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THE SUPREME INDUSTRIES LIMITED



Annual Report 2006-2007

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excellence isn't.
And getting better is always within reach.
For a company,
this quest is critical to its existence,
and to its future.
For a leader, even more so.
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tomorrow, this search for excellence
shouldn't stop.
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PERFORMANCE HIGHLIGHTS

(Rupees In Lacs)

| | 1997-98 | 1998-99 | 1999-2000 | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 | 2005-2006 | 2006-2007 |
|---------------------------------------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Polymers Processed (MT) | 59945 | 66858 | 67262 | 68413 | 83499 | 91913 | 100053 | 95439 | 118115 | 130547 |
| Sales | 47908.28 | 55441.16 | 56096.08 | 53487.76 | 67466.02 | 79241.62 | 90925.15 | 93150.04 | 113067.09 | 132975.56 |
| Less: Excise Duty | 6501.31 | 7469.47 | 8145.03 | 6960.63 | 8339.50 | 9904.92 | 11297.96 | 11740.33 | 14860.69 | 16809.50 |
| Net Sales | 41406.97 | 47971.69 | 47951.05 | 46527.13 | 59126.52 | 69336.70 | 79627.19 | 81409.71 | 98206.40 | 116166.06 |
| Other Income | 320.75 | 312.16 | 476.32 | 289.13 | 338.96 | 380.59 | 242.14 | 1003.30 | 466.61 | 666.76 |
| Total Income | 41727.72 | 48283.85 | 48427.37 | 46816.26 | 59465.48 | 69717.29 | 79869.33 | 82413.01 | 98673.01 | 116832.82 |
| Operating Profit | 7637.45 | 8625.78 | 8032.27 | 7126.50 | 8795.02 | 8774.47 | 8908.42 | 9008.77 | 10193.24 | 13629.66 |
| (PBITD + Misc.Exp. W/Off) | | | | | | | | | | |
| Interest | 3914.76 | 4180.45 | 3805.26 | 4119.17 | 4234.08 | 3271.54 | 2560.43 | 2508.59 | 2696.04 | 3300.57 |
| Gross Profit | 3665.88 | 4267.77 | 4199.43 | 3007.33 | 4560.94 | 5502.93 | 6347.99 | 6500.18 | 7497.20 | 10329.09 |
| Depreciation | 2013.87 | 2442.82 | 2526.87 | 2570.60 | 3349.69 | 3647.87 | 4139.01 | 3929.84 | 4134.10 | 4024.59 |
| Profit Before Tax & Exceptional Items | 1652.01 | 1824.95 | 1672.56 | 436.73 | 1211.25 | 1855.06 | 2208.98 | 2570.34 | 3363.10 | 6304.50 |
| Tax & Exceptional Items | -92.00 | -72.00 | -117.00 | -160.64 | -94.00 | -353.75 | -110.09 | -205.00 | 656.08 | 1291.36 |
| Profit after Tax | 1560.01 | 1752.95 | 1555.56 | 276.09 | 1117.25 | 1501.31 | 2098.89 | 2365.34 | 4019.18 | 5013.14 |
| Prior Years Adjustments | 21.06 | 7.86 | 24.23 | 3.73 | -2.45 | -73.49 | 7.99 | -0.85 | -23.37 | 2.22 |
| Net Profit | 1581.07 | 1760.81 | 1579.79 | 279.82 | 1114.80 | 1427.82 | 2106.88 | 2364.49 | 3995.81 | 5015.36 |
| Paid up Equity Capital | 971.49 | 971.49 | 971.49 | 971.49 | 1001.23 | 1001.23 | 1339.08 | 1339.08 | 1381.08 | 2762.17* |
| Reserves and Surplus** | 10815.87 | 11853.05 | 12766.93 | 12730.58 | 12870.54 | 17069.45 | 18446.36 | 19409.84 | 18352.36 | 19576.27 |
| Shareholders' Funds | 11787.36 | 12824.54 | 13738.42 | 13702.07 | 13871.77 | 18070.68 | 19785.44 | 20748.92 | 19733.44 | 22338.44 |
| Loans | 26560.25 | 22470.40 | 21362.56 | 27655.27 | 24251.20 | 24099.87 | 20446.01 | 24653.54 | 23748.68 | 22831.83 |
| Deferred Tax Liability (Net) | - | - | - | - | - | - | - | - | 4283.20 | 4733.20 |
| Capital Employed*** | 38980.02 | 35737.07 | 34658.18 | 41041.39 | 37843.43 | 42063.98 | 39575.68 | 45146.48 | 44516.59 | 41246.93 |
| Net Fixed Assets**** | 23498.22 | 23806.38 | 23524.54 | 25109.25 | 29663.18 | 31284.68 | 28820.23 | 30015.70 | 35615.87 | 45099.89 |
| Net Current Assets | 12566.62 | 6616.77 | 5895.56 | 10554.68 | 5177.15 | 8312.48 | 8016.88 | 11992.43 | 8752.23 | 1385.72 |
| Earning Per Equity Share (Rs.) | 14.52 | 16.71 | 15.17 | 2.84 | 11.16 | 14.26 | 15.67 | 17.66 | 29.40 | 18.16* |
| Cash Earning Per Equity Share (Rs.) | 35.10 | 41.73 | 41.09 | 29.30 | 44.52 | 38.48 | 46.60 | 47.01 | 59.64 | 32.72* |
| Book Value (Rs.) | 121.00 | 132.00 | 141.00 | 141.00 | 139.00 | 141.00 | 148.00 | 156.00 | 143.00 | 80.87* |
| Dividend (%) | 60.00 | 70.00 | 70.00 | 30.00 | 60.00 | 70.00 | 90.00 | 90.00 | 100.00 | 75.00* |
| PBITD / Average Capital Employed (%) | 20.36 | 23.09 | 22.82 | 18.83 | 22.30 | 21.96 | 21.82 | 21.27 | 22.74 | 31.78 |
| ROACE (%) | 14.99 | 16.55 | 15.64 | 12.04 | 13.81 | 12.83 | 11.68 | 11.99 | 13.52 | 22.40 |
| (PBIT / Average Capital Employed) | | | | | | | | | | |
| ROANW (%) | 12.24 | 13.20 | 11.09 | 2.01 | 8.10 | 9.40 | 11.09 | 11.67 | 19.86 | 23.83 |
| (PAT / Average Net Worth) | | | | | | | | | | |
| Debt : Equity | 1.58 | 1.29 | 0.96 | 1.10 | 1.18 | 0.59 | 0.83 | 0.95 | 0.65 | 0.89 |
| (Long Term Debt / Total Net worth) | | | | | | | | | | |
| Total Debt / Total Net Worth | 2.06 | 1.65 | 1.55 | 2.02 | 1.75 | 1.33 | 1.03 | 1.19 | 1.20 | 1.02 |
| Employees' strength | 1794 | 1814 | 1789 | 1676 | 1790 | 1939 | 1876 | 2113 | 2202 | 2349 |

* after issue of 1:1 Bonus shares

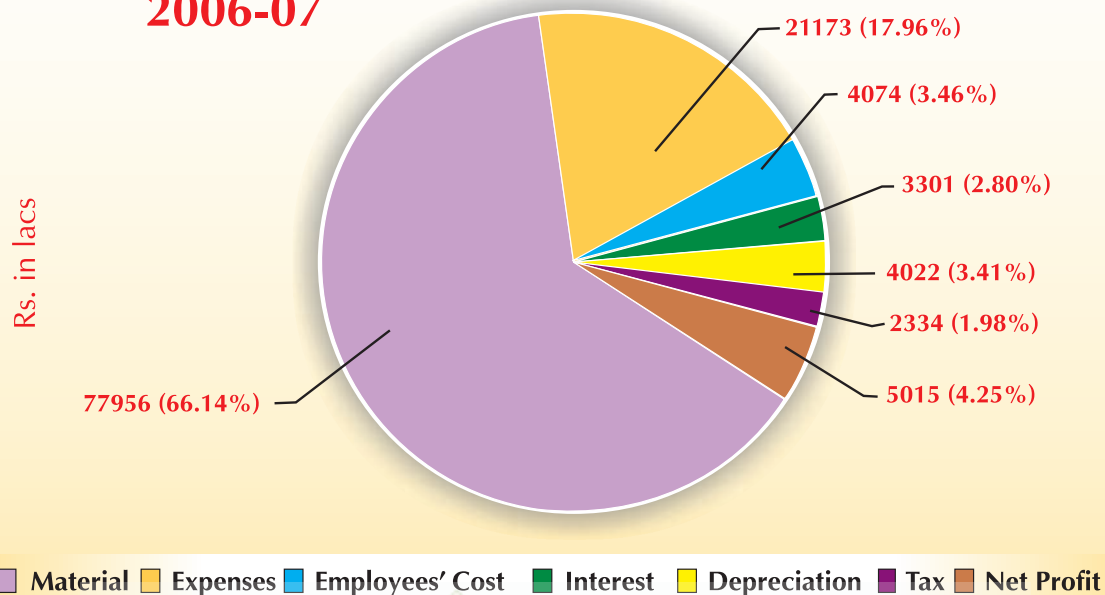
** excluding revaluation reserves & after reducing miscellaneous expenditure

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

**** excluding revaluation.

DISTRIBUTION OF REVENUE

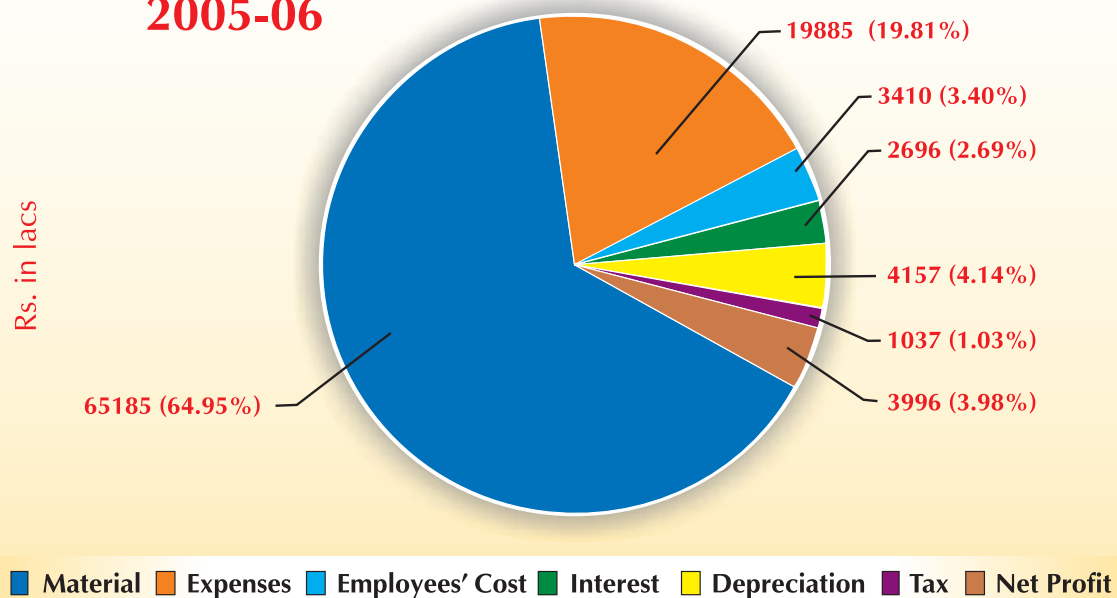
2006-07



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DISTRIBUTION OF REVENUE

2005-06



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
ING Vysya Bank
BNP Paribas
ICICI Bank Ltd.
IDBI Bank Ltd.
Axis Bank
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 & 1106, 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. Derabassi (Punjab)
2. Durgapur (West Bengal)
3. Guwahati (Assam)
4. Halol (Gujarat)
5. Hosur (Tamil Nadu)
6. Jalgaon (Maharashtra)
7. Kanhe (Maharashtra)
8. Kanpur (Uttar Pradesh)
9. Khopoli (Maharashtra)
10. Khushkheda (Rajasthan)
11. Malanpur 1 (Madhya Pradesh)
12. Malanpur 2 (Madhya Pradesh)
13. Nandesari (Gujarat)
14. Noida (Uttar Pradesh)
15. Pondicherry (Union Territory)
16. Silvassa (Union Territory)

OFFICES

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

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NOTICE

NOTICE is hereby given that the Sixty Fifth Annual General Meeting of the Company will be held at Walchand Hirachand Hall, Indian Merchants' Chamber, Near Churchgate Station, 76, Veer Nariman Road, Mumbai – 400020, on Wednesday the 10th October, 2007 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, 2007.
2. To declare final dividend on Equity Shares for the Financial year ended 30th June, 2007 and to confirm the payment of Interim Dividend on Equity Shares by the Board of Directors of the Company.
3. To appoint a Director in place of Shri N. N. Khandwala, 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 a Director in place of Shri V. K. Taparia, 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 as a Special Resolution :

“RESOLVED THAT in partial modification of the resolutions passed by the members at the Annual General Meeting of the Company held on 17th October, 2003 and 22nd September, 2004 and pursuant to sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the said Act) including any statutory modification or re-enactment thereof for the time being in force, consent of the Company be and is hereby accorded to :

- (i) the revision in amount of the monthly salary payable to Shri M. P. Taparia, Managing Director of the Company, upto an overall limit of Rs. 2,50,000 with effect from 1st July, 2007 for the remaining period of his appointment expiring on 6th January, 2009;
- (ii) the revision in the amount of the monthly salary payable to Shri S. J. Taparia, Executive Director of the Company, upto an overall limit of Rs. 2,25,000 with effect from 1st July, 2007 for the remaining period of his appointment expiring on 14th June, 2010;
- (iii) the revision in the amount of the monthly salary payable to Shri V. K. Taparia, Executive Director of the Company, upto an overall limit of Rs. 2,00,000 with effect from 1st July, 2007 for the remaining period of his appointment expiring on 30th June, 2008;

(or such other higher salary per month as may be decided by the Board of Directors from time to time during the period of their respective appointments, subject, however, to the limits prescribed in Part II of Schedule

XIII of the said Act and subject to consequential variation or increase in the aggregate remuneration due to revision in terms of the monthly salary as aforesaid), the other terms and conditions of their appointment remaining the same as approved at the Annual General Meetings of the Company held on 17th October, 2003 (relating to Shri M. P. Taparia and Shri V. K. Taparia) and 22nd September 2004 (relating to Shri S. J. Taparia).

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

“RESOLVED that in accordance with the provisions of Sections 198, 269, 309, 311, Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 (the Act), and all guidelines for managerial remuneration issued by the Central Government from time to time and subject to such approvals, if any necessary, the Company does hereby approve of the re-appointment of Shri V. K. Taparia, as Executive Director, for a further period of five years with effect from 1st July, 2008 to 30th June, 2013 and the payment of the remuneration and perquisites to him on the following revised terms and conditions viz :-

(1) Salary

Rs. 2,00,000/- per month, (which may be increased upto Rs. 4,00,000/- per month), at the discretion of the Board at any time and from time to time, during his tenure of office.

(2) Perquisites

- (a) Reimbursement of actual expenses incurred on housing, gas, electricity, water, furnishings, leave travel concession, for self and family, personal accident insurance premium and club fees, as well as reimbursement of medical and hospital expenses incurred in India and or abroad for self and family as per the claims in that behalf received from the Executive Director. For the above purpose family shall mean spouse, dependent children and dependent parents of the Executive Director.

- (b) (i) Contribution to Provident fund, superannuation fund or annuity fund as per the Rules of the Company to the extent these either singly or put together are not taxable under the Income Tax Act, 1961 or under any statutory modification or re-enactment thereof;
- (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, For the purposes of Gratuity, Provident Fund, Superannuation and other like benefits, the service of the Executive Director will be considered continuous service with the Company and change of designation or renewal of appointment will not be considered as any break in service.

(3) Commission

In addition to the above, the Executive Director shall also be entitled upto 1% of the Net Profits per year as commission, as may be determined by the Board, provided that, the aggregate of salary, perquisites and commission for any financial year shall not exceed 5% of the net profits of the Company for that year computed in the manner laid down in Sections 349 and 350 of the Act.

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

In the event of loss or inadequacy of profits of the Company in any year, the Executive Director shall be entitled to payment by way of salary and perquisites as specified above subject to the restrictions specified in Schedule XIII to the Act.

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

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

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

RESOLVED FURTHER that the Board of Directors be and are hereby authorised to increase and / or vary the terms and conditions aforesaid within the limitations specified in that behalf in Schedule XIII to the Act or any statutory modification or re-enactment thereof for the time being in force or otherwise as may be permissible at law.

RESOLVED FURTHER THAT the Executive Director shall not as long as he continues to be Executive Director of the Company be liable to retire by rotation and shall not be reckoned as a Director for the purpose of determining the number of Directors liable to retirement by rotation.

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

9. To consider and if thought fit, to pass the following Resolution as an Ordinary Resolution :

"RESOLVED THAT supplemental to the resolution passed at the Annual General Meeting of the Company held on 21st November, 1996 and pursuant to the provisions of Section 293 (1) (d) and all other enabling provisions, if any, of the Companies Act, 1956 and Article 119 of Articles of Association of the Company, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow such sum or sums of monies in any manner from time to time as may be required for the purpose of business of the Company

with or without security and upon such terms and conditions as they may think fit, notwithstanding that monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained from Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 1000 crores (Rupees One Thousand Crores),"

10. To consider and if thought fit, to pass the following Resolution as an Ordinary Resolution :

"RESOLVED THAT supplemental to the resolution passed at the Annual General Meeting of the Company held on 21st November, 1996 and pursuant to the provisions of Section 293 (1) (a) and all other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee thereof) to create such charge and / or mortgage and hypothecation in addition to the existing charges, mortgages and hypothecations already created by the Company on such terms and conditions and at such time or times and in such form and manner and with such ranking as to priority as it may deem fit, on any of the Company's moveable and immoveable properties and assets, present and future, comprised in any undertaking or undertakings of the Company, as the case may be, in favour of the Financial / Investment Institutions, Bank or Banks, Trustees for the holders of debentures / bonds / other instruments and / or others to secure the repayment of loans, Debentures, borrowings and / or indebtedness of any type sanctioned and / or to be sanctioned by them from time to time upto a sum not exceeding Rs. 1000 crores (Rupees One Thousand Crores) inclusive of interest at the respective agreed rates and all other costs, charges and expenses and all monies payable by the Company in respect of the above borrowings and / or indebtedness of any type, as may be stipulated in that behalf and agreed to between the Board of Directors and the Lenders.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to

- (i) finalise with the Lenders, agreements and other documents, if any necessary, for creating the mortgage(s) and / or charge(s), hypothecation(s) as aforesaid, and
- (ii) do all such acts, deeds, matters and things and to execute all such documents, deeds and instruments in writing as may be required, incidental and / or expedient for giving effect to this resolution and to resolve any question relating thereto, or otherwise considered by the Board of Directors to be in the best interest 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 Nos. 7 to 10 of the above Notice is annexed.
3. Register of Members and the Share transfer books of the Company will remain closed from Thursday, 4th October, 2007 to Wednesday, 10th October, 2007 (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 10th October, 2007 and in respect of shares held in the electronic form, the dividend will be payable to the beneficial owners as at the close of business on Wednesday, the 3rd October, 2007 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, 2000 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 the 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 : 25th July, 2007

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

Item No. 7

As the members are aware, at the Annual General Meeting of the Company held on 17th October, 2003 Shri M. P. Taparia was reappointed as the Managing Director of the Company for a period of five years with effect from 7th January, 2004 to 6th January 2009 as per the resolution passed at the said Annual General Meeting and on the terms as to remuneration as set out in the said resolution.

At the Annual General Meeting of the Company held on 22nd September, 2004 Shri S.J.Taparia, was reappointed as Executive Director for a further period of five years with effect from 15th June 2005 to 14th June 2010 as per the resolution passed at the said Annual General Meeting and on the terms as to remuneration set out in the said resolution.

At the said Annual General Meeting of the Company held on 17th October 2003 Shri V. K. Taparia was also appointed as Wholtime Director designated as Executive Director for a period of five years with effect from 1st July, 2003 to 30th June 2008 as per the resolution passed at the said Annual General Meeting and on the terms as to remuneration set out in the said resolution.

The respective limits of monthly remuneration payable to Shri M. P.Taparia and Shri S. J.Taparia were fixed at Rs. 1,25,000/- each and for Shri V. K. Taparia at Rs. 1,15,000/-.

Considering the inflationary trend and considerable increase in the business activities of the Company in the recent years, resulting in increase in the workload and responsibilities of these Directors of the Company, as also the amount of remuneration payable to the managerial personnel occupying similar positions in other companies, the Board of Directors have thought it appropriate to revise the upper limits of monthly remuneration as payable to them as set out in the relevant resolutions in this item of the Notice. It is felt that even these limits are not commensurate with the extent of duties and responsibilities discharged by these Directors and not comparable to the remuneration received by similar personnel in other companies of equal repute and magnitude.

The aforesaid limits in the monthly salary may also result in some indirect increase in other perquisites to which the Directors are entitled and approved by the members at the aforesaid Annual General Meetings of the Company. The other terms and conditions of their respective appointments will remain the same. Accordingly, the resolution as set out in this item of the Notice is commended for your acceptance.

The above may also be treated as an Abstract of the terms of the variation under section 302 of the Companies Act, 1956. Although not strictly necessary, copies of the resolutions passed at the respective Annual General Meetings of the Company referred to above are available for inspection of the members at the Registered Office of the Company between 10.30 a.m. to 1.00 p.m. on all working days upto the date of the ensuing Annual General Meeting.

All the three Directors referred to in the resolution are interested to the extent of their revision and one will also be interested in the resolution relating to two others.

Shri B. L. Taparia, Chairman is also interested in the resolution being the brother of Shri M. P. Taparia, Managing Director and father of Shri V. K. Taparia, Executive Director. It may be

mentioned that Shri S. J. Taparia is the nephew of Shri B. L. Taparia and Shri M. P. Taparia and cousin of Shri. V.K. Taparia.

Item No. 8

The existing term of the office of Shri V. K. Taparia, Executive Director, expires on 30th June, 2008. Apart from being involved generally in corporate strategy, long term business plans and other incidental activities of the Company, Shri V. K. Taparia has for quite some time been looking after and is responsible for the following activities of the Company :

- a) Company's business in all spheres of activities relating to Production, marketing, procurement of working capital, Business development expansion and overall administration pertaining to
 - (i) Performance packaging films which includes Multilayer Films for various applications having its manufacturing facilities at Khopoli, Maharashtra.
 - (ii) Protective Packaging products which includes Expanded Polyethylene foam, Cross-Link Foam, Air Bubble Film, net and tubes and products made thereof having manufacturing facilities at Malanpur (M.P.), Hosur (Tamil Nadu) and Nandesari (Gujarat), as also fabrication facilities at Gurgaon (Haryana), Talegaon (Maharashtra) and Pondicherry (U.T.).
 - (iii) P P Mats having manufacturing facilities at Sangli (Maharashtra) through ancillaries.
- b) He is the driving force and leading the IT Team of the Company for **upgrading its computerization**, ERP implementation and other related areas,
- c) He has represented the Company on various organizations such as Plast India Foundation, OPPI and other institutions,

Accordingly, subject to the approval of the members and such other approvals as may be necessary, the Board of Directors have proposed the re-appointment of Shri V. K. Taparia as Executive Director, for a further period of five years commencing from 1st July, 2008 upon the terms and conditions as set out in the resolution mentioned in this item of the notice. Considering his competence, experience as also the envisaged growth in the activities of the Company and as compared to the remuneration presently being paid to persons in similar situations in the country, the terms of his re-appointment and remuneration as set out in the resolution are considered to be just, fair and reasonable. The Resolution is accordingly commended for your approval.

A brief profile of Shri V. K. Taparia is given in the particulars of Directors under the caption "Corporate Governance" and members' attention is also invited thereto.

The above along with the resolution, may also be treated as an abstract of the terms of the appointment of Shri V. K. Taparia, as Executive Director, pursuant to Section 302 of the Companies Act, 1956.

Shri V. K. Taparia, is himself interested in the Resolution. Shri B.L. Taparia is also interested being his father. It may be mentioned that Shri M. P. Taparia is the uncle and Shri S. J. Taparia is the cousin, of Shri V. K. Taparia.

Item Nos. 9 & 10

The Shareholders at the 54th Annual General Meeting held on 21st November, 1996 had accorded u/s 293 (1) (a) and u/s

293 (1) (d) of the Companies Act, 1956, their consent to the Board of Directors of the Company to borrow and create security over the assets of one or more undertaking(s) of the Company in favour of Financial / Investment Institutions, Bank(s) etc., upto an amount not exceeding Rs. 500 crores.

The amount of the Company's present outstanding secured loans as on 30th June, 2007 is Rs. 199.75 crores. Besides the Company has also availed of Working Capital Facilities in the amount of Rs. 270 crores from the Consortium Banks. The Working Capital limits are likely to be increased substantially in view of the quantum jump in the operations of the Company. Keeping in view the present and future needs of the Company for finance and to provide for the additional funds as and when required, and having regard to the likely increase in the Company's business, it is proposed to increase the present limit of borrowing upto Rs. 1000 crores (Rupees One Thousand Crores) u/s 293 (1) (d).

The above borrowings and other indebtedness of the Company, may have to be secured by way of mortgage / charge on immovable properties and / or hypothecation of the movable properties of the Company, both present and future, with such ranking as to priority as may be agreed to with the concerned lender(s). By way of abundant caution, it is considered advisable to obtain the approval of the members under the provisions of Section 293 (1) (a) of the Companies Act, 1956 in respect of these resolutions.

The Directors commend the same for your approval.

By order of the Board

O.P. Roongta

Sr. Vice-President (Finance) &
Secretary

Registered Office

612, Raheja Chambers,
Nariman Point,
Mumbai 400 021

Dated : 25th July, 2007

Directors' Report

The Directors have great pleasure in presenting the 65th Annual Report together with the Audited Financial Statements for the financial year ended 30th June 2007.

FINANCIAL RESULTS

| | Current Year Rs. in Lacs | Previous Year Rs. in Lacs |
|---|-----------------------------|------------------------------|
| Total Income (net) | 116832.82 | 98673.01 |
| Profit before Interest, Depreciation and Tax | 13629.66 | 10193.24 |
| Interest and financial charges | 3300.57 | 2696.04 |
| Depreciation | 4022.37 | 4157.46 |
| Profit before Tax and Exceptional Income | 6306.72 | 3339.74 |
| Exceptional Income | 1042.64 | 1693.08 |
| Profit Before Tax | 7349.36 | 5032.82 |
| Provision for Current Tax | 1754.00 | 949.00 |
| Deferred Tax | 450.00 | 8.00 |
| Fringe Benefit Tax | 130.00 | 80.00 |
| Net Profit available for appropriation | 5015.36 | 3995.82 |
| Appropriation: | | |
| Interim Dividend | 690.54 | Nil |
| Proposed (final) Dividend | 1381.08 | 1381.08 |
| Tax on Dividend | 331.57 | 193.70 |
| Transferred to General Reserve | 2612.17 | 2421.04 |
| | 5015.36 | 3995.82 |

Exceptional income of Rs. 1042.64 lakhs stated above in financial results consists of profit on (i) transfer of leasehold rights in a plot of land situated at IT Park, Salt Lake (Kolkata) and (ii) disposal of Land & Building and estimated realizable value of other assets at Food Service Ware (FSW) Division at Daman.

DIVIDEND

The Directors have paid interim dividend and recommended payment of final dividend for the year ended 30th June 2007, as under

| | Rs. | Rs. |
|---|---------------------|---------------------|
| (i) Dividend on 2,76,21,674 Equity Shares of Rs. 10 each @ 75% i.e. Rs. 7.50/- per share as follows | | |
| (a) Interim Dividend @ 25% i.e. Rs. 2.50 per share (already paid in January 2007) | 6,90,54,185 | |
| (b) Final Dividend recommended @ 50% i.e. Rs. 5/- per share | <u>13,81,08,370</u> | 20,71,62,555 |
| (Previous year on 1,38,10,837 Equity Shares of Rs. 10/- each @ 100% i.e. Rs. 10/- per share) | | |
| (ii) Corporate Dividend Tax as applicable (including Rs. 96,84,849/- paid on Interim Dividend) | | 3,31,56,367 |
| | | <u>24,03,18,922</u> |

BONUS EQUITY SHARES

During the year, the Company has issued 1,38,10,837 Equity Shares of Rs. 10/- (F.V.) each as fully paid-up Bonus Equity Shares in the ratio of 1 (One) Bonus Equity Share for every 1 (One) existing Equity Share of Rs. 10/- each held by the shareholders on the Record Date viz. 14th November, 2006.

PROPERTY DEVELOPMENT

The Company has commenced construction of a Commercial Complex at its Site at Veera Desai Road, Andheri (West), Mumbai since December 2006 and the construction activity is in full swing. The construction work of 1st level basement is completed and the work of 2nd level basement is nearing completion. The total area being constructed would be around 2,10,000 square feet, apart from 350 cars parking space at basement level. The entire complex consisting of 10 floors is likely to be ready for occupation during the last quarter of 2008. Capital Expenditure incurred on the project till 30.06.2007 is Rs. 32.24 crores.