



SPL POLYMERS LIMITED

Annual Report

2006-2007



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 and Mr. Gowri R. Shanker
Auditors :	M/s. Yagnesh Mehta & Co. Chartered Accountants
Bankers :	State Bank of India
Registered Office & Works :	Ammulavoyil Village, Andarkuppam Post, Manali New Town, Chennai - 600 103
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 : October 19, 2007
Venue : Registered Office:
SPL Polymers Limited, Ammulavoyil Village,
Andarkuppam Post, Manali New Town,
Chennai - 600 103



NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of Members of SPL Polymers Limited will be held at the Registered Office of the Company at Ammulavoyil Village, Andarkuppam Post, Manali New Town, Chennai - 600 103 on Friday, October 19, 2007 at 11.00 a.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 year ended June 30, 2007.
- 2) To appoint a Director in place of Mr. N. Gopal, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Mr. Arvind R. Desai, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint Statutory Auditors and fix their remuneration.

SPECIAL BUSINESS:

5. 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 the financial institutions, banks, mutual funds, overseas banks and other bodies corporate (hereinafter referred to as the 'Lending Agencies') to secure rupee term loans/foreign currency loans and other instrument of an equivalent aggregate amount not exceeding Rs.10.00 crores (Rupees ten crores only) together with the interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the Lending Agencies under the respective Agreement/Loan Agreement 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 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".

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

"RESOLVED THAT in supercession of the Ordinary Resolution passed at the Annual General Meeting, consent of the Company be and is hereby accorded under Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company to borrow from time to time all such sums of money as they deem requisite, notwithstanding that moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided that the total amount upto which the moneys may be borrowed by the Board of Directors shall not exceed the sum of Rs.50.00 crores (Rupees fifty crores only) at any time".

Registered Office:

Ammulavoyil Village, Andarkuppam Post,
Manali New Town, Chennai - 600 103
Date: August 09, 2007

For and on behalf of the Board

N. Gopal
Chairman

**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.5 and 6 of the above notice is annexed.

Register of Members of the Company will remain closed from Tuesday, October 09, 2007 to Friday, October 19, 2007 (both days inclusive).

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

Members are requested to 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. 5:

The Company proposes to approach financial institutions/banks and/or other Lending Agencies for term loans not exceeding Rs10.00 crores (Rupees ten cores only) for capital expenditure, general corporate purposes and to augment long term resources of the Company.

The said term loans when sanctioned/availed of are to be secured by appropriate mortgage/charge in favour of respective financial institutions/banks/ overseas banks and/or other Lending Agencies 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. 5 is considered necessary having regard to Section 293(1)(a) of the Companies Act, 1956.

The Directors commend the resolution at Item No. 5 for your approval.

None of the Directors of the Company may be deemed to be in any way concerned or interested in the resolution set out at Item No. 5.

Item No. 6:

In view of the projected requirements of funds by the Company, it is considered necessary to increase the borrowing limit to Rs.50.00 crores (Rupees fifty cores only) so that as when the need arises, the Board of Directors may borrow money for the business of the Company. The proposal for increase in the borrowing limit requires consent of the Members in General Meeting under Section 293(1)(d) of the Companies Act, 1956. The resolution set out at Item No. 6 is intended for this purpose.

The Directors commend the resolution at Item No. 6 for your approval.

None of the Directors of the Company may be deemed to be in any way concerned or interested in the resolution set out at Item No. 6.

Registered Office:

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

Date: August 09, 2007

For and on behalf of the Board

**N. Gopal
Chairman**



DIRECTORS' REPORT

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

FINANCIAL RESULTS:

		(Rs. in '000)
	2006-2007	2005-2006
Sales	300844	141904
Other Income	41647	6129
Profit / (Loss) before interest & depreciation	(894)	39351
Interest Charges	4191	2071
Profit / (Loss) before depreciation	(5085)	41422
Depreciation	8086	7997
Profit / (Loss) Before Tax & Extra Ordinary items	(13171)	49419
Extra Ordinary items write backs (net)	465	51381
Profit / (Loss) for the year after Tax	(12706)	1630

DIVIDEND:

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

REVIEW OF OPERATIONS:

The new Management took over in May 2006. Therefore the year July 2006 to June 2007 was the first year of operations under the new management. Number of steps were taken to improve the overall efficiency and productivity including safety. Quality systems and safety measures were introduced. Production processes and grades were rationalized to bring them in line with market realities. The agreement with the workers union for the period 01.04.2007 to 31.03.2010 was signed on 21.05.2007. The agreement besides increasing the wages also provides for higher productivity.

Your Company at the extraordinary general meeting held on 09.02.2007 passed a resolution for reduction in capital by writing off the unabsorbed losses against 50% of the paid up capital. A petition to this effect has been made in the Madras High Court. The final order is awaited.

Your Directors however regret to inform that there was a major fire in the bagging and drying section of the plant on June 10, 2007. The fire caused major damage to the building and all the machinery in the said section. There were no casualties or any injury to any person. Your Directors express their gratitude and thanks to all the nearby industries and State Government Authorities for rendering help and assistance in mitigating the fire, especially thanks are due to Tamil Nadu Fire & Rescue Department headed by District Fire Officer, Officials of Chennai Petrochemical Corporation Ltd., MFL, SRF, Manali Industrial Association, Manali Municipality, District Collector and Revenue Officials and the Police Department, who immediately rushed to the site and provided logistic and administrative support in such an emergency. The Company has lodged a fire claim with the Insurance Company.

FUTURE PLANS:

Manufacturing activities have been disrupted due to the fire and production is expected to commence only in January 2008. The new Management had planned to increase the production capacity of EPS as reported earlier. Your Directors are committed to the same, while significantly improving the safety and environmental standards, fire fighting features are also being upgraded. Plans are being drawn to maximize efficiency in the plant layout and design while increasing the capacity. In the meantime your Company plans to trade in Styrene Monomer and EPS to utilize its expertise in logistics and marketing and also to keep its working capital cycle operative.

**SPL POLYMERS LIMITED***(Formerly known as Shin Ho Petrochemical (India) Limited)***CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

As required under Section 217 (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.

CORPORATE GOVERNANCE:

Your Company has been complying with all the requirements of the code of Corporate Governance, as specified by SEBI. A detailed report on Corporate Governance, together with a certificate from the Statutory Auditors in compliance of clause 49 of the Listing Agreement is attached and forms part of this report.

In view of revised Corporate Governance requirements, the company has implemented a code of conduct for all its Board Members, who have affirmed compliance thereto. A code of conduct has also been formulated and implemented for the senior management of the company.

MANAGEMENT DISCUSSION AND ANALYSIS:

In accordance with the listing agreement, the Management's Discussion and Analysis forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required by Section 217(2AA) of the Companies Act 1956, your Directors confirm that:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures if any.
- b) The directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
- c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities and
- d) The Directors have prepared the accounts for the year ended 30th June 2007 on a 'going concern' basis.

CHANGE OF NAME:

The proposal for change of name was approved by The Registrar of Companies, Tamil Nadu on January 02, 2007 and hence the new name was effective from that date. The name has changed to SPL Polymers Limited from SHIN HO Petrochemical (India) Limited.

DIRECTORS:

Mr. N. Gopal and Mr. Arvind R. Desai, 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.

AUDITORS:

The retiring Auditors M/s. Yagnesh Mehta & Co., 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.

**SPL POLYMERS LIMITED***(Formerly known as Shin Ho Petrochemical (India) Limited)***PARTICULARS OF EMPLOYEES:**

Particulars of the employees in terms of requirement of under Section 217 (2A) of the Companies Act, 1956, as amended in the Companies (Amendment Act) Act, 1988, the company does not have any employee drawing

- a. Rs. 2, 00,000/- or more per month and/or
- b. Rs. 24,00,000/- or more per annum.

FIXED DEPOSITS:

The Company has not accepted any deposits from the public.

LISTING WITH STOCK EXCHANGE:

The Company's securities are listed at:

Madras Stock Exchange Ltd., 11, Second Line Beach, Chennai 600 001.

Bombay Stock Exchange Ltd, Mumbai.

The Company has paid Listing Fees for the year 2006-2007.

ACKNOWLEDGEMENT:

Your Directors gratefully acknowledge the continued support received from Shareholders, SH Chemical Co. Limited (Formerly Shin Ho Petrochemical Co. Ltd.) Republic of Korea, Supreme Petrochem Ltd, Suppliers, Customers and the Employees.

For and on behalf of the Board

Place : Chennai

Date : July 25, 2007

N. Gopal
Chairman


SPL POLYMERS LIMITED
(Formerly known as Shin Ho Petrochemical (India) Limited)

MATERIAL CHANGES AFTER THE DATE OF THE DIRECTORS' REPORT

(1) MERGER OF SPL POLYMERS LIMITED WITH SUPREME PETROCHEM LTD

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

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

(2) WITHDRAWAL OF PETITION FOR REDUCTION OF CAPITAL

The management with a view to make the Company strong and independent desired to strengthen the financials of your Company so as to aid in raising funds to meet increased working capital requirement and capital expenditure for adding capacity to obtain economies of scale. Towards this end it was proposed to reduce the share capital by 50% by cancelling amount unrepresented by available assets by setting it off against accumulated losses. This would have helped in cleaning up the financial statements enabling the Company to approach banks and financial institutions for assistance and prevent it from becoming a potentially sick Company as defined in the Sick Industrial Companies (Special Provisions) Act, 1985.

It was expected that the reduction of capital would become effective by June 30, 2007 i.e. before the financial year ending of the Company. However, this did not happen and the Company Petition is still pending in the High Court of Madras for various reasons.

In the meanwhile the fire in the drying and bagging section of the plant on June 10, 2007 by destroying the building and all the plant and machinery in the said section has brought production to a halt. The production is likely to commence after reconstruction and installation of new plant and machinery by January 2008. Consequently the Company will continue to incur losses till production can restart and stabilize.

The Board's in principle approval to the merger of the Company with its Holding Company, Supreme Petrochem Ltd has now alongwith the other facts mentioned earlier rendered the exercise of reduction of capital infructuous. Your Directors at the meeting held on August 9, 2007 have therefore decided to withdraw the petition in the High Court at Madras for reduction of capital.

For and on behalf of the Board

Place : Mumbai

Date : August 09, 2007

**N. Gopal
Chairman**



ANNEXURE TO DIRECTORS' REPORT

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in Report of Board of Directors) Rules 1988, and forming part of the Directors' Report for the year ended June 30, 2007:

FORM - A

	Year ended 30.06.2007	Year ended 30.06.2006
A. CONSERVATION OF ENERGY POWER AND FUEL CONSUMPTION:		
1. ELECTRICITY:		
a. Purchased power (Kwh) – Units	1020400	1014552
Total amount (Rs in '000)	6108	6129
Rate/Kwh/Unit (Rs)	5.99	6.04
b. Own generation(Kwh)	31500	30383
(Diesel Generator)		
Kwh per litre of diesel.oil	3.00	2.14
Cost/Kwh (Rs)	11.53	15.12
2. FURNACE OIL		
Qty (Litre)	184412	190076
Amount (Rs in '000)	3307	3515
Rate (Rs/litre)	17.93	18.50
B. CONSUMPTION PER UNIT OF PRODUCTION		
Expandable Polystyrene Resin (Production in MT)	5638	2954
Electricity (Kwh/Tonne)	187	354
Furnace Oil (Litre/Tonne)	33	64
C. TECHNOLOGY ABSORPTION	The Company has technical Collaboration with Shin-Ho Petrochemical Co. Ltd, Korea for EPS Resin.	
D. FOREIGN EXCHANGE EARNINGS (Rs in '000)	500	—
E. FOREIGN EXCHANGE OUTGO (Rs in '000)	11600	36866

For and on behalf of the Board

Place : Chennai
Date : July 25, 2007

N. Gopal
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

The domestic Expandable Polystyrene (EPS) Industry comprises of 4 major players including your company. The installed capacity of EPS producers in India is about 48,000 TPA. Your company has an installed capacity of 6000 TPA comprising 12.5% of the total installed capacity. EPS demand in India last year 2006-2007 was 48500 MT a growth of 14% over the previous year.

EPS is a commodity Polymer finding many uses in Packaging, Construction, Insulation, Decorative activities and Food Service Ware applications. Demand for EPS has been growing at the rate of 12-15% per annum.

OPPORTUNITIES & THREATS

Demand for EPS will get a major boost in the coming years predominantly due to following factors:-

- GDP growth in excess of 9% will create large demand for consumer durables.
- Increasing emphasis on infrastructure development will lead to higher demand for usage of EPS for insulation in Malls and Multiplexes, Commercial buildings etc. The Power Ministry's draft code being formalized for Energy Conservation in Buildings is a very welcome step in this direction.
- New applications of EPS for usage as Pallets for exports cargoes will replace wood presently being used. This will lead to a great boost towards Environment Protection thus saving our forests. This will also help Indian Exporters as many foreign buyers are wary of using wooden pallets for imports due to termite problems.
- Urbanization and increasing need for convenience and fast foods will lead to higher usage of EPS food service ware.
- The shift of EPS processing industry from Small Scale will permit International Players to participate in this business and create large demand for this important plastic raw material.

Government's continued emphasis to reduce import duty and reserving many EPS processing business in small scale Industries are however an area of concern for growth and development of EPS business in India.

OUTLOOK

SPL Polymers will greatly benefit when the Petrochemicals Jetty at Ennore Port, barely a few kilometers from your plant becomes operational by last quarter of 2007. This will offset major logistics disadvantage the Company suffered over the past several years.

RISKS AND CONCERNS

EPS is an internationally traded commodity and its prices are subjected to global market forces, demand and supply and other factors that influence price volatility. Your Company is exposed to risk of price fluctuations on raw materials as well as finished products. Any adverse movements may have an impact on your Company's performance. However your Company will strive to minimise these risks with efficient inventory management and support in the procurement of raw materials from the holding Company SPL which is a major consumer of Styrene Monomer. Since the pricing of finished products has a relationship with the building blocks prices prevalent in the international market, any significant fall in the price of building blocks on a sustained basis may reflect a drop in top line of your Company.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Your Company has adequate internal control procedures and systems commensurate with the nature of business. These procedures ensure efficient running of plant and machinery and financial control at various levels of company operations. Periodical review of the system ensures that proper corrective measures are taken at appropriate time. Your Company is also upgrading this control system as an on going process. This has now