



SUPREME PETROCHEM LTD

ANNUAL REPORT
2006-2007

BOARD OF DIRECTORS:

M. P. Taparia, Chairman
 Rajan B. Raheja
 A. H. Parpia
 B. L. Taparia
 Satish B. Raheja
 S. J. Taparia
 Hasmmukh Shah
 M. S. Ramachandran
 R. Kannan – ICICI Bank Ltd. Nominee
 Nihalchand Chauhan

REGISTERED OFFICE:

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

CORPORATE OFFICE:

Solitaire Corporate Park,
 Building No. 11, 5th Floor,
 Andheri-Ghatkopar Link Road,
 Andheri (East), Mumbai - 400 093

PLANT:

Amdoshi,
 Wakan Roha Road,
 Post : Patansai,
 Taluka Roha,
 Dist. Raigad, Maharashtra - 402 106

BANKERS:

State Bank of India
 Abn-Amro Bank N. V.
 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
 17-24, Vithalrao Nagar,
 Madhapur,
 Hyderabad – 500 081

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NOTICE

NOTICE is hereby given that the Eighteenth 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 04, 2007 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, 2007.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri Hasmukh Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri A. H. Parpia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri M. S. Ramachandran, 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 a Special Resolution the following:
 "RESOLVED THAT pursuant to Section 198, 269, 310, 311, 387 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 02, 2007 to March 31, 2009 on the terms, conditions and stipulations contained in the Agreement dated June 26, 2007 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 of Directors of the Company be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution".

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

"RESOLVED THAT approval be and is hereby given pursuant to the provisions of Section 149(2-A) of the Companies Act, 1956 to the commencement by the Company of a new business, provided in Clause 59 of the Memorandum of Association of the Company viz. to promote and undertake the promotion of any subsidiary company or other companies for any purpose which may seem directly or indirectly calculated to benefit this company".

For and on behalf of the Board

M. P. Taparia
Chairman

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

Date: August 09, 2007

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 No. 7 and 8 of the above notice is annexed.

Register of Members of the Company will remain closed from **Thursday, September 20, 2007 to Thursday, October 04, 2007** (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 are requested to avail Electronic Clearing Service (ECS) for receipt of dividend. Please contact Company's Registrar and Share Transfer Agents - Karvy Computershare Private Limited, 17-24, Vithalrao Nagar, Madhapur, Hyderabad-500 081.

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



SUPREME PETROCHEM LTD

ANNEXURE TO THE NOTICE

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

ITEM NO. 7:

The Board of Directors at their meeting held on April 24, 2007 have appointed Shri N. Gopal as Manager of the Company for the period April 02, 2007 to March 31, 2009 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 has recommended the following remuneration:

REMUNERATION:

- (a) Not exceeding Rs.82,00,000/- 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 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:

- 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.
- Gratuity payable by the Company not exceeding half a months salary for each completed year of service.
- 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	: 2004-2005	2005-2006	2006-2007
			(Rs. In lacs)
Gross Sales	143510.06	152217.26	161103.74
Profit before Tax	6121.31	2759.58	4730.52
Net Profit	3661.07	1653.31	3324.87
4. Export Performance	: 56288.65	66323.55	66784.86
Net Foreign Exchange Earnings	(48349.86)	(48440.86)	(58747.56)
5. Foreign Investment or Collaborators, if any	: ABB Lummus Global Inc (USA) (Technical Collaboration)		

II. Information about the Appointee:

- 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 38 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.60.00 lacs p.a. + perquisites and other benefits.
3. Recognition or Award : —
4. Job profile and his suitability : Shri N. Gopal shall have overall 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 38 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 272000 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 80 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.

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 Solitaire Corporate Park, Building No. 11, 5th Floor, Andheri-Ghatkopar Link Road, Andheri (East), Mumbai 400 093 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.7 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. 8:

The rate and pace of the economic growth in India has opened up new avenues for your Company for investment in projects which are directly or indirectly calculated to benefit your Company. Your Company proposes to promote/invest in such companies.

Clause 59 of the Memorandum of Association allows the Company to undertake these activities, however, authorization u/s. 149(2-A) of the Companies Act, 1956 is required for commencement of any new business from the 'other objects' of the Memorandum.

This is an enabling resolution and your Directors commend the resolution at Item No. 8 for your approval.

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

For and on behalf of the Board

M. P. Taparia
Chairman

Registered Office:

612, Raheja Chambers
Nariman Point
Mumbai – 400 021.

Date : August 09, 2007



SUPREME PETROCHEM LTD

DIRECTORS' REPORT

Your Directors are pleased to present the Eighteenth Annual Report alongwith Audited Accounts of your Company for the financial year ended June 30, 2007.

1. FINANCIAL RESULTS

(Rupees in lacs)

	2006 -2007	2005-2006
Income (Net of Excise)	149484.71	142379.96
Operating Profit	8522.92	6434.92
Cash Profit/(Loss)	6449.61	4421.81
Profit for the year	4746.73	2752.28
Provision for tax	(1700.00)	(42.50)
Deferred Tax	181.72	(1063.14)
Profit after tax	3228.45	1646.64
Prior period adjustments	96.42	6.67
Balance brought forward from Previous Year	1069.82	1028.40
Amount available for appropriation	4394.69	2681.71
Appropriation thereof:		
Dividend on equity shares (including corporate dividend tax)	1140.85	1111.89
Transfer to general reserve	1000.00	500.00
Balance carried forward	2253.84	1069.82

Your Directors recommend a dividend of 10% for the year 2006-2007.

2. REVIEW OF OPERATIONS

The Polystyrene market grew marginally in the domestic market segment during the year under review. However, the high price regime on account of high Styrene Monomer prices kept the margins under pressure. On the export front your Company concentrated only on those markets which gave a better netback. This resulted in lower exports during the year compared to the previous year.

Your Company received an in principle approval from Ministry of Commerce to establish sector specific Special Economic Zone for processing of plastic products. Your Company is in the process of acquisition of approx. 500 acres of land for its SEZ project in District Raigad, Maharashtra through MIDC.

3. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review as stipulated under clause 49 of the Listing Agreement with Stock Exchanges is presented separately forming part of the Annual Report.

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. 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.

Your Company has achieved following recognitions and awards during the year under review:

National Safety Award (Winner under longest Accident Free Period), from Ministry of Labour & Employment, Government of India.

Maharashtra Safety Council Award - First prize for lowest Accident Frequency Rate from National Safety Council, Maharashtra Chapter.

Maharashtra Safety Council Award - First Prize for longest Accident Free Period from National Safety Council, Maharashtra Chapter.

Suraksha Puraskar, from National Safety Council of India.

First & Second Prize in State Level Fire Drill Competition from Director, Maharashtra Fire and Emergency Services and Fire Advisor, Mumbai.

Best Fireman of the year Award, from Director, Maharashtra Fire and Emergency Services and Fire Advisor, Mumbai.

Second Prize at State Level Award for Excellence in Energy Conservation and Management from Maharashtra Energy Development Agency.

Greentech Environment Excellence Silver Award from Greentech Foundation, New Delhi.

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 year under review stood to be in excellent range.

The Company has completed 2449 accident free days and 6022367 accident free man-hours as on June 30, 2007.

6. DIRECTORS

Shri Hasmukh Shah, Shri A. H. Parpia and Shri M. S. Ramachandran, Directors of the Company retire by rotation and being eligible offer themselves for re-appointment.

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

7. SUBSIDIARY COMPANY - SPL POLYMERS LIMITED

- Name of the subsidiary Company has changed to SPL Polymers Limited (formerly known as Shin Ho Petrochemical (India) Limited) w.e.f. January 07, 2007.



- (ii) There was a major fire on June 10, 2007 in the drying and bagging section of the subsidiary Company which caused disruption of operations and damage to the structure of the said Company. Assets are adequately insured. Your Directors are however pleased to inform that there was no loss of life or injury to any person.
- (iii) The Ministry of Corporate Affairs, Government of India by letter dated August 03, 2007 has exempted your Company from attaching a copy of the Balance Sheet and the Profit and Loss Account of the subsidiary company and other documents required to be attached under Section 212(1) of the Companies Act, 1956 to the Annual Report of your Company. Accordingly, the said documents are not being attached with the Balance Sheet of the Company. A gist of the financial performance of the subsidiary company is contained in the report. The Annual Accounts of the subsidiary are open for inspection by any member/investor and the Company will make available these documents/details upon request by any Member of the Company or to any investor of its subsidiary who may be interested in obtaining the same. Further, the annual accounts of the subsidiary company will also be kept for inspection by any investor at the Corporate Office of the Company and that of the subsidiary Company.
- (iv) Consolidated Group Accounts comprising of consolidated balance sheet of Supreme Petrochem Ltd and its subsidiary as at June 30, 2007, the consolidated profit and loss account and the consolidated cash flow statement of the group for the year ended on that date are annexed in accordance with Accounting Standard 23.
- (v) SPL Polymers Limited has reported a loss of Rs.129.79 lacs for the year ended June 30, 2007.

8. MERGER OF SPL POLYMERS LIMITED WITH SUPREME PETROCHEM LTD

Your Directors at the Meeting held on August 09, 2007 have approved in principle and subject to requisite approvals, the proposal to merge the subsidiary Company viz. SPL Polymers Limited with your Company. M/s. G. M. Kapadia & Co., Chartered Accountants have been appointed as valuers to value the shares to arrive at the share exchange ratio. SPL Polymers Limited is engaged in the business of manufacturing Expandable Polystyrene (EPS). The business of SPL Polymers Limited and your Company are complementary to each other and there exist operational synergies in integration of the business.

The domestic as well as international market for EPS is growing well. Your Company is therefore proposing to set up EPS production facilities at its plant near Nagothane. In view of SPL's increased focus on EPS and also considering SPL Polymers Limited's need for more management and financial resources it is considered that the merger will be beneficial to both. This will help in faster revival of the subsidiary. The proposed merger will therefore help in integrating, purchase, marketing, finance and personnel functions leading to efficiencies in running the business.

9. 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.

10. 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.

11. TRANSFERS TO INVESTOR EDUCATION AND PROTECTION FUND

Your Company has transferred the unclaimed interest on non-convertible debentures paid on January 01, 2000 and the unclaimed amounts of the first instalment of Debenture redemption paid on April 22, 2000 to the Investor Education and Protection Fund. In the aggregate an amount of Rs. 88.18 lacs has been transferred till date.

The unclaimed interest on debentures paid on January 01, 2001 will be due for transfer to the fund on February 01, 2008, whereas the unclaimed amounts of second instalment of Debentures, redeemed in April 22, 2001 will be due for transfer to the fund on May 22, 2008. Investors who have not yet claimed interest amount or the redemption amount are requested to contact the Secretarial Department of the Company.

12. FIXED DEPOSIT SCHEME

The outstanding fixed deposits as on June 30, 2007 were Rs.498.97 lacs. There were 86 due but unclaimed deposits aggregating Rs.14.42 lacs out of which 10 deposits aggregating Rs.1.17 lacs have been paid as on the date of this report. There are no claimed and unpaid deposits.

13. 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.



SUPREME PETROCHEM LTD

14. PERSONNEL

Excellent relations were maintained throughout the year. The Directors place on record their 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.

15. 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.

16. DELISTING OF SECURITIES

Your Company had applied for delisting to Stock Exchange Kolkata in December 2003. However the delisting intimation is awaited inspite of rigorous follow-up.

17. 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 on behalf of the Board

M. P. Taparia
Chairman

Place : Mumbai
Date : August 09, 2007

Report  junction.com



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, 2007.

A. CONSERVATION OF ENERGY

Your Company has embarked on an on-going programme for Energy Conservation.

Your Company was recognised with a 1st prize for its efforts in Energy Conservation and Management among Petrochemical 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.

SPL's enhanced product basket now consists modified Polystyrene range, Masterbatches and olefinic compounds.

ANNEXURE - FORM A

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

A. Power and fuel consumption

Current Year
July 01, 2006 to
June 30, 2007

1. Electricity	
(a) Purchased	
Units (KWH)	28137000
Total amount (Rs. Lacs)	1192.60
Rate/unit (Rs.)	4.24
(b) Own Generation	
Through diesel generator	
Unit (KWH)	141102
Unit per ltr. of diesel oil	2.99
Cost/Unit	12.96
2. Furnace Oil	
Quantity (MT)	1702.892
Total amount (Rs. Lacs)	264.97
Average rate (Rs. per Kg.)	**15.50
3. Other/internal generation - P S Purge	
Quantity (MT)	221.908
Total cost	—
Rate per unit	—

B. Consumption per unit of production

	Current Year	Previous Year
Product (POLYSTYRENE) (MT)	*185590	*212798
Electricity (KWH/MT)	*152.37	*145.91
Furnace Oil (Kgs/MT)	9.18	9.78
Others - P. S. Purge (Kgs/MT)	1.20	1.42

* Including Speciality Polystyrene

** On Standby Mode

For and on behalf of the Board

M. P. Talaria
Chairman

Place : Mumbai
Date : August 09, 2007



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Supreme Petrochem Ltd (SPL) is the largest Polystyrene manufacturer in India with an installed capacity of 272000 TPA. No new Polystyrene capacities were added during the period under review hence the domestic installed capacity remains at 462000 TPA of which SPL has a share of 59%.

Polystyrene prices remained high during the year as a consequence of high raw material prices fuelled by the tight SM/Benzene supply position which is likely to continue upto mid 2008. As a result the domestic Polystyrene market remained stagnant during the year under review. However with the rising GDP and price of competing raw materials the domestic Polystyrene market is estimated to grow @ 8-10% during the year 2007-2008. The sectors driving this growth would be CTV, consumer durables, stationery items, retail, food packaging and insulation of new buildings. Moreover, there is good potential for exports of products made out of various polymers including polystyrene from India which should contribute to the growth of Polystyrene business in India in the coming years. The plant load factors on global basis may see improvement in the coming years due to the mothballing of Polystyrene plants in North America and Western Europe.

Your Company manufactures alloys/blends/compounds as value added extension to its Polystyrene business. Your Company has had good success during the year in products such as Modified Polystyrene, Masterbatches and olefinic compounds.

Your Company in association with industry bodies is following up with the Government for the mandation of insulation in construction as followed by many countries including European Union. This will give a boost to the demand for Polystyrene (XPS) and Expandable Polystyrene (EPS).

NEW PROJECTS

Special Economic Zone - SEZ

Your Company having received in principle approvals from both, the State Government and Ministry of Commerce for setting up sector specific special economic zone for plastic processing sector in District Raigad, Maharashtra is now in the process of acquisition of approx. 500 acres of land through MIDC. A separate company viz. SPL Industrial Park Limited has been floated to implement this project.

Minor Port

The Company had acquired most of the required land needed for the project and actual construction of the jetty was to begin by the end of last year. However the Government of Maharashtra notified this land for some other projects therefore the work could not proceed. The GOM after hearing your Company has now agreed to denotify the land needed for the

minor port and the process of denotification is in progress. The work will be taken up as soon as the land including land for approach road is denotified.

Expandable Polystyrene (EPS)

The proposed expansion in the EPS capacity to 20,000 tons of SPL Polymers Ltd. your Company's subsidiary is being taken up on a priority basis. The setting up of the EPS plant at your Company's existing site at Amdoshi near Nagothane is also continuing. The EPS plant at our existing site at Amdoshi is now likely to be commissioned by last quarter 2008.

Specialty Polystyrene (SPS)

One of the Specialty Polystyrene lines has been revamped to produce value added products like Master Batches for PE & PP film & injection moulding segments, as well as reinforced Polypropylene for Automotive industry.

Initial response from customers for these products has been excellent from quality point of view. Based on this success, plans have been drawn for further enhancing capacity by installing a new line for manufacturing of wide variety of Master Batches as well as PP compounds. Initiatives have also been taken to get our facilities approved under TS 16949, a Quality Management System which is mandatory for participating in Automotive segment.

Expanded Polystyrene (XPS)

Expanded Polystyrene (XPS) board is emerging as an important insulation medium for residential as well as commercial buildings all over the world due to renewed efforts for environmental protection by reducing emission of greenhouse gases. Your Company proposes to set up a plant with a capacity of 5000 TPA for producing XPS board at its existing plant site at Amdoshi, Maharashtra. Necessary plant and equipment are being finalised and the plant is expected to be commissioned by third quarter 2008.

FINANCE

Interest rates hardened during the year under review. Your Company however managed to maintain the interest outgo during the financial year 2006-2007 by not resorting to expensive working capital borrowing from banks and also by meeting the needs from funds generated out of operations.

SPL continues to be rated by Fitch Credit Rating Agency for issue of commercial paper with rating of F1 (indicating strongest credit quality and capacity for timely payment of financial commitments). Dun & Bradstreet has given your company a composite credit approval rating of 2 (two) indicating a good standing.

OUTLOOK

Polystyrene consumption is linked to growth of GDP and with GDP growth likely to exceed 10% in the coming years the demand for Polystyrene may also see a robust growth. The domestic growth is expected from sectors like consumer durables, stationery and writing instruments, CTV, food