



SUPREME PETROCHEM LTD

**ANNUAL REPORT
2010-2011**



BOARD OF DIRECTORS :

M. P. Taparia, Chairman
 Rajan B. Raheja
 Aziz Parpia
 B. L. Taparia
 Satish B. Raheja
 S. J. Taparia
 Hasmukh Shah
 M. S. Ramachandran
 R. Kannan
 Nihalchand Chauhan
 Viren Raheja - Alternate Director to Satish B. Raheja

REGISTERED OFFICE :

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

CORPORATE OFFICE :

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

PLANTS :

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

Ammulavoyil Village,
 Andarkuppam Post, Manali New Town,
 Chennai - 600 103, Tamil Nadu.

BANKERS :

State Bank of India
 AXIS Bank Ltd.
 Central Bank of India
 ICICI Bank Ltd.
 IDBI Bank Ltd.
 Indusind Bank Ltd.
 ING Vysya Bank Ltd.
 The Karur Vysya 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, Vittalrao Nagar,
 Madhapur,
 HYDERABAD - 500 081

CONTENTS

Notice	01
Directors' Report	04
Management Discussion and Analysis	07
Corporate Governance	10
Auditors' Report	19
Balance Sheet	22
Profit & Loss Account	23
Schedules 1 to 13	24
Cash Flow Statement	36
Balance Sheet Abstract	37



SUPREME PETROCHEM LTD

SUPREME PETROCHEM LTD

Performance Highlights

₹ Lacs unless indicated otherwise

	2006-07	2007-08	2008-09	2009-10	2010-11
Net Sales	149484.71	148127.40	139496.39	161184.41	194349.48
Other Income	859.38	322.55	297.48	270.93	411.35
Total Income	150344.09	148449.95	139793.87	161455.34	194760.83
Operating Profit (PBITD + Misc. Exp. W/Off)	8522.92	6147.02	7342.36	12718.60	16262.17
Interest	2073.31	1630.57	1801.20	1631.91	1380.18
Gross Profit	6449.61	4516.45	5541.16	11086.69	14881.99
Depreciation/Amortisation	1702.88	1758.50	2040.60	2068.29	2037.01
Profit Before Tax & Exceptional items	4746.73	2757.95	3500.57	9018.40	12844.98
Net Profit	3324.87	2257.31	1918.44	6047.49	8769.07
Paid up Equity Capital	9751.28	9837.65	9683.86	9683.86	9683.86
Reserves and Surplus	7283.62	9010.53	9941.24	13966.84	19584.55
Shareholders' Funds	17034.90	18848.18	19625.10	23650.70	29268.41
Loans	14271.67	13972.63	13771.62	15510.66	16641.98
Deferred Tax Liability (Net)	4754.63	4419.65	4555.14	4349.29	4096.64
Capital Employed	36157.63	37294.03	37962.57	43510.65	50007.03
Earning Per Equity Share (₹)	3.41	2.29	1.96	6.24	9.06
Cash Earning Per Equity Share (₹)	5.16	4.08	4.09	8.38	11.16
Book Value (₹)	17.47	19.16	20.27	24.42	30.22
Dividend (%)	10.00	10.00	10.00	18.00	28.00
ROACE (%)					
(PBIT/Average capital Employed)	15.59	8.70	12.24	25.40	30.02
ROANW (%)					
(PAT/ Average Net Worth)	20.88	12.58	9.97	27.95	33.14
Debt : Equity					
(Long Term Debt/Total Net Worth)	0.84	0.74	0.70	0.66	0.57
Total Outside Liabilities/ Total Net Worth	1.83	1.98	1.99	2.13	2.23

NOTICE

NOTICE is hereby given that the twenty second 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 Wednesday, September 21, 2011 at 4.00 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, 2011.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri B. L. Taparia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Nihalchand Chauhan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri R. Kannan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri M. P. Taparia, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Statutory Auditors and fix their remuneration.

SPECIAL BUSINESS:

8. 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 September 01, 2011 to June 30, 2014 on the terms, conditions and stipulations contained in the Agreement between the Company and Shri N. Gopal a copy whereof is placed before the meeting and for the purpose of identification, is initialed 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".

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 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 financial institutions, investment institutions and their subsidiaries, banks, multilateral agencies, overseas banks and other bodies corporate (hereinafter referred to as the 'Lending Agencies')/ Trustees for the holders of debentures/bonds or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, debentures, bonds and other instruments of an equivalent aggregate value not exceeding ₹ 100 crores (Rupees one hundred crores only) together with the interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment, costs, charges, expenses and all other moneys payable by the Company to the Lending Agencies/Trustees under the respective Agreement/ Loan Agreements/ Debenture Trust Deeds 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 the Lending Agencies/Trustees 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".

For and on behalf of the Board

M. P. Taparia
Chairman

Registered Office:
612, Raheja Chambers, Nariman Point,
Mumbai - 400 021
Date : July 18, 2011

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. 8 & 9 of the notice is annexed.

Register of Members of the Company will remain closed from Wednesday, September 07, 2011 to Wednesday, September 21, 2011 (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 holding shares in physical form are advised to furnish, on or before September 06, 2011 particulars of their Bank Account, if changed, to Karvy Computershare Private Limited, Hyderabad to incorporate the same in the dividend warrants/ payment instrument.

For security reasons, no articles/baggage will be allowed at the venue of the meeting.

To receive faster communication of all shareholders communications, including Annual Reports the Members are requested to kindly register/update their e-mail address with their respective depository participant where shares are held in electronic form. If, however, shares are held in physical form, Members are advised to register their e-mail address with Karvy Computershare Private Limited, Hyderabad.

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. 8:

The Board of Directors at their meeting held on April 15, 2011 have appointed Shri N. Gopal as Manager of the Company for the period September 01, 2011 to June 30, 2014 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 ₹ 150.00 lacs 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:

- 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 pay the bills for cellular and landline telephones used by Shri N. Gopal, for official purposes. 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, subject to receipt of requisite approvals, if any.

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, Expandable Polystyrene and SPC.
2. Date of Commencement of Commercial Production : October 01, 1995.

(₹ In lacs)			
3. Financial Performance :	2008-09	2009-10	2010-11
Gross Sales	150096.60	172208.98	210157.39
Profit before tax	3500.57	9018.40	12844.98
Net Profit	1933.58	6057.79	8770.29
Export Performance	36532.31	34303.82	41628.49
Net Foreign Exchange Earnings	(47894.20)	(53818.32)	(69924.63)
4. Foreign Investment or Collaborators, if any	: NOVA Chemicals (International) S.A (Technical knowhow)		



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 42 years experience in the Petrochemical field having worked with companies like ICI Petrochemicals Division, U.K.; Indian Petrochemical Corporation Limited (IPCL) and Reliance Industries Limited (Reliance).
2. Past Remuneration and other benefits : ₹ 89.62 lacs p.a. + perquisites
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 42 years experience in the petrochemical industry.
He joined the Company in 1991 as Sr. Vice President (Projects & Operations). He was instrumental in setting up the Company's grass root Polystyrene plant with a capacity of 66000 TPA which has since been expanded to 272000 TPA. He oversaw the restoration and expansion of the fire damaged EPS plant in Chennai. The SPS Plant and its expansion and the projects for cup grade EPS and Extruded Polystyrene (XPS) were spearheaded by him.
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 date would be w.r.t. the country of this origin) : Your Company is the largest domestic manufacturer of Polystyrene and has a domestic market share of about 50%. It also has a presence in the Expandable Polystyrene, Speciality Polystyrene, and Extruded Polystyrene Insulation Board markets. It has customers in more than 90 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 other Managerial Personnel.

III. Other information:

1. Reasons of loss or inadequate profits : N. A.
- Steps taken or proposed to be taken for improvement : N. A.
- 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.8 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. 9:

The Company proposes to approach financial institutions, investment institutions and their subsidiaries, banks, multilateral agencies, overseas banks and other bodies corporate and/or other Lending Agencies for term loans/debentures/bonds not exceeding ₹ 100 crores (Rupees one hundred crores only) for capital expenditure and for general corporate purposes including to augment long term resources for working capital requirements of the Company.

The said term loans/debentures/bonds when sanctioned/availed of/subscribed to, may be secured by appropriate mortgage/charge in favour of respective financial institutions, investment institutions and their subsidiaries, banks, multilateral agencies, overseas banks and other bodies corporate (hereinafter referred to as the 'Lending Agencies')/ Trustees for the holders of debentures/bonds 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. 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 may be deemed to be in any way 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 : July 18, 2011



DIRECTORS' REPORT

Your Directors take pleasure in presenting the twenty second Annual Report together with Audited Accounts of your Company for the year ended June 30, 2011.

1. FINANCIAL RESULTS

(Rupees in lacs)

	2010-2011	2009-2010
Income (Net of Excise)	194760.83	161455.34
Profit before Tax	12844.98	9018.40
Tax expenses	4074.69	2960.61
Profit after tax	8770.29	6057.79
Prior period adjustments	(1.22)	(10.30)
Balance brought forward from Previous Year	3960.55	1945.66
Amount available for appropriation	12729.62	7993.15
Appropriation thereof :		
Dividend on equity shares (including corporate dividend tax)	3151.36	2032.61
Transfer to general reserve	5000.00	2000.00
Balance carried forward	4578.26	3960.55

The performance for the year under review was best so far. The return on net worth before and after tax increased to 43.89% and 29.97% respectively. Return on average capital employed increased to 30.02%. Your Directors recommend a dividend of ₹ 2.80 per equity share for the year 2010-2011.

2. REVIEW OF OPERATIONS

The domestic Polystyrene market grew by 15% during the year under review while your Company's Polystyrene sales grew by 18.7% compared to the previous year. This growth was driven by growth in the market for refrigerators, water purifiers and foamed disposable wares. Export volumes increased marginally by 8.6% due to geo-political events in the Middle East and North Africa. Net realisations however showed market improvement due to the policy of selective acceptance of orders giving high net back.

Speciality Polymers and Compounds business grew by 35% in the domestic market due to demand for compounds used in appliances and water purifiers. Additive master batch business doubled over the previous year on acquisition of new domestic and export customers.

Expandable Polystyrene (EPS) production at the Chennai Plant has been optimised. EPS sales grew by 34% over the previous year.

Extruded Polystyrene Insulation boards (XPS) production was further optimised in the year under review.

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. HEALTH & SAFETY

Your Company has continued implementation of HSE Management System under the guiding principles of declared 'Occupational Health & Safety Policy' and 'Environmental Policy'. Both the Environmental Management System and Occupational Health and Safety Management Systems continued to be maintained as per ISO 14001:2004 Standards and OHSAS 18001:2007 specifications respectively.

HSE performance index for the period under review stood to be in 'excellent' range.

Your Company has completed 3907 accident free days and 10.26 million accident free man hours as on June 30, 2011.

5. DIRECTORS

Shri B. L. Taparia, Shri Nihalchand Chauhan, Shri R. Kannan and Shri M. P. Taparia, 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.

6. SUBSIDIARY COMPANIES

As informed in the last report your Company decided not to proceed with SEZ project. It was therefore decided to wind up subsidiary Companies set up for this purpose.

The applications of the Subsidiary Companies viz. "SPL Industrial Park Limited" and "SPL Industrial Support Services Limited" made to Government of India, Ministry of Corporate Affairs for striking off their names from the Register under the Easy Exit Scheme were approved. The consolidated accounts of your Company and the erstwhile subsidiaries are therefore not annexed to this Annual Report. The names of both the Companies were struck off w.e.f. March 15, 2011 and April 23, 2011 respectively.

7. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

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

Your Company continued to implement Corporate Governance practices during the period in line with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges. 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 EDUCATION AND PROTECTION FUND

Your Company transferred an aggregate amount of ₹ 0.10 lacs during the year to the Investor Education and Protection Fund. The aggregate amount transferred to the fund since January 2002 is ₹150.83 lacs.

The unclaimed dividends on equity shares paid in October 2004 and May 2005 will be due for transfer to the Fund in November 2011 and June 2012 respectively. Investors who have not yet claimed these dividends are requested to contact either the Company's Secretarial Department or the R & T Agents.

10. UNCLAIMED SHARES

SEBI vide its circular dated December 16, 2010 amended Clause 5 A to the Equity Listing Agreement with the Stock Exchanges laying down uniform procedure for dealing with unclaimed shares. There were 1091 shareholders with 99650 unclaimed shares on the date of this report. Your Company has sent reminders as stipulated in Clause 5 A to these members at the address given in the application form. If no response is received the Company shall, in conformity with Clause 5 A transfer the unclaimed shares to one folio in the name of Unclaimed Shares Suspense Account.

11. FIXED DEPOSIT SCHEME

The outstanding fixed deposits as on June 30, 2011 were ₹ 2215.57 lacs. There were 112 due but unclaimed deposits aggregating ₹ 28.88 lacs out of which 4 deposits aggregating ₹ 1 lacs have been paid as on the date of this report. There are no claimed and unpaid deposits.

12. 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.

13. PERSONNEL

Excellent relations were maintained throughout the year. The Directors acknowledge the sincerity and dedication of the employees which has contributed to the improved operating results.

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.

14. 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.

15. APPOINTMENT OF COST AUDITORS

The Central Government has by its order no. 52/120/CAB-2010 dated December 16, 2010 as clarified by letter dated June 01, 2011 directed a cost audit of the cost accounts maintained by the Company. Kishore A. Bhatia, Cost Accountant has been appointed to audit the cost accounts of the Company for the period July 01, 2010 to June 30, 2011. Audit report will be filed with the authorities within the stipulated time.

16. ACKNOWLEDGEMENT

The Directors are thankful to its Bankers, Customers, Suppliers and other Business Associates/Stakeholders 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 : July 18, 2011



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, 2011.

A. CONSERVATION OF ENERGY

The on going programme of energy conservation is on course and electrical energy saving to the extent of 1045440 units has been achieved during this year. The 4000 KVA gas based power plant to be commissioned during the current year will further your Company's energy conservation efforts.

B. TECHNOLOGY ABSORPTION

The technology for Polystyrene sourced from ABB Lummus Crest Inc has been fully absorbed by your Company which successfully further developed the technology and expanded the installed capacity to 272000 TPA on its own.

The technology for Expandable Polystyrene (EPS) was taken from S H Chemical Company, Republic of Korea. This technology has been absorbed by your Company and successfully developed further.

The technology for the Cup Grade EPS has been received from NOVA Chemical Inc and absorption of this technology is in progress.

Technology flows from Ultrabatch, Italy for manufacturing high end masterbatches have commenced and are being assimilated in your Company.

ANNEXURE - FORM A

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

A. Power and fuel consumption

		Current Year July 01, 2010 to June 30, 2011	Previous Year July 01, 2009 to June 30, 2010
1	Electricity		
	(a) Purchased		
	Units (KWH)	33506098	31796720
	Total amount (₹ Lacs)	2000.67	1725.72
	Rate/unit (₹)*	5.97	5.43
	(b) Own Generation		
	Through Diesel Generator		
	Units (KWH)	246578	509149
	Unit per ltr. of diesel oil	3.00	3.05
	Cost/Unit*	13.46	13.36
	(b) Own Generation		
	Through Gas Engine		
	Units (KWH)	809270@	-
	Unit per MMBTU of Gas	110.88	-
	Cost/Unit*	4.75	-
2	Furnace Oil		
	Quantity (MT)	1986.14	1700.25
	Total amount (₹ Lacs)	571.44	414.31
	Average rate (₹ per Kg.)*	28.77	24.37

B. Consumption per unit of production

Product	PS	EPS	XPS	PS	EPS	XPS
Electricity (KWH/MT)	**175.87	195.37	1984.10	**186.60	181.50	3443.42
Furnace Oil (Kgs/MT)	8.34	38.66	NIL	8.90	39.90	NIL

*Average of all plants

**Including Speciality Polystyrene

@Units generated on trial run of captive power plant

For and on behalf of the Board

M. P. Taparia
Chairman

Place : Mumbai
Date : July 18, 2011



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

While global economies are still on the path of recovery, the Indian economy witnessed a robust GDP growth of 8.5% in FY 2010-11. It out performed the emerging markets during the year and its GDP growth rate was second only to China. However, amidst this positive economic development, concern over rising inflation due to high levels of crude oil, food and other commodity prices remains. Rising crude oil prices is an important cause of concern for India as it imports significant quantities of crude oil.

To moderate inflation Reserve Bank of India took tight monetary policy measures leading to hike in interest rates. RBI's tight monetary policy may have a negative impact on the economy's GDP growth for the year 2011-12.

Indian economy although insulated to some extent from global demand fluctuations as compared to many other export dominated economies due to its large domestic consumption, may witness a negative impact on its growth in the event of adverse global economic fluctuations.

The domestic market for Polystyrene (PS) grew at 15% during the year under review. Your Company's sales of Polystyrene during the year grew by 18.7% as compared to the previous year. The market growth could have been better had the demand not suffered in the last quarter due to high inflation and increased interest rates.

The driving factors for this growth are foamed disposable wares, refrigerator and water purifiers. Demand from foamed disposable wares sector was encouraging with a total of 31 plants installed across the country compared to five plants in the previous year. Refrigerator industry grew at more than 15% during this year and is expected to continue the pace of growth even further with new international players joining the fray along with aggressive growth plans of existing MNC and local players. In the water purifier business not only existing manufacturers expanded their capacities but four new players entered this segment thus increasing demand for Polystyrene – both natural and coloured.

Export volumes of Polystyrene increased only marginally by 8.6% due to disturbance in some of the Middle East nations and also due to slow down in some of the major economies. The net realizations however improved substantially on account of Company's policy of exporting premium grades and accepting selective orders with high netback.

Specialty Polymers and Compounds (SPC) business grew by a healthy 35% in the domestic market over the last financial year. Major portion of this growth was from Polystyrene compounds used mainly in appliances & water purifier businesses. High Gloss pre coloured HIPS produced by your Company is well received by reputed manufacturers of these products. Your company's Masterbatches have been well

accepted by quality conscious plastic processors, due to the high quality standards maintained by your company.

The Additive Masterbatch business grew by 100% over last financial year due to new customers acquired in the domestic as well as international markets. Various new additive Masterbatches were introduced successfully during the current year. Your Company also developed a Mineral reinforced PP Compound for two wheeler battery. This product is now well established and your Company has emerged as the only local player in the hitherto import dominated business.

Export of Speciality Polymers and Compounds was severely hurt due to unrest in Middle East and North Africa which are amongst the major markets for compounded products. Efforts are being made to further diversify customer base to insulate the company from such geopolitical events.

Production at your Company's 27700 TPA Expandable Polystyrene (EPS) plant at Chennai has been optimised. The Company's EPS product is also well established in the market. Your Company's sales increased by 34% over previous year. Increased demand from cold storage, insulation and for packaging needs in the appliances, household goods, perishable goods is helping the demand growth for EPS.

Seed marketing programme of EPS cup grade imported from Nova Chemicals initiated by your company was very successful and the product was well received by customers.

Your Company has further optimized production of Extruded Polystyrene Insulation Boards (XPS) in the year under review. Conventional Freon based blowing agent hitherto used for making XPS boards was banned during the year for use in India in line with Kyoto Protocol. Sources for the more environmentally friendly blowing agent were identified and imports arranged so that business can be continued without interruption. This has been complemented by the use of CO₂/ Ethanol etc. as additional blowing agent for a greener product. Your Company participated in several exhibitions for creating awareness of use of insulation for energy conservation. Your Company's product is well established in the insulation market.

OUTLOOK

Polystyrene: The Polystyrene outlook continues to be positive. The domestic Polystyrene market is likely to grow at 15% during the year 2011-12 on the back of increased demand of Polystyrene applications such as domestic appliances, water filters, foamed disposable wares. Additionally with the commissioning of two new plants of rigid transparent sheets with latest technology indigenous production will take over hitherto imports from China and Korea. With few more plants expected in near future demand of Polystyrene from this application will help grow the industry.

To cater to the increased demand for premium grades your Company has decided to revamp all the three lines for