



SUPREME PETROCHEM LIMITED

**10th Annual Report
1998-99**

BOARD OF DIRECTORS

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

BANKERS

State Bank of India
 Bank of Baroda
 Central Bank of India
 Corporation Bank
 IDBI Bank Ltd.
 ING Bank
 State Bank of Indore

AUDITORS

M/s. Parikh & Shah
 Chartered Accountants

REGISTRARS AND TRANSFER AGENT

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

LEGAL ADVISORS

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

CONTENTS

Notice	1
Directors' Report	5
Auditors' Report	8
Balance Sheet	10
Profit & Loss Account	11
Schedules 1 to 14	12
Cash Flow Statement	21
Balance Sheet Abstract	22
Nomination of Shares/Debentures	23



SUPREME PETROCHEM LIMITED

NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of SUPREME PETROCHEM LIMITED will be held at the Indian Merchants' Chamber, Walchand Hirachand Conference Hall, IMC Marg, Churchgate, Mumbai 400 020, on Friday, June 18, 1999 at 3.30 p.m. to transact the following business:

ORDINARY BUSINESS

- 1) To receive and adopt the Directors' Report and the Audited Statement of Accounts together with Auditors' Report thereon for the financial year ended March 31, 1999.
- 2) To appoint a Director in place of Shri Satish B. Raheja, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Shri S.J. Taparia, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Shri M.P. Taparia, who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To appoint Statutory Auditors and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immoveable and moveable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events to or in favour of all or any one of the following viz.

1. Bank of Baroda (BOB);
2. Central Bank of India (CBI);
3. ICICI Limited (ICICI);
4. Industrial Development Bank of India (IDBI) and
5. SICOM Limited (SICOM)

(A) to secure:-

- 1) Rupee Term Loan not exceeding Rs.500.00 lacs (Rupees five hundred lacs only) from BOB;
- 2) Rupee Term Loan not exceeding Rs.1000.00 lacs (Rupees one thousand lacs only) from CBI;
- 3) i) Rupee Term Loan not exceeding Rs.2000.00 lacs (Rupees two thousand lacs only) from ICICI;
- ii) Foreign Currency Loan not exceeding US\$ 1.25 million equivalent to about Rs.537.50 lacs (Rupees five hundred thirtyseven lacs and fifty thousand only) from ICICI;
- 4) Foreign Currency Loan not exceeding US\$ 3.5 million equivalent to about Rs.1500.00 lacs (Rupees one thousand five hundred lacs only) from IDBI and
- 5) Rupee Term Loan not exceeding Rs.750.00 lacs (Rupees seven hundred and fifty lacs only) from SICOM

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

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

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

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

"RESOLVED THAT in supercession of the Ordinary Resolution passed at the Annual General Meeting held on May 10, 1994 consent of the Company be and is hereby accorded under Section 293(1)(d) and other applicable provisions, if any, of the Companies Act,



SUPREME PETROCHEM LIMITED

1956, to the Board of Directors of the Company to borrow from time to time all such sums of money as they deem requisite, notwithstanding that moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided that the total amount upto which the moneys may be borrowed by the Board of Directors shall not exceed the sum of Rs.500.00 crores (Rupees five hundred crores only) at any time."

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

"RESOLVED THAT in supercession of the Ordinary Resolution passed at the Annual General Meeting held on September 17, 1996 relating to the appointment of Shri N. Gopal, as Manager, for the period August 1, 1996 to July 31, 1999, Shri N. Gopal be paid remuneration of an amount not exceeding Rs. 87,500/- per month with effect from April 1, 1998.

RESOLVED FURTHER THAT all other terms and conditions of his appointment shall remain unaltered."

- (9) To consider and, if thought fit, to pass with or without modification, as an Ordinary 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 the approval of the Central Government, if required, and such approvals as may be necessary, consent of the Company be and is hereby accorded to the re-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 a period of 3 years with effect from April 1, 1999 on the terms, conditions and stipulations contained in the Agreement 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 be and is hereby authorised to take all such steps as may be necessary or desirable to give effect to this resolution."

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

"RESOLVED THAT consent of the Company be and is hereby accorded for the delisting of the Company's Equity Shares and Non-Convertible Debentures from the Stock Exchanges at Ahmedabad, Calcutta and Delhi with effect from April 1, 2000.

RESOLVED FURTHER THAT the Equity Shares and Non-Convertible Debentures of the Company be listed on the National Stock Exchange (NSE) at Mumbai.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all necessary steps in pursuance of the above resolution including making listing application to the NSE and intimating the Stock Exchanges from which the securities are to be delisted."

For and on behalf of the Board

M.P. Taparia
Chairman

Registered Office:

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

Dated: May 6, 1999

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. The Proxy Form should be lodged with the Company at the Registered Office at least 48 hours before the time of the Meeting.
2. An explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business at Item Nos.6 to 10 of the above Notice is annexed.
3. Register of Members and the Transfer Books of the Company will remain closed from Thursday June 10, 1999 to Friday June 18, 1999 (both days inclusive).
4. Members are requested to bring their copies of the Annual Report to the Meeting.



SUPREME PETROCHEM LIMITED

ANNEXURE TO THE NOTICE :

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 regarding Special Business.**Item No.6**

The Company has been sanctioned the following Term Loans to meet capital expenditure for revamp and expansion of its polystyrene project:

- 1) Rupee Term Loan not exceeding Rs.500.00 lacs (Rupees five hundred lacs only) from BOB;
- 2) Rupee Term Loan not exceeding Rs.1000.00 lacs (Rupees one thousand lacs only) from CBI;
- 3) i) Rupee Term Loan not exceeding Rs.2000.00 lacs (Rupees two thousand lacs only) from ICICI;
ii) Foreign Currency Loan not exceeding US\$ 1.25 million equivalent to about Rs.537.50 lacs (Rupees five hundred thirtyseven lacs and fifty thousand only) from ICICI;
- 4) Foreign Currency Loan not exceeding US\$ 3.5 million equivalent to about Rs.1500.00 lacs (Rupees one thousand five hundred lacs only) from IDBI and
- 5) Rupee Term Loan not exceeding Rs.750.00 lacs (Rupees seven hundred and fifty lacs only) from SICOM

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

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

None of the Directors of the Company except Shri A.L. Bongirwar who is a Nominee of IDBI and Shri Bhargav Dasgupta who is a Nominee of ICICI on the Board of the Company, may be deemed to be in any way concerned or interested in the said resolution.

Item No.7

By a Resolution passed at the Annual General Meeting of the Company held on May 10, 1994, the Board of Directors of the Company was authorised to borrow upto Rs.250.00 crores (Rupees two hundred and fifty crores only) outstanding at any one time (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business). In view of the increased activities of the Company and the expansion programme undertaken by the Company, it is considered necessary to increase the aforesaid borrowing limit to Rs.500.00 crores (Rupees five hundred crores only) so that as and when the need arises, the Board of Directors may borrow monies for the business of the Company. The proposal

for increase in the borrowing limit requires consent of the Members in General Meeting under Section 293(1)(d) of the Companies Act, 1956 and the resolution set out at Item No.7 is intended for this purpose.

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

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

Item No. 8

Shri N. Gopal was appointed as Manager of the Company at the Meeting of the Board of Directors held on June 28, 1996. His appointment was approved by the Members at the 7th Annual General Meeting held on September 17, 1996. Consequent thereto an Agreement dated August 1, 1996 was entered into between the Company and Shri N. Gopal.

The Board of Directors at the Meeting held on July 29, 1998 unanimously resolved to increase the remuneration payable to Shri N. Gopal from his existing remuneration of Rs. 60,000/- per month to Rs. 87,500/- per month with effect from April 1, 1998. The increased remuneration is within the limits set down by Schedule XIII of the Companies Act, 1956.

It is necessary for the Members to approve the payment of the increased remuneration for the said period.

The Directors commend the resolutions 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.

Item No.9

The Board of Directors at the Meeting held on April 23, 1999 determined the existing Agreement expiring on July 31, 1999 with the Manager with effect from March 31, 1999 and have approved execution of fresh Agreement with him for further period of 3 years with effect from April 1, 1999 subject to the approval of the Members of the Company, the Central Government and other statutory approvals as may be necessary.

Shri N. Gopal is a B-Tech (in Chemical Engineering) from Madras University and M. Sc, DIC (Advanced Chemical Engineering) From Imperial College, London. He has 29 years experience in the petrochemicals field having worked with Companies like ICI Petrochemicals Division, U. K., IPCL and Reliance Industries Ltd. At IPCL and Reliance he was actively involved in the project implementation. He joined the Company in 1991 as Sr. Vice President (Projects & Operations) and was infact the first employee of the Company. He was instrumental in setting up the Company's grass roots polystyrene plant with a capacity of 66,000 tons p. a. which has since been successfully revamped to increase the capacity to 1,12,000 TPA. Shri N. Gopal is part of the top management team which has guided your Company through the difficult initial gestation period to record maiden profits for the financial year 1998-99 and his contributions are vital to the successful implementation of the Company's expansion project.



SUPREME PETROCHEM LIMITED

It is with this background coupled with the qualifications and experience of Shri N. Gopal together with the responsibility entrusted to him that the proposed remuneration has been fixed by the Board of Directors as detailed below :

REMUNERATION

- (a) In the range of Rs. 87,500/- p.m. to Rs. 1,65,000/- p.m. (inclusive of ex-gratia, if any)

In case the accommodation provided to Shri N. Gopal is owned by the Company, 10% of the salary of Shri N. Gopal shall be deducted by the Company. In case the Company does not provide accommodation to Shri N. Gopal he shall be entitled to House Rent Allowance at 50% of the basic salary. The remuneration stated above is inclusive of House Rent Allowance.

- (b) The above remuneration may be increased by the Board 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 shall not exceed 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 travelling, 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 the 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.

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 (W), Mumbai-400 053 between 10.30 a.m. to 5.30 p.m. on any working day from Monday to Friday.

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

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

Item No.10

In accordance with the declaration of the Prospectus of the Company's Public Issue of Partly Convertible Debentures in February 1994, the Company had listed its securities (Equity Shares and Debentures) on the Stock Exchanges at Mumbai, Ahmedabad, Calcutta and Delhi.

However, as reported by these Stock Exchanges in January, 1999 except for Mumbai, very few or Nil transactions have been reported at the other three Stock Exchanges.

It is therefore proposed that subject to the approval of the Members in the General Meeting, the Company's securities be delisted with effect from April 1, 2000 from the Stock Exchanges at Ahmedabad, Calcutta and Delhi. Instead, the securities are proposed to be listed on the National Stock Exchange (NSE) which has a wider reach and on which the Company's securities are being traded under the category of permitted securities. This move will ensure that investors are not inconvenienced due to delisting from the above three exchanges since they will have an opportunity to deal in the securities on the NSE.

The approval of the Members is required for either delisting of securities from any Stock Exchange or for listing the same on a new exchange.

The Directors commend the resolutions at Item No.10 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.

Dated: May 6, 1999



SUPREME PETROCHEM LIMITED

DIRECTORS' REPORT

To,
The Members,

Your Directors hereby present the Tenth Annual Report alongwith audited accounts for the financial year ended March 31, 1999.

1. FINANCIAL RESULTS

	Rupees in lacs
Income	38732.11
Operating Profit	4808.08
less: Interest	2549.01
Cash Profit	2259.07
Depreciation	781.66
Miscellaneous Expenditure Amortised	155.73
Profit for the year	1321.68
Provision for tax (including wealth tax & provision for earlier years)	85.08
Profit after taxation	1236.60

In view of the carried forward losses your Directors do not recommend any dividend for the year under review. In spite of the adverse economic and business conditions prevalent in the country your Company was able to improve performance and record a net profit for the first time since commencement of commercial production.

2. OPERATIONS

- i) **Polystyrene Business** :- Operationally the year 1998-99 was satisfactory. Production and Sales were 89998 tons and 85944 tons respectively thereby recording an increase of 23.7% and 21.2% respectively over the previous year.

The production capacity was revamped to 1,12,000 tonnes from 84,000 tonnes in August'98. The project to increase capacity to 2,04,000 tonnes p.a. is progressing as per schedule and is expected to be on stream during the year 2000. The Ministry of Commerce, Government of India levied final anti-dumping duty on imports of polystyrene from Korea RP, Taiwan, Japan and Malaysia. It has also initiated enquiry into dumping of polystyrene by exporters from China, Hongkong, Singapore and Thailand.

During the year ISO 9002 certificate was awarded to your Company. Your Company thus holds certification for ISO 9002 and ISO14001. These certifications confirm that the quality and environment management systems adopted by your Company are of international standards.

- ii) **Styrene Trading & Logistics** :- With optimisation of logistics, Styrene handling cost could be lowered and this division's performance therefore has further improved.

With a view to further reduce logistics cost and to implement the proposed Jetty and Terminal Project at Dherand (Dharamtar Creek), in a time bound manner, a separate Company is being set up titled "Dherand Chemical Terminal Ltd." Necessary formalities for registration of the company are in process.

As a contingency measure, we have also obtained permission from Maharashtra Maritime Board for temporary handling of Styrene at the existing Dharamtar Port. These measures should adequately enable your company to reduce logistics cost further.

3. BORROWINGS

Your Company has received sanctions for Rs.5788 lacs by way of rupee and foreign currency loans from ICICI Ltd., Industrial Development Bank of India, Central Bank of India and SICOM Ltd. to part finance the project for increasing Polystyrene capacity. With these approvals the required loans for the project are fully syndicated.

4. ISSUE OF EQUITY SHARES ON PREFERENTIAL BASIS

In pursuance of the resolution passed by the Extraordinary General Meeting, the Committee of Directors constituted by the Board has allotted on March 29, 1999 1,50,00,000 equity shares of Rs.10/- each at a premium of Rs.2.50 per share aggregating Rs.1875 lacs to the Promoter Companies viz. The Supreme Industries Limited (75,00,000 shares) and R. Raheja Investments Ltd. (75,00,000 shares). Discussions are being held for placing a further 1,50,00,000 equity shares on private placement basis with Equity funds/Mutual funds/Venture Capital funds/Pension funds/Indian Financial Institutions/ Banks and Foreign Institutional Investors.

5. OUTLOOK

As reported in the previous report volume growth is the key to increased earnings. Towards this, sustained efforts were made during the year by conducting road shows, participation in expositions and in house seminars at customers' premises which helped in promoting new investment in the processing sector and new customers for your Company's product. Expansion of distribution network has also helped your Company to improve market reach to serve new customers at new locations. These steps will help in increasing the market



SUPREME PETROCHEM LIMITED

share of your Company's products in the domestic market which is increasing at 15%-17% per annum. Apart from increasing the volumes in the domestic market, your Company continues to explore new markets for exports particularly in view of the quantum jump in availability of material on completion of expansion by your Company in the next year. Growing market should help in bringing economies of scale and thus improved earnings for your Company.

6. FOREIGN EXCHANGE SAVINGS AND CONTRIBUTION TO EXCHEQUER

Foreign exchange savings of Rs. 6710 lacs were effected on account of import substitution. During the year under review your Company paid Rs. 9780 lacs in indirect taxes/duties.

7. Y2K PREPAREDNESS

Your Directors are pleased to inform you that your Company has taken necessary steps to be Y2K compliant and it is expected that by June '99 all hardware being used by your Company would be Y2K compliant. The software for plant operations has been certified to be Y2K compliant. The software packages being used by Accounts/ Commercial departments are also being checked and shall be made Y2K compliant by June '99. Since the plant operating system is already Y2K compliant, your Company does not foresee any operational collapses due to Y2K problem. In the unlikely event of any problems in plant operating system, plant can be re-started with only a brief interruption. Accounts/ Commercial functions can be restored to manual working in the unlikely event of software in use in these functions being not Y2K compatible by then and therefore it is not foreseen to have any major impact on business operations. The total cost of changing the hardware/ software modifications is expected to be around Rs.45 lacs.

8. DIRECTORS

Shri Bhargav Dasgupta joined the Board of Directors on November 23, 1998 as nominee of ICICI Ltd. in place of Shri G. Tripathi. The Board places on record its appreciation of Shri Tripathi's Contribution. Shri Satish B. Raheja, Shri S.J. Taparia and Shri M.P. Taparia Directors of the Company retire by rotation and being eligible offer themselves for re-appointment.

9. PERSONNEL

Your Directors place on record the effort put in by all the employees in the improvement in the overall operations of your Company.

10. FIXED DEPOSIT SCHEME

Your Company discontinued the Fixed Deposit Scheme from September'97. The outstanding deposits as on date are Rs 2.32 lacs including two due but unclaimed deposits aggregating Rs.0.20 lacs. 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 with Companies (Disclosure of Particulars in the Report of Board of Directors), Rules, 1988 is given in the Annexure forming part of this report.

12. PARTICULARS OF EMPLOYEES

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1957 as amended, the names and other particulars of employees are set out in the Annexure to the Director's 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 reappoint the auditors. The observations in the Auditors Report are a statement of fact and do not require further clarifications.

14. ACKNOWLEDGMENTS

The Directors place on record their sincere appreciation of the hard work put in by the Company's employees and also thank the Company's bankers, financial institutions, suppliers, customers and other business associates of the Company for the co-operation extended to your Company.

For and behalf of the Board

Mumbai
Dated : May 6, 1999

M.P. TAPARIA
Chairman