

Annual Report

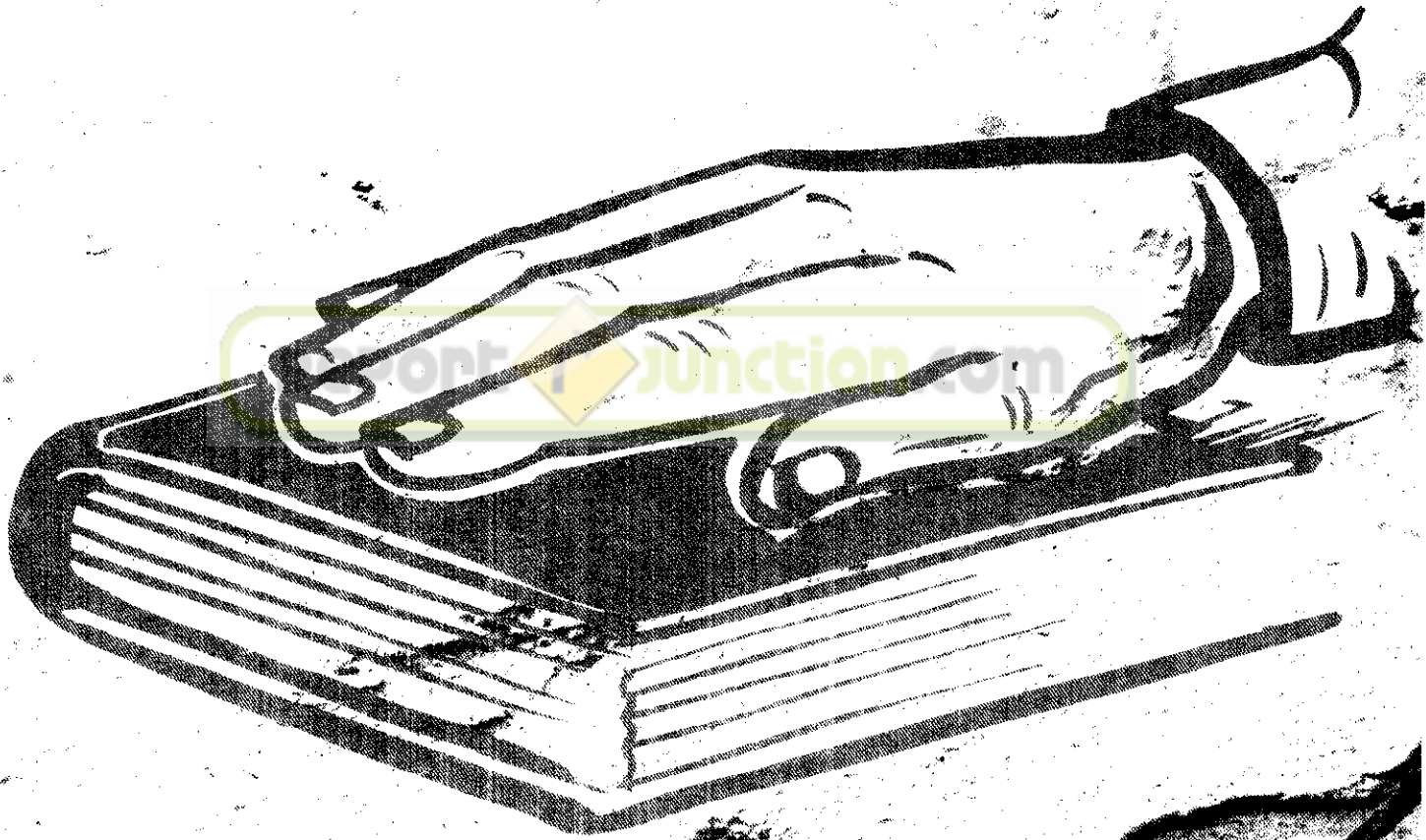
1998 - 1999

Report  junction.com

Supreme

कर्मणो हापि बोद्धव्यं बोद्धव्यं च विकर्मणः।
अकर्मणश्च बोद्धव्यं ग्रहणा कर्मणो गतिः॥

*It is important to discriminate all action,
including inaction. Indeed, the path of
action is profound and mysterious.*



**At Supreme, while we strive for
excellence in everything, we also use
discretion every step of the way.
We conduct our business in the best
tradition of corporate ethics and
principles.**

PERFORMANCE HIGHLIGHTS

Figures in Lakhs

	1994-95	1995-96	1996-97	1997-98	1998-99
Polymers Processed (MT)	37568	43891	46513	59945	66858
Sales	34937.82	40410.48	41171.60	47908.28	55441.16
Other Income	186.52	204.93	222.53	320.75	312.16
Total Income	35124.34	40615.41	41394.13	48229.03	55753.32
Operating Profit (PBITD+Misc Exp W/off)	5872.86	6410.37	6586.00	7637.45	8625.78
Interest	2768.08	3146.39	3508.91	3914.76	4156.68
Gross Profit	3089.64	3232.62	3038.27	3665.88	4267.77
Depreciation	1424.3	1578.48	1824.07	2013.87	2442.82
Profit before Tax	1665.34	1654.14	1214.2	1652.01	1824.95
Tax	0.61	1.74	2.00	92.00	72.00
Profit After Tax	1664.73	1652.40	1212.20	1560.01	1752.95
Prior Years Adjustments	8.22	16.99	1.67	21.06	7.86
Net Profit	1672.95	1669.39	1213.87	1581.07	1760.81
Paid Up Equity Capital	971.27	971.49	971.49	971.49	971.49
Reserves and Surplus *	8782.51	9802.44	10291.93	10815.87	11853.05
Shareholders' Funds	9753.78	10773.93	11263.42	11787.36	12824.54
Loans	16907.96	22440.15	26159.96	26560.25	22470.40
Capital Employed **	25242.12	32693.83	36029.53	38980.02	35737.07
Net Fixed Assets ***	13480.19	15525.08	17539.74	23499.22	23806.38
Net Current Assets	10298.82	14940.65	17511.86	12566.62	6623.82
Earning per Equity Share (Rs.)	17.14	16.64	11.84	14.37	16.58
Cash Earning per Equity Share (Rs.)	31.80	32.89	30.61	35.10	41.73
Book Value (Rs.)	100.00	111.00	116.00	121.00	132.00
Dividend (%)	60.00	60.00	60.00	60.00	70.00
PBDIT/Average Capital Employed (%)	24.14	22.12	19.17	20.36	23.09
ROACE (%)	18.29	16.68	13.86	14.99	16.55
(PBIT/Average Capital Employed)					
ROANW (%)	18.37	15.75	10.44	12.11	13.09
(PAT/Average Net Worth)					
Debt : Equity	1.38	1.67	1.78	1.58	1.29
(Long Term Borrowings / Total Net Worth)					

* excluding revaluation reserves & reducing miscellaneous expenditure

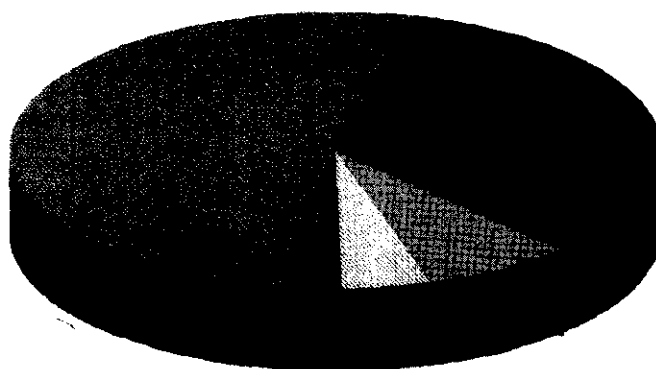
** excluding revaluation reserves, miscellaneous expenditure & capital work-in-progress

*** excluding revaluation.

1. Multi-product, Multi-locational advantages give excellent resilience to the Company to tide over adverse developments in a particular business with least discomfort.
2. Widest Range of Products and determined to retain its leadership position in all businesses.
3. Reduction in overall debt by Rs. 49.40 crores during the current year and further reduction targeted by minimum Rs. 35 crores in 1999-2000.
Directional efforts to bring down the overall debt:equity ratio to 1:1.
4. Focused attention on lowering the interest in absolute terms both by reduction in borrowed funds and rate of interest. Ratio of interest to product turnover to be brought down from present level of 8% to 6% in 1999-2000.
5. The Company expects to earn from the current year onwards a pre-tax return on its equity funds of not less than 20% after providing depreciation.

DISTRIBUTION OF REVENUE

(Rs. in Lakhs)



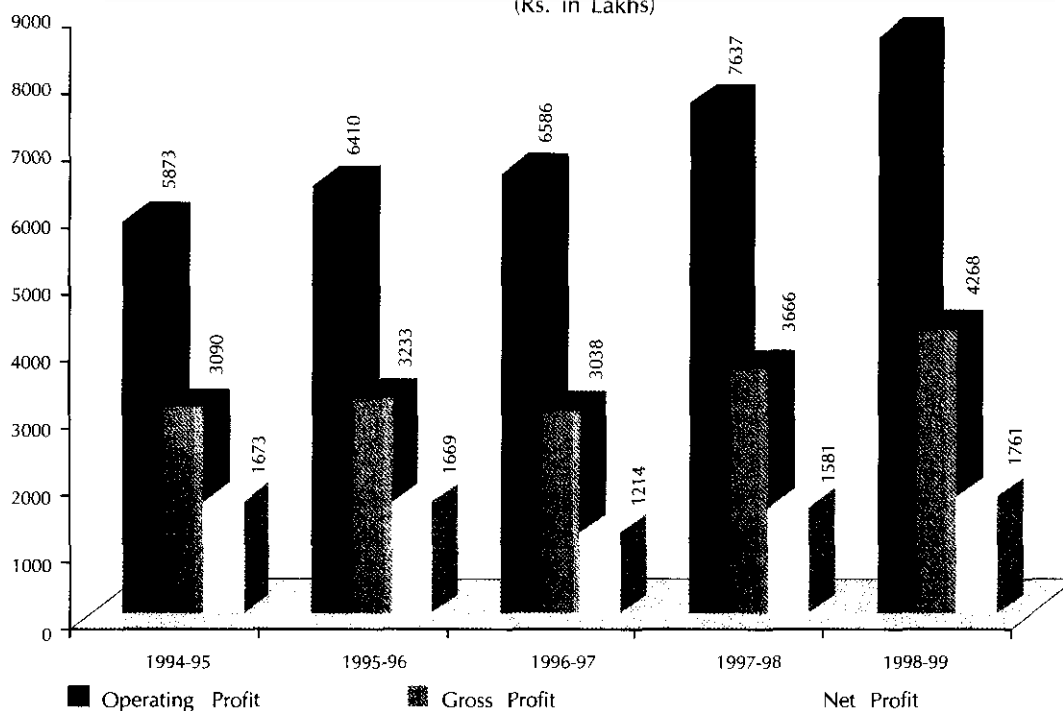
Material	28460	51.04%
Expenses	11399	20.45%
Excise	7469	13.40%
Tax	72	0.13%

1998-99

Interest	4157	7.46%
Depreciation	2435	4.37%
Dividend	897	1.60%
Retained	864	1.55%

OPERATING, GROSS AND NET PROFITS

(Rs. in Lakhs)



The Supreme Industries Limited

BOARD OF DIRECTORS

Shri B. L. Taparia - Chairman
 Shri M. P. Taparia - Managing Director
 Shri S. J. Taparia - Executive Director
 Shri S. R. Taparia
 Shri H. S. Parikh
 Shri B. V. Bhargava
 Shri N. N. Khandwala
 Shri V. K. Taparia
 Shri R. Kannan - Nominee of ICICI

SR. VICE-PRESIDENT (FINANCE) & SECRETARY

Shri O. P. Roongta

SR. VICE-PRESIDENT (OPERATIONS)

Shri J. M. Totla

BANKERS

Central Bank of India
 State Bank of India
 Saraswat Co-op. Bank Ltd.
 Corporation Bank
 British Bank of Middle East
 Societe Generale
 Banque Nationale De Paris
 Credit Lyonnais
 Bank of India

WORKS

1. Andheri, Mumbai	Maharashtra
2. Noida	Uttar Pradesh
3. Pondicherry - 1	Union Territory
4. Pondicherry - 2	Union Territory
5. Calcutta	West Bengal
6. Kanhe	Maharashtra
7. Jalgaon	Maharashtra
8. Malanpur	Madhya Pradesh
9. Hosur	Tamil Nadu
10. Nandesari	Gujarat
11. Khopoli	Maharashtra
12. Daman	Union Territory

OFFICES

- Ahmedabad
- Bangalore
- Calcutta
- Chennai
- Hyderabad
- Mumbai
- New Delhi
- Pune

AUDITORS

M/s. Chhogmal & Co.
 Chartered Accountants

REGISTERED OFFICE

612, Raheja Chambers,
 Nariman Point,
 Mumbai - 400 021.
 Tel. No. : 285 1656
 Fax No. : 285 1657
 Website : <http://www.supreme.co.in>
 E-mail : supremenpt@supreme.co.in

CORPORATE OFFICE

17/18, Shah Industrial Estate,
 Veera Desai Road, Andheri (W),
 Mumbai - 400 053.
 Tel. No. : 632 2800
 Fax No. : 636 7057
 Website : <http://www.supreme.co.in>
 E-mail : supreme@supreme.co.in

CONTENTS

Notice of AGM	1
Directors' Report	5
Business Strategy-Supreme's Perception	10
Auditors' Report	12
Balance Sheet	14
Profit and Loss Account.....	15
Schedules to the Balance Sheet	16
Schedules to the Profit & Loss Account	24
Significant Accounting Policies	26
Notes to Accounts	27
Cash Flow Statement	33
Additional Shareholders' Information	34

Annual Report 1998-99**NOTICE**

NOTICE is hereby given that the 57th Annual General Meeting of the Company will be held at Y. B. Chavan Auditorium, Y. B. Chavan Centre, General J. Bhosale Marg, Near Sachivalaya Gymkhana, Nariman Point, Mumbai 400021, on Wednesday, the 6th October, 1999, at 4.00 p.m. to transact, with or without modification, as may be permissible, the following business :-

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report and the Audited Statement of Accounts together with Auditors' Report thereon for the financial year ended 30th June, 1999.
2. To declare Dividend on Preference and Equity Shares for the financial year ended on 30th June, 1999.
3. To appoint a Director in place of Shri S.R. Taparia, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri N.N. Khandwala, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass the following Resolution as a Special Resolution :

"RESOLVED that in accordance with the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 (the Act), and all guidelines for managerial remuneration issued by the Central Government from time to time, the Company does hereby approve of the reappointment of Shri S.J. Taparia, as Executive Director, for a further period of five years with effect from 15th June, 2000 to 14th June, 2005 and the payment of the remuneration and perquisites to him at the following revised terms and conditions viz :-

(1) Salary

Rs. 49,500/- per month, which may be increased upto Rs.75,000/- per month, at the discretion of the Board at any time or from time to time, during his tenure.

(2) Perquisites

- (a) Reimbursement of actual expenses incurred on housing, gas, electricity, water, furnishings, leave travel concession, for self and family, personal accident insurance premium and club fees, as well as reimbursement of medical and hospital expenses incurred in India and / or abroad for

self and family as per the claims in that behalf received from the Executive Director from time to time. For the above purpose family shall mean self, wife, dependent children and dependent parents of the Executive Director.

- (b) (i) Contribution to Provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961 or under any statutory modifications or re-enactment thereof;
- (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and
- (iii) Encashment of leave at the end of the tenure.

For the purposes of Gratuity, Provident Fund, Superannuation and other like benefits, the service of the Executive Director under this Agreement will be considered continuous service with the Company from the original date of his joining the service of the Company on 1-1-1969 and termination of appointment and renewal of appointment will not be considered as any break in service.

(3) Commission

In addition to the above, the Executive Director shall also be entitled upto 2% of the Net Profits as commission, as may be determined by the Board provided that, the aggregate of salary, perquisites (excluding those specified in (b) above) and commission for any financial year shall not exceed 5% of the net profits of the Company for that year computed in the manner laid down in Section 198(1) of the Act.

- (4) Leave on full pay and allowances but not exceeding one month's leave for 11 month's service, plus additional two weeks' leave at the end of every third year.
- (5) Free use of motor car with chauffeur provided by the Company for business purpose; the Company meeting all running, maintenance and other expenses of every kind whatsoever incurred in respect thereof. Use of car for personal purpose shall be billed by the Company to the Executive Director.
- (6) Free telephone facility at residence. All charges including rental, call charges, etc. thereof shall be paid

The Supreme Industries Limited

by the Company in full. Personal long distance calls shall be billed by the Company to the Executive Director.

- (7) Reimbursement of entertainment and other business promotion expenses actually incurred by the Executive Director in the course of business of the Company.

In the event of loss or inadequacy of profits of the Company in any year, the Executive Director shall be entitled to payment by way of salary and perquisites amounts not exceeding the respective limits specified in Section II of Part II of Schedule XIII of the Act.

The Company shall pay to the Executive Director compensation for loss of office, or as consideration for retirement from office or in connection with such loss or retirement, in accordance with the provisions of Section 318 of the Act.

Either party shall be entitled to determine the appointment by giving 180 days' notice in writing.

The Executive Director shall not be entitled to Sitting Fees for attending meetings of the Board of Directors of the Company or any Committee or Committees thereof.

RESOLVED FURTHER that the Board of Directors be and are hereby authorised to alter, increase or vary the terms and conditions aforesaid within the limitations specified/which may be specified in that behalf in Schedule XIII to the Act.

AND RESOLVED FURTHER that the Board of Directors be and are hereby authorised to take such steps as may be necessary, desirable or expedient to give effect to this Resolution."

7. To consider and if thought fit, to pass the following resolution as a Special Resolution :

"RESOLVED that subject to permission/approval of Financial Institutions and such other authorities as may be required and notwithstanding the limits prescribed u/s 372 A (1) of the Companies Act, 1956, as amended by Companies (Amendment) Act, 1999 are exceeded, the Company do give loan to Supreme Vinyl Films Ltd., (SVFL) and/or issue Corporate Guarantee(s) to secure the borrowings by SVFL, as per details given hereunder :

- (i) To issue Corporate Guarantee in favour of Centurion Bank Ltd., for securing the Working Capital Facilities of Rs. 450 lakhs (Rs. 250 lakhs fund based Cash Credit facility and Rs. 200 lakhs non-fund based DA/DP/LC limits) and Medium Term Loan facility of Rs. 125 lakhs, both aggregating to Rs. 575 lakhs, and

- (ii) To give loan to SVFL and/or to issue Corporate Guarantee in favour of such Institutions / Banks / Companies / Persons as may be required, for securing the borrowings in the nature of Non Convertible Debentures (NCDs), Inter Corporate Deposits (ICDs) and/or other financial instruments and / or facilities, whatsoever, to be obtained from any of them by SVFL, upto a ceiling limit of Rs. 500 lacs, at any time or from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to grant loan and / or to carry out all the formalities for issuing the Corporate Guarantee(s) and execute such other papers, deeds and documents as may be required to give effect to this Resolution."

8. To consider and, if thought fit, to pass the following Resolution as a Special Resolution :

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and are hereby altered as under:

After Article 54, a new Article 54A be inserted as under :

"Nomination

54A Notwithstanding anything stated in Article 44, 49, 50, 51 and 53, a holder or joint holders of shares or debentures, may nominate, in accordance with the provisions of newly inserted Section 109A of the Companies Act, 1956 and/or any amendments and/or modification that may be made by the Central Government in that behalf from time to time and in the manner prescribed thereunder, a person to whom all the rights in the shares or debentures of the Company shall vest in the event of death of such holder(s). Any nomination(s) so made shall be dealt with by the Company in accordance with the provisions of the newly inserted Section 109B of the Companies Act, 1956 and / or any amendments and/or modification that may be made by the Central Government in that behalf from time to time".

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 AND A PROXY NEED NOT BE A MEMBER.
- (2) Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business at Item Nos. 6, 7 & 8 of the above Notice is annexed.

Annual Report 1998-99

- (3) Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, the 16th September, 1999 to Wednesday, the 6th October, 1999 (both days inclusive).
- (4) The Dividend if declared, will be payable to those Equity and Preference Shareholders whose names stand on the Register of Members on 6th October, 1999. In respect of shares held in the electronic form, the dividend will be payable to the beneficial owners of shares as on 16th September, 1999 as per details furnished by the Depositories for this purpose.
- (5) The Company has transferred the unclaimed dividends upto the financial year ended on 30th June, 1994 to the General Revenue Account of the Central Government. The concerned members may, therefore, submit their claims in this respect, if any, to the Registrar of Companies, Maharashtra, Mumbai by submitting an application in prescribed form.
- (6) As per the provisions of the amended Companies Act, 1956, facility for making nominations is now available to the shareholders, debentureholders and fixed deposit holders in respect of the shares, debentures or deposits held by them. Nomination forms are enclosed with this Report.

By Order of the Board

O.P. RoongtaSr. Vice-President (Finance)
& Secretary**Registered Office :**

612, Raheja Chambers,
Nariman Point,
Mumbai - 400 021
Dated : 29th July, 1999

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956, REGARDING SPECIAL BUSINESS**Item No. 6**

The existing term of office of Shri S.J. Taparia, expires on 14th June, 2000. Shri S.J. Taparia, Executive Director, is responsible for (1) all technical aspects of (i) operations, (ii) new product identification, development and introduction, and (iii) Plant, Machinery, Moulds and Equipments, including their selection, purchase, installation, running and maintenance, (2) marketing of industrial products and (3) to generally assist the Managing

Director in day to day management and conduct of the business and affairs of the Company under the overall supervision, control and direction of the Board of Directors. Accordingly, subject to the approval of the members, financial institutions and such other approvals as may be necessary, the Board of Directors have proposed re-appointment of Shri S.J. Taparia as Executive Director, for a further period of five years commencing from 15th June, 2000 upon the terms and conditions as contained in the resolution mentioned in this item of the notice.

Considering his competence, experience as also the envisaged growth in the activities of the Company and as compared to the remuneration presently being paid to persons in similar situations in the country, the terms of his re-appointment and remuneration as set out in the resolution and which may also be deemed to be a part of this explanatory statement are viewed to be just, fair and reasonable. The Resolution is commended for your approval.

The above may also be treated as an abstract of the terms of appointment of Shri S.J. Taparia, as Executive Director, pursuant to Section 302 of the Companies Act, 1956.

Shri S.J. Taparia, is himself interested in the Resolution. Shri B.L. Taparia, Shri M.P. Taparia and Shri V.K. Taparia, Directors of the Company, being related to Shri S.J. Taparia, are also deemed to be interested in the Resolution. None of the other Directors are concerned and/or interested in this Resolution.

Item No. 7.

Supreme Vinyl Films Ltd. (SVFL), (formerly known as Klockner Supreme Pentaplast Limited) had, initially, set up facilities to manufacture unplasticized Rigid PVC films with an installed capacity of 3,000 tons per annum (TPA) during April 1994 at Ghirongi Industrial Estate, Malanpur (near Gwalior) in the State of Madhya Pradesh. The factory was designed and planned to accommodate future expansions.

In 1997, the management of SVFL decided to increase capacity of the plant. After negotiations, the said Company acquired the Plant & Machinery of a running unit viz. M/s Tirupati Vinyl India Ltd., located at Sanganer in Rajasthan having facilities to manufacture similar products as SVFL and relocated the same to SVFL's existing facilities at Malanpur, near Gwalior. Thus SVFL expanded its capacity from 3000 TPA to 10000 TPA by having additional capacity and by revamping, de-bottlenecking and installing balancing equipments.

ICICI Limited had granted to SVFL term loans aggregating to Rs. 2320 lacs (including foreign currency loan of Rs. 970 lacs) for its expansion project, in June, 1997. SVFL has been enjoying working capital facilities of Rs. 1100 lacs (Rs. 500 lacs fund based and Rs. 600 lacs non-fund based) and Term Loan of Rs. 500 lacs from State Bank of India, Gwalior.

The Supreme Industries Limited

Recently, Centurion Bank Limited vide their letter dated 24th June, 1999 has sanctioned an amount of Rs. 575 Lakhs to SVFL, towards Working Capital facilities of Rs. 450 Lakhs (Rs. 250 Lakhs fund based cash credit facility and Rs. 200 Lakhs non fund based DA/DP/LC limits) and medium term loan facility of Rs. 125 Lakhs, both aggregating to Rs. 575 Lakhs. The Company is holding 54.64% of the Paid-up Equity Capital of SVFL, thereby making SVFL a subsidiary of the Company u/s 4(1) b (ii) of the Companies Act, 1956. The facilities granted by Centurion Bank Ltd., to SVFL are subject to Corporate Guarantee to be executed by the Company in favour of the said bank as a collateral security.

Similarly, the borrowings of upto Rs. 500 Lakhs, which may be extended by the Company out of its internal accruals, to SVFL, shall bear rate of interest not lower than the prevailing bank rate as per Section 49 of Reserve Bank of India Act, 1934. The additional loan and/or Corporate Guarantee (other than the Corporate Guarantee proposed to be issued in favour of Centurion Bank Limited) to be given by the company to or for benefit of SVFL shall not exceed the overall limit of Rs. 500 Lakhs.

Section 372 A (1) of the Companies Act, 1956 was introduced with effect from 31.10.1998 by issue of the Companies (Amendment) Act, 1999. In terms of the new Section 372A (1) of the Act, a company can not give loans or make investments or give guarantees which, in the aggregate, exceed 60% of the paid up capital and free reserves of the company or 100% of the free reserves of the company which ever is higher, without the prior approval of its shareholders in General Meeting. The aggregate of the loans given, investments made and guarantees provided by the Company to other bodies corporate prior to the date of the said amendment is in excess of the limits specified in Section 372 A (1) of the Act. Accordingly, the Company is required to obtain approval of the shareholders by way of special resolution for the aforesaid Loan and or Corporate Guarantees to be given by the Company.

The Directors commend the special resolution for your approval.

Shri S.J. Taparia, Shri M.P. Taparia and Shri V.K. Taparia who being Directors on the Board of Supreme Vinyl Films Ltd., may be deemed to be concerned and / or interested in the Resolution. Shri B.L. Taparia being a relative of the said Directors may also be deemed

to be concerned and/or interested in the Resolution. None of the other Directors are concerned or interested in the Resolution.

Item No. 8

The Companies (Amendment) Act, 1999 has inserted Sections 109A and 109B with effect from 31.10.1998 whereby a holder or jointholders of shares can nominate a person to whom all the rights in the shares or debentures of a Company shall vest in the event of death of such holder(s). Such a nominee can elect either to be registered himself as the holder of the shares or debentures or make such transfer of the shares or debentures as the deceased holder(s) of shares or debentures could have made. It is, therefore, proposed to incorporate a new Article in the Articles of Association of the Company providing for nomination facility and transmission of shares in accordance with the provisions of Section 109A and 109B of the Companies Act, 1956 and/or any amendments and/or modification that may be made by the Central Government in that behalf from time to time.

Members approval is required u/s 31 of the Companies Act, 1956 for the proposed amendment to the Articles of Association.

A copy of the existing Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the shareholders at the Registered office of the Company between 11.00 a.m. and 5.00 p.m. on all working days, excluding Saturdays, upto the date of the Annual General Meeting.

None of the Directors of the Company is concerned and/or interested in the said resolution.

By Order of the Board

O.P. Roongta
Sr. Vice-President (Finance)
& Secretary

Registered Office :
612, Raheja Chambers,
Nariman Point,
Mumbai - 400 021
Dated : 29th July, 1999