is considered an expert in the Oil, Gas and Petrochemical Industry.	He is the Managing Director of The Supreme Industries Ltd. Expertise and wide experience in business management, marketing, operations and actively involved in various industry forums.
Chairman/Director of other Companies	- The Supreme Industries Limited; - Supreme Capital Management Limited	- IBS Forex Limited; - Kabra Extrusion- technik Limited;	- The Jeypore Sugars Co. Ltd.; - Bharat Oman Refineries Ltd.; - Prize Petroleum Company Ltd.; - Tamil Nadu Urban Infrastructure Trustee Co. Ltd.; - ITCOT Consultancy & Services Ltd.; - V. Ramakrishna Sugars Ltd.	- The Supreme Industries Limited; - Supreme Capital Management Ltd.; - Kabra Extrusion-technik Ltd.; - The West Coast Paper Mills Ltd.;

**17. GENERAL SHAREHOLDERS INFORMATION :**

- Annual General Meeting** : Wednesday, September 21, 2011 at 4.00 p. m. at  
I. M. C., Walchand Hirachand Conference Hall, Churchgate, Mumbai 400 020
- Period under review** : July 01, 2010 to June 30, 2011.
- Date of Book Closure** : September 07, 2011 to September 21, 2011 (both days inclusive).
- Dividend Payment Date** : September 21, 2011 dividend warrants will be posted on or after September 21, 2011.
- Listing on Stock Exchanges** : Bombay Stock Exchange Ltd. and National Stock Exchange of India Limited.
- Stock Code** : Bombay Stock Exchange Ltd. - 500405  
National Stock Exchange of India Limited - SUPPETRO

(Rupees)

Market Price Data:	Stock Exchange Bombay		National Stock Exchange	
	High	Low	High	Low
Month/Year				
July 2010	56.00	45.20	55.90	40.05
August 2010	61.65	51.90	61.80	51.50
September 2010	69.30	56.00	71.90	55.00
October 2010	79.50	65.35	79.80	64.05
November 2010	68.85	50.50	69.00	51.00
December 2010	60.40	54.00	60.40	54.00
January 2011	63.60	53.20	63.55	52.50
February 2011	56.40	50.90	59.60	51.00
March 2011	56.70	45.95	57.50	51.35
April 2011	67.50	53.75	68.00	54.00
May 2011	63.50	57.35	62.70	57.70
June 2011	63.50	50.00	63.50	57.05

**COMPARISON WITH INDICES :**

	July 2010 Opening	June 2011 Closing	% Rise (Fall)
BSE Sensex	17679.34	18845.87	6.60
NSE Nifty	5312.05	5647.40	6.31
SPL Shares	49.00	63.05	28.67

- REGISTRAR AND TRANSFER AGENT** : Karvy Computershare Private Limited,  
17-24, Vittalrao 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, 2011)**

No. of Equity Shares Held	No. of Shareholders	% of Shareholders	No. of shares	% of Shareholdings
0001 - 5000	53368	89.91	8380224	8.65
5001 - 10000	3065	5.16	2627449	2.71
10001 - 20000	1329	2.24	2099090	2.17
20001 - 30000	484	0.82	1265962	1.31
30001 - 40000	185	0.31	672168	0.69
40001 - 50000	239	0.40	1150344	1.19
50001 - 100000	333	0.56	2500167	2.58
100001 & above	353	0.60	78143209	80.70
TOTAL	59356	100.00	96838613	100.00

**CATEGORIES OF SHAREHOLDERS (AS ON JUNE 30, 2011)**

<b>Sr. No.</b>	<b>Category</b>	<b>No. of shares held</b>	<b>% of Shareholding</b>
1.	Promoters	58712000	60.62
2.	Mutual Funds and UTI	56483	0.05
3.	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutional/Non-Government Institutions)	25250	0.03
4.	FII/Foreign Bodies Corporate	177739	0.19
5.	Private Corporate Bodies	6804280	7.03
6.	Indian Public	29034283	29.98
7.	NRIs	1955139	2.02
8.	Others (clearing members)	73439	0.08
	<b>GRAND TOTAL</b>	<b>96838613</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. 94.61% Shares have been dematerialised upto June 30, 2011.

**PLANT LOCATION**

- : i Amdoshi,  
Wakan Roha Road,  
Post Patansai, Taluka Roha,  
District Raigad, MAHARASHTRA - 402 106.
- ii Ammulavoyil Village,  
Andrakuppam Post,  
Manali New Town,  
Chennai - 600 103, TAMIL NADU.

**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,  
Chakala, Andheri (East),  
MUMBAI - 400 093.

**Shareholders' 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, Chakala, 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, Vittalrao Nagar, Madhapur,  
**HYDERABAD - 500 081**

Telephone No. : 040-44655000  
Toll Free No. : 1800-3454-001  
Fax No. : 040-23420814  
E-mail : ksreddy@karvy.com, einward.ris@karvy.com  
Web Site : www.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 : July 18, 2011



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

To the Members of

Supreme Petrochem Ltd

We have examined the compliance of the conditions of corporate governance by Supreme Petrochem Ltd, for the year ended on June 30, 2011 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

Firm Registration No.107528W

**D. B. Mohini**

Partner

Membership No. 5681

Place : Mumbai

Date : July 18, 2011

## AUDITORS' REPORT

TO  
THE MEMBERS OF  
**SUPREME PETROCHEM LIMITED**

We have audited the attached Balance Sheet of SUPREME PETROCHEM LIMITED as at June 30, 2011 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 (Auditor's 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)
  - (a) Further to our comments in the Annexure referred to in paragraph (2) above, we report that 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, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on June 30, 2011 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, 2011;
  - 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  
Firm Registration Number 107528W

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

Mumbai  
Date : July 18, 2011

## 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, 2011.**

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 systems 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 contracts or arrangements the particulars of which need to be entered in the register maintained under section 301 of the Companies Act, 1956.
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 in this regard.
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 applicable to it, with the appropriate authorities and no such dues were in arrears, as at June 30, 2011 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, 2011 which have not been deposited on account of any dispute are as under :

Sr. No	Statutes	Nature of Dues	Fiscal Year	Amount (₹ in lacs)	Forum where dispute is pending.
1	Bombay Sales Tax	Sales Tax on Consignment stock transfer	2000 - 01	96.07	Maharashtra Sales Tax Tribunal
2	Tamilnadu Commercial Tax	Form 'C' & Form 'F' on Free trade samples	2003 - 04	3.49	Commissionerate (Chennai)
3	Central Excise	a] Valuation in case of related party including penalty :	Apr'01 – Sept'10	540.13	CESTAT/ Commissionerate Appeal
		b] Valuation - Supplies against invalidation letters including penalty	July '02 – Jan'06	227.20	CESTAT
		c] Valuation – Loading charges incurred by Transporter	April '96 – Oct '10	32.90	CESTAT/ Commissionerate Appeal
		d] Refund of Cenvat credit on inputs used in export.	April '08- June '08	1100.00	CESTAT
		e] Cenvat credit availed on Hose Assembly etc.	Oct '09 – July '10	1.03	Commissionerate Appeal
		f] Excise duty on short receipts after Job work.	April '05 to March'08	1.05	Commissionerate Appeal
		g] Availment of cenvat credit on Product Screen Separator including penalty.	2007 – 08	23.16	CESTAT
		h] Transfer of Cenvat credit on inputs from SPL Polymers including penalty.	2008 – 09	49.62	Commissionerate Appeal
		i] Availment of Cenvat credit on MS Plates etc. including penalty.	2008 – 09	1.87	Commissionerate Appeal

Sr. No	Statutes	Nature of Dues	Fiscal Year	Amount (₹ in lacs)	Forum where dispute is pending.
		j] Availment of suo-moto credit on inputs recovered from fire accident including penalty.	2009 – 10	4.80	Commission-erate Appeal
		k] Utilisation of education cess including penalty	2007 – 08	0.80	Commission-erate Appeal
		l] Incorrect passing of credit on Styrene Monomer including penalty.	2008 - 09	20.92	Commission-erate Appeal
4	Service Tax, 1994	i] Service Tax Credit Eligibility including penalty.	Apr '03 – Aug '10	194.98	CESTAT/ Commission-erate (Appeal)
		ii] Service Tax Credit on inward CHA/ Services.	Apr '05 – Aug. '10	16.70	Commission-erate (Appeal)
5	Income Tax	Disallowance u/s. 14A and of Unabsorbed Depreciation	2008 - 2009	47.00	Commissioner of Income Tax (Appeals)

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 issue 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 the management.

**For PARIKH & SHAH**  
Chartered Accountants  
Firm Registration Number 107528W

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

Mumbai  
Date : July 18, 2011



**BALANCE SHEET AS AT 30TH JUNE, 2011**

	Schedule	As at 30-06-2011 ( ₹ Lacs)	As at 30-06-2010 ( ₹ Lacs)
<b>I. SOURCES OF FUNDS :</b>			
<b>1. Shareholders' Funds :</b>			
(a) Capital	1	9,683.86	9,683.86
(b) Reserves and Surplus	2	19,584.55	13,966.84
		<u>29,268.41</u>	<u>23,650.70</u>
<b>2. Loan Funds :</b>			
(a) Secured Loans	3	14,426.41	13,441.16
(b) Unsecured Loans	3	2,215.57	2,069.50
		<u>16,641.98</u>	<u>15,510.66</u>
<b>3. Deferred Tax Liability (Net)</b>			
		<u>4,096.64</u>	<u>4,349.29</u>
	<b>TOTAL</b>	<u><u>50,007.03</u></u>	<u><u>43,510.65</u></u>
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. Fixed Assets :</b>			
(a) Gross Block	4	46,073.95	45,906.27
(b) Less : Depreciation		22,277.73	20,273.73
(c) Net Block		<u>23,796.22</u>	<u>25,632.54</u>
(d) Capital Work-in-Progress		13,223.19	4,037.40
		<u>37,019.41</u>	<u>29,669.94</u>
<b>2. Investments :</b>			
	5	2.84	19.99
<b>3. Foreign Currency Monetary Item Translation Difference (refer note 7 of Schedule 13)</b>			
		0.23	12.65
<b>4. Current Assets, Loans and Advances:</b>			
(a) Inventories	6	26,015.22	14,145.29
(b) Sundry Debtors		21,951.06	23,143.79
(c) Cash and Bank Balances		4,220.42	3,576.70
(d) Loans and Advances		9,534.61	7,948.40
		<u>61,721.31</u>	<u>48,814.18</u>
<b>Less: Current Liabilities and Provisions:</b>			
(a) Current Liabilities	7	45,191.04	32,095.64
(b) Provisions		3,545.72	2,910.47
		<u>48,736.76</u>	<u>35,006.11</u>
<b>Net Current Assets</b>		<u>12,984.55</u>	<u>13,808.07</u>
	<b>TOTAL</b>	<u><u>50,007.03</u></u>	<u><u>43,510.65</u></u>
<b>Significant Accounting Policies</b>	12		
<b>Notes on Accounts</b>	13		

As per our report attached  
For **PARIKH & SHAH**  
Chartered Accountants  
Firm Registration Number 107528W

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

Mumbai  
Date : July 18,2011

**RAKESH NAYYAR**  
Executive Director  
(Finance & Corporate Affairs)  
and Company Secretary

M. P. Taparia, Chairman

Rajan B. Raheja  
B. L. Taparia  
S. J. Taparia  
R. Kannan  
Nihalchand Chauhan  
Viren Raheja

Directors

Mumbai  
Date : July 18,2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011**

	Schedule	2010-2011 ( ₹ Lacs)	2009-2010 ( ₹ Lacs)
<b>INCOME:</b>			
Sales & Operating Income	8	2,10,157.39	172,208.98
Less : Excise Duty		15,807.91	11,024.57
Sales & Operating Income (Net)		1,94,349.48	161,184.41
Other Income	9	411.35	270.93
		<b>1,94,760.83</b>	<b>161,455.34</b>
<b>EXPENDITURE:</b>			
Manufacturing and other expenses	10	1,78,498.66	148,736.74
Interest	11	1,380.18	1,631.91
Depreciation		2,036.79	1,983.88
Amortisation of Miscellaneous Expenditure (refer note 7 of Schedule 13)		0.22	84.41
		<b>1,81,915.85</b>	<b>152,436.94</b>
<b>Profit before Taxes</b>		<b>12,844.98</b>	<b>9,018.40</b>
Income Tax		4,319.84	3,160.47
Wealth Tax		7.50	6.00
Deferred Tax (refer note 13 of Schedule.13 )		(252.65)	(205.86)
<b>Profit after Taxes</b>		<b>8,770.29</b>	<b>6,057.79</b>
Prior Period Adjustments (refer note 15(a) of schedule .13)		(1.22)	(13.23)
Excess/(short) Provision of Taxes for earlier years (Net)		-	2.93
<b>Balance Brought Forward From Previous Year</b>		<b>3,960.55</b>	<b>1,945.66</b>
<b>Profit Available for Appropriation</b>		<b>12,729.62</b>	<b>7,993.15</b>
<b>Appropriations</b>			
Proposed Dividend		2,711.48	1,743.10
Corporate Dividend Tax thereon		439.88	289.50
Transfer to General Reserve		5,000.00	2,000.00
<b>Balance carried to Balance Sheet</b>		<b>4,578.26</b>	<b>3,960.55</b>
		<b>12,729.62</b>	<b>7,993.15</b>
<b>Earning per share (₹) (refer note 11 of Schedule.13)</b>			
Basic		9.06	6.24
Diluted		8.87	5.87
<b>Nominal Value of share (₹)</b>		<b>10.00</b>	<b>10.00</b>
<b>Significant Accounting Policies</b>	12		
<b>Notes on Accounts</b>	13		

As per our report attached  
For **PARIKH & SHAH**  
Chartered Accountants  
Firm Registration Number 107528W

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

Mumbai  
Date : July 18,2011

**RAKESH NAYYAR**  
Executive Director  
(Finance & Corporate Affairs)  
and Company Secretary

M. P. Taparia, Chairman

Rajan B. Raheja  
B. L. Taparia  
S. J. Taparia  
R. Kannan  
Nihalchand Chauhan  
Viren Raheja

Directors

Mumbai  
Date : July 18,2011



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	<b>As at 30-06-2011 ( ₹ Lacs)</b>	As at 30-06-2010 ( ₹ Lacs)
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL :</b>		
<b>AUTHORISED :</b>		
12,50,00,000 Equity Shares of ₹10 each	<b>12,500.00</b>	12,500.00
2,50,00,000 Redeemable Cumulative Preference Shares of ₹ 10 each	<b>2,500.00</b>	2,500.00
<b>TOTAL</b>	<b>15,000.00</b>	<b>15,000.00</b>
<b>ISSUED, SUBSCRIBED AND PAID UP :</b>		
9,68,38,613 Equity Shares of ₹10 each	<b>9,683.86</b>	9,683.86
<b>TOTAL</b>	<b>9,683.86</b>	<b>9,683.86</b>

<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS:</b>		
<b>Capital Redemption Reserve :</b>		
Balance as per the last Balance Sheet	<b>1,529.79</b>	1,529.79
<b>General Reserve :</b>		
Balance as per the last Balance Sheet	<b>8,476.50</b>	6,476.50
Add : Transferred from Profit & Loss Account	<b>5,000.00</b>	2,000.00
	<b>13,476.50</b>	8,476.50
<b>Profit and Loss Account:</b>	<b>4,578.26</b>	3,960.55
<b>TOTAL</b>	<b>19,584.55</b>	<b>13,966.84</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	14,072.42
(c) Foreign Currency Term Loan	2	353.99
<b>TOTAL</b>		<b>14,426.41</b>
<b>(B) UNSECURED LOANS :</b>		
Fixed Deposits		2,215.57
<b>TOTAL</b>		<b>2,215.57</b>

**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 pari passu charge by way of Equitable and Legal mortgages of the Company's Immovable properties (including plant and machinery) situated at the Amdoshi plant site.
- Rupee and Foreign Currency Term Loans from Banks are secured by a first charge by way of an equitable mortgage of the Company's immovable properties (including Plant and Machinery) situated at the Amdoshi plant site except for :
  - Corporate Term Loan of ₹ 4,500 lacs from State Bank of India, which is secured by an English mortgage;
  - Term Loan of ₹ 3,500 lacs from AXIS Bank Ltd and Term Loan of ₹ 7,500 lacs from The Karur Vysya Bank Ltd. which are secured by simple mortgage and by hypothecation of movable assets (except book debts) subject to prior charge in favour of Company's Bankers for working capital facilities except ECB borrowings of US \$ 5 mio equivalent to ₹ 2150 Lacs (balance outstanding as on 30-06-2011 ₹ 203.18 Lacs) from ICICI Bank (U.K.) Ltd which is secured by first charge on the company's movable assets.

**SCHEDULE 4**

**FIXED ASSETS**

(₹ Lacs)

PARTICULARS	GROSS BLOCK (COST)			DEPRECIATION				NET BLOCK		
	AS AT 30-06-2010	ADDITIONS / ADJUSTMENTS DURING THE YEAR	DEDUCTIONS / ADJUSTMENTS DURING THE YEAR	AS AT 30-06-2011	UPTO 30-06-2010	PROVIDED DURING THE YEAR	DEDUCTIONS / ADJUSTMENTS DURING THE YEAR	UPTO 30-06-2011	AS AT 30-06-2011	AS AT 30-06-2010
Land (Freehold)	2,572.15	-	-	2572.15	-	-	-	-	2572.15	2572.15
Buildings	10,649.01	56.43	-	10705.44	2,615.06	268.90	-	2883.96	7821.48	8033.95
Plant & Machinery	31,379.85	38.58	9.73	31408.70	17,088.78	1,636.99	-	18725.77	12682.93	14291.07
Office Equipments	202.74	6.63	7.35	202.02	87.85	9.02	4.67	92.20	109.82	114.89
Computers	622.36	85.71	19.23	688.84	190.62	94.66	17.24	268.04	420.80	431.74
Air-conditioners	55.41	5.28	7.54	53.15	25.98	2.64	4.46	24.16	29.00	29.43
Vehicles	153.74	20.61	5.76	168.59	51.54	13.24	3.61	61.17	107.42	102.20
Furniture & Fixtures	271.01	7.57	3.52	275.06	213.90	11.34	2.81	222.43	52.62	57.11
<b>TOTAL</b>	<b>45,906.27</b>	<b>220.81</b>	<b>53.13</b>	<b>46,073.95</b>	<b>20,273.73</b>	<b>2,036.79</b>	<b>32.79</b>	<b>22,277.73</b>	<b>23,796.22</b>	<b>25,632.54</b>
PREVIOUS YEAR	43,400.80	2,561.05	55.58	45,906.27	18,311.69	1,983.88	21.84	20,273.73	25,632.54	

**Notes :**

- Buildings include ₹ 398.45 lacs (previous year ₹ 398.45 lacs) being cost of premises in Co-operative Societies including cost of Shares of the face value of ₹ 0.04 lacs (Previous year ₹ 0.04 lacs).
- Additions/Deductions to Plant & Machinery includes net deduction of ₹ 9.73 lacs (previous year net Deduction of ₹ 23.20 lacs ) on account of decrease in rupee liability for repayment consequent upon fluctuation in exchange rates in respect of foreign currency loans .
- Deduction/adjustments include assets scrapped.
- Revaluation of free hold land (of erstwhile SPL Polymers Ltd.) at Chennai was carried out as at June 30, 2003 and as at June 30, 2005 .

**SCHEDULE 5**

**INVESTMENTS (AT COST) :**

**QUOTED : LONG TERM :**

**NON-TRADE:**

In Shares :

In fully Paid up Equity Shares :

Finolex Industries Ltd.

Face Value	Nos	As at 30-06-2011 (₹ Lacs)	Nos	As at 30-06-2010 (₹ Lacs)
10	4200	2.84	15000	10.11
		<u>2.84</u>		<u>10.11</u>
<b>UNQUOTED : LONG TERM :</b>				
<b>NON-TRADE:</b>				
In Shares :				
Investment in Subsidiary Companies :				
In fully Paid up Equity Shares :				
SPL Industrial Park Limited	10	-	49400	4.94
SPL Industrial Support Services Ltd	10	-	49400	4.94
				<u>9.88</u>
<b>TOTAL</b>		<u>2.84</u>		<u>19.99</u>
Market Value of Quoted Investments		<u>3.15</u>		12.48

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

Name of the Fund	Face Value	No. of Units	Cost Price (₹ In Lacs)
IDFC Cash Fund - Super Inst. Plan C - Daily Dividend	10	78299753	7832
IDFC Money Manager Fund - TP - Super Inst. Plan C - Daily Div	10	6002469	600
Reliance Liquidity Fund Daily Dividend Reinvestment Option	10	25129770	2514
DSP BlackRock Money Manager Fund - Institutional Plan - Daily Dividend 1000	1000	322289	3225
DSP BlackRock Liquidity Fund - Institutional Plan - Daily Dividend	1000	2523115	25239
ING Liquid Fund Super Institutional - Daily Dividend Option	10	228840576	22895
ING Treasury Advantage Fund - Institutional Daily Dividend	10	16016682	1602
HDFC Liquid Fund Premium Plan - Dividend - Daily Reinvest	10	12276192	1505
LICMF Liquid Fund - Dividend Plan	10	292438688	32110
UTI Liquid Cash Plan Institutional - Daily Income Option - Re-Investment	1000	6466610	65924
UTI Treasury Advantage Fund - Institutional Plan (Daily Dividend Option) - Re-Investment	1000	100055	1001
<b>TOTAL</b>		<b>668416199</b>	<b>164448</b>

	As at 30-06-2011 ( ₹ Lacs)	As at 30-06-2010 ( ₹ Lacs)
<b>SCHEDULE 6</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES :</b>		
<b>CURRENT ASSETS :</b>		
<b>(a) INVENTORIES :</b>		
(As taken, valued and certified by the Management )		
Stores & Spares	1,177.06	964.15
Fuel	31.82	39.27
Stock - in - Trade:		
Raw Materials and Packing Materials	13,046.20	6,176.64
Traded Goods	1,492.28	753.21
Stock-in-Process	91.81	38.29
Finished goods	10,176.05	6,173.73
	<u>26,015.22</u>	<u>14,145.29</u>
<b>(b) SUNDRY DEBTORS :</b>		
(Unsecured -Considered Good)		
Over Six Months	370.84	348.11
Others	21,580.22	22,795.68
	<u>21,951.06</u>	<u>23,143.79</u>
<b>(c) CASH AND BANK BALANCES :</b>		
Cash on hand	22.60	36.79
Bank Balances:		
With Scheduled Banks:		
In Current & Cash Credit Accounts	3,691.93	3,286.93
In Fixed Deposits and Margin Money	505.89	252.99
	<u>4,220.42</u>	<u>3,576.70</u>
<b>(d) LOANS AND ADVANCES :</b>		
(Unsecured - Considered Good)		
Advances recoverable in cash or in kind or for value to be received	9,534.61	7,947.97
Advances to Subsidiary Company	-	0.43
	<u>9,534.61</u>	<u>7,948.40</u>
<b>TOTAL</b>	<u><u>61,721.31</u></u>	<u><u>48,814.18</u></u>

<b>SCHEDULE 7</b>		
<b>CURRENT LIABILITIES AND PROVISIONS :</b>		
<b>(a) CURRENT LIABILITIES :</b>		
Acceptances	39,879.19	26,543.16
Sundry Creditors	5,211.85	5,396.78
Interest Accrued but not due on Loans	100.00	155.70
	<u>45,191.04</u>	<u>32,095.64</u>
<b>(b) PROVISIONS :</b>		
Taxation (Net of Advance Tax & TDS)	209.38	472.75
Provision for Retirement Benefits	184.98	405.12
Proposed Dividend	2,711.48	1,743.10
Dividend Tax on Proposed Dividend	439.88	289.50
	<u>3,545.72</u>	<u>2,910.47</u>
<b>TOTAL</b>	<u><u>48,736.76</u></u>	<u><u>35,006.11</u></u>

## SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	2010-2011 ( ₹ Lacs)	2009-2010 ( ₹ Lacs)
<b>SCHEDULE 8</b>		
<b>SALES &amp; OPERATING INCOME:</b>		
Sales including Excise Duty	208,623.66	171,271.17
Other Operating Income	1,533.73	937.81
<b>TOTAL</b>	<b>210,157.39</b>	<b>172,208.98</b>

<b>SCHEDULE 9</b>		
<b>OTHER INCOME:</b>		
Dividend (gross)	278.02	198.38
Profit on Sale of Investments (net)	1.36	6.48
Gain on redemption of Mutual Fund securities	-	0.35
Miscellaneous Income	131.97	65.72
<b>TOTAL</b>	<b>411.35</b>	<b>270.93</b>

<b>SCHEDULE 10</b>		
<b>MANUFACTURING AND OTHER EXPENSES:</b>		
1. Raw Materials (Including Packing Materials) Consumed	118,842.56	93,428.42
2. Goods For Re-Sale	51,220.50	47,541.39
3. Stores and Spares Consumed	564.72	431.98
4. Power and Fuel	2,649.06	2,208.02
5. Labour Charges	9.54	5.53
6. Employees' Remuneration and Benefits :		
Salaries, Wages, Bonus, Gratuity etc.	1,935.88	1,650.30
Contribution to Provident Fund and Other Funds	183.32	127.86
Staff Welfare Expenses	72.67	80.31
	<b>2,191.87</b>	<b>1,858.47</b>
7. Rent, Rates and Taxes	271.80	332.12
8. Repairs :		
Buildings	119.04	66.91
Machinery	169.38	158.09
Others	111.97	155.87
	<b>400.39</b>	<b>380.87</b>
9. Directors' Fees	9.75	8.00
10. Insurance	289.74	338.46
11. Commission on Sales	883.38	736.79
12. Carriage Outward	3,436.78	2,648.98
13. Loss on Sale of Fixed Assets (net)	9.95	0.19
14. Other Expenses	1,612.05	1,337.21
15. Bad debts (refer note 15 (b) of Schedule 13)	(230.14)	-
16 a. Increase / (Decrease) in excise duty included in opening and closing stock of finished goods	392.55	213.53
b. (Increase) / Decrease in work in process and finished goods		
Stocks on 01.07.2010 :		
Stock-in-Process	38.29	368.28
Finished Goods	6,173.73	3,110.52
	<b>6,212.02</b>	<b>3,478.80</b>
Stocks on 30.06.2011 :		
Stock-in-Process	91.81	38.29
Finished Goods	10,176.05	6,173.73
	<b>10,267.86</b>	<b>6,212.02</b>
<b>TOTAL</b>	<b>(4,055.84)</b> <b>178,498.66</b>	<b>(2,733.22)</b> <b>148,736.74</b>

**SCHEDULE 11****INTEREST:**

On Term Loans and Fixed Deposits

Others

Less: Interest Received

On Fixed Deposits With Banks

On Overdue payments from Debtors

Others

**TOTAL****2010-2011**  
**( ₹ Lacs)**2009-2010  
( ₹ Lacs)**1,192.58**

1,330.61

**413.02**

458.89

**1,605.60**

1,789.50

**35.18**

9.66

**190.24**

117.82

**-**

30.11

**225.42**

157.59

**1,380.18**

1,631.91

## SCHEDULE 12

### SIGNIFICANT ACCOUNTING POLICIES

#### 1. BASIS OF ACCOUNTING

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

#### 2. REVENUE RECOGNITION

##### a. Income and Expenditure

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

##### b. Export Incentives

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."

#### 3. FIXED ASSETS AND DEPRECIATION

##### a. 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.

##### b. 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 as under :

- a. Raw materials (including packing materials) and traded goods are valued at cost (on moving weighted average basis) or net realizable value whichever is lower.
- b. Stores and spares are valued at cost (on weighted average basis).
- c. Stock in process is valued at cost (on moving weighted average basis) of raw materials.
- d. Finished goods are valued at cost (on moving weighted average basis) or net realizable value whichever is lower. Cost for this purpose includes direct materials, direct labour and appropriate overheads and depreciation.

#### 6. FOREIGN CURRENCY TRANSACTIONS

- a. Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction.
- b. In case of items which are covered by forward exchange contracts, the premium or discount arising at the inception of such contract is amortised as expense or income over the life of the contract. Any profit or loss arising on cancellation or renewal of such contract is recognized as income or expense of the period in which it arises.
- c. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit & Loss account except as mentioned in para (d) below.
- d. Exchange differences on translation or settlement of long term foreign currency monetary items (i.e whose terms of settlement exceeds twelve months from date of its origination) at rates different from those at which they were initially recorded or reported in the previous financial statements, in so far as it relates to acquisition of depreciable assets are adjusted to the cost of the assets and to be depreciated as per 3 (b) above. In other cases, these are accumulated in "Foreign Currency Monetary Item Translation Difference Account" and amortised by recognition as income or expense in each period over the balance term of such items till settlement occurs but not beyond March 31, 2012. (Refer Note 7 in Notes to Accounts – Schedule 13).

#### 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. EMPLOYEE BENEFITS

Contributions to Provident and Superannuation Funds are accounted on actual liability basis. Contribution to Group Gratuity Fund based on actuarial valuation is made to and administered by the Life Insurance Corporation of India. Provision for Leave encashment benefits is made on actuarial valuation basis.

## 9. SEGMENT REPORTING

Styrenics is the primary business segment of the Company. There are no separate segments within the Company as defined by AS 17 (Segment Reporting) issued by The Institute of Chartered Accountants of India except Geographical segment as reportable segment.

## 10. TAXATION

- Current Income Tax and Wealth Tax have been accounted as per payable method.
- 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.

## 11. 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 13

### NOTES ON ACCOUNTS

	2010-2011 (₹ lacs)	2009-2010 (₹ 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 :	1179.62	1957.08
ii) Letters of Credit opened by Bankers and outstanding at the year end.	14592.33	11868.95
iii) Bills discounted but not matured.	11881.63	8156.92
iv) Counter guarantees given to Banks against Banks' guarantees to Customs/ Sales Tax.	275.88	468.93
v) Disputed Excise / Service Tax demand.	4994.08	3999.28
vi) Disputed Sales Tax demand.	99.56	99.56
vii) Disputed Income Tax liability (matters under appeal)	716.66	-
viii) Other Claims.	71.31	71.31

## 2] Quantitative and other information :

- Finished Goods : (manufactured)  
Registered and Installed Capacity

	Registered Capacity (MT)	* Installed Capacity (MT)	Production (MT)
Styrene	1,00,000 (1,00,000)	- (-)	- (-)
Polystyrene	5,54,000 (5,54,000)	2,72,000 (2,72,000)	1,65,962 (1,45,962)
Speciality Polystyrene	47,000 (47,000)	25,000 (25,000)	12,887 (13,650)
Expandable Polystyrene	1,50,000 (1,50,000)	27,700 (27,700)	12,753 (10,019)
XPS	5,000 (5000)	5,000 (5,000)	8638 m3 (5250 m3)

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

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

b. Ministry of Corporate Affairs, Government of India vide its notification dated February 8, 2011 issued under section 211(3) of the Companies Act, 1956 of (1 of 1956) has granted exemption from disclosure of quantitative details in the Profit and Loss Account under para 3(i)(a), 3(ii)(a), 3(ii)(b), 3(ii)(d) of Part II of Schedule VI to the Companies Act, 1956 vide Sr.No.2 of the table contained in the said notification.

c. Consumption of Raw Materials, Stores and Spares :

i] Raw Materials including packing material :

	2010 - 2011		2009 - 2010	
	%	(₹ Lacs) Value	%	(₹ Lacs) Value
Imported	93.32	110907.56	93.80	87634.70
Indigenous	6.68	7935.00	6.20	5793.72
	<b>100.00</b>	<b>118842.56</b>	<b>100.00</b>	<b>93428.42</b>

ii] Stores & Spares:

Imported	37.49	211.71	9.45	40.81
Indigenous	62.51	353.01	90.55	391.17
	<b>100.00</b>	<b>564.72</b>	<b>100.00</b>	<b>431.98</b>

d. CIF Value of Imports :

	2010 - 2011 (₹ Lacs)	2009 - 2010 (₹ Lacs)
Raw Materials *	114525.48	87074.50
Stores & Spares	183.83	67.87
Capital Goods	864.45	-

\* Excluding goods for resale.

e. Expenditure in Foreign Currency :

1. Interest	185.86	201.28
2. Membership & Subscription	13.25	10.74
3. Seminar, Training, Exhibition & Product Development	28.52	5.45
4. Travelling Expenses	29.61	11.41
5. Freight	18.79	-
6. Commission	117.01	185.24
7. Technical knowhow fees/ Consultancy charges	109.87	142.84
8. Legal & Professional Fees	7.90	-
9. Bank Charges	51.70	32.51

f. Income in Foreign Currency :

FOB Value of Exports	41628.49	34303.82
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3] Miscellaneous expenses include :

Remuneration to Auditors		
As Auditors	11.50	11.50
For Certification	1.40	1.62
For Consultancy	1.50	2.00
Service Tax	1.33	1.40
	<b>15.73</b>	<b>16.52</b>

4] Tax deducted at source on Income :

Interest	23.90	5.71
Others	2.76	5.28



5] Managerial Remuneration:

To Manager :

Salary	<b>102.51</b>	59.51
Contribution to PF and other funds	<b>15.75</b>	12.02
Perquisites	<b>1.38</b>	1.03
<b>TOTAL</b>	<b>119.64</b>	<b>*72.56</b>

\* For the period of ten months (i.e from 01.09.09) as Shri N. Gopal is appointed as manager therefrom.

6] Styrenics is the primary business segment of the Company. The secondary segment is geographical, which is given as under :

a. Revenue

Sales (net of Excise Duty) & Operating Income

Within India	<b>149629.42</b>	123948.47
Outside India	<b>44720.06</b>	37235.94
<b>Total</b>	<b>194349.48</b>	<b>161184.41</b>

b. All the Assets of the Company except the debtors amounting to ₹ 4987.64 lacs (30.06.2010 – ₹4065.37 lacs) are within India.

7] [i] The Company had chosen to exercise the option pursuant to the amendment dated March 31, 2009 in the Accounting Standard (AS-11) "The Effects of Changes in Foreign Exchange Rates" in the preparation of its financial statements from the year ended 30th June, 2009. Accordingly foreign exchange differences adjusted against Assets or accumulated in a "Foreign Currency Monetary Item Translation Difference Account" (FCMITDA) and the balance amount in FCMITDA to be amortised in the future periods are as under:

a] Impact of adjustments made:

(₹ Lacs)

Exchange (Gain)/ Losses	Adjustments against Assets	FCMITDA	Total
Profit and Loss Account : For the year ended 30.06.2011	<b>(9.73)</b>	<b>(12.42)</b>	<b>(22.15)</b>

b] Amount of (Gain)/ Loss to be amortised to Profit and Loss Account, in future period :

July 2011 to March 2012 : ₹ 0.23 lacs

[ii] Foreign Exchange forward contracts premium either on settlement or on translation recorded under respective heads by credit/ (debit) in the profit and loss account (net) debit of ₹ 2157.24 lacs (Previous year ₹ 271.33 lacs).

8] As per Accounting Standard 15 , the disclosure of Employee benefits as defined there in are given below :

**A. Gratuity :**

(₹ Lacs)

**I. Assumptions :**

Discount Rate Previous year	8.00%
Rate of Return on Plan Assets Previous Year	8.00%
Salary Escalation Previous Year	7.00%
Attrition Rate Previous year	1.00%
Discount Rate Current Year	8.50%
Rate of Return on Plan Assets Current Year	8.50%
Salary Escalation Current Year	4.00%
<b>Attrition Rate Current year</b>	<b>2.00%</b>

**II. Table Showing Change in Benefits Obligation :**

Liability at the beginning of the year	189.57
Interest cost	15.17
Current Service cost	15.19
Past Service Cost (Vested benefit)	77.45

Benefits Paid	(12.16)
Actuarial (gain)/ loss on obligations	(5.16)
<b>Liability at the end of the year</b>	<b>280.06</b>
<b>III. Table of Fair value of Plan Assets :</b>	
Fair value of Plan Assets at the beginning of the year	-
Expected Return on Plan Assets	-
Contributions	286.00
Benefits Paid	(12.16)
Actuarial gain/(loss) on Plan Assets	6.22
<b>Fair value of Plan Assets at the end of the year</b>	<b>280.06</b>
<b>Total Actuarial Gain/ Loss to be recognized</b>	<b>11.38</b>
<b>IV. Actual Return on Plan Assets :</b>	
Expected Return on Plan Assets	-
Actuarial gain/(loss) on Plan Assets	-
<b>Actual Return on Plan Assets</b>	<b>-</b>
<b>V. Total Actuarial Gain/ (Loss) to be Recognised</b>	
Actuarial (gain)/loss on obligations	-
Actuarial gain/(loss) on Plan Assets	6.22
<b>Total Actuarial (gain)/Loss to be recognized</b>	<b>6.22</b>
<b>VI. Amount Recognised in the Balance Sheet :</b>	
Liability at the end of the year	280.06
Fair value of Plan Assets at the end of the year	280.06
Difference	-
<b>Amount Recognised in the Balance Sheet</b>	<b>-</b>
<b>VII. Expenses Recognised in the Income Statement</b>	
Current Service Cost	15.19
Interest Cost	15.17
Expected Return on Plan Assets	-
Past Service cost (Vested benefit) recognized	77.45
Actuarial (gain)/ loss to be recognized	(11.38)
<b>Expense recognized in Profit &amp; Loss</b>	<b>96.43</b>
<b>VIII. Amount Recognised in the Balance Sheet</b>	
Opening net liability	189.57
Expense as above	96.43
Employers Contribution paid	(280.06)
<b>Closing net liability</b>	<b>-</b>

**B. Leave Encashment**

The valuation of Leave Encashment has been done on exit as well as availment during the service. This liability forms part of other long term benefits as per the standard and does not require disclosures as mentioned in Para 132 of the standard.

9] 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
3	Subsidiaries	a) SPL Industrial Park Ltd [wound up w.e.f. 14.03.2011] b) SPL Industrial Support Services Ltd. [wound up w.e.f. 23.04.2011]

## b) Transactions with Related Parties.

(₹ in Lacs)

Sr. No.	Nature of Transactions*	Year	Promoters	Key Management Personnel	Subsidiaries
1	Sales of Goods (Net)	<b>2010-11</b>	<b>5255.55</b>	-	-
		2009-10	3420.74	-	-
2	Purchase of Goods	<b>2010-11</b>	<b>79.53</b>	-	-
		2009-10	169.26	-	-
3	Purchase of other items	<b>2010-11</b>	<b>NIL</b>	-	-
		2009-10	1.72	-	-
4	Reimbursement of Expenses Paid/(Received)	<b>2010-11</b>	<b>16.34</b>	-	-
		2009-10	35.19	-	-
5	Commission on Sales	<b>2010-11</b>	<b>5.62</b>	-	-
		2009-10	-	-	-
6	Dividend Paid on Equity Shares	<b>2010-11</b>	<b>1041.71</b>	<b>0.29</b>	-
		2009-10	578.73	0.16	-
7	Remuneration Paid	<b>2010-11</b>	-	<b>119.64</b>	-
		2009-10	-	72.56	-
8	Balance Receivable				
A	Sales of Goods	<b>30th June 2011</b>	<b>555.35</b>	-	-
		30th June 2010	602.93	-	-
B	Others	<b>30th June 2011</b>	-	-	-
		30th June 2010	-	-	0.43
9	Balance Payable				
A	Purchase of goods	<b>30th June 2011</b>	<b>4.92</b>	-	-
		30th June 2010	4.97	-	-

\* All Transactions are on commercial basis at market rates

## 10] Leasing - Operating Lease

	<b>2010-2011</b> (₹ Lacs)	2009-2010 (₹ Lacs)
a. Obligations on non cancellable leases		
i) Not later than one year.	<b>162.79</b>	139.06
ii) Later than one year and not later than five years.	<b>32.60</b>	-
iii) Later than five years.	-	-
b. Lease rental expenses in respect of operating lease.	<b>271.80</b>	290.36
c. Contingent rent recognised in Profit & Loss account.	-	-

## 11] Earnings per share (EPS)

Profit after tax	<b>8769.07</b>	6047.50
Number of equity shares at the beginning of the year.	<b>96838613</b>	96838613
Number of equity shares at the end of the year.	<b>96838613</b>	96838613
Weighted average number of shares outstanding for basic EPS during the year.	<b>96838613</b>	96838613
Basic earning per share (Rupees) (Face value - ₹10/- per share)	<b>9.06</b>	6.24
Profit after tax for computing Diluted EPS	<b>8772.53</b>	6059.16
Weighted average number of shares for computing Diluted EPS during the year.	<b>98870431</b>	103173386
Diluted earning per share (Rupees) (Face value - ₹ 10/- per share)	<b>8.87</b>	5.87

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] 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 :

(₹ in Lacs)

	<b>As at 30.06.2011</b>	As at 30.06.2010
<b>Deferred Tax Assets</b>		
Other items	<b>64.11</b>	154.30
<b>TOTAL</b>	<b>64.11</b>	154.30
<b>Deferred Tax Liabilities</b>		
Depreciation	<b>4160.68</b>	4499.39
Other items	<b>0.07</b>	4.20
<b>TOTAL</b>	<b>4160.75</b>	4503.59
Net Deferred Tax Liabilities / (Assets)	<b>4096.64</b>	4349.29

14] 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. There are no amounts payable to any Small Scale Industrial undertaking.

15] a) Prior period adjustments include expenses ₹ 7.85 lacs (previous year ₹13.23 lacs) and income ₹ 6.63 (Previous year ₹ NIL).

b) Bad debts include amount recovered during the year ₹ 235.72 lacs (Previous year ₹ NIL).

16] Debtors/ Creditors balances are subject to confirmation.

17] Additional information required under Part IV of Schedule VI to the Companies Act, 1956 is attached herewith.

18] Previous year's figures are regrouped, wherever necessary.

Signatures to Schedules '1' to '13'

As per our report attached  
For **PARIKH & SHAH**  
Chartered Accountants  
Firm Registration Number 107528W

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

Mumbai  
Date : July 18,2011

**RAKESH NAYYAR**  
Executive Director  
(Finance & Corporate Affairs)  
and Company Secretary

M. P. Taparia, Chairman

Rajan B. Raheja  
B. L. Taparia  
S. J. Taparia  
R. Kannan  
Nihalchand Chauhan  
Viren Raheja

} Directors

Mumbai  
Date : July 18,2011

**CASH FLOW FOR THE YEAR : 2010 - 2011**

	₹ Lacs Year Ended Jun 30,2011	₹ Lacs Year Ended Jun 30,2010
<b>A. Cash Flow from Operating activities</b>		
Net Profit before tax	12,844.98	9,018.40
Adjustment for :		
Depreciation	2,036.79	1,983.88
Miscellaneous Expenditure	0.22	84.41
Investment Income	(504.80)	(356.14)
Interest and Finance Charges	1,605.60	1,789.50
Profit on sale of Fixed Assets	9.95	(6.48)
(Expenses)/Income Related to Earlier Year	(1.22)	(13.23)
Operating profit before working capital changes	<u>15,991.52</u>	<u>12,500.34</u>
Adjustment For :		
Trade & Other receivables	(393.48)	(9,740.88)
Inventories	(11,869.93)	(3,776.96)
Trade Paybles & Other Provision	12930.96	9,016.38
Foreign Currency Monetary Item Translation Difference	12.20	36.68
Cash generated from operations	<u>16,671.27</u>	<u>8,035.56</u>
Direct tax paid	<u>(4,590.71)</u>	<u>(3,554.79)</u>
Net Cash from Operating activities (A)	<u>12,080.56</u>	<u>4,480.77</u>
<b>B. Cash Flow from Investing activities</b>		
Purchase of Fixed Assets	(9,406.59)	(2,148.22)
Sale of Fixed Assets	10.38	40.19
Gain on redemption of Mutual Fund / Sale of Investments	18.51	7.94
Interest received	225.42	157.59
Dividend Received	278.02	198.39
Purchase of Investment	-	-
Net cash used in investing activities (B)	<u>(8,874.26)</u>	<u>(1,744.11)</u>
<b>C. Cash Flow from Financing activities</b>		
Interest Paid	(1,661.30)	(1,663.25)
Dividend & Dividend Tax Paid	(2,032.60)	(1,132.97)
Proceeds from borrowings	1,131.32	1,739.04
Net cash from financing activities (C)	<u>(2,562.58)</u>	<u>(1,057.18)</u>
<b>Net Change in cash &amp; cash equivalents (A)+(B)+(C)</b>	<b>643.72</b>	<b>1,679.48</b>
<b>Opening balance of Cash &amp; Cash equivalents</b>	<b>3,576.70</b>	<b>1,897.22</b>
<b>Closing balance of Cash &amp; Cash equivalents</b>	<b>4,220.42</b>	<b>3,576.70</b>

As per our report attached  
For **PARIKH & SHAH**  
Chartered Accountants  
Firm Registration Number 107528W

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

Mumbai  
Date : July 18,2011

**RAKESH NAYYAR**  
Executive Director  
(Finance & Corporate Affairs)  
and Company Secretary

M. P. Taparia, Chairman

Rajan B. Raheja  
B. L. Taparia  
S. J. Taparia  
R. Kannan  
Nihalchand Chauhan  
Viren Raheja

Directors

Mumbai  
Date : July 18,2011

**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 30th 2011

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

a) Public Issue	NIL
b) Rights 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	5,000,703
b) Total Assets	5,000,703

**SOURCES OF FUNDS**

a) Paid up Capital	968,386
b) Reserves and Surplus	1,958,455
c) Secured Loans	1,442,641
d) Unsecured Loans	221,557
e) Deferred Tax	409,664

**APPLICATION OF FUNDS**

a) Net Fixed Assets	3,701,941
b) Investments	284
c) Net Current Assets	1,298,455
d) Miscellaneous Expenditure	23
e) Accumulated Losses	NIL

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

a) Turnover (including other income)	19,476,083
b) Total Expenditure	18,191,585
c) Profit before tax after extra ordinary items	1,284,498
d) Profit after tax	876,907
e) Earnings per share ( in Rupees )	9.06
f) Dividend rate %	28

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

Item Code No	ITC Code)	Product Description
39031909		Polystyrene
39031100		Expandable Polystyrene
39211100		Extruded Polystyrene Insulation Board

**For and behalf of the Board**

Mumbai  
Date : July 18,2011

**M. P. Taparua  
Chairman**





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

July 18, 2011

Dear Members,

As a responsible corporate citizen, your Company welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, Government of India (MCA), enabling electronic delivery of documents including the Annual Report, to shareholders at their e-mail addresses previously registered with the Depository Participants (DPs)/Company/Registrars & Share Transfer Agents.

Members who have not registered their e-mail addresses so far are requested to register their e-mail addresses. Members holding shares in demat form can register their e-mail addresses with their concerned DPs. Members who hold shares in physical form are requested to register their e-mail addresses with the Company's Registrars and Share Transfer Agents by completing the '**E-Communication Registration Form**' given below and sending the same to:

**Shri K. S. Reddy**

Karvy Computershare Private Limited  
Unit: Supreme Petrochem Ltd  
17-24, Vittalrao Nagar, Madhapur,  
HYDERABAD - 500 081

**You can also e-mail your request on [ksreddy@karvy.com](mailto:ksreddy@karvy.com), [einward.ris@karvy.com](mailto:einward.ris@karvy.com)**

Please note that as a Member you are always entitled to receive on request, a copy of the said documents free of cost, in accordance with the provisions of the Companies Act, 1956.

We request you to support this 'Green Initiative' and opt for electronic mode of communication by advising your e-mail id, if you have not already done so. Your pro-active step in this direction will go a long way in saving trees and also result in substantial cost saving to the Company.

Thanking you

Yours faithfully  
For **SUPREME PETROCHEM LTD**

**RAKESH NAYYAR**  
**EXECUTIVE DIRECTOR &**  
**COMPANY SECRETARY**



**E-Communication Registration Form**

Dear Sir,

**Sub: Registration of my e-mail address – Green Initiative in Corporate Governance**

I agree to receive the documents including the Annual Report in electronic mode. Please register my e-mail address in your records, being my consent towards the same.

Folio No. : \_\_\_\_\_

E-mail ID : \_\_\_\_\_

Name of First/Sole Holder : \_\_\_\_\_

Signature of the First and Jt.Holder(s)  
(as per specimen Registered) : \_\_\_\_\_

**SUPREME PETROCHEM LTD**

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

**ATTENDANCE SLIP****22<sup>nd</sup> 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 (in BLOCK LETTERS)	Regd. Folio/ Client ID No.	No. of Shares held

I/We hereby record my/our presence at the 22<sup>nd</sup> Annual General Meeting of the Company held at Indian Merchants' Chambers, Walchand Hirachand Conference Hall, IMC Marg, Churchgate, Mumbai 400 020 on Wednesday, September 21, 2011 at 4.00 p.m.

\_\_\_\_\_  
SIGNATURE OF THE MEMBER OR PROXY

**SUPREME PETROCHEM LTD**

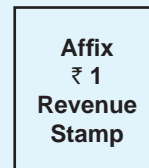
Registered Office : 612, Raheja Chambers, Nariman Point, Mumbai – 400 021

**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 22<sup>nd</sup> Annual General Meeting of the Company to be held at Indian Merchants' Chambers, Walchand Hirachand Conference Hall, IMC Marg, Churchgate, Mumbai 400 020 on Wednesday, September 21, 2011 at 4.00 p.m.

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

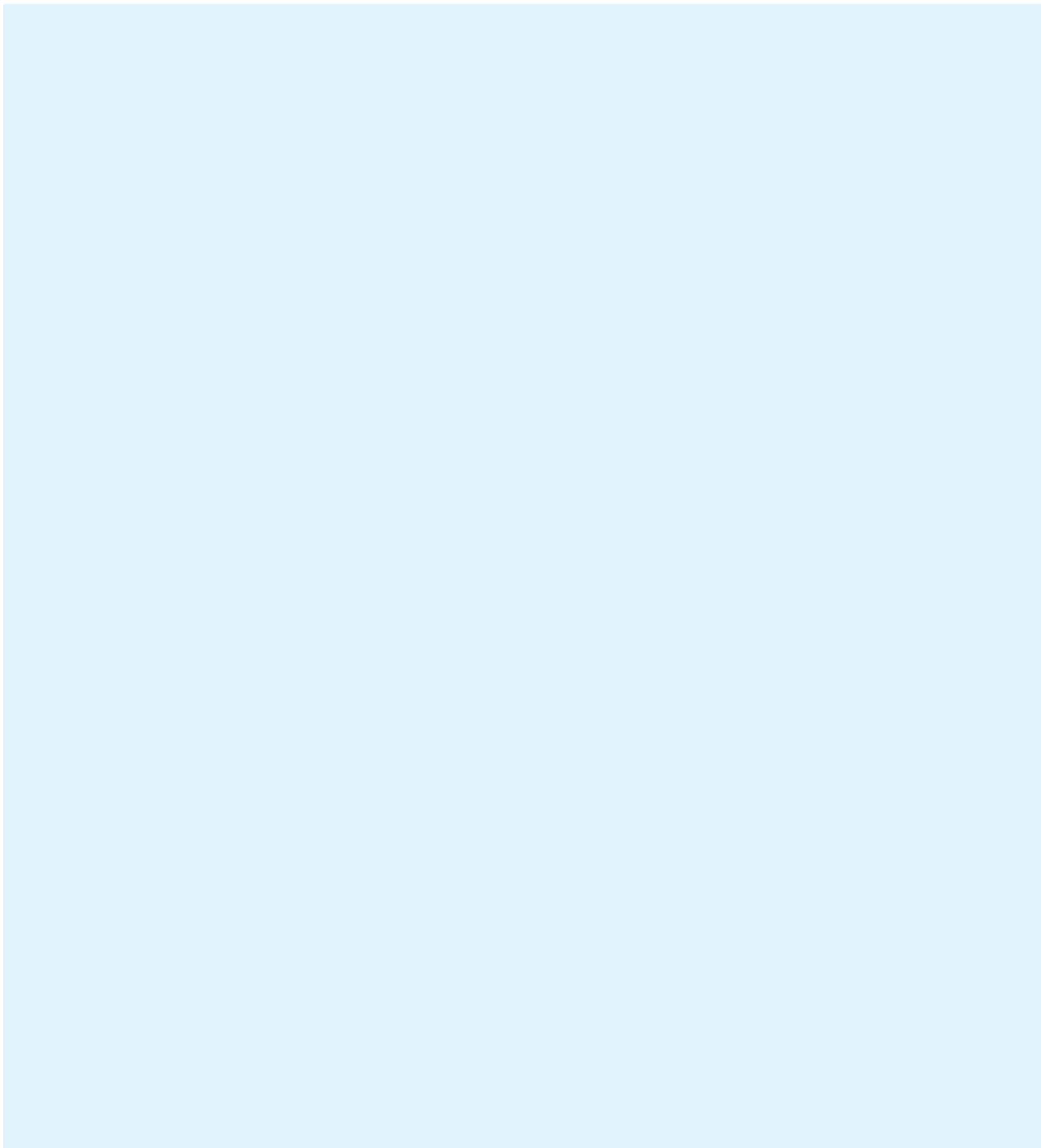
No. of shares held \_\_\_\_\_



(Signature of the Member/s)

Signed by the said \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

**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.

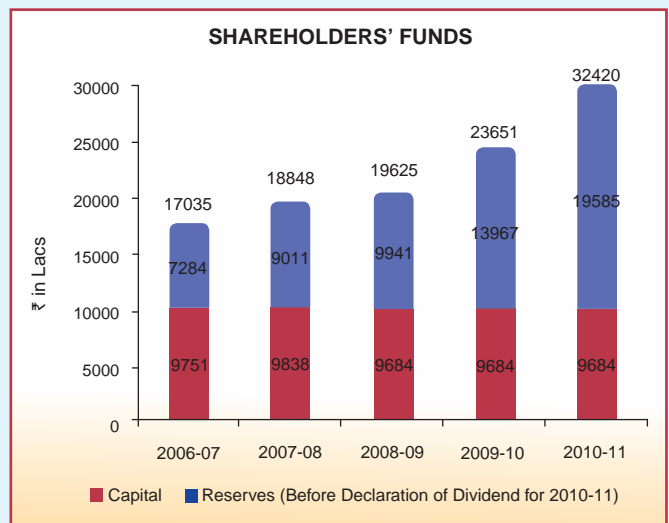
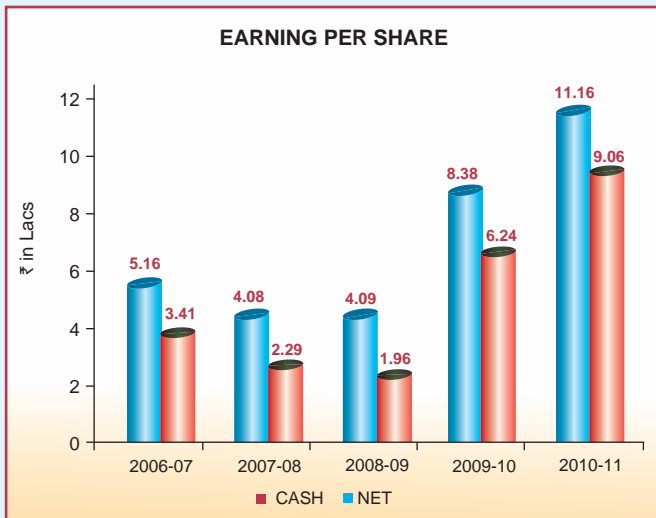
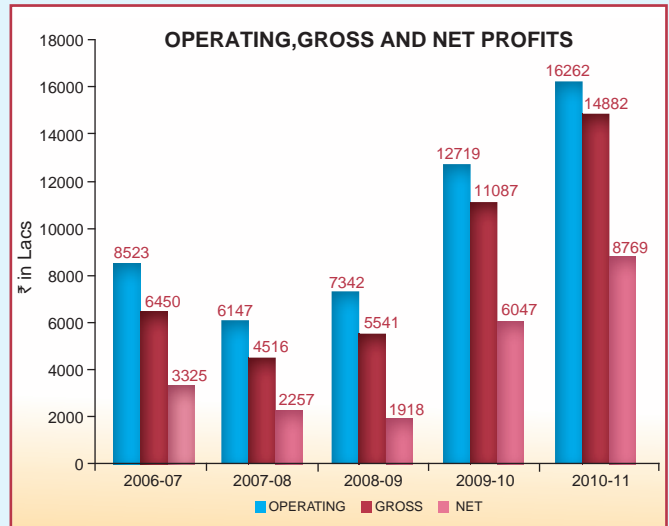
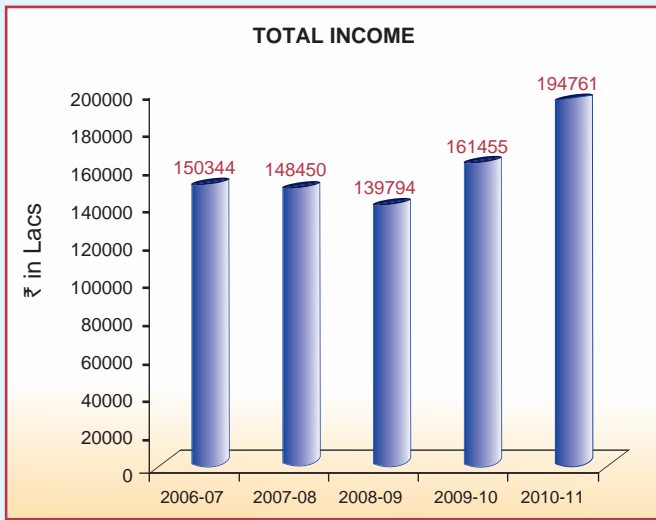




A View of the EPS Plant near Chennai



A View of the Speciality Polymers and Compounds Facility at Amdoshi - Wangani in Maharashtra



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. INDIA