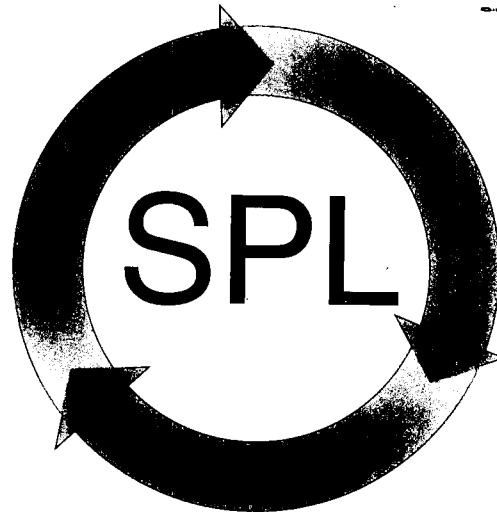


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# SUPREME PETROCHEM LIMITED

9th Annual Report  
1997-98





## BOARD OF DIRECTORS

M.P. Taparia, Chairman  
 Rajan B. Raheja, .  
 A.H. Parpia,  
 B.L. Taparia,  
 Satish B. Raheja,  
 S.J. Taparia,  
 Hasmukh Shah,  
 M.Shankar Narayanan  
 (Alternate Director to Satish B.Raheja)  
 A.L. Bongirwar - IDBI Nominee  
 G. Tripathi - ICICI Nominee

## REGISTERED OFFICE

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

## CORPORATE OFFICE

17/18, Shah Industrial Estate,  
 Veera Desai Road,  
 Andheri (W),  
 Mumbai - 400 053.

## PLANT

Amdoshi  
 Wakan Roha Road,  
 Post: Patansai, Taluka Roha,  
 Dist: Raigad, Maharashtra.

## BANKERS

State Bank of India  
 Bank of Baroda  
 Corporation Bank  
 ING Bank  
 State Bank of Indore

## AUDITORS

M/s. Parikh & Shah  
 Chartered Accountants

## REGISTRARS AND TRANSFER AGENT

Karvy Consultants Ltd.  
 7, Andheri Industrial Estate,  
 Off.Veera Desai Road, Andheri (West),  
 Mumbai 400 053

## LEGAL ADVISORS

M/s.A.H.Parpia & Co.  
 Advocates & Solicitors

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## NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of SUPREME PETROCHEM LIMITED will be held at the Indian Merchants' Chamber, Walchand Hirachand Conference Hall, IMC Marg, Churchgate, Mumbai 400 020, on Wednesday, July 29, 1998 at 3.30 p.m. to transact the following business:

### ORDINARY BUSINESS

- 1) To receive and adopt the Directors' Report and the Audited Statement of Accounts together with Auditors' Report thereon for the financial year ended March 31, 1998.
- 2) To appoint a Director in place of Shri A.H. Parpia, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Shri Rajan B. Raheja, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Shri B.L. Taparia, who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint Statutory Auditors and fix their remuneration.

### SPECIAL BUSINESS

- 6) To consider and, if thought fit, to pass with or without modification, as an Ordinary Resolution the following:

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immoveable and moveable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of The Industrial Credit And Investment Corporation of India Limited (hereinafter referred to as "ICICI")

(A) to secure:-

- 1) Foreign Currency Term Loan of US\$2,000,000 (US Dollars Two million only) equivalent to Rs.730.00 lacs;
- 2) Long Term Rupee Loan of Rs.1095.00 lacs (Rupees One thousand ninetyfive lacs only) and
- 3) Medium Term Rupee Loan of Rs.1000.00 lacs (Rupees One thousand lacs only).

together with interest at the agreed rate, additional interest, liquidated damages, commitment charges, premium on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company to ICICI in terms of Loan Agreements/Letters of Sanction in respect of the said Term Loans; and

- (B) to the Board of Directors of the Company agreeing with ICICI in terms of Loan Agreements/Letters of Sanction to reserve the right to take over the management of the Company in certain events.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with ICICI the documents for creating aforesaid mortgage and/or charge and for reserving the aforesaid right and to do all such acts and things as may be necessary to give effect to the above resolution."

- 7) To consider and, if thought fit, to pass with or without modification, as an Ordinary Resolution the following :

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immoveable & moveable properties of the Company wheresoever situate present and future, in favour of its Consortium of Banks including State Bank of India (SBI), Bank of Baroda (BOB), Corporation Bank (CB), State Bank of Indore (SBI) and such other Banks as may be included in the Consortium from time to time in respect of the existing and future fund and non fund based credit facilities upto an amount of Rs.250.00 crores extended/to be extended to the Company for meeting its working capital requirements, together with interest at the agreed rate, costs, charges, expenses and all other monies payable by the Company in terms of the facility agreements in respect of said Working Capital Facilities.

RESOLVED FURTHER THAT the security to be created in the manner aforesaid in favour of the Consortium of Banks shall be by way of second and subservient charge ranking pari-passu in all respects with similar second and subservient charges, if any, already created/to be hereafter created on the said properties to secure the existing/future borrowings of the Company as may be decided by the Board of Directors.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with the leader of the Consortium of Banks the documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution."

- 8) To consider and, if thought fit, to pass, with or without modification, as an Ordinary Resolution the following :

"RESOLVED THAT pursuant to the provisions of Section 94 of the Companies Act, 1956 and other applicable provisions, if any, the Authorised Share Capital of the Company be increased from Rs.115,00,00,000/- (Rupees One hundred fifteen crores) divided into 10,50,00,000 (Ten crores fifty lacs) Equity Shares of Rs.10/- (Rupees ten) each and 1,00,00,000 (One crore) Redeemable





Cumulative Preference Shares of Rs. 10/- (Rupees ten) each to Rs.135,00,00,000/- (Rupees One hundred thirtyfive crores) divided into 12,50,00,000 (Twelve crores fifty lacs) Equity Shares of Rs.10/- (Rupees ten) each and 1,00,00,000 (One crore) Redeemable Cumulative Preference Shares of Rs. 10/- (Rupees ten) each."

- 9) To consider and, if thought fit, to pass, with or without modification, as an Ordinary Resolution the following:

"RESOLVED THAT the existing clause V of the Memorandum of Association of the Company be deleted and the following new clause V be substituted therefor:

(V) The Authorised Share Capital of the Company is Rs.135,00,00,000/- (Rupees One hundred thirtyfive crores only) divided into 12,50,00,000 (Twelve crores fifty lacs) Equity Shares of Rs.10/- (Rupees ten) each and 1,00,00,000 (One crore) Redeemable Cumulative Preference Shares of Rs. 10/- (Rupees ten) each with rights, privileges and conditions attached thereto as may be provided by the regulations of the Company for the time being in force with power to increase or reduce the Capital and to divide the shares in the Capital for the time being into several classes (being those specified in the Companies Act, 1956) and to attach thereto respectively such preferential, qualified, deferred or special rights, privileges or conditions as may be determined in accordance with the regulations of the Company, and to modify or abrogate any such rights, privileges or conditions in such manner as may be lawfully permitted by the said Act or provided by the Articles of Association of the Company for the time being in force."

- 10) To consider and, if thought fit, to pass, with or without modification, as a Special Resolution the following :

"RESOLVED THAT the existing Article 3(a) of the Articles of Association of the Company be deleted and the following new Article 3(a) be substituted therefor:

3(a) The Authorised Share Capital of the Company is Rs.135,00,00,000/- (Rupees One hundred thirtyfive crores only) divided into 12,50,00,000 (Twelve crores fifty lacs) Equity Shares of Rs.10/- (Rupees ten) each and 1,00,00,000 (One crore) Redeemable Cumulative Preference Shares of Rs. 10/- (Rupees ten) each."

- 11) To consider and, if thought fit, to pass, with or without modification as a Special Resolution the following:

"RESOLVED THAT in accordance with the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification and re-enactment thereof, for the time being in force), subject to the guidelines issued by the Securities and Exchange Board of India ("SEBI") with regard to the preferential allotment of shares, the enabling provisions

of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and approval of all other concerned authorities, if any, and to the extent necessary, and such other approvals, consents, permissions, sanctions as may be required and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions and which may be agreed to by the Board of Directors of the Company and/or the duly authorised committee thereof (hereinafter referred to as "the Board") the consent of the Company be and is hereby accorded to the Board to offer/issue/allot upto 1,50,00,000 equity shares, on preferential basis of the face value of Rs.10/- for cash at a premium of Rs. 2.50 per share to the Promoter Companies viz. The Supreme Industries Limited and R.Raheja Investments Pvt. Ltd. at such time or times in one or more tranches and on such terms and conditions and in such manner as the Board may in its absolute discretion decide.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper and desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue/allotment of equity shares on preferential basis as it may in its absolute discretion deem fit and to finalise and execute all documents and writings as may be necessary".

- 12) To consider and if thought fit, to pass, with or without modification, as a Special Resolution the following:

"RESOLVED THAT in accordance with the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification and re-enactment thereof, for the time being in force), subject to the guidelines issued by the Securities and Exchange Board of India ("SEBI") with regard to the preferential allotment of shares, the enabling provisions of the Memorandum and Articles of Association of the Company and Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and approval of all other concerned authorities, if any, and to the extent necessary, and such other approvals, consents, permissions, sanctions as may be required and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions and which may be agreed to by the Board of Directors of the Company and/or the duly authorised committee thereof (hereinafter referred to as "the Board") the consent of the Company be and is hereby accorded to the Board to offer/issue/allot upto 1,50,00,000



equity shares, on preferential basis of the face value of Rs.10/- for cash at a premium of Rs. 2.50 per share to such Equity Funds/Mutual Funds/Venture Capital Funds/Pension Funds, Indian Financial Institutions/Banks and Foreign Institutional Investors as may be decided by the Board in its absolute discretion at such time or times in one or more tranches and on such terms and conditions and in such manner as the Board may in its absolute discretion decide.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue/allotment of equity shares on preferential basis as it may in its absolute discretion deem fit and to finalise and execute all documents and writings as may be necessary."

For and on behalf of the Board

**M.P. Taparia**  
Chairman

**Registered Office :**  
612, Raheja Chambers,  
Nariman Point,  
Mumbai - 400 021.  
Dated : June 30, 1998

## NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. The Proxy Form should be lodged with the Company at the Registered Office at least 48 hours before the time of the Meeting.
2. An explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business at Item Nos.6 to 12 of the above Notice is annexed.
3. Register of Members and the Transfer Books of the Company will remain closed from Tuesday July 21, 1998 to Wednesday, July 29, 1998 (both days inclusive).
4. Members are requested to bring their copies of the Annual Report to the Meeting.

## ANNEXURE TO THE NOTICE

**Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 regarding Special Business.**

### Item No.6:

The Company has availed of following Term Loans from The Industrial Credit & Investment Corporation of India Limited ("ICICI")

- 1) Foreign Currency Term Loan of US\$2,000,000 (US Dollars Two million only) equivalent to Rs.730.00 lacs,
- 2) Long Term Rupee Loan of Rs.1095.00 lacs (Rupees One thousand ninetyfive lacs only) and
- 3) Medium Term Rupee Loan of Rs.1000.00 lacs (Rupees One thousand lacs only).

The said loans are to be secured by appropriate mortgage/charge in favour of ICICI over all or any of the immoveable or moveable properties of the Company wheresoever situate, present and future, as may be mutually decided between the Board of Directors and ICICI. The resolution at Item No.6 is considered necessary having regard to Section 293(1)(a) of the Companies Act, 1956.

The Directors commend the resolutions at Item No.6 for your approval.

None of the Directors of the Company except Shri G. Tripathi who is the nominee of ICICI on the Board of the Company, may be deemed to be in any way concerned or interested in the said resolution.

### Item No.7:

The Company has been availing credit facilities from Consortium of Banks to meet its working capital requirements. As required by the Banks, these credit facilities are to be secured by a second mortgage/charge on the Company's immoveable and moveable properties on pari-passu basis. The consent of the members is now being sought to create a second mortgage/charge on pari-passu basis with the existing second mortgages/charges on the Company's immoveable/moveable properties wheresoever situate both present and future, in favour of the leader of the Consortium of Banks for the Working Capital Facilities including fund and non fund based facilities sanctioned/to be sanctioned by the Consortium of Banks upto an aggregate amount of Rs.250.00 crores. The resolution at Item No.7 is considered necessary having regard to Section 293(1)(a) of the Companies Act, 1956.

The Directors commend the resolutions at Item No.7 for your approval.

None of the Directors of the Company, is in any way concerned or interested in the resolution.

**Item Nos : 8, 9 & 10**

The Company proposes to increase its Authorised Share Capital from Rupees One hundred fifteen crores to Rupees One hundred thirtyfive crores to enable issuance of fresh capital to part finance future project expenditure and for augmenting long term resources for working capital. The proposed authorised share capital would be as under :-

(Rupees)		
125000000	Equity Shares of Rs.10/- each	125,00,00,000.00
100000000	Redeemable Cumulative Preference Shares of Rs.10/- each	10,00,00,000.00
		<u>135,00,00,000.00</u>

The increase in the Authorised Share Capital requires the consent of the Members under Section 94 and other applicable provisions if any, of the Companies Act, 1956 (Item No.8). The increase in the Authorised Share Capital necessitates alteration to Clause V of the Memorandum of Association and Article 3(a) of the Articles of Association of the Company (Item Nos.9 & 10). The Directors therefore commend the resolutions set out at Item Nos. 8, 9 & 10.

None of the Directors may be deemed to be interested or concerned in the resolutions set out at Item Nos. 8, 9 & 10.

**Item Nos. 11 & 12:**

The Company has initiated steps to implement 3rd line of Polystyrene and also to further revamp its 2nd line production thereby increasing the installed capacity to 204000 TPA by the first half of the year 2000. The estimated cost of the scheme is Rs. 12000 lacs. In order to part finance this expansion, it is proposed to increase the capital of the Company by issuing upto 3,00,00,000 equity shares of the face value of Rs.10/- each at a premium of Rs. 2.50 aggregating Rs. 3750 lacs.

In view of the depressed capital markets and the carried forward losses of the Company, the Promoter Companies i.e. The Supreme Industries Limited and R.Raheja Investments Pvt. Ltd. (the Promoters) are agreeable to subscribing upto 1,50,00,000 equity shares of Rs.10/- each at a premium of Rs. 2.50 per share aggregating Rs. 1875 lacs. In accordance with the valuation guidelines prescribed by SEBI the Shares could have been issued at a price of Rs. 10/- per share. However, the Promoters are subscribing the shares at a price higher than that calculated by the SEBI guidelines. The terms of the issue will also be in line with other SEBI guidelines in this regard.

It is also proposed to issue upto 1,50,00,000 shares at a premium of Rs. 2.50 per share aggregating Rs. 1875 lacs to such Equity Funds/Mutual Funds/Venture Capital Funds/ Pension Funds, Indian Financial Institutions/Banks and Foreign

Institutional Investors as may be decided by the Board or a Committee thereof (hereinafter referred to as "the Board").

On full allotment the pre and post preferential issue shareholding of the proposed allottees would be as follows:

Proposed Allottees	No. of Pre Issue Shares	% of Paid-Up Capital	No. of Post Issue Shares	% of Enhanced Capital
The Supreme Industries Ltd.	18000000	23.80%	25500000	24.14%
R. Raheja Investments Pvt. Ltd.	18000000	23.80%	25500000	24.14%
Indian Fin. Institutions/ Banks/FIs & Funds	3599900	4.76%	18599900	17.61%

The resolutions set out at item Nos.11 & 12 are required having regard to the provisions of Section 81 (1A) of the Companies Act, 1956 ("the Act"). Section 81 (1A) of the Act inter alia provides that any further issue of shares other than issue of shares on Rights basis requires passing of a special resolution in general meeting. Hence, the resolutions at item nos. 11 & 12. Authority is also proposed to be given to the Board to decide the tranches and the terms at which such shares should be issued.

The Directors commend the resolutions for your approval.

Sarvarshi M. P. Taparia, S.J.Taparia, B.L.Taparia who are Directors of The Supreme Industries Limited and Sarvashri Rajan B. Raheja, Satish B.Raheja / M. Shankar Narayanan who are Directors of R. Raheja Investments Pvt. Ltd. may be deemed to be interested in the resolution at item no.11. The other Directors of the Company may be deemed to be concerned or interested to the extent of their shareholding in the Company if any.

Shri A.L. Bongriwar, Nominee of IDBI and Shri G. Tripathi Nominee of ICICI on the Board of the Company may be deemed to be interested in the resolution at item no. 12 to the extent of shares that may be allotted to IDBI and ICICI respectively. The other Directors of the Company may be deemed to be concerned or interested to the extent of their shareholding in the Company if any.

For and on behalf of the Board

**M.P. Taparia**  
Chairman

**Registered Office:**

612, Raheja Chambers,  
Nariman Point,  
Mumbai - 400 021  
Dated : June 30, 1998



## DIRECTORS' REPORT

To,

The Members,

Your Directors hereby present the Ninth Annual Report alongwith audited accounts for the financial year ended March 31, 1998.

### 1. FINANCIAL RESULTS

	Rupees in lacs
Income	31344.52
Operating Profit	2991.73
Less : Interest	2260.73
Cash Profit/(Loss)	731.00
Depreciation	689.55
Miscellaneous Expenditure Amortised	145.21
Profit/ (Loss) for the year	(103.76)
Provision for Tax (including wealth tax) for earlier years	17.32
Profit/ (Loss) after taxation	(121.08)

Keeping in view the above financial results your Directors do not recommend any Dividend for the year under review.

Your Company's working was adversely affected due to economic crisis in Asian countries coupled with the volatile exchange fluctuation in the latter part of the year 1997-98. The impact of these events was significant particularly when your Company was on the path of turnaround. Your Company's performance was also affected due to continued dumping of Polystyrene by exporters from certain countries.

### 2. OPERATIONS

- i) **Polystyrene Business :-** Operationally the year 1997-98 was satisfactory. Production increased to 72762 tons from 45902 tons in 1996-97. Total sales of 70925 tons was achieved during the year as against total sales of 50986 tons in the previous year. On the export front new markets for exports were developed in Europe, Russia, Middle East and Africa.

The production capacity was revamped to 84,000 from 66,000 tons in August'97 and production rate of 7,000 tons per month (100% of revamped capacity) was achieved from October'97. The revamping has not only increased the production capacity of the Company at a lower capital cost per ton but also reduced the cost per ton of production due to economies of scale.

During the year under review, high gloss high impact Polystyrene was produced and introduced in the market with success. The ESCR grade was further optimised and established for use in the new environment friendly blowing agents committed to be adopted by the refrigerator industry in a phased manner in the next 5 years.

The Ministry of Commerce, Government of India has vide notification dated 12/5/98 recommended levy of Anti-Dumping Duty on imports of Polystyrene from Korea RP, Taiwan, Japan and Malaysia. This measure will give a level playing field to your Company vis-a-vis the Polystyrene Exporters in the aforesaid countries and will help improve turnover and profitability of your Company.

ISO-14001 certificate has been awarded to your Company. This prestigious certificate is testimony to high operating standards and environment friendly systems adopted by your Company.

- ii) **Styrene Trading :-** As stated in our last report your Company set up a Styrene Trading division. This division performed satisfactorily with sales of 9251 tons of Styrene Monomer.

### 3. BORROWINGS

Your Company was sanctioned Rupee Loan of Rs.2095 lacs and Foreign Currency Loan of US\$ 2 million by The Industrial Credit & Investment Corporation of India Ltd. to part finance expansion of the Polystyrene capacity and also to meet your Company's long term fund requirements.

### 4. NEW PROJECTS

In the last Directors' Report it was reported that your Company through a revamping exercise would build in phases additional production capacity of 54000 tons by 2nd quarter 1998. We are pleased to inform you that first phase of revamp with additional capacity of 18,000 TPA was completed in the 2nd quarter of 1997-98 and the work on balance revamp is on schedule and shall be complete by 2nd quarter 1998-99. On completion of this phase of revamp your Company would have an installed capacity of 1,12,000 TPA. Your Company has initiated steps to implement 3rd line of Polystyrene with a capacity of 64,000 TPA. and to revamp the 2nd line to yield additional capacity of 28,000 TPA. at an estimated cost of Rs. 12,000 lacs. This capacity will be on stream in first half of year 2000. Your Company will thus have total installed capacity of 2,04,000 TPA including coloured Polystyrene of 5,000 TPA, at a total cost of Rs. 31000 lacs. This investment per ton outlay is quite competitive compared to any international plant.

### 5. ISSUE OF EQUITY SHARES ON PREFERENTIAL BASIS

As mentioned above, the Company is expanding its capacity to 2,04,000 TPA. To part finance this expansion the Company proposes to issue equity capital as may be finalised in consultation with the Financial Institutions. In view of depressed capital market conditions and the carried forward losses, it is proposed, subject to the necessary approvals, to offer upto 1,50,00,000 shares to the Promoter Companies viz. The Supreme Industries Limited and R.Raheja Investments Pvt.Ltd. and upto