

ANNUAL REPORT

1999

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2000

Supreme

PERFORMANCE HIGHLIGHTS

(Figures in Lakhs)

	1995-96	1996-97	1997-98	1998-99	1999-2000
Polymers Processed (MT)	43891	46513	59945	66858	67262
Sales	40410.48	41171.60	47908.28	55441.16	56096.08
Other Income	204.93	222.53	320.75	312.16	476.32
Total Income	40615.41	41394.13	48229.03	55753.32	56572.40
Operating Profit (PBDIT + Misc Exp W/off)	6410.37	6586.00	7637.45	8625.78	8032.27
Interest	3146.39	3508.91	3914.76	4156.68	3805.26
Gross Profit	3232.62	3038.27	3665.88	4267.77	4199.43
Depreciation	1578.48	1824.07	2013.87	2442.82	2526.87
Profit Before Tax	1654.14	1214.20	1652.01	1824.95	1672.56
Tax	1.74	2.00	92.00	72.00	117.00
Profit After Tax	1652.40	1212.20	1560.01	1752.95	1555.56
Prior Years Adjustments	16.99	1.67	21.06	7.86	24.23
Net Profit	1669.39	1213.87	1581.07	1760.81	1579.79
Paid Up Equity Capital	971.49	971.49	971.49	971.49	971.49
Reserves and Surplus *	9802.44	10291.93	10815.87	11853.05	12766.93
Shareholders' Funds	10773.93	11263.42	11787.36	12824.54	13738.42
Loans	22440.15	26159.96	26560.25	22470.40	21362.56
Capital Employed **	32693.83	36029.53	38980.02	35737.07	34658.18
Net Fixed Assets ***	15525.08	17539.74	23499.22	23806.38	23524.54
Net Current Assets	14940.65	17511.86	12566.62	6616.77	5895.56
Earning per Equity Share (Rs.)	16.64	11.84	14.37	16.58	15.08
Cash Earning per Equity Share (Rs.)	32.89	30.61	35.10	41.73	41.09
Book Value (Rs.)	111.00	116.00	121.00	132.00	141.00
Dividend (%)	60.00	60.00	60.00	70.00	70.00
PBDIT / Average Capital Employed (%)	22.13	19.17	20.36	23.09	22.82
ROACE (%) (PBIT / Average Capital Employed)	16.68	13.86	14.99	16.55	15.64
ROANW (%) (PAT / Average Net Worth)	15.75	10.44	12.11	13.09	11.03
Debt : Equity (Long Term Borrowings / Total Net Worth)	1.67	1.78	1.58	1.29	0.96

* excluding revaluation reserves & after reducing miscellaneous expenditure.

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

*** excluding revaluation

The Supreme Industries Limited

BOARD OF DIRECTORS

B L Taparia, Chairman
M P Taparia, Managing Director
S J Taparia, Executive Director
S R Taparia, Director
H S Parikh, Director
B V Bhargava, Director
N N Khandwala, Director
V K Taparia, Director
Smt. N Mukerji, Director (Nominee of ICICI)

SR. VICE- PRESIDENT (FINANCE) & SECRETARY

O P Roongta

SR. VICE-PRESIDENT (OPERATIONS)

J M Totla

AUDITORS

M/s. Chhogmal & Co.,
Chartered Accountants

BANKERS

Central Bank of India
State Bank of India
Saraswat Co-op. Bank Ltd.
Corporation Bank
Bank of India
Societe Generale
Banque Nationale De Paris
Centurion Bank

REGISTERED OFFICE

612, Raheja Chambers,
Nariman Point,
Mumbai 400 021.
Tel. : 285 1656
Fax : 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. : 632 2800
Fax : 636 7057
Website : <http://www.supreme.co.in>
E-mail : supreme@supreme.co.in

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

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The Supreme Industries Limited

NOTICE

NOTICE is hereby given that the 58th 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 18th October, 2000, 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, 2000.
2. To declare final dividend on Equity Shares for the year ended 30th June, 2000 and ratify the interim dividends declared on Equity Shares and Preference Shares by the Board of Directors.
3. To appoint a Director in place of Shri B.V. Bhargava, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri H.S. Parikh, 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 subject to permission/approval of Financial Institutions and such other authorities as may be required and notwithstanding that the limits prescribed u/s 372 A (1) of the Companies Act, 1956, are exceeded, the Company do give a loan of upto Rs. 5.00 crores to Supreme Vinyl Films Ltd., (SVFL) or to issue Corporate Guarantee(s) in favour of such Institutions/Banks/Companies/Persons as may be required, for securing the borrowings by SVFL to the extent of upto Rs. 5.00 crores or both, upto an aggregate sum of Rs. 5.00 crores.

"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."

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 No. 6 of the above Notice is annexed.
- (3) The Record Date in respect of Register of Members and Share Transfer Books of the Company will be Thursday, the 5th October, 2000.

- (4) The Dividend if declared, will be payable to those Equity Shareholders whose names stand on the Register of Members on 5th October, 2000. In respect of shares held in the electronic form, the dividend will be payable to the beneficial owners of shares as on 5th October, 2000 as per details furnished by the Depositories for this purpose.
- (5) The Company has transferred the unclaimed dividends in respect of 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) Members holding shares in electronic form may please note that their bank details as furnished by the respective depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for deletion of/change in such bank details. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, directly to their Depository Participants.
- (7) Members are requested to note that in terms of directions issued by SEBI, with effect from 17th January, 2000 the Company's shares are to be Compulsorily traded in Demat form for all classes of investors.
- (8) As per the provisions of the amended companies Act, 1956, facility for making nominations is now available to the shareholders, debentureholder and fixed deposit holders in respect of the shares, debentures or deposits held by them.

By order of the Board

O.P. Roongta

Sr. Vice-President (Finance) & Secretary

Registered Office :

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

Dated : 27th July, 2000

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956, REGARDING SPECIAL BUSINESS

Item No. 6

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

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additional capacity and by revamping, debottlenecking and installing balancing equipments.

In the 57th Annual General Meeting held on 6th October, 1999, the shareholders had approved u/s 372 A (1), (i) Corporate Guarantee of Rs. 5.75 crores and (ii) Corporate Guarantee/Loan to the extent of Rs. 5.00 crores, to and/or for the benefit of SVFL. However, further Corporate Guarantee/loan of upto Rs. 5.00 crores is required to fund the repayment instalments falling due out of earlier loans borrowed from financial institutions by SVFL and for increased margin money for additional working capital requirements of SVFL. In case of need, the Company may temporarily fund out of its internal accruals the requirement of SVFL to the extent of the said amount of Rs. 5.00 crores which shall bear rate of interest not lower than the prevailing bank rate as per Section 49 of Reserve Bank of India Act, 1934. The said loan, if given, shall be substituted, as early as may be, by way of Corporate Guarantee in favour of the lender(s) from whom SVFL shall be borrowing the said sum of amount. The aggregate of the aforesaid further loan and/or Corporate Guarantee to be given by Company to or for the benefit of SVFL shall not exceed Rs. 5.00 crores.

In terms of 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 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 Guarantee(s) 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.

By Order of the Board

O.P. Roongta

Sr. Vice-President (Finance) & Secretary

Registered Office :

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

Dated : 27th July, 2000

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The Supreme Industries Limited

DIRECTORS' REPORT

To

The Members,

The Directors have great pleasure in presenting the 58th Annual Report along with the Audited Accounts for the financial year ended 30th June 2000.

ACCOUNTS

	Current year Rs.	Previous year Rs.
Year's working shows a surplus of	41,99,42,907	42,67,77,162
Excess provision for depreciation written back	24,23,136	7,85,861
	42,23,66,043	42,75,63,023
Less: Depreciation	25,26,86,691	24,42,82,454
Provision for taxation	1,17,00,000	72,00,000
	15,79,79,352	17,60,80,569
Add: Balance Brought forward from previous year	10,27,81,623	2,95,21,455
Transfer from Debenture redemption reserve	9,50,00,000	10,00,00,000
Transfer from Investment allowance Utilized Reserve	-	1,63,92,535
Total amount available for appropriation	35,57,60,975	32,19,94,559
Appropriation therefrom:		
Capital Redemption Reserve	8,25,00,000	2,95,00,000
Proposed Dividend (including Corporate Dividend Tax)	8,67,24,666	8,97,12,936
Transferred to General Reserve	18,65,36,309	10,00,00,000
Balance Carried forward	-	10,27,81,623
	35,57,60,975	32,19,94,559

DIVIDEND

The Directors have recommended payment of dividend for the year ended 30th June, 2000, as under :

	Rs.	Rs.
i) Total Dividend on 97,14,910 Equity Shares of Rs. 10/- each @ 70% i.e. Rs. 7/- per share as follows:		
a) Interim Dividend @ 50% i.e. Rs. 5/- per share (already paid in May 2000)	4,85,74,550	
b) Final Dividend recommended @ 20% i.e. Rs. 2 per share	1,94,29,820	6,80,04,370
ii) On 82,50,000 - 12% Preference Shares of Rs. 10/- each, issued in 4 series, upto the respective date(s) of redemption thereof, paid entirely as Interim Dividend		82,00,480
iii) Corporate Dividend Tax as applicable (including Rs. 62,45,256/- already paid)		1,05,19,816
		8,67,24,666

REVIEW OF OPERATIONS

The company has processed 67,262 tons of Polymers into products as against 66,858 tons in the previous year. The company had a positive volume growth in PVC fittings, Protective Packaging products, Injection Moulded Products and flexible packaging films. The company had a negative volume growth of 20% in PVC pipe, 18% in Plastics mats and Food Serviceware. As a result, the over all growth was marginal.

The turnover of the company in the year under review is Rs. 565.72 crores as against Rs.557.53 crores in the previous year. The break up of the total turnover achieved is as follows:

	1999-2000	Rs. in lakhs 1998-1999
Plastic Products	53,746.47	49,973.04
Machinery and Moulds	390.97	719.51
Raw material trading	1,958.64	4,748.61
	56,096.08	55,441.16
Other income	476.32	312.16
Total	56,572.40	55,753.32

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The poor overall growth, which was much below the expectation, was principally due to the following reasons.

1. Unaffordable raw material prices during several months of the year.
2. Contraction in PVC pipe business
3. Restructuring of Plastics mat business.

It is expected that raw material prices may remain affordable due to increase in overall domestic supply & start up of several new plastics resins manufacturing complexes in Middle East and Singapore in the last quarter of 2000.

PVC raw material prices have now stabilized. It may bring back the growth in business, which was lost last year. The plastics mat business is completely restructured.

The company is optimistic of the future. Two units at existing sites and five units at new sites are going to be commissioned before the end of this year principally to manufacture crates and furniture.

EXPORTS

The company has exported goods worth Rs. 1894.28 lacs (US\$ 4.29 million) as against Rs. 1583.04 lacs (US\$ 3.62 million) in the previous year. Most of our products exported to various countries are well accepted. The outlook for exports looks better in the coming year. The Company will continue its thrust on export market penetration.

FURNITURE BUSINESS

This business has registered a volume growth of 25% during the year. Your company has launched 15 new models and widened the distribution net work. The company is committed to increase its reach of moulded furniture to rural and semi-urban areas. To make it happen, the Company is in the advanced stages of commissioning manufacturing facilities in the State of Maharashtra, Punjab and West Bengal. The company has also finalised plans to put up units in the State of Rajasthan, U.P. and Madhya Pradesh. This will enable the company to reduce its logistic cost for the product in these States and reduce delivery time. Presently, the requirement of these states are catered from Pondicherry where the delivery time is 8 to 10 days and the freight is high. The market for Company's furniture products has grown to a critical mass justifying investments in these states. These units will principally cater to the need of the respective states. Four of these units will make crates also alongwith the furniture.

INDUSTRIAL COMPONENTS AND CRATES

Industrial Division has registered a growth of 10% in the year under review. The Company's focus on auto industry has helped in achieving its growth. The company expects to develop IT industry related products in the current year. The company expects this business to enjoy satisfactory growth.

Your company had improved its presence in material handling crates business with launch of products catering to various segments like fruits, vegetables, fisheries and Dairy products. The company envisages a growth of 20% per annum in this business segment. The new units coming up at Talegaon in Maharashtra, Lalru in Punjab, Kanpur Dehat in UP and Durgapur in West Bengal will serve crate customers at much economical cost with a shorter delivery period.

Your company continues to remain the largest supplier of bottle

crates to various soft drink and beverages manufacturers. However, due to rationalization and restructuring of various bottling plants, all major soft drink manufactures had reduced their offtake in the year under review.

PVC PIPES AND FITTINGS

Your company continues to market products of quality with the widest range. Due to steep hike in basic input prices i.e. PVC resin from Oct., 1999, the price of PVC pipes became unaffordable for a large section of consumers particularly in agricultural sector. The company suffered major loss of business as consumers postponed their buying or shifted to pipes made from alternate materials. At the same time, Govt of Maharashtra increased the local tax component on agricultural pipes from 4% to 8% which also had a cascading effect on the price increase. In spite of repeated representation from the industry, the Govt paid no heed to the request and as a result, the pipes became expensive in Maharashtra compared to other states. Central Sales tax reforms committee reduced the uniform sales tax on PVC pipes to 4%. But, Govt of Maharashtra continues to keep the tax rate for pipes used in agricultural sector at 8% and for other users including fittings at 15.3%. With this handicap, your company's products although manufactured in Maharashtra have lost market share as products coming from neighbouring States or Union Territories are proving economical. In the process, volume wise PVC pipe business has shrunk by more than 20%.

The fittings manufactured by the company are enjoying good reputation in India and in overseas market. There is 25% growth of fittings in export market. We expect a compounded growth of 20% in these segments in next two years.

PROTECTIVE PACKAGING BUSINESS

In view of the product and application developments undertaken in the year under review as well as expected developments in the coming year, the company expects to utilise its full capacity by end of June 2001. The company has taken steps to expand its XLPE foam capacity at Malanpur in the year 2000-2001. Further expansions may be planned in the forthcoming year which may also include new locations to make these products.

FLEXIBLE PACKAGING BUSINESS

The Flexible Packaging Divn. continues to consolidate its position in new segments which it entered last year. It is now becoming a prominent player in these segments. The company continues to focus on higher value added products. This is expected to yield better returns. The company has successfully started exporting its films and expects a significant growth in exports this year. The company exported 165 tons film against 75 tons in 1998-99. The company expects to export in excess of 400 tons in the year 2000-2001. The company expects to utilise its full capacity by June 2001.

Wide Width Film business was not in synergy with the company's packaging business. Hence, it has been decided to sell this equipment of the division to a group company - M/s. Siltap Chemicals Ltd. at appropriately valued price.

MATS BUSINESS

The mats business has suffered a significant set back in the year under review on account of unaffordable raw material prices during several months and unhealthy competition. As a result, the company has incurred heavy losses in this business. Several measures were taken to improve the situation. Your company

The Supreme Industries Limited

has taken steps to reduce the number of ancillary units supplying mats from 13 under 11 managements to 4 under three Managements. They had become cost uncompetitive units. This severance will be totally effective from 1st of Aug, 2000. As a result, the total capacity of the division will reduce by 30%. Several cost cutting measures have also been implemented. The company expects to end up with a surplus in the current year in this business. The company continues to be the largest Indian supplier of PP mats in India for domestic and world market.

FOOD SERVICEWARE PRODUCTS

Several new products were introduced in this division. New products aimed at improving exports have gained acceptance. Your company had exported 15% of total production. The company is putting efforts in international markets to see how it can export 30% of the production capacity in the coming year.

To utilise the installed capacity of sheet manufacturing fully, your company is developing embossed sheets manufactured from GPPS which are highly cost competitive vis-à-vis glass, polycarbonate and Acrylic sheets. We expect success in capturing market in building industry. For embossed sheets many new designs are being developed in the next 3 to 4 months aimed at international market. Your company has tied up marketing arrangement for this product with Supreme Petrochem Limited who are actively exporting PS to various countries.

MOULD AND MACHINERY DIVISION

Your company's mould manufacturing division is continuously enhancing skills and capability. The Unit was successful in developing quality moulds required for industrial components, PVC fittings division, food serviceware and Furniture division. This will give good support to ever increasing demand of moulds considering new facility coming up in various states for the manufacture of crates and furniture.

CAPITAL INVESTMENT PLAN AND FUNDING

Your company has plans to invest around Rs. 36 crores in the year 2000-01 in its various business for capital equipments. Your company has also entered into Memorandum of Understanding with Supreme Industries (Goa) Limited to acquire its undertaking at Goa as a going concern to manufacture crates and other moulded products. The company plans to fund its capital expenditure to the extent of Rs. 8 crores from proceeds by sale of idle assets and inflow from mat business ancillaries in terms of severance arrangement and remaining funds from internal accruals.

Y2K PREPAREDNESS

The roll over to year 2000 was smooth without any hindrance. The company had spent a sum of Rs. 45.00 lakhs for Y2K preparations.

RAW MATERIAL SITUATION

Your company's dependence on imported raw material is now below 11%. Due to Y2K speculation and steep increase in crude prices, the raw material prices went up by around 40% during some months then the level as in July 1999, this made the operation uneconomical. This in turn affected the profitability. In the current year after commissioning of Haldia Petrochemicals' plant and increased supplies from existing domestic producers and anticipated softening of crude prices, we expect the raw material prices may remain affordable. This will facilitate planned volume growth of our business.

FINANCE

The company has incurred capital expenditure of Rs. 22.35 crores in the nature of normal capital expenditure, balancing equipments and starting of construction activity for the new units at Durgapur in West Bengal, Lalru in Punjab and at Talegaon in Maharashtra. This has been financed from internal accruals. The company has redeemed entire preference shares to the extent of Rs. 8.25 crores during the year.

FIXED DEPOSITS

The amount of Fixed Deposits has decreased from Rs. 823.19 lakhs to Rs. 788.76 lakhs. Out of deposits which matured during the year, 90 deposits aggregating to Rs. 8.55 lakhs remain unclaimed as on 30th June, 2000 of which Rs. 3.47 lakhs have since been renewed/refunded.

SUPREME PETROCHEM LIMITED

The company has posted a turnover of Rs. 546.1 crores for the year ended 31.3.2000 as against Rs. 377.91 crores of the previous year. The company has already increased its capacity from 112,000 TPA to 188,000 TPA. The company's balance expansion to raise the capacity to 204,000 TPA will be in place and expected to be commissioned in September 2000 alongwith 17000 TPA of compounded PS capacity.

SUPREME ORIENTED FILMS LIMITED

The turnover of the company for the financial year ended 31st March, 2000 was Rs. 21.35 crores as against Rs. 23.07 crores of the previous year. The company has used its installed capacity fully.

SILTAP CHEMICALS LIMITED

This company expects to achieve a turnover in excess of Rs. 64 crores for the year ending 31st July 2000 against Rs. 54 crores in the previous year.

SUBSIDIARIES

1. **Supreme Vinyl Films Limited** : The turnover of the company for the financial year 1999-2000 was Rs. 38.22 crores compared to Rs. 17.35 crore in the previous year (6 months period). However, it continue to incur losses in the current year due to depressed market conditions and lower offtake. The company is concentrating on higher value added products and development of new applications. It has also made significant success in export market and is hopeful of posting better results in the current year. The statement pursuant to Section 212 of the Companies Act, 1956 together with Annual Report is attached to the Accounts.
2. **The Premier Lighting Industries Limited** : The company has sold its wholly owned subsidiary and generated a surplus of Rs. 174.59 lacs during the year under review.

DE-MATERIALIZATION OF SHARES

In addition to the de-materialisation of shares under the National Securities Depository Ltd (NSDL), the Company has also availed the de-materialisation facility offered by Central Depository Services (India) Limited (CDSIL) for the benefit of shareholders.

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

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies Act (Disclosure of Particulars of the Report in the Board of Directors) Rules, 1988 is given in the Annexure which forms an integral part of this report.

Annual Report 1999-2000**PARTICULARS OF EMPLOYEES**

Information as required under Section 217(2A) of the Companies Act, 1956 (the 'Act') and the Rules framed thereunder forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders, excluding the statement of particulars of employees under Section 217(A) of the Act. Any shareholders desirous of obtaining a copy of the said statement may write to the Company Secretary at Company's Registered Office.

GENERAL SITUATION

Relations with the workmen at all the Units/Locations are normal. The Directors place on record their appreciation for the sincere and efficient services rendered by the executives, staff and workmen of the Company.

DIRECTORS

Shri B V Bhargava and Shri H S Parikh Directors of the Company retire by rotation and being eligible offer themselves for re-election.

AUDITORS

M/s Chhogmal & Co., Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a certificate from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956. The notes on Accounts referred to in the Auditors Report are self-explanatory and therefore do not call for any further comments.

APPRECIATION

The Directors wish to place on record their sincere appreciation for the encouragement and co-operation received by the Company from Shareholders, Financial Institutions, Banks, Customers and Suppliers during the year.

For and on behalf of the Board

B.L. Taparia
Chairman

Mumbai, 27th July, 2000

ANNEXURE TO THE DIRECTORS' REPORT

Additional information given as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) rules, 1988.

I. CONSERVATION OF ENERGY

Adequate measures have been taken to avoid wastage of energy, the necessary investments are also planned to cut down the consumption of energy per kg. of processing of plastic. The requirement for disclosure with respect to conservation of energy is not applicable to the Company.

II. TECHNOLOGY ABSORPTION

Research & Development (R&D):

(1) Specific areas in which R&D carried out by the Company-

(a) Reduction in cost of conversion by-

- (i) Evaluation of the alternative raw material mix/compounds/use of filters/additives, etc.
- (ii) Modify the process parameters keeping the end quality in mind.
- (iii) By getting the maximum finished goods out of the per kg. raw material input.

(b) We have also modified wherever possible the tooling/dies to have higher production of improved quality.

(c) New product development.

(2) Benefits derived as a result of the above R&D-

- (a) Improved productivity
- (b) Cost Reduction
- (c) Improvement in quality
- (d) Process innovation / conservation of raw material.
- (e) Addition to the existing range of products.

(3) Future plan of action-

- (a) To improve further on the raw material mix/compounding process / parameters to get benefit of higher productivity at lowest cost of conversion.
- (b) To create in-house centralised R&D set up at our technology centre to cater to the requirement of raw material and product testing.
- (c) To develop in-house standards for various products and update them with respect to international standards to make Company's products acceptable in international market.
- (d) Expenditure on R&D : Not Substantial

Technical Absorption, Adaptation and Innovation:

The Company has taken know-how from M/s. Wavin Overseas B.V. Netherland in the line of manufacture of PVC products, crates and films. We are in the process of training personnel to receive this know-how and make investment in balancing equipment to launch new products.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO

Total Foreign Exchange earned and used :
(Rs. in lacs)

Foreign Exchange Earned	:	1862.08
Foreign Exchange Used	:	3899.98

For and on behalf of the Board

B. L. Taparia
Chairman

Mumbai, 27th July, 2000

The Supreme Industries Limited

AUDITORS' REPORT

To
The Members of
THE SUPREME INDUSTRIES LIMITED

We have audited the annexed Balance Sheet of **THE SUPREME INDUSTRIES LIMITED**, Mumbai as at 30th June, 2000 and also the annexed Profit & Loss Account of the Company for the year ended on that date and report that:

1. a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. The reports on the accounts of Jalgaon, Noida, Pondicherry, Malanpur, Calcutta, Hosur and Nandesari Branches audited under Section 228 of the Companies Act, 1956 by persons other than ourselves, have been forwarded to us, as required by Clause (c) Sub - Section (3) of the said section and that we have taken due notice in our report of the points raised in the reports of the said Branch Auditors.
 2. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books.
 3. The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account and comply with the Accounting Standards referred to in Sub-Section 3(c) of Section 211 of the Companies Act, 1956.
 4. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.
 - a. in the case of Balance Sheet, of the state of affairs of the Company as at 30th June, 2000.
 - b. in the case of Profit and Loss account, of the profit of the Company for the year ended on that date.
- As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company law Board in terms of Section 227(4-A) of the Companies Act, 1956, we report on the matter specified in paragraphs 4 and 5 of the said order.
1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company have been physically verified by the management during the year. No material discrepancies were noticed on such verifications.
 2. None of the fixed assets have been revalued during the year.
 3. The stocks of finished goods, stores, spare parts and raw materials except those lying in bonded warehouse, have been physically verified by the management quarterly. In our opinion the frequency of verification is reasonable.
 4. In our opinion and according to the information and explanations given to us, the procedure of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the Company and nature of its business.
 5. No material discrepancies were noticed on physical verifications of stocks between physical stocks and book records and the same have been properly dealt with in the books of accounts.
 6. In our opinion and to the best of our examination, the valuation of stock is fair and proper in accordance with the normally accepted accounting principles except for changes in the basis of valuation in accordance with Accounting Standard 2 issued by The Institute of Chartered Accountants of India which has become mandatory w.e.f. 01.04.1999 as stated in Note no. 7 of Schedule 20, is on the same basis as in preceding year.
 7. In our opinion, the rate of interest and terms and conditions on which unsecured loans have been obtained from the Companies in which some Directors are interested, are not prejudicial to the interest of the Company. As explained to us there is no Company except M/s. Supreme Oriented Films Ltd., under the same management within the meaning of Section 370 (IB) of the Companies Act, 1956.
 - a. The Company has granted unsecured loans of Rs. 102.06 lacs interest free to the erstwhile wholly owned subsidiary M/s. The Premier Lighting Industries Ltd. (Refer Note No. 9 of Schedule 20).
 - b. The Company has granted interest free advance of Rs. 386.16 lacs to M/s. Supreme Capital Management Ltd. (Refer Note No. 11 of Schedule 20).
 - c. The Employees to whom interest free loans have been given by the Company are generally repaying the amounts as stipulated.
 9. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of stores, spare parts, raw materials including components, plant and machinery, equipment and other assets and also for the sale of goods.
 10. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register as maintained U/s 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at price which are reasonable having regard to the prevailing market price for such goods, materials and services or price at which transactions for similar goods or services have been made with other parties.
 11. As informed to us, no part of the stores, raw materials and finished goods have been determined as unserviceable or damaged during the year.