



41st Annual Report
January-December 2013

Styrolution ABS (India) Limited

Board of Directors	Mr. Hyung Tae Chang Mr. Myung Suk Chi Mr. S M Kulkarni Mr. Jal R Patel Mr. Ravindra Kulkarni Mr. Jit Teng Tan Mr. Ravishankar Kompalli	Chairman Managing Director Director Director Director Director Alternate Director to Mr. Jit Teng Tan
VP (Finance) Chief Financial Officer	Mr. D. J. Shah (ceased w.e.f. 31.12.2013) Mr. S. Parlikar (appointed w.e.f. 01.01.2014)	
Company Secretary & Head-Legal	Mr. Haresh Khilnani	
Statutory Auditors	M/s. B S R & Co. LLP, Mumbai	
Bankers	State Bank of India ICICI Bank Limited	
Registered Office	6 th Floor, ABS Towers, Old Padra Road, Vadodara - 390 007, Gujarat Phone No.: 91-265-2355861-62-63, 91-265-2355871-72-73 Fax No.: 91-265-2341012	
Nandesari Plant	51, GIDC Industrial Estate, Nandesari - 391 340, Dist. Vadodara, Gujarat Phone No.: 91-265-2840319, 2840285, 2840559, 2841010 Fax No.: 91-265-2840827	
Katol Plant	Halol-Kalol Road, Katol -389 330, Taluka Kalol, Dist. Panchmahal, Gujarat Phone No.: 91-2676-235980, 235891, 235802, 235803. Fax No.: 91-2676-235518	
Moxi Plant and R & D Centre	Sankarda-Bhadarva Road, Post : Poicha - 391 350, Tal.: Savli, Dist.: Vadodara, Gujarat Phone No.: 91-2667-244350, 244370, 244380, Fax No.: 91-2667-244340	
Delhi Office	Flat No. 1001 - 1002, Mercantile House, Kasturba Gandhi Marg, Connaught Place, New Delhi - 110 001 Phone No.: 91-11-23357915-18	
Mumbai Office	403, Advent Atria, Chincholi Bunder Road, Malad (West), Mumbai - 400 064, Maharashtra Phone No.: 91-22-28813262/64, Fax No.: 91-22-28813265	
Bangalore Office	Unit 4 & 5, 2nd floor, Above Big Kids Kemp, Ramanashree Arcade No. 18, M. G. Road, Bangalore - 560 001 Phone No.: 91-80-25596516, 25525285, Fax No.: 91-80-25580508	

Members are requested to direct all correspondence relating to share matters to the Company's Registered Office or to its Share Transfer Agent, Link Intime India Private Limited, B - 102 & 103, Shangrila Complex, First Floor, Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota, Vadodara - 390 020. Phone No.: 91-265-2356573, Fax No.: 91-265-2356791, E-Mail ID: vadodara@linkintime.co.in

Contents	Page No.
Notice	2-5
Directors' Report	6-11
Report on Corporate Governance	12-25
Management Discussion and Analysis	26-28
Independent Auditors' Report	29-31
Balance Sheet	32
Profit & Loss Account	33
Cash flow Statement	34-35
Notes to the Financial Statements	36-54

Notice

NOTICE is hereby given that the 41st Annual General Meeting of the Members of the Company will be held **on Tuesday, 29th April, 2014 at 11.30 a.m. at the Registered Office of the Company at ABS Towers, Old Padra Road, Vadodara – 390 007**, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Financial Statements for the year ended 31st December, 2013, together with the Reports of the Directors' and Auditors' thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Mr. Jal R Patel, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ravindra Kulkarni, who retires by rotation and being eligible, offers himself for reappointment.
5. To re-appoint Messrs B S R & Co.LLP, Chartered Accountants, Mumbai (Firm's Registration number:101248W), as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

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

"Resolved that pursuant to section 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company approves payment and distribution of a sum not exceeding 1% of the net profits of the Company and subject to a maximum limit of Rs. 600,000 (Rupees six lakhs) to each non-executive independent director per annum or such other sum as may be approved by the Board of Directors from time to time calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956, in addition to the sitting fees paid to them for attending the Board / Committee meetings and such payment be made out of the profits of the Company of each year during the period of three years commencing from January 1, 2013;

Resolved further that the Board of Directors are authorised to take such steps as may be necessary, desirable or expedient to give effect to this resolution."

Registered office :
6th floor, ABS Towers,
Old Padra Road,
Vadodara-390007
Gujarat, India

Mumbai
February 17, 2014

By Order of the Board of Directors
For Styrolution ABS (India) Limited

Haresh Khilnani
Company Secretary & Head - Legal

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxy forms should be deposited with the Company at its registered office not less than 48 hours before the commencement of the meeting. **A proxy so appointed shall not have any right to speak at the meeting. A blank proxy form is enclosed.**

2. Corporate Members intending to send their authorised representatives to attend the Annual General Meeting are requested to send a duly certified copy of their Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
3. The Statement setting out the material facts pursuant to Section 102 of the Companies Act, 2013, concerning the Special Business in the Notice is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 21st April, 2014 to Tuesday, 29th April, 2014 (both days inclusive).
5. Members are requested to notify immediately any change in their address, to their respective Depository Participants (DPs) in respect of their shares in electronic form quoting Client ID No. and to Link Intime India Private Limited, the Company's Registrar and Share Transfer Agent in respect of their physical shares, quoting Folio No.
6. Payment of dividend as recommended by the Directors, if declared at the meeting, shall be made on or after 5th May, 2014, to the Members whose names stand on the Company's Register of Members on 29th April, 2014.
7. Payment of Dividend will be made through National Electronic Clearing Service (NECS) at the RBI Centers by crediting the dividend amount to the Bank Account of the shareholders wherever relevant information is made available to the Company. Members holding shares in physical form and covered under RBI centers, and who have not furnished requisite information and who wish to avail of the NECS facility to receive dividend from the Company, may furnish the information to Link Intime India Private Limited, the Registrar and Share Transfer Agents. The Members holding shares in electronic form may furnish the information to their respective Depository Participants in order to receive dividend through NECS mechanism.
8. Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956 and the relevant provisions of the Companies Act, 2013 (whenever notified), the dividend which remains unpaid / unclaimed for a period of seven years from the date of transfer to the unpaid/unclaimed dividend account of the Company is required to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. The unclaimed dividend for the financial year 2006 and all subsequent years must be claimed as early as possible failing which it would be transferred to IEPF as per the (tentative) dates mentioned herein below. In terms of Section 205C of the Companies Act, 1956, no claim shall lie against the Company after the said transfer.

Financial Year	Tentative date for transfer to IEPF
2006	May 3, 2014
2007	April 24, 2015
2008	April 29, 2016
2009	April 28, 2017
2010	May 4, 2018
2011	April 24, 2019
2012	May 5, 2020

Members are requested to contact Link Intime Registry Private Limited, the Registrar and Share Transfer Agent of the Company for claiming the dividend for the aforesaid years.

9. Members desirous of getting any information about the Accounts of the Company are requested to write to the Company at least seven working days prior to the date of Annual General Meeting so that the information can be kept ready at the meeting.
10. Members/proxies attending the meeting are requested to bring their copy of Annual Report with them at the Meeting and deliver the enclosed attendance slip at the entrance of the meeting hall.

Explanatory statement under Section 102 of the Companies Act, 2013

Item 6

Section 309 of the Companies Act, 1956 provides that a director who is neither in the Whole-time employment of the Company nor a Managing Director may be paid remuneration by way of commission, if the Company by special resolution, authorizes such payment.

Corporate Governance mandates appointing of independent directors who have requisite corporate management experience to effectively guide and advise the Company's functioning and growth. As Members are aware we have been observing complete compliance in this regard and have three independent directors appointed on our Board. The independent directors with their experience in industry and business matters have greatly contributed to deliberations and decisions specially relating to their functional expertise.

Your Board has considered it appropriate to make the annual payment in the form of commission subject to the approval of the shareholders and disclosures/compliance, if any.

None of the Directors except Mr. S. M. Kulkarni, Mr. Jal R. Patel and Mr. Ravindra Kulkarni are interested or concerned in the said resolution. This may be considered as an extract as required under section 302 of the Companies Act, 1956.

The Board recommends the resolution set forth in Item 6 for approval of shareholders.

Registered office :
6th floor, ABS Towers,
Old Padra Road,
Vadodara-390007
Gujarat, India

Mumbai
February 17, 2014

By Order of the Board of Directors
For Styrolution ABS (India) Limited

Haresh Khilnani
Company Secretary & Head - Legal

Profile of the Directors being re-appointed as required under Clause 49 of the Listing Agreement with Stock Exchanges:

Name of Directors	Mr. Jal R Patel	Mr. Ravindra Kulkarni
Nationality	Indian	Indian
Date of Birth	17.09.1937	23.05.1945
Date of Appointment	29.12.2005	13.03.2008
Experience (Yrs.)	50	42
Expertise in specific functional areas	Strategic Business Management, Finance & Banking	Legal, Business Management
Qualification	Associate Member of The Institute of Chartered Accountants of India Associate Member of The Institute of Company Secretaries of India	Master of laws
Directorship held in other public companies in India	Gujarat Gas Co. Limited ABC Bearings Limited Shri Dinesh Mills Limited Munjal Auto Limited Elecon Engineering Limited	Elantas Beck India Limited Entertainment Network (India) Limited Mahindra & Mahindra Limited Tech Mahindra Ltd. Chowgule Steamships Limited Khaitan Consultants Limited
Membership of Committees held in other public companies in India	<p>(i) <u>Audit Committee</u></p> <p>Chairman Gujarat Gas Co. Limited ABC Bearings Limited Elecon Engineering Limited</p> <p>(ii) <u>Shareholder's / Investors' Grievance Committee</u></p> <p>Member Gujarat Gas Co. Limited Shri Dinesh Mills Limited</p>	<p>(i) <u>Audit Committee</u></p> <p>Chairman Elantas Beck India Limited</p> <p>Member Mahindra & Mahindra Limited Entertainment Network (India) Limited</p> <p>(ii) <u>Shareholders / Investors' Grievances Committee</u></p> <p>Chairman Elantas Beck India Limited</p> <p>Member Mahindra & Mahindra Limited Tech Mahindra Limited</p>
No. of Equity shares held in the Company	Nil	Nil

Directors' Report

Dear Shareholders,

Your Directors take pleasure in presenting herewith their 41st Annual Report together with Audited Accounts and Auditors' Report for the year ended 31st December, 2013.

Financial Performance

The financial performance of your Company for the year ended 31st December, 2013 is highlighted below:

(Rs. in '000)

Particulars	2013	2012
Sales in MTs	76,964	74,804
Sales and other operating Income	12,574,119	11,066,061
Other Income	107,855	111,467
Total Income	12,681,974	11,177,528
Gross Profit before Interest, Depreciation & Tax	912,776	1,083,005
Less : Interest	4,571	15,915
Less: Depreciation	133,961	136,101
Profit Before Tax	774,244	930,989
Less: Provision for Tax	373,345	314,700
Less: Provision for Deferred Tax	(104,131)	(15,012)
Net Profit After Tax	505,030	631,301
Add: Balance of Profit Brought Forward	2,979,786	2,493,739
Amount Available for Appropriation	3,484,816	3,125,040

Appropriations:	2013	2012
Proposed Dividend	70,343	70,343
Tax on Proposed Dividend	12,499	11,411
Transfer to General Reserve	50,500	63,500
Balance of Profit Carried Forward	3,351,474	2,979,786
EPS (Basic)	28.72	35.90
(Diluted)	28.72	35.90

Review of Operations

Your Directors wish to inform that in context of the GDP growth of 4.8% in year 2013 and the de-growth of both the auto industry and durable goods like refrigerator was 5%, the overall Sales turnover of your Company was Rs. 1,257 crores, which is higher by 14% over the previous year's turnover of Rs.1,107 crores. This was mainly due to increase in sales volume and pricing.

However, Company's Profit Before Tax (PBT) decreased by 17% to Rs. 77 crores compared to previous year's PBT of Rs. 93 crores; whilst Profit After Tax (PAT) decreased by 19% to Rs. 51 crores compared to the previous year's PAT of Rs. 63 crores. The decline in the PBT and PAT was mainly due to one-time expense incurred by the Company towards implementation of various strategic initiatives to further strengthen the Company's competitive position in the market.

These initiatives will ensure the Company to grow profitably as a strong market leader even in the uncertain economic conditions.

During the year, there is no increase in the paid up share capital of the Company. Your Company continues to be a market leader in ABS sales.

Acquisition of 100 % equity stake in Styrolution India Pvt Ltd. (SIN)

The Board of Directors of Styrolution ABS (India) Limited (SAI) at their meeting held on November 20, 2013 had approved the proposal of making SIN as its Wholly Owned Subsidiary by acquiring 100% of its equity shares, subject to any mandatory approvals, to create better generation of synergies and further strengthen Styrolution's presence in the Indian market. Both companies are part of Styrolution Group, the world's leading producer in styrenics.

This acquisition proposal is expected to bring manifold advantages to the Company, including the ability to develop its customer markets, especially in the household appliances and electrical and electronics segments, as well as the synergies resulting from streamlined business operations of the two entities, including administration, raw materials sourcing, shore tanks utilization, supply chain management, talent development and sharing of technology know-hows.

Furthermore, this acquisition will also enable Styrolution to evaluate options for future expansion of ABS capacity on the land available at the Dahej site in Gujarat to meet the growing demands of the Indian market.

Change of Holding Company within Styrolution Group

Subsequent to the year end, on 28th January, 2014, Styrolution (Jersey) Limited has transferred its entire holding of 13,189,218 (75%) equity shares to Styrolution South East Asia Pte Ltd, Singapore. Accordingly, the holding company of the Company is Styrolution South East Asia Pte Ltd, Singapore with effect from 28th January, 2014.

Directors

Mr. Jal R Patel and Mr. Ravindra Kulkarni are retiring by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for reappointment.

Dividend

Considering the performance and to appropriately reward the Members while conserving resources to meet future financial requirements, the Board of Directors recommends a dividend of Rs. 4/- per Equity Share of Rs.10 each (40%). This dividend is subject to the approval of the Members at the ensuing Annual General Meeting.

The register of members and share transfer books shall remain closed from 21st April, 2014 to 29th April, 2014, (both days inclusive).

Deposits

The Company has not accepted any deposit, within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules, 1975 from the public during the year under review.

Transfer to the Investor Education and Protection Fund

As required in terms of provisions of Section 205C of the Companies Act, 1956, the unclaimed dividend pertaining to the financial year ended on 31.12.2006 is due for transfer on 3rd May, 2014 to the Investor Education and Protection Fund maintained by the Ministry of Corporate Affairs. Your Directors request the affected shareholders to claim the same from the Company before the date of transfer or else no claim for the Dividend shall lie on the Company or on the said fund post transfer.

Internal Control Systems and their adequacy

The Company has an adequate system of internal controls in place. It has documented procedures covering all financial and operating functions. These controls have been designed to provide a reasonable assurance with regard to maintaining of proper accounting controls, monitoring of operations, protecting assets from unauthorized use or losses, compliances with regulations and for ensuring reliability of financial reporting. The Company has continued its efforts to align all its processes and controls with global best practices in these areas as well.

Audit Committee of the Board of Directors, comprising independent directors, regularly reviews the audit plans, significant audit findings, adequacy of internal controls, compliance with Accounting Standards as well as reasons for changes in accounting policies and practices, if any.

Environmental Health, Safety and Protection

Your Company gives highest importance to Environment, Health and Safety (EHS), and encourages and promotes safety awareness in true letter and spirit as an integral part of its work culture.

Process Safety Management- PSM is an integral part of all changes taking place in the processes.

Onsite emergency plans have been reviewed and updated by all divisions. Periodic mock drills are conducted at various divisions and reports indicate improved preparedness of employees.

Styrolution ABS (India) Limited

To further strengthen the safety of overall operations and to promote a positive safety culture of transparency, your Company has introduced site specific behavioral based safety (BBS) process at all its manufacturing locations and substantially invested for the improvement of process safety.

Apart from employees, the contractors and workmen are also given exhaustive training on safety, first-aid and fire fighting.

The Company has appointed and trained safety stewards to promote safety in all divisions. A green belt in and around factory premises has been maintained to enhance eco-friendliness.

Insurance

Your Company's assets are adequately insured against risk from fire, riot, earthquake, terrorism, loss of profits and other risks which are considered necessary by the management.

As an additional coverage, a Public Liability Insurance Policy is also in place and it has been taken to cover public liability/ies, if any, arising out of any industrial accidents. Styrolution ABS Group has covered globally through insurance cover, the Directors' and Officers' liability under the Indian Companies Act to meet with any eventuality.

Statutory Auditors

The auditors, B S R & Co. LLP, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

Auditors' Report

The observations made by the Auditors in their Report read with the relevant notes as given in the Notes to the Financial Statement for the year ended 31st December, 2013 are self-explanatory and are devoid of any reservation, qualification or adverse remarks.

Cost Auditors

As per the requirement of the Central Government and pursuant to Section 233B of the Companies Act, 1956, the audit of the cost accounts for Company's products is carried out every year. Pursuant to the approval of Ministry of Corporate Affairs, M/s. Kiran J Mehta & Associates, Cost Auditors were appointed as the Cost Auditors for auditing the Company's cost accounts relating to the Company's products for FY ended on 31st December, 2013.

Consumption of energy, technology absorption and foreign exchange earnings and outgo

A statement highlighting details of the conservation of energy, technology absorption, and foreign exchange earnings and outgo, in accordance with Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors' Rules, 1988) is annexed hereto and forms part of this report.

Quality Systems and ISO certification

During the year, Company continued to observe all pre-requisites in maintaining the quality systems and standards and ISO audit methods as required under the guidelines of Quality and Environmental Management Systems for ISO certified by UL-DQS. During the year, System Assessments for ISO 9001:2008 & ISO 14001:2004 were also successfully completed.

Corporate Governance

Your Company observes high standards of corporate governance in all areas of its functioning with strong emphasis on transparency, integrity and accountability. As required by Clause 49 VI of the Listing Agreement, a detailed report on Corporate Governance alongwith the Auditors' Certificate thereon forms part of this Report. A detailed review of the operations, performance and future outlook of the Company and its businesses is given in the Management's Discussion and Analysis, which forms part of this Report.

Code of Conduct

Company has suitably laid down the Code of Conduct for all Board Members and Senior Management Personnel of the Company.

The declaration by CEO viz. Managing Director of Company related to the compliance of aforesaid Code of Conduct forms an integral part of this Annual Report.

Human Resource and Industrial Relations

Our employees are the most valuable assets of the Company. We encourage innovation, meritocracy and the pursuit of excellence. The human resource development function of the Company is guided by a spirit of corporate team building

and dedication towards strengthening the Company's systems thereby improving efficiencies and registering growth. All personnel continue to have a healthy, cordial and harmonious approach in problem solving and enhancing Company value at all levels. Despite uncertain economic conditions, the enthusiasm and unstinting efforts of the employees has enabled the Company to maintain leadership in its business areas. The industrial relations during the year remained cordial.

The Company has drawn up a comprehensive human resource strategy (the "Human Resource" strategy) which addresses key aspects of human resource development such as:

- Code of conduct and fair business practices.
- A fair and objective performance management system linked to the performance of the businesses.
- Creation of a common pool of talented managers across Organization with a view to increasing their mobility through inter-company job rotation.
- Evolution of performance based compensation packages to attract and retain talent within organization.
- Development of comprehensive training programs to impart and continuously upgrade the industry/function specific skills, etc.

Employee benefit measures undertaken during the year

In order to achieve a highly streamlined and productive organization, a transparent and uniform HR policy with a well-defined reporting structure and clear roles and responsibilities will be put in place. An employee survey together with a top leadership workshop was also conducted to assess the current cultures of Styrolution Group Companies in India and to identify an ideal common culture across the two entities for the better implementation of the respective strategic initiatives.

A training calendar for the year 2013-14 based on identified needs has been set-up across all functions by the respective Heads of Departments to enhance the knowledge and competencies of our employees. Other initiatives including an improvement of the working environment, the automation of HR processes including the outsourcing of the payroll processor and the installation of a new attendance system, are in progress.

Particulars of Employees

Particulars of employees, as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, pursuant to the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, this report is being sent to all shareholders of the Company excluding the aforesaid information and the said particulars will be made available at the Registered Office of the Company. The Members interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors based on the representation received from the operating management, confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st December, 2013 and of the profit of the Company for the year ended on that date;
- iii) they 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;
- iv) they have prepared the annual accounts on a going concern basis.

Acknowledgements

We thank our customers, vendors, dealers, investors, business partners and bankers for their continued support during the year which made the Company grow successfully. We also place on record our appreciation of the contribution made by our employees at all levels. Our consistent growth was made possible by their hard work, solidarity, cooperation and support.

For and on behalf of the Board

Mumbai
February 17, 2014

Hyung Tae Chang
Chairman