

# ANNUAL REPORT

2004  
2005

**Supreme**

Annual Report 2004-2005



|| Growing to win ||



If you have a dream and the drive,  
no circumstance will stop you from blossoming.

**BOARD OF DIRECTORS**

B L Taparia, Chairman  
 M P Taparia, Managing Director  
 S J Taparia, Executive Director  
 V K Taparia, Executive Director  
 B V Bhargava, Director  
 E B Desai, Director  
 H S Parikh, Director  
 N N Khandwala, Director  
 S R Taparia, Director  
 Y P Trivedi, Director

**Sr. VICE – PRESIDENT (FINANCE)  
 & SECRETARY**

O P Roongta

**Sr. VICE – PRESIDENT (OPERATIONS)**

J M Totla

**BANKERS**

Central Bank of India  
 State Bank of India  
 Saraswat Co-op. Bank Ltd.  
 Bank of India  
 ING Vysya Bank  
 The Karur Vysya Bank Ltd.  
 BNP PARIBAS  
 ICICI Bank Ltd.  
 Centurion Bank  
 Bank of Baroda  
 IDBI Bank Ltd.  
 UTI Bank Ltd.  
 Vijaya Bank

**AUDITORS**

M/s. Chhogmal & Co.,  
 Chartered Accountants

**REGISTERED OFFICE**

612, Raheja Chambers,  
 Nariman Point,  
 Mumbai 400 021.  
 Tele : 2285 1656 Fax : 2285 1657  
 Website: <http://www.supreme.co.in>  
 Email : [supremenpt@supreme.co.in](mailto:supremenpt@supreme.co.in)

**CORPORATE OFFICE**

17/18, Shah Industrial Estate,  
 Veera Desai Road, Andheri (W),  
 Mumbai 400 053  
 Tele : 2673 4700 Fax : 2673 4777  
 Website: <http://www.supreme.co.in>  
 Email: [supreme@supreme.co.in](mailto:supreme@supreme.co.in)

**WORKS**

1. Andheri, Mumbai ( Maharashtra )
2. Daman ( Union Territory )
3. Derabassi ( Punjab )
4. Durgapur ( West Bengal )
5. Guwahati ( Assam )
6. Halol ( Gujarat )
7. Hosur ( Tamil Nadu )
8. Jalgaon ( Maharashtra )
9. Kanhe ( Maharashtra )
10. Kanpur ( Uttar Pradesh )
11. Khopoli ( Maharashtra )
12. Khushkheda ( Rajasthan )
13. Malanpur 1 ( Madhya Pradesh )
14. Malanpur 2 ( Madhya Pradesh )
15. Nandesari ( Gujarat )
16. Noida ( Uttar Pradesh )
17. Pondicherry ( Union Territory )
18. Silvassa ( Union Territory )

**OFFICES**

- Ahmedabad
- Bangalore
- Chennai
- Hyderabad
- Indore
- Kolkata
- Mumbai
- New Delhi

**CONTENTS**

Board of Directors .....	01
Notice of AGM .....	02
Directors' Report .....	03
Management Discussion and Analysis .....	05
Corporate Governance .....	11
Auditors' Report .....	17
Balance Sheet .....	20
Profit & Loss Account .....	21
Schedules to Balance Sheet .....	22
Schedules to Profit & Loss Account .....	28
Significant Accounting Policies .....	30
Notes to Accounts .....	31
Cash Flow Statement .....	38

# ■ The **Supreme** Industries Limited ■■■■

## NOTICE

NOTICE is hereby given that the 63<sup>rd</sup> Annual General Meeting of the Company will be held at Walchand Hirachand Hall, Indian Merchant's Chamber, Near Churchgate Station, 76, Veer Nariman Road, Mumbai - 400020, on Friday the 30<sup>th</sup> September, 2005 at 4.00 p. m. to transact with or without modification(s), 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 30<sup>th</sup> June, 2005.
2. To declare dividend on Equity Shares for the Financial year ended 30<sup>th</sup> June, 2005.
3. To appoint a Director in place of Shri B. L. Taparia, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri. S. R. Taparia, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri N. N. Khandwala, who retires by rotation and being eligible, offers himself for reappointment.
6. 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 :

7. To consider and if thought fit, to pass the following Resolution which will be proposed as a Special Resolution:  
 "RESOLVED THAT pursuant to the provisions contained in Section 149(2A) of the Companies Act, 1956, approval be and is hereby accorded to the commencement by the Company of the business in respect of building activities by providing for offices, workshops and tenements, residential or otherwise, including development of the Company's own lands and estates as authorised by the relevant applicable Clauses of the Memorandum of Association of the Company, either alone or in conjunction with or in partnership with any person, authority or body corporate or in such other manner as the Directors deem appropriate in the best interests of the Company."

### 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. 7 of the above Notice is annexed.
3. Register of Members and the Share transfer books of the company will remain closed from Thursday, 22<sup>nd</sup> September, 2005 to Friday, 30<sup>th</sup> September, 2005 (both days inclusive).
4. The Dividend, if declared, will be payable to those Equity Shareholders whose names stand on the Register of Members as at the close of business on 30<sup>th</sup> September, 2005. However, in respect of shares held in the electronic form, the dividend will be payable to the beneficial owners of shares as at the close of business on Wednesday, the 21<sup>st</sup> September, 2005 as per

details furnished by the Depositories for this purpose.

5. Pursuant to provisions of Section 205A of the Companies Act, 1956, dividends which remain unpaid or unclaimed for a period of 7 years, will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 30<sup>th</sup> June, 1998 or any subsequent financial years, are requested to make their claims to the Company at its Registered Office. **It may be noted that once the unclaimed dividend is transferred, on expiry of seven years, to the Investor Education and Protection Fund, as stated here-in, no claim shall lie in respect thereof.**
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.

By order of the Board

**O.P. Roongta**

Sr. Vice-President (Finance)  
& Secretary

### Registered Office

612, Raheja Chambers,  
Nariman Point,  
Mumbai 400 021

Dated : 12<sup>th</sup> August, 2005

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

#### Item No. 7

The Company has been exploring the possibility of putting to best use for the benefit of the Company its lands and premises, both at Andheri, Mumbai and at Salt Lake, Kolkata, by commencing a new line of business as specified in the resolution under this item of the Notice. Section 149 (2A) of the Companies Act, 1956 provides that the Company shall not at any time, commence any new business, unless the Company has approved of the commencing of any such business by a Special Resolution passed by it in that behalf in a General Meeting. The proposed business is authorised by several clauses of the Memorandum of Association of the Company. The new activity is expected to generate large funds for the Company and is evidently to its benefit. The resolution accordingly under this item of the Notice is proposed to be passed and commended to your acceptance.

No Director of the Company is interested in this 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 : 12<sup>th</sup> August, 2005



## Directors' Report

To  
The Members,  
The Directors have great pleasure in presenting the 63<sup>rd</sup> Annual Report along with the Audited Accounts for the financial year ended 30<sup>th</sup> June 2005.

### FINANCIAL RESULTS

	Current Year Rs.	Previous Year Rs.
Year's working shows a surplus of	65,00,18,269	63,47,99,281
Depreciation for earlier years provided (-) / written back (+)	(-) 84,636	5,33,328
Provision for Taxation for earlier years.	--	2,65,374
	<u>64,99,33,633</u>	<u>63,55,97,983</u>
Exceptional items Income (+) / Expenses (-)	--	69,91,526
	<u>64,99,33,633</u>	<u>64,25,89,509</u>
Less: Depreciation	39,29,84,215	41,39,01,419
Less: Provision for taxation	2,05,00,000	1,80,00,000
Total Amount available for appropriation	<u>23,64,49,418</u>	<u>21,06,88,090</u>
Appropriation therefrom		
Transfer to Debenture Redemption Reserve	3,12,50,000	38,60,000
Proposed Dividend (including Corporate Dividend Tax)	13,74,20,117	13,62,67,668
Transferred to General Reserve	<u>6,77,79,301</u>	<u>7,05,60,422</u>
	<u>23,64,49,418</u>	<u>21,06,88,090</u>

Your company has incurred a capital expenditure of Rs. 53.39 crores during the year, primarily for the following :

1. enhancing the capacity of PVC Pipe system at Jalgaon, to house the capacity of PP Random Copolymer (PPRC) pipe system at a new site in Jalgaon,
2. to enhance capacity of Food Serviceware at Daman,
3. to enhance the Injection Moulding capacity at Talegaon,
4. enhancing capacity of Protective Packaging products and
5. acquiring Moulds for new products in Furniture & Crates.

### DIVIDEND

The Directors have recommended payment of dividend for the year ended 30<sup>th</sup> June 2005, as under

	Rs.
(i) Dividend on 1,33,90,837 Equity Shares of Rs. 10 each @ 90 % i.e. Rs. 9/- per share (Previous year on 1,33,90,837 Equity Shares of Rs. 10/- each @ 90% i.e. Rs. 9/- per share)	12,05,17,533
(ii) Corporate Dividend Tax	1,69,02,584
	<u>13,74,20,117</u>

### MANAGEMENT DISCUSSION AND ANALYSIS

Please see attached Annexure

### FIXED DEPOSITS

The amount of Fixed Deposits has decreased from Rs. 3096.35 lakhs to Rs. 2119.65 lakhs. Out of deposits which matured during the year, 420 deposits aggregating to Rs. 55.81 lakhs remain unclaimed as on 30<sup>th</sup> June 2005 of which Rs. 17.68 lakhs have since been renewed/refunded.

# The **Supreme** Industries Limited

## DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii. Appropriate accounting policies have been selected and applied consistently and have made judgment 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 at June 30, 2005 and of the Profit and Loss Account for the year ended June 30, 2005.
- iii. Proper and sufficient care has been taken 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. The annual accounts have been prepared on a going concern basis.

## CORPORATE GOVERNANCE

The Company has been proactive in following the principles and practices of good governance. The company has taken adequate steps to ensure that the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreements with the Stock Exchanges are complied with.

A separate statement on corporate governance is annexed as a part of the Annual Report alongwith the Auditors' Certificate on its compliance.

## ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo required to be given pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

## PERSONNEL

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretary at the Registered Office of the Company.

## SUPREME PETROCHEM LIMITED (SPL)

SPL – a joint venture between your Company and the R Raheja Group has posted a turnover of Rs. 1435.10 crores and earned a profit before tax of Rs. 65.58 crores. The said Company had distributed maiden dividend @ Rs. 0.80 per share for the year 2003-2004 and an interim dividend of Rs. 1.20 per share for the year 2004-2005. Accordingly the Company has already received Rs. 5.78 crores as dividends from SPL during the year 2004-05.

## DIRECTORS

Shri B L Taparia, Shri S R Taparia and Shri N N Khandwala, Directors of the Company retire by rotation and being eligible offer themselves for re-election.

Shri R M Bhandari a sitting member of the Board of Directors of the Company passed away on 20<sup>th</sup> March 2005. The Board of Directors condole the sad demise of Shri R M Bhandari and record its appreciation for his valuable contribution towards Company's progress during his tenure as a Director of the Company.

## 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.

## ACKNOWLEDGEMENT

The Directors place on record their sincere appreciation for the encouragement, co-operation and support received by the Company from the local authorities, banks, customers, suppliers and business associates and shareholders. Directors also place on record their sincere appreciation of the valuable services rendered by the employees of the Company at all levels.

For and on behalf of the Board of Directors

**B L Taparia**  
Chairman

Place: Mumbai  
Date: 12<sup>th</sup> August 2005

## Management Discussion and Analysis

### 1. INDUSTRY STRUCTURE AND DEVELOPMENT

The company is in plastics converting business. The consumption of plastics in India in the year 2004-05 was 4.13 million tons indicating a growth of around 1% compared to the previous year. Such a measly growth in consumption has demolished the perception prevailing about plastics growth i.e. 1.5 to 2 times of GDP growth. The consumption has not kept pace with GDP growth at all. Thus it was the worst year in the history of plastics consumption growth in the country in the last two decades. In the process, the consumption of plastics of our country has gone very much behind China where the consumption has reached 34 million tons in the year 2004.

In such poor domestic demand growth situation, the local raw material makers have taken further export initiatives. Around 1.2 million tons of plastics raw material were exported in the year. Value added exports of plastics remained at low level. The problems which were catalogued in our earlier report continued with us hindering the growth of plastics products in the exports market. The reservation Policy for Small Scale, in-flexible labour Policy, poor quality and expensive power, exorbitant surface transport cost and inadequate port capacity are combined factors depriving our country of immense business opportunities which can create millions of jobs and earn foreign exchange.

We see increasing imports of plastics products in the country. Indian converters cannot participate in big way in 54 items of plastics products which continue to remain reserved. Neither volume nor variety is available in these products. No Indian brand can be created in these products. The enterprise is stifled in these products and no scope is possible for technological innovation.

Current policies continue to remain which are promoting capital intensive activities and discouraging labour intensive activities. The company continues to focus to boost exports in spite of above handicaps.

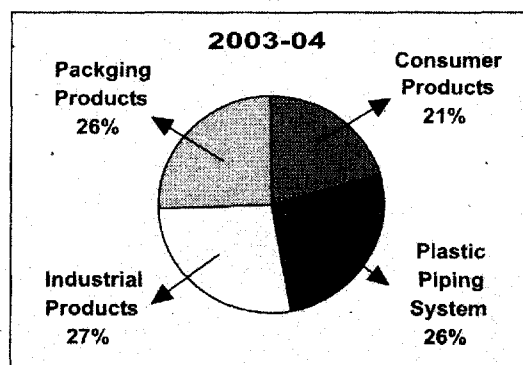
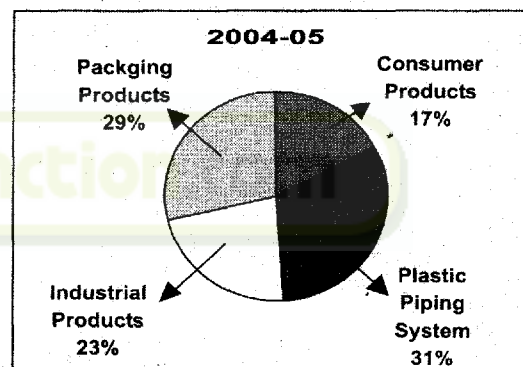
The company has invested monies last year in Pipe Systems and FSW to create additional facilities for world market. Same investment policies will continue in the current year even though at a lower scale than its potential.

Overall interest burden has gone down due to average low cost of working capital funds. The company's borrowings have gone up due to several investments made as detailed last year and for increased working capital requirements.

### 2. PRODUCT GROUPS

Group	Products
Industrial Products	Industrial components, material handling crates and moulds
Consumer products	Furniture, Food Serviceware, mats, embossed sheets
Packaging products	Flexible packaging film, Protective Packaging products. Rigid PVC film, Cross laminated film & Wide Width film.
Plastics Piping system	PVC Pipes, Injection moulded fittings and handmade fittings, Polypropylene random Co-polymer pipes and fittings.

PRODUCT GROUPWISE SHARE FOR THE LAST TWO YEARS  
(% of value)



The Turnover of the Company in the year under review is to the tune of Rs 941.53 crores (including Rs. 33.84 crores by way of Polymer trading and other non-plastic products) as against Rs. 911.67 crores (including Rs. 74.87 crores by way of trading in Polymers and other non Plastics products) of the previous year.

The Company has processed 95,439 tons of Polymers as against 1,00,053 tons of Polymers in the previous year. The

## The **Supreme** Industries Limited

Company had de-growth of 4.61% in plastics consumption.

The company exported goods worth 15.14 Million dollars as against 11.22 Million Dollars of the previous year.

Profit before depreciation & Exceptional items and taxes during the year under review is Rs. 65.00 crores as against Rs. 63.48 crores of the previous year.

### 3. COMPANY'S STRENGTH AND GROWTH DRIVERS

#### 3.1 Manufacturing sites

The company has 18 manufacturing sites spread throughout the country. This enables the company to provide improved service to the customers of respective region by reducing the freight cost with minimum lead time to meet their requirements.

#### 3.2 Distribution set up

The company has excellent relationship with its distributors. The distributor numbers are increasing in all the product groups. They provide service in an economical manner to their customers with speed and delight.

#### 3.3. Product Groups

In new application, the company's PP Random Copolymer Pipes are fully established and are well appreciated by the users. This is a hot and cold water pipe system to meet the plumbing requirements. This will supplement the GI and Copper pipes with a very long service life. No scaling will occur in these pipes during their long service period which is the bane of other conventional pipes.

The company's seven layer film line will be arriving in the first quarter of this year. This will enable the company to supply a new product structure to meet exact packaging requirements.

#### 3.3 GROWTH DRIVERS

The Company continues to enjoy its status of being the market leader.

The company remains focused on the following:

1. Quality of the products
2. Innovative solutions
3. Delightful service to its customers

### 4. PRODUCT GROUPWISE PERFORMANCE

#### 4.1 PLASTICS PIPING DIVISION

The year 2004-05 began with volatility in PVC resin prices. By end of August'04 the prices of resin were nearly 16% higher compared to prices prevailing on 1st July'04 and then started falling upto middle of December'04. In such volatile raw material price trend the demand remained subdued. The prices came to affordable level only by March'05. The demand for the products started picking up only after that period and thus the growth was quite stifled. Under the situation of volatility in raw material prices there was only 1% growth registered in the country in the consumption of PVC resin. But we are pleased to inform that against 1% growth in the country, our volumes of

pipings products grew by 18%. Principally on strength of our quality, varieties and market net-work and Brand which has spread throughout the country.

The company sold 40,854 MT of Pipes & Fittings during the year 2004-05 against 34632 MT sold during 2003-04. The company's products (both PVC and PPR) have good acceptance in International market and we could export 2120 MT of Pipes & Fittings during the year 2004-05 against 1354 MT during the year 2003-04 thus registering a growth of nearly 57%.

The company during the year 2004-05 has invested around Rs.17 crores to further enhance the capacity of both PVC and PPR Division. With the addition of new capacity the Company can manufacture 54000 MT of PVC Pipes and 1500 MT of PPR Pipes. The monies were also invested in enhancing the range of various Building related product lines mainly Supreme Indogreen PPR, Supreme Aquagold for plumbing and Supreme Underground System for drainage. With the addition of nearly 400 products in the Building Industry applications the Company has become total piping solution provider for a house.

The introduction of VAT has brought down the element of Sales Tax to 4%. This will boost the demand which may grow by 15 to 20% in the current year. The Company is planning, therefore, to invest further Rs.10 cr during the year 2005-06 to increase the capacity from 54000 MT p.a. of PVC Pipes to 66000 MT p.a. The investment will also be utilized to enhance the range of Casing / Borewell Pipes, Sewerage / Drainage Pipes, Ribbed Screen casing pipes alongwith expanding the range of Submersible Pipes and commission the plant in U. P.

Under license from M/s. Wavin Overseas B.V., Netherlands, the Company has acquired Know-How to manufacture structured wall pipes suitable for Borewell Casing application and Sewerage / Drainage application. The equipments supplied by Wavin have arrived in the month of June'05. Structured wall piping products are established in terms of quality and functionality during August'2005. They will be available for marketing from September'05 onwards. The initial trial shows excellent results due to superiority of product in terms of its stiffness and impact properties with cost efficiency. There is substantial saving in weight per mtrs compared to conventional solid wall PVC pipes. The Company is confident that the product will prove its superiority and cost effectiveness in short period. Once the application gets established, the Company plans to enhance the range and volume of structured wall pipes.

During the year 2004-05 the Company has introduced 160 mm dia SWR Fittings with Click Ring system which has proved successful in terms of its suitability for installation in High rise Apartments. With the success of 160 mm Fittings, the Company is also planning to introduce 110 mm range of SWR Fittings with Click Ring system. It is hoped that Click Ring type fittings



with Type "B" SWR Pipes will make a suitable combination for multi storied buildings under construction in Housing Complexes in Metro Cities.

In addition to above, the Company is adding 160 mm dia Eco-Drain Drainage pipe with structured wall design as an extension of the present Underground Drainage System. This pipe would replace stoneware pipes cost effectively which are presently being used in the Building Industry for drainage.

While the Company is introducing a high range in SWR Pipes and Fittings to meet the requirement of High rise buildings, same time the Company is also planning to introduce economy range of SWR Pipes & Fittings to meet the requirement of Semi Urban and Rural market.

During the year 2004-05 the company introduced large dia meter pipe upto 315 mm with rubber ring joints. The quality was well received. The Company could execute projects worth Rs.25 cr with rubber ring joint pipes for various drinking water supply schemes.

The Company produced pipes upto 110 mm dia in PPRC with pressure ratings of PN 10, PN16 & PN 20. The Company also introduced multilayer PPR pipes to meet the requirement of UV stabilization. UV stabilized pipes are required for use on Roof top and down take lines which are normally exposed to Sun-rays. UV stabilized pipes are also finding good response in Solar Heat application.

The focus of the Company is to introduce new varieties of plastic pipes required to replace conventional non-plastic pipes – mainly for Water Management, Sewerage/Drainage and Housing Industry.

With the introduction of octroi levy by Jalgaon Municipal Corporation where our plant is located, the input cost has gone up and the margins have come under pressure. To counter this, the company is in the process of acquiring land out of octroi limits and relocate the existing plants with enough scope for expansion for new generation of plastic piping. The new facility will be designed to produce pipe system in a cost efficient way.

The company enjoys a good reputation for its quality, variety and services and the brand is recognized as a National brand ahead of all the competitors.

## 4.2 CONSUMER PRODUCTS

### FURNITURE

The volume in this division has gone down by 24%. There are 60 known makers of Plastics moulded furniture in the country. Out of those 60, only three makers use prime material. Remaining makers either use 100% scrap or make furniture with a mix of scrap and prime material. Thus the consumption volume of prime material cannot be quantified for the year. However, there is de-growth of at least 10% in consumption on All India Basis.

The de-growth has happened due to frequent changes in raw material prices. There were months where the raw

material prices changed three times in a month. There was very steep price rise also in other months of the financial year. High Prices of polymers coupled with volatility in prices led to the degrowth of this segment. Turnover of this division has gone down by around 10%. i.e. from Rs. 133 crores to Rs. 120 Crores in spite of 24% fall in volume. This was principally due to Company's complete focus on specialty products which were commanding better price realization.

After introduction of VAT, the VAT rates on furniture have gone up. The rates have gone up from 8% to 12.5% in several states. The effective incidence of VAT rates came between 16 to 18% depending on the chain by which the product passes before sold to the final customer. Such increase in VAT rates has further dampened the growth in demand.

In this situation of volatile raw material prices and high VAT rates of Plastics furniture, the company has decided to concentrate on its furniture manufacturing activity only at 4 locations viz: Pondy, Durgapur (West Bengal), Lalru (Punjab) and Guwahati. Talegaon assets and Kushkhera units are now being used by the company for manufacturing Industrial components where the demand is growing.

The facility at Kanpur in UP has been closed down. It is in the process of converting the facility to start plastics pipe production from December 05. The restructuring of production capacities will reduce the manufacturing cost and put the assets to better utilisation. Streamlining the manufacturing capacity coupled with introduction of more speciality products will make the furniture business viable in near future.

The company is focusing to broaden the range of such furniture products which help to build the superior brand image of company's products for its durability and aesthetics. Such products will command better price realization and will not be affected by raw material cost volatility. The Company intends to increase share of such products to 25% in next 12 months from the present share of 11% by value.

The Company's Technology center provides support to development of new moulds and designs to cater to the needs of customers who want quality product with higher aesthetics with least possible lead-time and at optimum cost.

The company's furniture product enjoys good acceptance in the market for its quality, design, colour and range. The brand is also regarded as a premium brand in the country. There are only 2 brands on All India basis whose turnover is more than Rs. 100 Crores in a year. One such brand is of your Company.

### FOOD SERVICE WARE PRODUCTS

The Polystyrene (PS) raw material prices remained on higher side for most part of the year. As a result the overall market of PS remained subdued with negative growth. The major application of Cups was substantially lost to Polypropylene(PP). Unorganized sector in India

■ The **Supreme** Industries Limited ■■■■

resorted to large scale use of recycled material and quality of local producers deteriorated due to lower grammage products introduced by most of the small scale units. This further laid to the erosion of PS market share and PP Cups became affordable to the consumer. Some portion of the institutional markets, mainly Catering Services in Railways and Govt. Offices, Coke & Pepsi outlets were lost to Paper Cups. Thus the polystyrene consumption in this sector took a beating and the overall market was down by nearly 45%.

The situation was no better even on the exports front. Many countries showed phenomenal growth of PP Cups, PP became ideal choice of consumers for use in Cold drinks, water and packaging containers. As a result our volumes in 2004-05 dropped by nearly 12%. We sold 2378 MT compared to 2700 MT in the previous year. The exports were down to 1913 MT compared to 2006 MT exported in the previous year.

Although the production capacity has been increased to 5400 MT by February'05, the utilization remained low due to sluggish market conditions.

The incidence of fire on 2<sup>nd</sup> March'05 in the warehouse brought pressure on the working area due to lack of enough space. However, the fire affected building has been rebuilt and is ready for use from July'05. With the increased capacity available and market getting revived from the beginning of new year with the drop in raw material prices and streamlining of VAT rates at affordable basis, we expect to improve the overall utilization of the capacity in the current year.

The embossed sheet business will be carried out only on Institutional order basis.

#### **MAT BUSINESS**

Volumes were up 2%. This was inspite of some reduction in 3rd party purchases. Volume is expected to grow by 5 to 7% this year. More than 90% of the products are being exported. Competition continues to be severe in this business from unorganized sector.

#### **4.3 INDUSTRIAL PRODUCT GROUP**

The demand of industrial products was better. This has resulted in a growth of 13.68% in Company's industrial component business inspite of very less requirement of Electronic Voting Machines compared to previous year. Company performed well in auto products and household appliances. Prospects for this year are even better in all its range of industrial products. Capacity enhancement are being planned at Talegaon and Noida factories including replacement of certain machines. Khushkhera factory at Rajasthan now would be dedicated to Industrial Products Moulding.

Volume of Soft drinks crate business remained very poor and uncertainty still prevails. Due to that, business of soft drink crates is likely to be lower in the current year also.

Company had shifted its entire business to manufacture industrial moulded products and crates of Salt lake

Unit to Durgapur to optimize on economics of scale and operational efficiencies. Company is evaluating various proposals for development of property at Salt Lake which had now become a prime location for IT industry.

Company achieved growth of approx. 20% in trade sector for crates. Company is planning to introduce newer models to meet specific demand. Company is also planning duplicating certain moulds to make products available at different zones from local factories with techno-commercial advantages.

In Technology center, company outsourced successfully various moulds of good quality at lower cost for industrial products, crates and furniture.

The Company intends to dispose off the machineries installed at Technology Centre and thereafter the entire fabrication/repairs of the moulds shall be outsourced. Further, it is proposed to develop the Company's property at Andheri (Mumbai) and then sell the same either partly or fully as may be decided.

#### **4.4 PACKAGING PRODUCTS**

##### **PACKAGING FILMS**

Demand this year was flat compared to the previous year. Margins were under severe pressure in view of high raw material prices prevailing almost for the whole year. The new seven-layer line has been dispatched from Germany and is expected to be in production by November 2005. This will enhance our capabilities to offer high value products to our customers providing better barrier properties, thereby replacing several laminates market as well as being used for several high barrier laminates. As consumption of ready to eat food is expected to increase, the requirement of these packaging materials are expected to grow.

The new line will also offer export opportunities as this line is state of the art and there are very few lines of these capabilities in the world. World demand for 7-layer film is growing well.

The new 8 colour-printing machine will be commissioned in August/Sept enabling the Company to offer higher quality of printed films. More customers are demanding films with 8-colour printing. This will ensure that the company is able to meet its customers requirements.

In view of the new capacity, business is expected to grow in excess of 20% this year.

##### **PROTECTIVE PACKAGING DIVISION**

The growth was 15% in volume and 35% in value in the previous year. Plant capacities were increased from 11,000 TPA to 13,000 TPA. Further de-bottlenecking in this year will increase capacity of PE foam by 1,000 TPA, ABF by 300 TPA and cross-linked foam by 150 TPA.

The company has designed packaging for several companies giving immense benefit to its customers. The company enjoys 100% supplier status in some of these