




SUPREME PETROCHEM LIMITED

**Annual Report
2001-2002**

BOARD OF DIRECTORS

M.P. Taparia, Chairman
Rajan B. Raheja
A.H. Parpia
B.L. Taparia
Satish B. Raheja
S.J. Taparia
Hasmukh Shah
Manoj Chhabra – Alternate Director to Satish B. Raheja
Ranjitha Godbole – IDBI Nominee
S.C. Bhatia – 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
Bank of Baroda
Central Bank of India
Corporation Bank
ICICI Bank Ltd.
IDBI Bank Ltd.
State Bank of Indore
The Vysya Bank Ltd.

AUDITORS
M/s. Parikh & Shah
Chartered Accountants

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

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

LEGAL ADVISORS
M/s. A.H. Parpia & Co.,
Solicitors & Advocates

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SUPREME PETROCHEM LIMITED

NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of SUPREME PETROCHEM LIMITED will be held at Indian Merchants' Chamber, Walchand Hirachand Conference Hall, IMC Marg, Churchgate, Mumbai - 400 020, on Wednesday, September 4, 2002 at 11.30 a.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 period April 01, 2001 to June 30, 2002 (15 months).
2. To appoint a Director in place of Shri M.P. Taparia, who retires by rotation and being eligible, offers himself for re-appointment.
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 Hasmukh Shah, 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 pursuant to Section 269, 310, 311 and 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 w.e.f. April 01, 2002 on the terms, conditions and stipulations contained in the Agreement dated April 03, 2002 entered into between the Company and Shri N. Gopal a copy whereof is placed before the meeting and, for purposes 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".

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

"RESOLVED THAT in accordance with the provisions of Section 80 and 81 of the Companies Act, 1956 and other applicable provisions, if any, and enabling provisions in the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the

Stock Exchanges where the Shares of the Company are listed and subject to the approval of Securities & Exchange Board of India (SEBI), Reserve Bank of India (RBI), if required, and all other concerned authorities and departments, if any, and to the extent necessary and such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them in granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company and/or duly authorised Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as "the Board") the consent of the Company be and is hereby accorded to the Board, to issue/offer Redeemable Cumulative Preference Shares (hereinafter for brevity's sake referred to as "Shares") upto an aggregate face value of Rs.25.00 crores (Rupees twenty five crores only), out of the authorised Preference Share Capital of the Company to the Members, Debentureholders, Employees, Non-Resident Indians, Indian Public, Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs) Companies other entities and to such other persons, through public issue, rights issue, private placement or preferential allotment or by any one or more or a combination of the above modes/methods or otherwise as the Board may in its absolute discretion think fit, in consultation with the Merchant Bankers/Advisors or otherwise, in one or more tranches and on such terms and conditions including the number of Shares to be issued, the face value, premium, rate of dividend, redemption period (not exceeding 20 years), manner of redemption, amount of premium on redemption and fixing of record date or book closure.

RESOLVED FURTHER THAT such of these Shares to be issued, as are not subscribed may be disposed of by the Board, in such manner and/or such terms as it may deem fit, including offering or placing them with Banks/Financial Institutions/Investment Institutions/Mutual Funds/Corporate Bodies or otherwise as the Board may in its absolute discretion deem fit and proper.

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

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 mortgaging and/or charging by the Board of Directors of the Company of all or any of the



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immovable and movable 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 Industrial Development Bank of India

(A) to secure :-

Foreign Currency Loan of US\$ 7394000 equivalent to about Rs.3475 lacs (Rupees three thousand four hundred and seventy five lacs only) from Industrial Development Bank of India (IDBI)

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

(B) to the Board of Directors of the Company agreeing with IDBI 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 IDBI 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".

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 hypothecation 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, together with power to take over the Management of the Company in certain events, to or in favour of the financial institutions, investment institutions and their subsidiaries, banks, mutual funds, trusts, multilateral agencies, overseas banks and financial institutions and other bodies corporate (hereinafter referred to as the Lending Agencies)/ Trustees for the holders of the debentures/bonds and/or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, non-convertible debentures, bonds, foreign currency convertible bonds and other instruments of an equivalent aggregate value not exceeding Rs.10000 lacs (Rupees ten thousand lacs only) 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 the Trustees under the Trust Deed and to the Lending Agencies under the respective Agreements/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. Tapparla
Chairman

Registered Office:

612, Raheja Chambers
Nariman Point
Mumbai - 400 021

Date: July 29, 2002

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. 6 to 9 of the above Notice is annexed.

Register of Members of the Company will remain closed from Friday, August 30, 2002 to Wednesday, September 4, 2002 (both days inclusive).

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.6:

The Board of Directors at their Meeting held on March 27, 2002 have re-appointed Shri N. Gopal as Manager for a further period of 3 years w.e.f. April 01, 2002 subject to approval of the Members of the Company 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 32 years experience in the Petrochemicals field having worked with Companies like ICI Petrochemicals Division, U.K., Indian Petrochemicals Corporation Limited (IPCL) and Reliance Industries Limited (Reliance). 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 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 66,000 TPA which has since been successfully revamped/expanded to increase the capacity to 2,04,000 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.

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.36.00 lacs (Rupees thirtysix lacs only) per annum (inclusive of ex-gratia, if any)

In case, accommodation is provided to Shri N. Gopal 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. The remuneration stated above is inclusive of House Rent Allowance.

- (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 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 travel 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 of or inadequacy of profits of the Company for the 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 (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.6 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.7:

In order to meet fund requirements for capital expenditure and to augment long term resources, the Company proposes to raise funds, at appropriate time(s) as the Board may decide, by issue of Redeemable Cumulative Preference Shares.

The Company in consultation with its Advisors will finalise the detailed terms of the issue of Preference Shares which will be in line with the guidelines issued by the Securities & Exchange Board of India (SEBI) and other concerned authorities, if any.

The resolution at Item No.7 is an enabling resolution conferring authority on the Board to cover all contingencies and requirements.

Under the said Special Resolution, consent of the Members is being sought pursuant to the provisions of Section 80 & 81 and all other applicable provisions of the



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Companies Act, 1956 and in terms of the provisions of the Listing Agreements executed by the Company with the various Stock Exchanges in India where the Company's securities are listed.

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

The Directors of the Company may be deemed to be concerned or interested to the extent they may be entitled to or that will be offered to them on Rights/Preferential basis or otherwise and applied for and allotted to them.

ITEM NO.8 :

The Company has been sanctioned/availed of Foreign Currency Loan of US\$ 7394000 equivalent to about Rs.3475 lacs (Rupees three thousand four hundred and seventy five lacs only) from Industrial Development Bank of India (IDBI) for repayment of Rupee Loans outstanding of Rs.1475 lacs (sanctioned amount Rs.1500 lacs) and Rs.2000 lacs (sanctioned amount Rs.2000 lacs) availed from IDBI.

The said loan is to be secured by appropriate mortgage/charge in favour of IDBI over all or any of the immovable or movable properties of the Company wheresoever situate, present and future, as may be mutually decided between the Board of Directors and IDBI. 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 Smt. Ranjitha Godbole, who is a Nominee of IDBI 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 proposes to approach Financial Institutions/ Multilateral Agencies/Banks/Overseas Banks and/or Financial Institutions/other Lending Agencies for Rupee

and/or Foreign Currency Term Loans/Non-Convertible Debentures (NCDs)/Bonds/Foreign Currency Convertible Bonds (FCCBs)/Other Instruments not exceeding Rs.10000 lacs (Rupees ten thousand lacs only) to meet fund requirements for capital expenditure and augmentation of long term resources.

The said Term Loans/NCDs/Bonds/FCCBs/Other Instruments when sanctioned/availed/ subscribed to are to be secured by appropriate mortgage/charge in favour of respective Financial Institutions/Multilateral Agencies/ Banks/Overseas Banks and/or Financial Institutions/Other Lending Agencies 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 except Smt. Ranjitha Godbole, who is a Nominee of IDBI and Shri S.C. Bhatia, who is a Nominee of ICICI Bank Limited. They will be concerned or interested in the resolution, if the Term Loans are sanctioned by IDBI & ICICI Bank Ltd. or to the extent that NCDs/Bonds are subscribed to by IDBI and ICICI Bank Ltd., respectively as the case may be.

For and on behalf of the Board

M.P. Taparia
Chairman

Registered Office:

612, Raheja Chambers
Nariman Point
Mumbai - 400 021
Date: July 29, 2002



SUPREME PETROCHEM LIMITED

DIRECTORS' REPORT

Your Directors present herewith the Thirteenth Annual Report alongwith Audited Accounts for the 15 months period ended June 30, 2002.

1. FINANCIAL RESULTS

	(Rupees in lacs)	
	2001 - 02 (15 months)	2000 - 01 (12 months)
Income	82774.26	63438.71
Operating Profits	3808.28	4900.42
Less : Interest	4460.76	3288.06
Cash Profit/(Loss)	(652.48)	1612.36
Depreciation	1822.15	1250.86
Miscellaneous Expenditure Amortised	156.64	138.27
Profit/(Loss) for the year	(2631.27)	223.23
Provision for tax	(3.75)	(20.50)
Deferred Tax Asset (Net)	595.70	—
Profit/(Loss) after taxation	(2039.32)	202.73

The financial year of your Company has been changed from April - March to July - June to give a better picture of the annual sales pattern of the Polystyrene business. The financial year under review is therefore for a period of 15 months from 01.04.2001 to 30.06.2002. In view of the inadequacy of profits your Directors do not recommend any dividend on the equity shares.

2. FINANCE

With the payment of final instalment of the 15% non-convertible debentures, the said debentures have been fully redeemed. Your Company also redeemed Redeemable Cumulative Preference Shares of Rs.10/- each aggregating Rs.1200 lacs during the period under review. With a view to bring down interest costs, your Company converted rupee term loans aggregating Rs.3475 lacs into foreign currency loans of equivalent amount during the period under review. Your Company is to continue to make endeavours to bring down the overall interest cost.

3. FOREIGN EXCHANGE SAVINGS AND CONTRIBUTIONS TO EXCHEQUER

Net foreign exchange savings of Rs.10,105 lacs was effected on account of import substitution/exports. During the period under review your Company paid Rs.10,608 lacs in indirect taxes/duties.

4. ISO CERTIFICATION

Your Company's ISO 14001 certification was audited during the period under review and the environmental management systems have been recertified for a further period of three years. The ISO 9002 standard regarding quality management systems have been changed to ISO 9001, Your Company's earlier

certification for ISO 9002 has been recertified as ISO 9001 for further period of three years.

5. HEALTH & SAFETY

Your Company has documented a Health and Safety Policy which is being consistently implemented. The safety performance index in the period was in the range of "Very Good". The health and safety performance is constantly monitored by using active and re-active mechanisms. Your Company has been awarded the first prize and citation from Fire Advisor, Government of Maharashtra during the state level Fire Drill Competition. During the period under review an external safety audit was conducted by Central Labour Institute, Government of India. The auditors expressed their satisfaction towards effective implementation of health and safety management system of your Company. Your Company completed 564 accident free days on 30.06.2002.

6. DIRECTORS

Shri A.L. Bongirwar resigned from the Company's Board w.e.f. 30.08.2001 as IDBI Nominee Director. Smt. Ranjitha Godbole joined the Board as IDBI Nominee Director from 30.08.2001. Your Directors place on record their appreciation of the contribution of Shri A.L. Bongirwar during his tenure as Nominee Director. Shri M.P. Taparia, Shri Aziz Parpia and Shri Hasmukh Shah, 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. 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;
- 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;
- 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



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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. FIXED DEPOSIT SCHEME

The outstanding fixed deposits as on 30.06.2002 were Rs.278.56 lacs. There are three due but unclaimed deposits aggregating Rs.0.45 lacs. There are no claimed and unpaid deposits.

10. TRANSFER OF FUNDS TO THE INVESTOR EDUCATION & PROTECTION FUND

An amount of Rs.13,34,010/- was transferred to the Investor Education & Protection Fund on 08.11.2001 representing the unclaimed amounts in the public issue refund account credited in 1994.

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 through out 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 your Company.

Particulars of employees as per section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not furnished as there was no employee in receipt of

remuneration exceeding the limits fixed under the said provisions of the Act.

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.

The Auditors in their report for the period under review have commented on your Company's policy of including element of relevant interest in inventory valuation. Your Company is consistent in following this accounting policy and in disclosing the same to its members.

The other observations in the Auditors Report are statements of fact and do not require further clarifications.

14. ACKNOWLEDGEMENT

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

For and behalf of the Board

M.P. Taparua
Chairman

Place : Mumbai
Date : July 29, 2002

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SUPREME PETROCHEM LIMITED

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 15 MONTHS PERIOD ENDED JUNE 30, 2002.

A. CONSERVATION OF ENERGY

Energy Conservation features are inbuilt in the plant as reported in the previous years, and the impact of the same will be seen with full capacity utilisation.

B. TECHNOLOGY ABSORPTION

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

ANNEXURE**FORM A**

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

A. Power and Fuel Consumption

Current Year
April 01, 2001 to
June 30, 2002

1. Electricity	
(a) Purchased	
Units (KWH)	*31729103
Total amount (Rs. Lacs)	1249
Rate/unit (Rs.)	3.94
(b) Own Generation	
Through diesel generator	
Unit (KWH)	112184
Unit per ltr of diesel oil	2.82
Cost/Unit	6.68
2. Furnace Oil	
Quantity (K.Ltrs.)	1912
Total amount (Rs. Lacs)	160.72
Average rate (Rs.) per ltrs.	8.40
3. Other/internal generation – P.S. Purge	
Quantity (MT)	695.50
Total cost	—
Rate per unit	—

B. Consumption per unit of production

	Standards (If any)	Current Year 15 Months	Previous Year 12 Months
Products (POLYSTYRENE) (MT)	—	**163896	120559
Electricity (KWH/MT)	**210	**191.94	183
Furnace oil (Kgs/MT)	20	11.06	13.53
Others - P.S. Purge (Kgs/MT)	—	4.23	2.21

* Including consumption for projects.

** Including speciality Polystyrene

For and on behalf of the Board

Place: Mumbai
Date : July 29, 2002

M.P. Taparla
Chairman



SUPREME PETROCHEM LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY

Your Company is engaged in the business of manufacture and sale of Polystyrene (PS). PS is a versatile thermoplastic available in a wide range of formulations, from crystal and impact grades to highly specialized resins for foam moulding and extrusions, and resins that offer ignition-retardant properties. The wide range in physical properties and relative ease of processing, makes PS an extremely attractive material, capable of competing favourably with more expensive resins in a number of demanding applications.

There are three producers of Polystyrene in the country with total installed capacity of 349000 TPA. Your Company is the largest producer in the domestic market with a capacity of 204000 TPA. Your Company also has compounding and speciality Polystyrene plant with capacity of 17000 TPA. This plant commenced commercial production during the period under report.

DOMESTIC MARKET

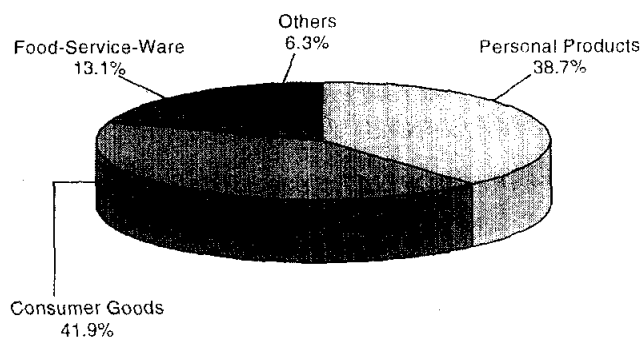
Growth in demand was adversely affected during the year 2000-01, for reason of volatility in raw material price and in turn Polystyrene prices and also slow down in brown and white goods industry. The market bounced back in 2001-02 and witnessed growth of 15.0% to 167000 tons. Your Company has over 50% share of the domestic market.

The consumption of Polystyrene is linked to lifestyle and hence exhibits strong correlation to economic growth. It is said Polystyrene sales mirrors the performance of the economy. Polystyrene experiences a growth in demand when the GDP growth rates are rising and a decline in demand as GDP growth rates fall. Sustained rising GDP growth rates also coincide with inventory building, as customers purchase Polystyrene on the expectation of increased business ahead and perhaps higher prices for Polystyrene. Generally Polystyrene demand increases at twice the rate of GDP.

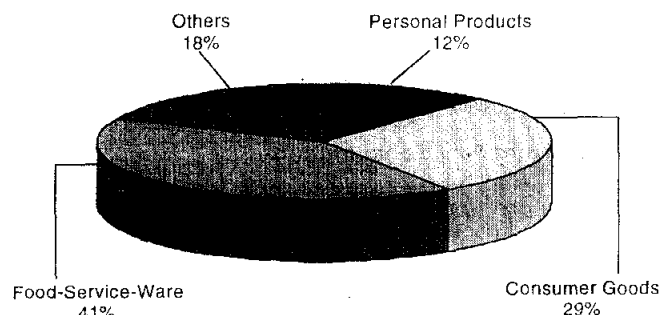
The demand for PS in India is far below the world standards. Its usage pattern is at variance with the pattern exhibited world over. The per capita consumption of PS in the country is minuscule in comparison to global standards. The consumption pattern in relation to other polymers too is inconsistent. At the global level, the consumption of Polystyrene is of the order of approx. 11.0 million Tons and it is roughly 1/8th of the total global polymer consumption. In India the share of Polystyrene at 167,000 Tons is 1/18th of the total polymer consumption.

Global end-use analysis of Polystyrene indicates that over 42% of consumption is in food-service-ware, whereas in India, it is currently only 13%. The following pie chart shows end-use pattern of PS in the Indian and global markets

INDIAN DOMESTIC MARKET



GLOBAL MARKET



This shows the relative scope for faster growth for Polystyrene in the near future. Adequate resin capacity has been created to sustain high growth in the coming years.

The factors holding back the increase in PS usage in India are :

- Reservation policy of manufacturing several items only in small scale sector
- High cost of money and power
- Rigid labour policy & poor infrastructure.

However there are signs that the country is moving towards dismantling these road blocks.

DEVELOPMENT OF SPECIALITY / COMPOUNDED POLYSTYRENE

With the plant for Compounded Polystyrene going on stream, your Company is now focussed on business development for speciality grades of Polystyrene and Compounded Polystyrene. Flame retardant Polystyrene for CTV, business machines and electrical enclosures complying with UL/ IEC standards is already launched.

New mineral filled and scratch resistant Polystyrene grade is being developed for tabletops. Your Company has also developed formulations and recipes for synthetic wood. For garment export in "hangerpacks" special alloys of Crystal Polystyrene and SBS