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SUPREME PETROCHEM LTD

ANNUAL REPORT
2004-2005

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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. S. Ramachandran

Manoj Chhabra – Alternate Director to Satish Raheja

R. Kannan – ICICI Bank Ltd. 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 - 402 106

BANKERS:
State Bank of India
Central Bank of India
ICICI Bank Ltd.
IDBI Bank Ltd.
Indusind Bank Ltd.
The ING Vysya Bank Ltd.
The Karur Vysya Bank Ltd.
UTI Bank Ltd.

AUDITORS:
M/s. Parikh & Shah
Chartered Accountants

INTERNAL AUDITORS:
G.M. Kapadia & Co.
Chartered Accountants

REGISTRARS & TRANSFER AGENTS:
Karvy Computershare Private Limited
Karvy House,
46, Avenue 4, Street No. 1,
Banjara Hills,
Hyderabad – 500 034

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NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of **SUPREME PETROCHEM LTD** will be held at Indian Merchants' Chambers, Walchand Hirachand Conference Hall, IMC Marg, Churchgate, Mumbai 400 020 on Thursday, October 20, 2005 at 3.00 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 June 30, 2005.

2. To confirm the interim dividend of 12% paid on equity shares and to declare the same as the final dividend.

3. To appoint a Director in place of Shri A. H. Parpia, who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Shri Rajan B. Raheja, who retires by rotation and being eligible, offers himself for re-appointment.

5. To appoint a Director in place of Shri B. L. Taparia, who retires by rotation and being eligible, offers himself for re-appointment.

6. To appoint Statutory Auditors and fix their remuneration.

SPECIAL BUSINESS:

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

   "RESOLVED THAT Shri M. S. Ramachandran, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

8. 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 the creation by the Board of Directors of the Company of such mortgages, charges and hypothecations in addition to the existing mortgages, charges and hypothecations created by the Company as may be necessary on such of the assets of the Company both present and future, in such manner as the Board may direct, in favour of (i) Bharat Overseas Bank Limited (BOBL), (ii) Indian Bank (IB), (iii) State Bank of India (SBI), (iv) ICICI Bank Limited (ICICI), (v) ICICI Bank UK Limited (ICICI - UK), (vi) IDBI Bank Limited (IDBI) and (vii) ING Vysya Bank Limited (ING Vysya) to secure:

   (i) Rupee Term Loan of Rs.15.00 crs. availed from BOBL, (First Charge);

   (ii) Rupee Term Loan of Rs.20.00 crs. availed from IB, (First Charge);

   (iii) FCNR(B) FE Term Loan of Rs.10.00 crs. availed from SBI, (First Charge);

   (iv) Rupee Term Loan of Rs. 32.50 crs. to be availed from SBI (First Charge);

   (v) Guarantee Facility of Rs.49.31 crs. availed from ICICI, (First Charge);

   (vi) ECB of US$ 8.5 mio. availed from ICICI - UK (First Charge);

   (vii) Term Loan of US$ 6.0 million to be availed from IDBI (First Charge) and

   (viii) Rupee Term Loan of Rs.20.00 crs. availed from ING Vysya (Residual Charge)

   together with the interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company to BOBL, IB, SBI, ICICI, ICICI - UK, IDBI and ING Vysya under the respective Agreement/ Loan Agreement entered into/ to be entered into by the Company in respect of the said borrowings.

   RESOLVED FURTHER THAT the Board be and is hereby authorised to finalise with BOBL, IB, SBI, ICICI, ICICI - UK, IDBI and ING Vysya the documents for creating the aforesaid mortgages, charges and/or hypothecations and to accept any modifications to, or to modify, alter or vary, the terms and conditions of the aforesaid documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to the above resolution".

9. 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 immovable and movable properties of the Company wheresoever situate present and future, in favour of Consortium of Banks including State Bank of India (SBI); IDBI Bank Ltd (IDBI - B); Central Bank of India (CBI); ICICI Bank Ltd. (ICICI - B); ING Vysya Bank Ltd. (IVBL); The Karur Vysya Bank Ltd. (KVBL); UTI Bank Ltd. (UTI); Indusind Bank Ltd. (Indusind) and such other Banks as may be included in the Consortium from time to time in such manner and form as may be agreed to between the Banks and the Board in respect of the existing and future fund and non-fund based credit facilities upto an amount of Rs.600 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.

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RESOLVED FURTHER THAT the Board be and is hereby authorised to finalise with the Consortium of Banks the documents for creating the aforesaid mortgage and/or charge and to accept any modifications to or to modify, alter or vary the terms and conditions of the documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to the above resolution".

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

"RESOLVED THAT pursuant to Section 269, 310, 311, 198 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government, if required and such other approvals as may be necessary, consent of the Company be and is hereby accorded to the appointment of Shri N. Gopal as a Manager of the Company and to his being paid and provided remuneration, benefits and amenities as the Manager of the Company for the period April 04, 2005 to March 31, 2007 on the terms, conditions and stipulations contained in the Agreement dated May 09, 2005 entered into between the Company and Shri N. Gopal a copy whereof is placed before the meeting and for purpose of identification, is initialled by the Chairman.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution".

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

"RESOLVED THAT pursuant to the provisions of section 309, 314 and other applicable provisions if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such other approvals, permissions and sanctions as may be necessary and such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company or any Committee thereof, consent be and is hereby accorded to the payment of remuneration not exceeding Rs.5 lacs (Rupees five lacs only) per annum to Shri. M.S. Ramachandran, Director of the Company, in addition to the sitting fees for attending the meetings of the Board of Directors or any Committee thereof.

RESOLVED FURTHER THAT the Board be and is hereby authorised to decide the periodicity and amount of remuneration within the aforesaid limit and to take all such steps as may be necessary, proper or expeditent to give effect to this resolution".

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

"RESOLVED THAT all Non-Executive Directors of the Company be paid a sitting fees and out of pocket expenses for attending meeting of the Board of Directors or any Committee thereof, as may be determined by the Board of Directors, which amount shall not exceed Rs.20,000/- (Rupees Twenty Thousand only) per meeting per Director or such other ceiling as may be prescribed under the Companies Act, 1956 or by the Central Government in that behalf".

For and on behalf of the Board

M. P. Taparia
Chairman

Registered Office:
612, Raheja Chambers
Nariman Point
Mumbai – 400 021.

Date: July 26, 2005

NOTES

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.

An explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business at Item Nos. 7 to 12 of the above Notice is annexed.

Register of Members of the Company will remain closed from **Friday, October 07, 2005 to Thursday, October 20, 2005** (both days inclusive).

Members who hold shares in de-materialised form are requested to write their Client ID and DP ID Number and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.

Members who would like to avail payment of dividend through Electronic Clearing Service (ECS) are requested to fill up the Mandate Form provided in this Annual Report and mail it to the Company's Registrar and Share Transfer Agents - Karvy Computershare Private Limited, Karvy House, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034. The information provided by you will be kept confidential and would be utilised only for the purpose of effecting the payments meant for you.

Members are requested to bring their copies of the Annual Report to the Meeting.

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ANNEXURE TO THE NOTICE

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

ITEM NO.7:

Shri M. S. Ramachandran was appointed as an Additional Director under Section 260 of the Companies Act, 1956, at a meeting of Board of Directors held on July 26, 2005.

Shri M. S. Ramachandran shall hold office as a Director upto the date of the ensuing Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956 has been received from a member proposing the candidature of Shri M. S. Ramachandran for office of the Director of the Company.

Shri M. S. Ramachandran is the former Chairman of Indian Oil Corporation Limited. He attended Advanced Management programme from Ashridge Management College in Engand and IIM, Ahmedabad. He has also served as the Executive Director of the oil coordination committee. He is one of the foremost authorities on the Oil, Gas and Petrochemical Sector. He brings with him a wealth of knowledge and experience in Management of a fortune 500 Company.

The Directors commend the appointment of Shri M. S. Ramachandran in view of his extensive knowledge and rich industrial experience.

Shri M. S. Ramachandran may be deemed to be interested in the resolution.

ITEM NO.8:

The Company has been sanctioned/availed of following Term Loans;

(i) Rupee Term Loan of Rs.15.00 crs. from BOBL;

(ii) Rupee Term Loan of Rs.20.00 crs. from IB;

(iii) FCNR(B) FE Term Loan of Rs.10.00 crs. from SBI;

(iv) Rupee Term Loan of of Rs. 32.50 crs. from SBI;

(v) Guarantee Facility of Rs.49.31 crs. from ICICI;

(vi) ECB of US$ 8.5 mio. from ICICI - UK;

(vii) Term Loan of US$ 6.0 million from IDBI and

(viii) Rupee Term Loan of Rs.20.00 crs. from ING Vysya

to meet capital expenditure for revamp/expansion of its Polystyrene project and to augment long term resources of the Company.

The said Term Loans when availed of are to be secured by appropriate mortgage/charge in favour of respective financial institutions/banks on such of the assets of the Company both present and future, as may be decided by the Board of Directors. The resolution at item No.8 is considered necessary having regard to Section 293(1)(a) of the Companies Act, 1956.

The Directors commend the resolution at Item No.8 for your approval.

None of the Directors of the Company except Shri R. Kannan, who is a Nominee of ICICI Bank Limited on the Board of the Company may be deemed to be in any way concerned or interested in the resolution.

ITEM NO.9:

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 immovable and movable properties on pari-passu basis. The consent of the members is now being sought to create second mortgage/charge on pari-passu basis with the existing second mortgages/charges on the Company's immovable/ movable properties wheresoever situate both present and future in favour of the Banks for 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.600 crs. The resolution at Item No.9 is considered necessary having regard to Section 293(1)(a) of the Companies Act, 1956.

The Directors commend the resolution at Item No.9 for your approval.

None of the Directors of the Company except Shri R Kannan, who is a Nominee of ICICI Bank Limited on the Board of the Company may be deemed to be in any way concerned or interested in the resolution.

ITEM NO.10

The Board of Directors at their meeting held on April 19, 2005 have appointed Shri N. Gopal as Manager of the Company for the period April 04, 2005 to March 31, 2007 subject to approval of the Members of the Company and other statutory approvals as may be necessary.

The qualifications and experience of Shri N. Gopal together with the responsibilities entrusted to him have been taken into account by the Remuneration Committee of Directors which have recommended the following remuneration:

REMUNERATION:

(a) Not exceeding Rs.48,00,000/- per annum (inclusive of ex-gratia, if any).

In case, accommodation is provided to Shri N. Gopal by the Company, the same shall be valued as per the Income Tax Rules.

In case the Company does not provide accommodation to Shri N. Gopal he shall be entitled to House Rent Allowance. The value of the accommodation or the House Rent Allowance paid shall form a part of the remuneration stated above.

(b) The above remuneration may be increased by the Board (or any Committee thereof constituted for the purpose) in its discretion in one or more steps at any time or from time to time during the tenure of the Agreement.

(c) The remuneration shall not exceed the limits specified in

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Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for time being in force) or any amendment made thereto, without the approval of the Central Government.

Shri N. Gopal shall also be eligible for the following perquisites which shall not be included in the computation of the ceiling on remuneration specified above:

i) Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or together are not taxable under the Income Tax Act, 1961.

ii) Gratuity payable by the Company not exceeding half a months salary for each completed year of service.

iii) Encashment of Leave at the end of the tenure as per the rules of the Company.

The Company will provide a car to Shri N. Gopal and shall reimburse expenses incurred by him for use of and repairs to the car. The Driver's salary shall also be reimbursed to Shri N. Gopal as per the rules of the Company.

The Company shall provide a telephone at the residence of Shri N. Gopal. Personal long distance calls on telephone shall be billed by the Company to Shri N. Gopal.

Shri N. Gopal shall be entitled to reimbursement of all actual expenses, including entertainment and traveling, incurred in the course of the Company's business.

Shri N. Gopal shall be entitled to Earned/Privilege Leave on full pay and allowances as per Rules of the Company.

In the event of absence or inadequacy of profits of the Company for any year, Shri N. Gopal shall be entitled to the aforesaid remuneration and reimbursement of expenses during the currency of this Agreement.

Statement of Information as required under schedule XIII of the Companies Act, 1956:

I. General Information:

1. Nature of Industry : Manufacture and sale of Polystyrene.

2. Date of Commencement of Commercial Production : October 01, 1995.

3. Financial Performance

	2002-03	2003-04	2004-05
			(Rs. In lacs)
Gross Sales	84835.61	116126.69	143510.06
Profit before Tax	2741.62	3364.85	6121.31
Net Profit	1264.61	1893.11	3661.07
4. Export Performance	: 19344.03	34861.52	56288.65
Net Foreign Exchange Earnings	: 19175.52	34656.50	56086.51

5. Foreign Investment or Collaborators, if any : ABB Lummus Global Inc (USA) (Technical Collaboration)

II. Information about the Appointee:

1. Background Details : Shri N. Gopal is B-Tech (in Chemical Engineering) from Madras University and M. Sc., DIC (Advanced Chemical Engineering) from Imperial College, London. He has 35 years experience in the Petrochemicals field having worked with Companies like ICI Petrochemicals Division, U. K., Indian Petrochemical Corporation Limited (IPCL) and Reliance Industries Limited (Reliance). At IPCL and Reliance he was actively involved in the project implementation.

2. Past Remuneration : Rs.36.00 lacs p.a. + Perquisites and other benefits.

3. Recognition or Award : --

4. Job profile and his suitability : Shri N. Gopal shall have over all responsibility for the day to day operations of the Company's plant, supply chain management and project implementation subject to the direction, superintendence and control of the Board of Directors. Shri N. Gopal has 35 years experience in the petrochemical industry.

He joined the Company in 1991 as Sr. Vice President (Projects & Operations) and was in fact the first employee of the Company. He was instrumental in setting up the Company's grass root Polystyrene plant with a capacity of 66000 TPA which has since been successfully revamped/ expanded to increase the capacity to 204000 TPA, Shri N. Gopal is part of the top management team and his contributions have been vital to the successful implementation of the Company's operating plans.

5. Remuneration Proposed : As given above in the explanatory statement.

6. Comparative remuneration profile with respect to industry, size of Company, profile of the position and person (in case of Expatriates the relevant details would be w.r.t. the country of his origin) : Your Company is the largest domestic manufacturer of Polystyrene and has a domestic market share of about 50%. It has customers in 75 countries across the globe. The proposed remuneration is comparable with other Companies of similar size and nature.

7. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any : No pecuniary relationship apart from remuneration drawn from the Company. No relationship with managerial personnel.

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III. Other information:

1. Reasons of loss or inadequate profits : N. A.
2. Steps taken or proposed to be taken for improvement : N. A.
3. Expected increase in productivity and profits in measurable terms : N. A.

The Agreement with Shri N. Gopal can be inspected at the Secretarial Department of the Company at 17/18, Shah Industrial Estate, Veera Desai Road, Andheri (West), Mumbai 400 053 between 11.00 a.m. to 5.00 p.m. on any working day from Monday to Friday.

The Directors commend the resolution at Item No.10 for your approval.

None of the Directors of the Company may be deemed to be in any way concerned or interested in the resolution.

ITEM NO.11

Shri M. S. Ramachandran, by virtue of his knowledge of and experience in all aspects of the petrochemical & petroleum industry is an valuable addition to the Company's Board. The Company will benefit immensely from his advice and help in raw material procurement, accessing global markets and in strategising future plans. To compensate for the demands on his time and the contributions made by him, it is proposed to pay a remuneration of Rs.5 lacs p.a. to Shri M.S. Ramachandran.

Under the Provisions of Section 309 & 314 of the Companies Act, 1956, matters regarding payment of remuneration to Directors require the approval of members of the Company by way of Special Resolution.

The Special Resolution for payment of remuneration to Shri M. S. Ramachandran is therefore placed before the members for their consideration and approval.

The Directors commend the resolution at item No. 11 for your approval.

None of the Directors of the Company except Shri M.S. Ramachandran may be deemed to be in any way concerned or interested in the resolution.

ITEM NO.12

Consequent to amendments in Clause 49 of the Listing Agreement with the Stock Exchanges, payment of sitting fees and out of pocket expenses for all Non-Executive Directors for each meeting of the Board of Directors or any Committee thereof requires prior approval of the members.

The Special Resolution for payment of sitting fees and out of pocket expenses to Directors is therefore placed before the members for their consideration and approval

The Directors commend the resolution at Item No.12 for your approval.

All the Non-Executive Directors of the Company may be deemed to be concerned or interested in the Special Resolution.

For and on behalf of the Board

M. P. Taparia
Chairman

Registered Office:
612, Raheja Chambers
Nariman Point
Mumbai – 400 021.
Date: July 26, 2005

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DIRECTORS' REPORT

Your Directors are pleased to present the Sixteenth Annual Report alongwith Audited Accounts of your Company for the financial year ended June 30, 2005.

1. FINANCIAL RESULTS

(Rupees in lacs)

	2004 -2005	2003 -2004
Income (Net of Excise)	134703.46	108861.02
Operating Profit	9934.58	6691.77
Cash Profit/(Loss)	**8252.92**	**4983.87**
Profit for the year	6121.31	3364.85
Provision for tax	(492.50)	(264.59)
Deferred Tax Liability (Net)	(1967.74)	(1207.15)
Profit after tax	3661.07	1893.11
Prior period adjustments	(0.91)	(3.08)
Balance brought forward from Previous Year	202.50	(740.04)
Amount available for appropriation	**3862.66**	**1149.99**
Appropriation thereof:		
Dividend on preference shares (including corporate dividend tax)	-	65.44
Dividend on equity shares (including corporate dividend tax)	1334.26	882.05
Transfer to general reserve	1500.00	-
Balance carried forward	1028.40	202.50

During the year under review your Directors declared interim dividend of 12% on the Equity Shares. Your Directors have recommended that this Dividend of 12% be treated as the final dividend.

2. FINANCE

Continuing the programme for reducing cost of capital your Company negotiated fresh terms with existing lenders and in some cases have repaid the existing loans by borrowing fresh loans at lower cost to bring down cost of capital.

During the year under review your Company forfeited 24500 Equity Shares on which allotment money had remained unpaid since 1994. These shares were subsequently reissued to the Company's employees.

Your Company is in the process of finalising loans from institutions/banks for borrowing of Rs.8000 lacs for its capital expenditure schemes viz. construction of minor port, revamp and debottlenecking of Polystyrene capacity to 3,00,000 TPA and EPS plant with a capacity of 60,000 TPA.

3. FOREIGN EXCHANGE SAVINGS AND CONTRIBUTION TO EXCHEQUER

Your Company contributed Rs.11610 lacs (net) to the foreign exchange savings of the nation on account of import substitution/exports. During the year under review your Company paid Rs.17013 lacs in indirect taxes/duties.

4. ISO CERTIFICATION

Your Company continues to be certified with ISO 9001:2000, Environmental Management System ISO 14001:1996 and with OHSAS 18001 Specification by BVQI certifications. Your Company is also a signatory to Responsible Care and is taking active steps in implementation and maintenance of all the applicable codes under Responsible Care.

5. HEALTH & SAFETY

Your Company has continued the implementation of HSE Management Systems under the guiding principles of declared 'Health and Safety Policy' and 'Environmental Policy'. Both the Environmental Management System & Occupational Health and Safety Management Systems are continued to be maintained as per ISO 14001 standard and OHSAS 18001 Specification respectively. HSE performance index for the period under review continued to be in excellent range. The Company has completed 1721 accident free days and 37,35,463 accident free man-hours as on June 30, 2005.

6. DIRECTORS

Shri Aziz Parpia, Shri Rajan B. Raheja and Shri B. L. Taparia, Directors of the Company retire by rotation and being eligible offer themselves for re-appointment.

Shri M. S. Ramachandran was appointed as an Additional Director on July 26, 2005 and a notice in writing under Section 257 of the Companies Act, 1956 has been received from a member proposing the candidature of Shri M. S. Ramchandran for office of the Director of the Company. Shri M. S. Ramachandran is the former Chairman of Indian Oil Corporation Limited and is one of the foremost authorities on the Oil, Gas and Petrochemicals sectors. He has recently been honoured by induction into the Hall of Fame at the Chemtech Pharma Bio Award Function in April 2005. The election of Shri M. S. Ramachandran as a director of the Company forms part of the agenda for the forthcoming Annual General Meeting.

During the year under review Shri N. Chander, Nominee of IDBI resigned from your Company's Board w. e. f. November 19, 2004. Nomination of Shri S. C. Bhatia from your Company's board was withdrawn by ICICI w.e.f. July 19, 2005. Your Directors place on record their appreciation of the contributions of these Directors during their term as Nominee Directors.

Shri R. Kannan has been nominated as the Nominee Director of ICICI Bank Ltd. on your Company's Board in place of Shri S. C. Bhatia. Shri R. Kannan was formerly General Manager of ICICI Bank Ltd., in charge of the Oil & Gas division. He is currently Director of the Institute of Financial Management and Research, Chennai and is considered as an expert in the Oil, Gas & Petrochemical industry.

Your Company welcomes Shri M. S. Ramachandran and

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Shri R. Kannan on the board and are sure that their experience and knowledge will be of immense help to the Company.

A brief resume of the Directors eligible for re-appointment is given in the report on Corporate Governance.

7. **DIRECTORS' RESPONSIBILITY STATEMENT**

Your Directors confirm that:

(i) in the preparation of the annual accounts, applicable accounting standards have been followed, with proper disclosure of any departures;

(ii) the accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year;

(iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) that the Directors have prepared the accounts on a going concern basis.

8. **CORPORATE GOVERNANCE**

Pursuant to clause 49 of the listing agreement with the stock exchanges, your Company has implemented Corporate Governance practices during the period. A separate section titled corporate governance has been included in this annual report. The compliance of "Corporate Governance" conditions has also been certified by the Auditors and the same is annexed to the report on Corporate Governance.

9. **TRANSFERS TO INVESTOR PROTECTION FUND**

Your Company has transferred the interest on non-convertible debentures for the year 1998 to the Investor Protection Fund. In the aggregate an amount of Rs. 37.85 lacs has been transferred till date.

The unclaimed interest on debentures paid on January 1, 1999 will be due for transfer to the fund on February 1, 2006. Investors who have not yet claimed interest amount are requested to contact the Secretarial Department of the Company.

10. **FIXED DEPOSIT SCHEME**

The outstanding fixed deposits as on June 30, 2005 were Rs.601.29 lacs. There were 54 due but unclaimed deposits aggregating Rs.8.11 lacs out of which 17 deposits aggregating Rs.3.54 lacs have been paid as on the date of this report. There are no claimed and unpaid deposits.

11. **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO**

Information as per Section 217(1)(e) of the Companies Act, 1956 read together with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is Annexed hereto forming part of this report.

12. **PERSONNEL**

Excellent relations were maintained throughout the year. The Directors place on record its appreciation of the continuous efforts put in by all the employees to consolidate and improve the operations of your Company.

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of 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.

13. **AUDITORS**

The retiring auditors M/s. Parikh & Shah, Chartered Accountants having furnished the necessary certificate u/s. 224(1-B) of the Companies Act, 1956 are eligible for re-appointment.

The members are requested to re-appoint the auditors. There are no qualifications or adverse remarks in the auditors report.

14. **DELISTING OF SECURITIES**

As informed last year your Company's securities have been delisted from Ahmedabad and Delhi Stock Exchanges. Your Company had also applied for delisting to Stock Exchange Kolkata in December 2003. However the delisting intimation is awaited inspite of rigorous followup.

15. **ACKNOWLEDGEMENT**

The Directors take this opportunity to thank Banks and Financial Institutions, for the guidance and support. The Directors are also thankful to Suppliers, Customers and other Business Associates for their continued co-operation and support extended to your Company.

For and behalf of the Board

M. P. Taparia
Chairman

Place : Mumbai
Date : July 26, 2005

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ANNEXURE I TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES DISCLOSURE OF PARTICULARS IN THE REPORT OF THE (BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED JUNE 30, 2005.

A. CONSERVATION OF ENERGY

Your Company has embarked on an on-going programme for Energy Conservation, the results of which are evident from the substantial reduction in unit energy consumption.

Your Company was recognised with a 1st prize for its efforts in Energy Conservation and Management among Petrochemicals Industries at State level by the Maharashtra Government.

B. TECHNOLOGY ABSORPTION

Product offerings from the Company are continuously upgraded and optimized to meet the ever increasing demand of the processing sector.

A broad range of speciality Polystyrene grades (Flame Retardent / Toughened Polystyrene / Custom Coloured Polystyrene etc.) have been successfully commercialized. The above grades are well received in the domestic / export markets. The range of grades is further widened with new alloys and blends.

ANNEXURE

FORM A

Form for disclosure of particulars with respect to conservation of energy.

A. Power and fuel consumption

	Current Year July 01, 2004 to June 30, 2005
1. Electricity	
(a) Purchased	
Units (KWH)	28930000
Total amount (Rs. Lacs)	961.67
Rate/unit (Rs.)	3.32
(b) Own Generation	
Through diesel generator	
Unit (KWH)	34806
Unit per ltr. of diesel oil	1.86
Cost/Unit	**15.29
2. Furnace Oil	
Quantity (MT)	1878.462
Total amount (Rs. Lacs)	212.79
Average rate (Rs. per Kg.)	11.33
3. Other/internal generation – P S Purge	
Quantity (MT)	245.974
Total cost	-
Rate per unit	-

B. Consumption per unit of production

	Current Year	Previous Year
Product (POLYSTYRENE) (MT)	*184930	*177516
Electricity (KWH/MT)	*156.63	*169.12
Furnace Oil (Kgs/MT)	10.38	10.10
Others - P. S. Purge (Kgs/MT)	1.36	2.52

* Including Speciality Polystyrene
** On Standby Mode

For and on behalf of the Board

M. P. Taparia
Chairman

Place : Mumbai
Date : July 26, 2005

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