



SHIN HO PETROCHEMICAL (INDIA) LIMITED

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Seventeenth Annual Report
2005-2006



SHIN HO PETROCHEMICAL (INDIA) LIMITED

BOARD OF DIRECTORS : Mr N Gopal, Chairman
Mr B Ramakrishnan, (TIDCO Nominee)
Mr Arvind R Desai
Mr Ravi V Kuddyady
Mr Nirmal Kumar C Karwa
Mr Gowri R Shanker

Company Secretary : Mr V Thayalan

Auditors : M/s Yagnesh Mehta & Co
Chartered Accountants

Bankers : M/s. State Bank of India

Registered Office & Works : Ammullavoyil Village
Andarkuppam Post
Manali New Town, Chennai 600 103
Phone : 044 25943457
Fax : 044 25941442

Depository Registrar & Share Transfer Agents : M/s CAMEO CORPORATE SERVICES LTD
" Subramanian Building"
No.1, Club House Road, Chennai 600 002

ANNUAL GENERAL MEETING

Time : 11.00 AM

Date : 20th October, 2006

Venue : Registered Office:
Shin Ho Petrochemical (India) Limited
Ammullavoyil Village, Andarkuppam Post
Manali New Town, Chennai 600 103


SHIN HO PETROCHEMICAL (INDIA) LIMITED
NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Seventeenth Annual General Meeting of Members of **Shin Ho Petrochemical (India) Limited** will be held at the Registered Office of the Company at Ammullavoyil Village, Andarkuppam P.O, Manali New Town, Chennai 600 103 **on Friday the 20 th day of October 2006 at 11.00 AM** to transact the following business.

ORDINARY BUSINESS

- 1) To consider and adopt the Audited Statement of Accounts for the year ended 30th June 2006 and the Report of the Directors and Auditors thereon.
- 2) To appoint Auditors and to authorise the Board of Directors to fix their remuneration. The retiring Auditors Messrs Yagnesh Mehta & Co, Chartered Accountants are retiring and are eligible for reappointment.

SPECIAL BUSINESS

- 3) To consider and if thought fit, to pass with or without modification, as an **ORDINARY RESOLUTION** the following:
"RESOLVED that **Mr N.GOPAL**, be and is hereby appointed as a Director of the Company, liable to retire by rotation.
- 4) To consider and if thought fit, to pass with or without modification, as an **ORDINARY RESOLUTION** the following:
"RESOLVED that **Mr ARVIND R DESAI**, be and is hereby appointed as a Director of the Company, liable to retire by rotation.
- 5) To consider and if thought fit, to pass with or without modification, as an **ORDINARY RESOLUTION** the following:
"RESOLVED that **Mr RAVI V KUDDYADY**, be and is hereby appointed as a Director of the Company, liable to retire by rotation.
- 6) To consider and if thought fit, to pass with or without modification, as an **ORDINARY RESOLUTION** the following:
"RESOLVED that **Mr NIRMAL KUMAR C KARWA**, be and is hereby appointed as a Director of the Company, liable to retire by rotation.
- 7) To consider and if thought fit, to pass with or without modification, as an **ORDINARY RESOLUTION** the following :
"RESOLVED that **Mr GOWRI R SHANKER**, be and is hereby appointed as a Director of the Company, liable to retire by rotation.
- 8) To consider and if thought fit, to pass with or without modification, as a **SPECIAL RESOLUTION** the following:
RESOLVED that subject to the approval of the Registrar of Companies, Chennai the name of the company be and is hereby changed from Shin Ho Petrochemical (India) Limited to



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SPL Polymers Limited and that consequent to this change Clause I of the Memorandum of Association and Article 2(b) of Articles of Association of the company be amended accordingly.

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

RESOLVED that pursuant to article 45 of the Articles of Association of the Company and the provisions of section 198, 269, 309, 314, 386, 387 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications and / or re-enactments of the Companies Act, 1956 and / or any notifications which the Central Government may issue from time to time and subject to the approval of the Central Government, if necessary, and such other approvals as may be required and such alteration / modification, if any, that may be effected by the above mentioned bodies in that behalf, approval of the members be and is hereby accorded for the appointment of Mr N.Gopal as Manager of the Company for a term of three (3) years commencing from 01.9.2006 to 31.8.2009 at a remuneration fixed by the Remuneration committee in accordance with the limits laid down in section II, Part II of Schedule XIII of the companies Act, as in force from time to time.

RESOLVED FURTHER that where in any financial year during the currency of the term of office the company has no profit or its profits are inadequate the company may pay to Mr. N. Gopal the minimum remuneration by way of salary and perquisites within the limits laid down in section II part II of Schedule XIII of the Companies Act.

RESOLVED FURTHER that for the purpose of giving effect to the above Resolution, the Board/ Remuneration Committee be and is hereby authorised to take all such actions and give all such directions, or do all such acts, deeds, matters and things as may be necessary in this regard and further to execute all such deeds, documents and writings as may be necessary in this regard.

BY ORDER OF THE BOARD

Place : Chennai
Date : 04.08.2006

V.Thayalan
Company Secretary

NOTES:

- 1) 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 such proxy or proxies need not be a member of the Company. The proxy is entitled to vote only on poll.
- 2) The proxy form is enclosed. The proxy form duly stamped and executed should be deposited at the registered office of the company not less than 48 hours before the time of holding the meeting.
- 3) The Register of Members and Share Transfer Book of the Company will remain closed from 10.10.2006 to 20.10.2006 (both days inclusive).
- 4) Shareholders seeking information on accounts published herein are requested to kindly furnish their queries to the company at least 10 days before the date of Meeting to facilitate satisfactory replies.
- 5) Members / Proxies who attend the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the Meeting hall.



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- 6) The shares of the company are now available for dematerialisation. The ISIN is INE 615D01011. The shareholders may avail the facility of dematerialisation of the physical shares held by them.
- 7) Members are requested to intimate the Registrar and Share Transfer Agent / Company immediately of any change in their address
- 8) Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
- 9) An explanatory statement pursuant to section 173(2) of the Companies Act 1956 in respect of special business is annexed hereto.
- 10) Brief resume of Directors on their appointment is given as under pursuant to Listing Agreement.

Name of the Director	Mr N Gopal	Mr Arvind R Desai	Mr Ravi V Kuddyady	Mr Nirmal Kumar C Karwa	Mr Gowri R Shanker
Date of Birth	05.03.1946	16.11.1956	14.01.1960	08.06.1953	01.07.1956
Expertise in specific Functional areas	4 decades of experience in Petrochemical Industrial Companies like SPL,ICI UK, IPCL&Reliance Ind Ltd	Finance & Accounts, Direct & Indirect Taxes,Industrial Finance Commercial and Banking Functions	Business Laws, Company Law Corporate Affairs, Capital Market Administration and Finance	Industrial Personnel & Management	Finance, Information Technology Business Process Outsourcing.
Qualifications	B.Tech in Chemical Engineering M.Sc DIC Advanced Chemical Engineering	B.Com(Hons) ACA Chartered Accountant	B.Sc (Hons) DBM FCS -Company Secretary	B.Sc	M.S. Electronic Commerce MBA – specialisation in Finance MS in Industrial Engg BS in Chemical Engg
List of other companies in which directorship held as on 30 th June 2006	Nil	Nil	Nil	Pawanputra DealersPrivate Limited	Mascon Global Ltd Star Bpo Pvt Limited Ablanding Búsinés Solution Private Limited
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on 30 th June 2006	Nil	Nil	Nil	Nil	Nil
No of Shares Held as on 30.6.2006	Nil	Nil	Nil	Nil	Nil



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ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Item No: 3, 4, and 5

Supreme Petrochem Ltd Mumbai (hereinafter called as acquirer) had executed a Share Purchase Agreement (hereinafter called as SPA) on 20.3.2006 to purchase 6487800 Equity Shares of Rs 10/- each constituting 55% of Paid up capital and voting rights of the company from SH Chemical Co Limited, (Formerly Shin HO Petrochemical Co. Ltd.) Republic of Korea a major shareholder and promoter of the company (hereinafter called as Seller).

In sequel to the SPA, the acquirer made an Open Offer in accordance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 and subsequent amendments made thereto for acquiring 2359200 Equity shares @ Rs.5.85 per share from other shareholders of the company. In compliance of SPA, your Board appointed the following persons representing the acquirer as Directors on your Board on 12.5.2006.

1. Mr N Gopal
2. Mr Arvind R Desai
3. Mr Ravi V Kudhyady

The term of office of Additional Directors expire on the date of this Annual General Meeting. The profile of Each Director is given below

Mr N. Gopal was appointed as an additional director of the company on 12.05.2006. He was born on March 5, 1946 at Chennai, Tamil Nadu. He is a B-Tech (in Chemical Engineering) graduate from University of Madras and M.Sc, DIC (Advanced Chemical Engineering) from Imperial College, London. He has wide experience for about 4 decades in the Petrochemicals industry. He had worked with Petro Chemical Companies like ICI Petrochemicals Division, U.K., Indian Petrochemical Corporation Limited (IPCL) and Reliance Industries Limited (Reliance). At IPCL and Reliance he was actively involved in the project implementation. At present he is working as Executive Director and Manager (under the Companies Act 1956) with Supreme Petrochem Ltd, Mumbai (the Holding Company). He was instrumental in setting up of Supreme Petrochem Ltd grass roots Polystyrene Plant with an installed capacity of 272000 TPA. The company has received a special notice under section 257 of the Act, in respect of Mr.N.Gopal as Director of the company along with the requisite Deposit.

The Board recommends the resolution appearing at item No 3 of the accompanying notice seeking your approval to the appointment of Mr N Gopal as Director of the Company.

No Director, except Mr N Gopal is concerned or interested in the resolution.

Mr Arvind R Desai was appointed as an additional director of the company on 12.05.2006. He was born on November 16, 1956 at Mumbai, Maharastra. He is a B.Com (Hons) graduate and an Associate Member of the Institute of Chartered Accountants of India (ACA). He has wide professional experience in the Industrial Corporate Accounts, Direct and Indirect Taxes, Banking, Fund Management, Cost Control, Treasury and Commercial functions over a period of 23 years. Presently he is working as Senior Management Executive with Supreme Petrochem Ltd(the Holding Company). He is a Member of Audit Committee of Board of Directors of the Company. The company has received a special notice under section 257 of the Act , in respect of Mr.Arvind R Desai as Director of the company along with the requisite Deposit.

The Board recommends the resolution appearing at item No 4 of the accompanying notice seeking your approval to the appointment of Mr Arvind R Desai as Director of the Company.

No Director, except Mr Arvind R Desai is concerned or interested in the resolution.



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Mr Ravi V Kuddyady was appointed as an additional director of the company on 12.5.2006. He was born on January 14, 1960 at Chennai Tamil Nadu. He is a B.Sc (Hons) graduate, Diploma in Business Management and a Fellow Member of the Institute of Company Secretaries of India (FCS). He has wide exposure in the multi disciplinary areas like Commercial Laws, Company Law, Finance and Administration, Interaction with various Regulatory Authorities constituted by the Government, Capital Markets, Trade Associations and the Investing Public. At present he is working as Senior Management Executive with Supreme Petrochem Ltd (the Holding Company). He is a Member of Audit Committee of Board of Directors of the Company. The company has received a special notice under section 257 of the Act, in respect of Mr Ravi V Kuddyady as Director of the company along with the requisite Deposit.

The Board recommends the resolution appearing at item No 5 of the accompanying notice seeking your approval to the appointment of Mr Ravi V Kuddyady as Director of the Company.

No Director, except Mr Ravi V Kuddyady is concerned or interested in the resolution.

Item No 6:- Appointment of Mr Nirmal Kumar C Karwa

Mr Nirmal Kumar C Karwa was appointed as an additional Director of the company on 12.5.2006. He was born on June 8, 1953 at Jaipur, Rajasthan. He is a Science Graduate. He has wide experience in the management of industrial personnel and management cadre over a period of 3 decades. He is a member of Audit Committee, Remuneration Committee and Chairman of Shareholders grievances and Share transfer Committee of the company. The company has received a special notice under section 257 of the Act, in respect of Mr Nirmal Kumar C Karwa as director of the company along with the requisite Deposit.

The Board recommends the resolution appearing at item No 6 of the accompanying notice seeking your approval to the appointment of Mr Nirmal Kumar C Karwa as Director of the Company.

No Director, except Mr Nirmal Kumar C Karwa is concerned or interested in the resolution.

Item No 7:- Appointment of Mr. Gowri R Shanker

Mr. Gowri R Shanker was appointed as an additional Director of the company on 19.5.2006. He was born on July 1, 1956. Mr Gowri R Shanker holds degree in M.S. Electronic Commerce, MBA-Specialisation in Finance, M.S in Industrial Engineering and BS in Chemical Engineering. The Board feels that his expertise in Finance and Industrial experience will definitely contribute to the growth of the company. He resigned from the office of director on 18.05.2006. The company has received a special notice under section 257 of the Act, in respect of Mr Gowri R Shanker as director of the company along with the requisite Deposit.

The Board recommends the resolution appearing at item No 7 of the accompanying notice seeking your approval to the appointment of Mr Gowri R Shanker as Director of the Company.

No Director, except Mr Gowri R Shanker is concerned or interested in the resolution.

Item No 8:- Change of Name

Supreme Petrochem Ltd (hereinafter called as SPL) purchased 6487800 Equity shares of Rs. 10/- each constituting 55% of Equity paid up capital and voting rights of the company on 18.05.2006 from SH Chemical Co Limited (Formerly Shin Ho Petrochemical Co Limited erstwhile promoter of the company) Republic of Korea and 130192 Equity shares representing 1.10% of paid up capital of the company from other shareholders under the Open Offer in June 2006. SPL having acquired the controlling block of shares, have voting rights to control the Composition of Board of Directors. Further in order to pass on business opportunity and brand image of the Supreme Petrochem Ltd. in this Subsidiary company, the Board of Directors of the company have decided to change the name of the company from Shin Ho Petrochemical (India) Limited to **SPL Polymers Limited**. SPL stands for Supreme Petrochem Ltd and Polymers


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indicates the product named in the Main object clause of Memorandum of Association of the Company. The Registrar of Companies, Chennai has made the new name SPL Polymers Limited available for adoption on the application made by the company. The name approval letter is available for inspection to the members.

Therefore, your Directors recommend approving the Change in the name of the company. None of the Directors is interested in this resolution.

Item No 9:- Appointment of Manager

Consequent to sale of 6487800 shares representing 55% of paid up capital and voting rights of the company by M/s.SH Chemical Co., Ltd., (formerly Shin Ho Petrochemical Company Limited) Republic of Korea the erstwhile promoter to M/s Supreme Petrochem Ltd., Mr Y.S.Kim Managing Director resigned from the Office of Director on 18.05.2006. Hence Mr.Y.S Kim ceased to be Managing Director of the company at the close of Business hours on 18.5.2006. In view of his resignation, Your Board of Directors has appointed Mr N.Gopal as Manager of the company for a term of 3 years with effect from 01.09.2006 to 31.08.2009 at the Board Meeting held on 4.8.2006 on the following terms and conditions:

1. Salary : Salary will be fixed by the remuneration committee within the limits perscribed in Schedule XIII of the Companies Act.
2. The company shall provide a Car with driver and telephone at residence. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company.
3. Mr N Gopal has to enter into a Service Agreement with the company.

Mr N. Gopal was appointed as an Additional Director of the Company on 12.05.2006. He was born on March 5,1946 at Chennai, Tamil Nadu aged about 60 years. He is a B-Tech (in Chemical Engineering) graduate from University of Madras and M.Sc, DIC (Advanced Chemical Engineering) from Imperial College, London. He has wide experience for about 4 decades in the Petrochemicals industry. He had worked with Petrochemical Companies like ICI Petrochemicals Division, U.K., Indian Petrochemical Corporation Limited (IPCL) and Reliance Industries Limited (Reliance). At present he is working as Executive Director and Manager (under the Companies Act 1956) with Supreme Petrochem Ltd, Mumbai (the Holding Company). In the interest of both the companies he was appointed as Manager of your company in accordance with the provisions of section 386 of the Companies Act.

The remuneration package was considered by the remuneration committee and also by the Board of Directors of the company. Mr.N.Gopal is drawing remuneration in accordance with Schedule XIII of the Companies Act from Supreme Petrochem Ltd the holding company. In accordance with section III of Schedule XIII of the Companies Act, Mr. N.Gopal shall draw remuneration from one or both companies provided that the total remuneration drawn from the these companies does not exceed the higher maximum limit admissible from any one of the company. In view of this provision the remuneration committee will determine his remuneration in accordance with Schedule XIII of the Companies Act. 1956. The provision of car for use on company's business and telephone at residence will not be considered as perquisites. The service agreement with Mr. N.Gopal, is kept open for inspection to the members during office hours at the registered office of the company. Your directors therefore recommend this resolution for your approval.

The above may be treated as an abstract under section 302 of the Companies Act, 1956. None of the Directors except Mr N.Gopal is interested in this resolution.

BY ORDER OF THE BOARD

Place : Chennai
Date : 04.08.2006

V. Thayalan
Company Secretary



SHIN HO PETROCHEMICAL (INDIA) LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Seventeenth Annual Report of the Company together with the Audited of Accounts for the year ended 30.06.2006.

PART - I : PERFORMANCE / OPERATIONS**FINANCIAL RESULTS:**

	Year ended 30.06.2006	Year ended 30.06.2005
	(Rs in thousands)	
Sales	165034	168403
Other Income	10024	1982
Profit/(Loss) before interest & depreciation	(39351)	(4523)
Interest Charges	2071	2838
Profit/Loss before depreciation	(41422)	(7361)
Depreciation	7997	7995
Profit/(Loss) Before Tax & Extra Ordinary items	(49419)	(15356)
Extra Ordinary items write backs (net)	51229	0.00
Profit (Loss) for the year after Tax	1478	(15441)

DIVIDEND:

Considering the performance, no dividend is recommended for the year under review.

REVIEW OF OPERATIONS:

During the year under review, your company has produced 2953.607 MT of EPS as against 1178 MT in the previous year. Out of this 1004.284 MT of EPS were produced against manufacturing fee. Despite this the manufacturing operations for the year continued to be at a lower level as the flow of working capital was struck with the Customers of the company in the last few years. The Styrene Monomer raw material used for the manufacture of Company's product Expandable Polystyrene Resin (EPS) was priced at a higher rate in the international market. Despite these constraints, your company was able to operate to the extent of 49.22% capacity including the manufacture for fee as against 19.63% in the previous year. During the year your company has made a profit of Rs.14.78 lakhs (after the adjustments for extra ordinary items) as against the loss of Rs.154.41 lakhs in the last year. The management of your company is geared up to produce and market EPS at 100% of plant capacity in the years to come.

TAKEOVER AND RESTRUCTURING

During the year Supreme Petrochem Ltd acquired on 18.05.2006, 6487800 equity shares constituting 55% of paid up and voting rights of the company from SH Chemical Co Limited, Republic of Korea the major shareholder and promoter of the company in accordance with the Share Purchase Agreement dated 20.3.2006 executed between them.

In sequel to the SPA, SPL made an Open Offer under the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 and subsequent amendment thereto for acquiring 2359200 Equity shares @ Rs.5.85 per share from the shareholders other than the SH Chemical Co., Ltd. In compliance with the provisions of the SPA, three Nominee Directors for and on behalf of M/s Supreme Petrochem Ltd coopted on the Board of Directors on May 12, 2006.



SPL has settled the secured and unsecured loans availed by your company from Andhra Bank and Chohung Bank respectively. As a result, charges on company's fixed and current assets created in favour of Andhra Bank was released on May 19, 2006. As part of SPA, SH Chemical Co., Ltd waived their balance amount of Rs.1423.82 lakhs against the receipt of Rs 90 lakhs advanced by Supreme Petrochem Ltd to the company. As on June 30, 2006 your company owed Rs.373.26 lakhs to SPL in connection with repayment of Loans to Banks and SH Chemical Co. Ltd. Since your company was not able to recover the dues from the sundry debtors and other receivables over a long period such accounts receivables amounting to Rs 942.50 lakhs were written off as extra ordinary items specified in clause 5 of notes on accounts appended to the Balance Sheet as at June 30,2006. Further the current year loss of Rs494.19 lakhs was absorbed from the net of Extra ordinary items. In view of this takeover and restructuring at the right time, the erosion of net worth over 50% of its paid up capital was prevented and consequent reference to Board for Industrial and Financial Reconstruction (BIFR) as sick company was averted. At present, your company's working capital requirements are funded by SPL. This will enable your company to turnaround as financially sound company in the immediate future.

Manufacturing operations, processes, safety measures, Purchase and Sales policy and procedures, Accounts and Finance functions, human resources, administration and other systems are being reviewed by the company with a team of experts deputed by Supreme Petrochem Ltd the holding company. All efforts are focused to maximise the utilisation of Assets and human resources of the company. The processes flows and lay out wherever necessary is redesigned and put to test and brought under effective control to prevent negative growth trend. It would facilitate synergies in the operations and utilization capacity of all the resources are being improved.

FUTURE PROSPECTS:

The New management is planning to increase the Production capacity to 12000 MT of EPS from the present capacity level of 6000 MT per annum. SH Chemical Co., Ltd has consented to provide necessary technical support for the proposed expansion. The company has made arrangement to import the used screen, reactor with agitator from SH Chemical Co., Ltd to double the production capacity.

The installed capacity of EPS in the domestic market was well above the demand. The growth in demand for the EPS resin was between 10% - 20% in the last few years. We are confident that a growth in consumer demand for durable goods between 20% to 30% is expected in the coming year. The EPS is used for production of thermocole, which is used for insulation, construction, and packaging and for food product packing. The growth of manufacturing sector is expected around 12% P.A. Hence, in the years to come, the demand for EPS resin will exceed the supply thereby giving a better price for the resin manufacturers.

Your Board is confident that with new Executive Management and the help of Supreme Petrochem Ltd's brand image, its managerial and technical expertise, your company will utilise all the existing resources at full capacity and the company will turn up as a profitable unit.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

As required under Section217 (1)(e) of the Companies Act 1956, read with rule 2 of the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo wherever applicable are furnished in Annexure.