

A N N U A L R E P O R T
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Supreme

People who know plastics best

THE SUPREME INDUSTRIES LIMITED

Every company seeks to excel. Yet, we see ourselves as having an even more significant role to play. By expanding our capabilities in technology and product development, and exploring new challenges, we hope to chart a new course of possibilities. Beyond excellence, we seek breakthroughs: that will enhance our leadership in the industry.



PERFORMANCE HIGHLIGHTS

(Rupees In Lacs)

	1996-97	1997-98	1998-99	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Polymers Processed (MT)	46513	59945	66858	67262	68413	83499	91913	100053	95439	118115
Sales	41170.60	47908.28	55441.16	56096.08	53487.76	67466.02	79241.62	90925.15	93150.04	113067.09
Less: Excise Duty	5087.24	6501.31	7469.47	8145.03	6960.63	8339.50	9904.92	11297.96	11740.33	14860.69
Net Sales	36083.36	41406.97	47971.69	47951.05	46527.13	59126.52	69336.70	79627.19	81409.71	98206.40
Other Income	222.53	320.75	312.16	476.32	289.13	338.96	380.59	242.14	1003.30	466.61
Total Income	36305.89	41727.72	48283.85	48427.37	46816.26	59465.48	69717.29	79869.33	82413.01	98673.01
Operating Profit (PBITD + Misc.Exp. W/Off)	6585.00	7637.45	8625.78	8032.27	7126.50	8795.02	8774.47	8908.42	9008.77	10193.24
Interest	3507.91	3914.76	4180.45	3805.26	4119.17	4234.08	3271.54	2560.43	2508.59	2696.04
Gross Profit	3038.27	3665.88	4267.77	4199.43	3007.33	4560.94	5502.93	6347.99	6500.18	7497.20
Depreciation	1824.07	2013.87	2442.82	2526.87	2570.60	3349.69	3647.87	4139.01	3929.84	4134.10
Profit Before Tax & Exceptional Items	1214.20	1652.01	1824.95	1672.56	436.73	1211.25	1855.06	2208.98	2570.34	3363.10
Tax & Exceptional Items	-2.00	-92.00	-72.00	-117.00	-160.64	-94.00	-353.75	-110.09	-205.00	656.08
Profit after Tax	1212.20	1560.01	1752.95	1555.56	276.09	1117.25	1501.31	2098.89	2365.34	4019.18
Prior Years Adjustments	-1.67	21.06	7.86	24.23	3.73	-2.45	-73.49	7.99	-0.85	-23.37
Net Profit	1213.87	1581.07	1760.81	1579.79	279.82	1114.80	1427.82	2106.88	2364.49	3995.81
Paid up Equity Capital	971.49	971.49	971.49	971.49	971.49	1001.23	1001.23	1339.08	1339.08	1381.08
Reserves and Surplus*	10291.93	10815.87	11853.05	12766.93	12730.58	12870.54	17069.45	18446.36	19409.84	18352.36
Shareholders' Funds	11263.42	11787.36	12824.54	13738.42	13702.07	13871.77	18070.68	19785.44	20748.92	19733.44
Loans	26159.96	26560.25	22470.40	21362.56	27655.27	24251.20	24099.87	20446.01	24653.54	23748.68
Deferred Tax Liability (Net)	-	-	-	-	-	-	-	-	-	4283.20
Capital Employed**	36029.53	38980.02	35737.07	34658.18	41041.39	37843.43	42063.98	39575.68	45146.48	44516.59
Net Fixed Assets***	17539.74	23498.22	23806.38	23524.54	25109.25	29663.18	31284.68	28820.23	30015.70	35615.87
Net Current Assets	17511.86	12566.62	6616.77	5895.56	10554.68	5177.15	8312.48	8016.88	11992.43	8752.23
Earning Per Equity Share (Rs.)	11.85	14.52	16.71	15.17	2.84	11.16	14.26	15.67	17.66	29.40
Cash Earning Per Equity Share (Rs.)	30.61	35.10	41.73	41.09	29.30	44.52	38.48	46.60	47.01	59.64
Book Value (Rs.)	116.00	121.00	132.00	141.00	141.00	139.00	141.00	148.00	156.00	143.00
Dividend (%)	60.00	60.00	70.00	70.00	30.00	60.00	70.00	90.00	90.00	100.00
PBITD / Average Capital Employed (%)	18.91	20.36	23.09	22.82	18.83	22.30	21.96	21.82	21.27	22.74
ROACE (%) (PBIT / Average Capital Employed)	13.67	14.99	16.55	15.64	12.04	13.81	12.83	11.68	11.99	13.52
ROANW (%) (PAT / Average Net Worth)	10.45	12.24	13.20	11.09	2.01	8.10	9.40	11.09	11.67	19.86
Debt : Equity (Long Term Debt / Total Net worth)	1.78	1.58	1.29	0.96	1.10	1.18	0.59	0.83	0.95	0.65
Total Debt / Total Net Worth	2.11	2.06	1.65	1.55	2.02	1.75	1.33	1.03	1.19	1.20

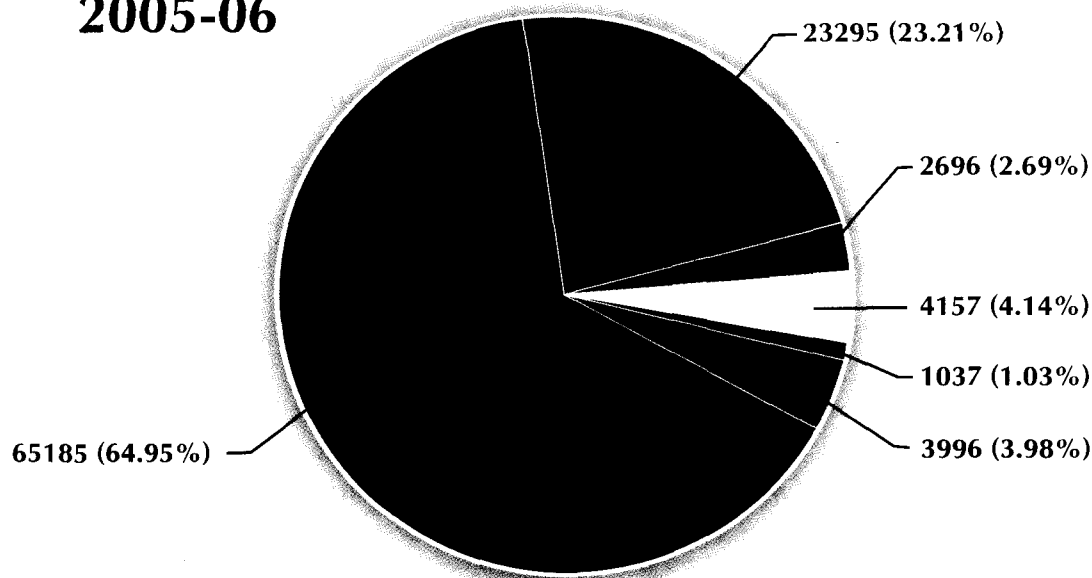
* excluding revaluation reserves & after reducing miscellaneous expenditure

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

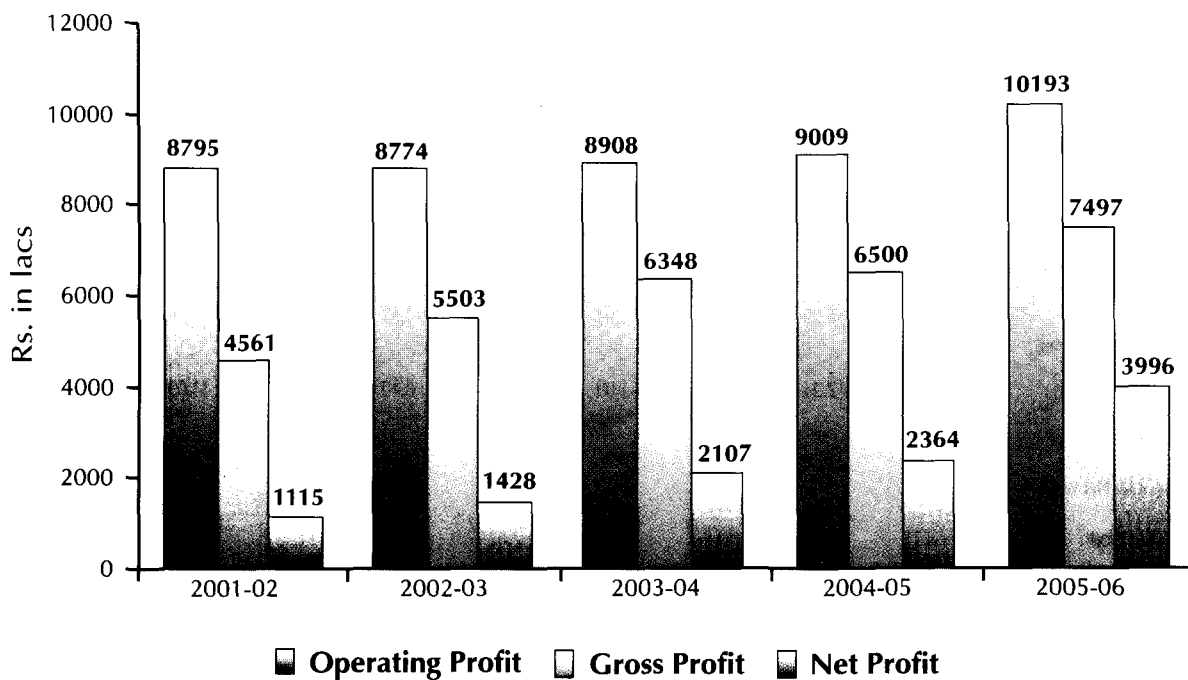
*** excluding revaluation.

DISTRIBUTION OF REVENUE**2005-06**

Rs. in lacs



Material
 Expenses
 Interest
 Depreciation
 Tax
 Net Profit

OPERATING, GROSS AND NET PROFITS

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
 Bank of India
 ING Vysya Bank
 BNP Paribas
 ICICI Bank Ltd.
 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 : 022-2285 1656 Fax : 022-2285 1657
 Website: <http://www.supreme.co.in>
 Email : supremenpt@supreme.co.in

CORPORATE OFFICE

1101, 1161 & 1162, Solitaire Corporate Park,
 167, Guru Hargovindji Marg,
 Andheri Ghatkopar Link Road, Andheri (E),
 Mumbai 400 093
 Tele : 022-4043 0000 Fax : 022-4043 0099
 Website: <http://www.supreme.co.in>
 Email : supreme@supreme.co.in

WORKS

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

OFFICES

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

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NOTICE

NOTICE is hereby given that the 64th 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 Thursday the 5th October, 2006 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 30th June, 2006.
2. To declare dividend on Equity Shares for the Financial year ended 30th June, 2006.
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. E. B. Desai, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri Y. P. Trivedi, 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 :

To consider and if thought fit, to pass the following Resolution:

7. As a Special Resolution

"RESOLVED THAT subject to all the applicable provisions of the Companies Act, 1956, including any amendment thereof for the time being in force, provisions of the Articles of Association of the Company, the Guidelines issued by the Securities and Exchange Board of India, and subject to such approvals, consents, permissions and sanctions, if any, of Reserve Bank of India, Stock Exchanges and any other concerned authorities, a sum of Rs. 13,81,08,370/- (Rupees Thirteen Crores Eighty One Lacs Eight Thousand Three Hundred Seventy only) out of the sum standing to the credit of Capital Redemption Reserves amounting to Rs. 11,20,00,000/- (Rupees Eleven Crores Twenty Lacs only) and Securities Premium Account amounting to Rs. 2,61,08,370/- (Rupees Two Crores Sixty One Lacs Eight Thousand Three Hundred Seventy only), both aggregating to Rs. 13,81,08,370/- (Rupees Thirteen Crores Eighty One Lacs Eight Thousand Three Hundred Seventy only), forming part of Reserves & Surplus of the Company, be and the same is hereby capitalised and applied for allotment of 1,38,10,837 (One Crore Thirty Eight Lacs Ten Thousand Eight Hundred Thirty Seven) Equity Shares of Rs. 10/- (Rupees Ten) each as Bonus Shares credited as fully paid-up, to

members of the Company or as the beneficial owner(s) of the equity shares of the Company, in the records of the Depositories, at the close of business on such date (here-in-after referred to as "the Record Date") as the Board of Directors (here-in-after referred to as "the Board" which term shall be deemed to include any Committee thereof) may determine in that behalf in proportion of 1 (One) fully paid up equity share of Rs. 10/- (Rupees Ten) each for every 1 (One) fully paid up equity share of Rs. 10/- (Rupees Ten) each held as on the Record Date and that Bonus Shares so issued and allotted, for all purposes, be treated as an increase in the nominal amount of the equity share capital of the Company held by each such member and not as income.

RESOLVED FURTHER THAT the new equity shares to be issued and allotted as Bonus Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respect and carry the same rights as the existing fully paid up equity shares of the Company, including entitlement to dividend in full to be declared after the date of allotment of these Bonus Equity Shares.

RESOLVED FURTHER THAT no letters of allotment shall be issued for the Bonus Shares but in the case of members who opt to receive the Bonus Shares in dematerialised form, the Bonus Shares aforesaid shall be credited to the beneficiary accounts of the shareholders with their respective Depository Participants within the stipulated time and in the case of shareholders who opt to receive the Bonus Shares in physical form, the share certificates in respect thereof shall be delivered within such time and subject to the rules as laid down in the Companies (Issue of Share Certificates) Rules, 1960.

RESOLVED FURTHER THAT in case of shares held by beneficial owners in dematerialised form, allotment of Bonus Shares shall be made by way of direct credit to their respective Demat Account.

RESOLVED FURTHER THAT the members to whom the new equity shares are allotted, shall accept the same in full and final satisfaction of their respective rights and interest in the capitalised sum of Rs. 13,81,08,370/- (Rupees Thirteen Crores Eighty One Lacs Eight Thousand Three Hundred Seventy only).

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things, including listing of such shares on the Stock Exchanges, as may be, in its sole and absolute discretion, deem necessary, expedient, usual or proper and to settle any question, doubt or difficulty that may arise with regard to the issue and allotment of Bonus Shares as aforesaid or any other matter incidental or consequential thereto or otherwise reconsider the matter in the changed circumstances, if any, and that the decision of the board shall be final and binding on all members and other interested person."

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 Wednesday, 27th September, 2006 to Thursday, 5th October, 2006 (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 5th October, 2006. 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 Tuesday, the 26th September, 2006 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 30th June, 1999 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. RoongtaSr. Vice-President (Finance) &
Secretary**Registered Office**612, Raheja Chambers,
Nariman Point,
Mumbai 400 021Dated : 1st August, 2006**EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956, REGARDING SPECIAL BUSINESS.****Item No. 7**

There has all along been a steady and continued growth and expansion in the Company's activities and its reserves have augmented considerably. The Company's reserves have risen to Rs. 18352.36 lacs as on 30th June, 2006 against paid up Equity Capital of Rs. 1381.08 lacs i.e. a book value of about Rs. 143 per equity share of Rs. 10 each.

Having regard to the current happy position of the net worth and the need to bring issued Equity Capital closer to Capital employed in the business, the Directors consider it desirable to recommend issue of Bonus Shares in the proportion of 1 (One) fully paid up Bonus Share for every 1 (One) existing Equity Share held. The above issue would be effected by capitalizing an amount from the Capital Redemption Reserves and Securities Premium Account forming part of Reserves & Surplus. The proposal of Board of Directors conforms fully to the Guidelines issued in this behalf by the Securities & Exchange Board of India (SEBI).

Book Closure / Record Date for the purpose of determining eligibility of members to the issue of Bonus Shares will be fixed in consultation with the Stock Exchanges in accordance with applicable Stock Exchange guidelines.

The proposed Bonus Shares shall rank in all respect pari passu with the Existing Equity Shares of the Company and the said Bonus Shares shall be entitled to the dividend in the manner stated in the resolution.

The Directors of the Company may be deemed to be concerned or interested in the issue of Bonus Shares to the extent of their shareholding, if any, in the Company or to the extent of the shares held in The Supreme Industries Ltd. by the company/ies of which they are Directors or Members.

The Directors recommend this Resolution for your approval.

By order of the Board

O.P. RoongtaSr. Vice-President (Finance) &
Secretary**Registered Office**612, Raheja Chambers,
Nariman Point,
Mumbai 400 021Dated : 1st August, 2006

Directors' Report

The Directors have great pleasure in presenting the 64th Annual Report together with the Audited Financial Statements for the financial year ended 30th June 2006.

FINANCIAL RESULTS

	Current Year Rs. in Lacs	Previous Year Rs. in Lacs
Total Income (net)	98673.01	82413.01
Profit before Interest, Depreciation and Tax	10193.24	9008.77
Interest and financial charges	2696.04	2508.59
Depreciation	4157.46	3930.69
Profit before Tax and Exceptional Income	3339.74	2569.49
Exceptional Income	1693.08	—
Profit Before Tax	5032.82	2569.49
Provision for Current Tax	949.00	205.00
Deferred Tax	8.00	0.00
Fringe Benefit Tax	80.00	0.00
Net Profit available for appropriation	3995.82	2364.49
Appropriation:		
Transfer to Debenture Redemption Reserve	—	312.50
Proposed Dividend	1381.08	1205.17
Tax on Proposed Dividend	193.70	169.03
Transferred to General Reserve	2421.04	677.79
	3995.82	2364.49

- Exceptional income of Rs. 1693.08 lacs stated above in financial results consists of profit on sale of 6,10,137 equity shares of the company in the market held by the trusts of which the company is the sole beneficiary.
- The equity share capital and securities premium account of the company during the year has increased by Rs.42 lacs and Rs.798 lacs respectively consequent upon exercise of the option attached to warrants allotted to promoters in the earlier year.
- In accordance with Accounting Standard 22 issued by The Institute of Chartered Accountants of India, the Company has for the first time recognized the deferred tax assets / liabilities in the books of the accounts. The accumulated deferred tax liability as at the beginning of the year amounting to Rs.4275.20 lacs has been charged off against the balance in General Reserve and the liability for the current year has been charged to the profit before tax for the year as stated in the financial results.

DIVIDEND

The Directors have recommended payment of dividend for the year ended 30th June 2006, as under

	Rs. in lacs
(i) Dividend on 1,38,10,837 Equity Shares of Rs. 10 each @ 100 % i.e. Rs.10/- Per share (Previous year on 1,33,90,837 Equity Shares of Rs. 10/- each @ 90% i.e. Rs. 9/- per share)	1381.08
(ii) Corporate Dividend Tax	193.70
	1574.78

ISSUE OF BONUS SHARES

Considering the consistent improvement in operational performance of the Company and the future outlook, the Board of Directors are pleased to recommend for approval of shareholders, issue of fully paid equity shares of Rs. 10 each as bonus shares in the proportion of One Equity share for every One existing Equity share of Rs. 10 each held by capitalising Capital Redemption Reserve and Securities Premium Account for a total amount of Rs. 1381.08 lacs. With the proposed issue of bonus shares, the total paid-up capital of the Company will go up from Rs.1381.08 lacs to Rs. 2762.16 lacs.

PROPERTY DEVELOPMENT BUSINESS

Pursuant to approval granted by shareholders at the previous annual general meeting, in order to enter into property development

business, company has shifted its' corporate office located at its property in Andheri (West), Mumbai and the plans are under preparation to pursue the objects. Company is also evaluating various proposals for development of property at Salt lake, Kolkata.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management 's Discussion and Analysis of operations for the year under review of the Company, as stipulated under clause 49 of the listing agreement with the Stock Exchanges, is provided in annexure attached to this report.

FIXED DEPOSITS

The amount of Fixed Deposits has decreased from Rs. 2119.65 lacs to Rs.1907.39 lacs. Out of deposits which matured during the year, 287 deposits aggregating to Rs. 37.97 lacs remain unclaimed as on 30th June 2006 of which Rs. 6.61 lacs have since been renewed/refunded.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors to the best of their knowledge and belief 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, 2006 and of the Profit and Loss Account for the year ended June 30, 2006;
- 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 taken requisite steps to comply with the recommendations concerning Corporate Governance.

A separate statement on Corporate Governance together with a certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the listing agreement forms part of the Annual Report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS / OUTGO

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 Directors' Report 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)

Supreme Petrochem Ltd., a company jointly promoted by your Company and R Raheja Group has drawn up a plan to enhance its compounding capacities, to set up a new unit for manufacture of EPS, a project for minor port and a SEZ earmarked facility to promote export of plastic processed goods. All these projects are under implementation. SPL has taken a majority stake in Shin ho Petrochemical (India) Ltd. having a running EPS plant at Chennai of 6000 MT per annum. SPL is also moving towards developing a sector specific SEZ for plastics processed goods.

SUBSIDIARY COMPANY

With a view to expand its business in gulf countries, the Company has promoted The Supreme Industries Overseas (FZE), a wholly owned subsidiary of the Company, incorporated in SAIF Free Zone, UAE by investing a sum of AED 150,000 (equivalent

The **Supreme** Industries Limited

to Rs 18.88 lacs). Statement required pursuant to provisions of section 212 of the Companies Act, 1956 is provided in the Annual Report.

CONSOLIDATED ACCOUNTS

The Company has sought an exemption from the Govt. of India, Ministry of Company Affairs, New Delhi under section 212 of the Companies act, 1956, from annexing to this Report, the Annual Report of its subsidiary company for the year ended 30th June 2006. Accordingly, the Annual Report of its subsidiary company is not annexed to this Report.

Members desirous to have a copy of audited Annual Accounts of the above subsidiary may write to the Sr. Vice President (Finance) & Secretary at the Registered Office of the Company and the same will be provided upon such a request.

Information on the financials of the subsidiary company as required is provided in the Annual Report.

DIRECTORS

Shri B.V. Bhargava, Shri E.B. Desai and Shri Y.P. Trivedi, Directors of the Company retire by rotation at the forthcoming Annual General Meeting in accordance with provisions of the Companies Act, 1956 and the Articles of Association of the Company and being eligible, offer themselves for re-appointment.

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.

ACKNOWLEDGEMENT

The Board of Directors wishes to express its gratitude and record its sincere appreciation for the commitment and dedicated efforts put in by all the employees. Your Directors take this opportunity to express their grateful appreciation for the encouragement, co-operation and support received by the Company from the local authorities, bankers, customers, suppliers and business associates. The directors are thankful to the esteemed shareholders for their continued support and the confidence reposed in the Company and its management.

For and on behalf of the Board of Directors

B L Taparia
Chairman

Place: Mumbai

Date: 1st August, 2006