



SUPREME PETROCHEM LTD

**ANNUAL REPORT
2007-2008**

BOARD OF DIRECTORS :

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

PLANT:

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

BANKERS:

State Bank of India
 ABN-AMRO Bank N. V.
 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, Vithalrao Nagar,
 Madhapur,
 HYDERABAD - 500 081

C O N T E N T S

Notice
Directors' Report
Management Discussion & Analysis
Corporate Governance Report
Auditors' Report
Balance Sheet
Profit & Loss Account
Schedules 01 to 14
Cash Flow Statement
Balance Sheet Abstract
Subsidiary Company's Accounts

SUPREME PETROCHEM LTD**NOTICE**

NOTICE is hereby given that the Nineteenth 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 Friday, October 17, 2008 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, 2008.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri Rajan B. Raheja, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri B. L. Taparia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Nihalchand Chauhan, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Statutory Auditors and fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT 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 the financial institutions, banks, mutual funds, overseas banks and other bodies corporate (hereinafter referred to as the 'Lending

Agencies') to secure rupee term loans/foreign currency loans and other instrument of an equivalent aggregate amount not exceeding Rs.120.00 crores (Rupees one hundred and twenty crores 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 Lending Agencies under the respective Agreement/ Loan Agreement 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 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".

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

"RESOLVED THAT pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956 ('the Act') the Board of Directors of the Company be and is hereby authorised to appoint as Branch Auditors of any Branch Office of the Company whether existing or which may be opened hereafter in India or abroad in consultation with the Company's Auditors, any person qualified to act as Branch Auditor within the provisions of the said Section 228 of the Act and to fix their remuneration".

For and on behalf of the Board

Rajan B. Raheja
Director

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

Date: August 21, 2008

NOTES

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. The Proxy Form should be lodged with the Company at the Registered Office at least 48 hours before the time of the meeting.

An explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business at Item Nos.7 and 8 of the above notice is annexed.

Register of Members of the Company will remain closed from Wednesday, October 01, 2008 to Friday, October 17, 2008 (both days inclusive).

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

Members are requested to avail Electronic Clearing Service (ECS) for receipt of dividend. Please contact Company's Registrar and Share Transfer Agents - Karvy Computershare Private Limited, 17-24, Vithalrao Nagar, Madhapur, Hyderabad - 500 081.

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

**SUPREME PETROCHEM LTD****ANNEXURE TO THE NOTICE**

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

ITEM NO. 7:

The Company proposes to approach financial institutions/banks and/or other Lending Agencies for term loans not exceeding Rs.120.00 crores (Rupees one hundred and twenty 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 when sanctioned/availed of are to be secured by appropriate mortgage/ charge in favour of respective financial institutions/banks/ overseas banks and/or 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. 7 is considered necessary having regard to Section 293(1)(a) of the Companies Act, 1956.

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

None of the Directors of the Company may be deemed to be in any way concerned or interested in the resolution except Shri R. Kannan, who is a Nominee of ICICI Bank Limited. He will be concerned or interested in the resolution, to the extent of term loans that may be availed from ICICI Bank Limited.

ITEM NO. 8:

The Company now has an EPS manufacturing unit in Chennai, pursuant to the Amalgamation of SPL Polymers Limited, Chennai with the Company. It is proposed to appoint Branch auditors to audit the Chennai unit.

The Shareholders are requested to authorise the Board of Directors of the Company to appoint in consultation with the Company's Auditors, Branch Auditors in respect of the Chennai unit and/or any other units/branches if any, which may be opened in future, in India or abroad and to fix their remuneration.

The resolution at Item No. 8 is considered necessary having regard to Section 228 of the Companies Act, 1956.

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.

For and on behalf of the Board

Rajan B. Raheja
Director

Registered Office:

612, Raheja Chambers
Nariman Point
Mumbai - 400 021.

Date : August 21, 2008

Report Junction.com



DIRECTORS' REPORT

Your Directors take pleasure in presenting the Nineteenth Annual Report together with Audited Accounts of your Company for the year ended June 30, 2008.

1. FINANCIAL RESULTS

(Rupees in lacs)

	2007-2008	2006-2007
Income (Net of Excise)	148127.40	149484.71
Profit before Tax	2757.95	4746.73
Tax expenses	(407.24)	(1518.28)
Profit after tax	2350.71	3228.45
Prior period adjustments	(93.40)	96.42
Balance brought forward from Previous Year	2253.84	1069.82
Amount available for appropriation	4511.15	4394.69
Appropriation thereof:		
Dividend on equity shares (including corporate dividend tax)	1150.96	1140.85
Transfer to general reserve	1200.00	1000.00
Balance carried forward	2160.19	2253.84

Your Directors recommend a dividend of 10% for the year 2007-2008.

The figures for the year under review incorporate the amalgamated accounts of erstwhile SPL Polymers Limited and are hence not comparable with previous year figures.

2. REVIEW OF OPERATIONS

During the year under review, the domestic market for Polystyrene grew up by 7%. Prices of Styrene Monomer, the main raw material, continued to rule very high on account of high crude oil prices. Supplies of the other major raw material PBR were not only tight, but saw a more than 100% rise in its prices during the year. This in turn kept the Polystyrene margins under pressure. Your Company continued with the policy of restricting exports only to those markets which provided a better netback. Foreign exchange rate volatility of over 8% in last quarter of the financial year under review also had an adverse effect of Rs.1371.13 lacs on your Company's bottom line as against a gain of Rs.519.48 lacs in the previous year.

Projects for expansion of Speciality Polymer Products, Expanded Polystyrene (XPS) both at Amdoshi and Expandable Polystyrene (EPS) at Chennai are progressing as per schedule.

The process of acquiring land through MIDC for proposed SEZ for processing of plastic products continues.

3. AMALGAMATION OF SPPL WITH SPL

The amalgamation of SPL Polymers Limited with your

Company w.e.f. July 1, 2007 was completed on July 12, 2008 subsequent to the approvals received from the Bombay and Madras High Courts.

In compliance with the Scheme of Amalgamation, equity shares of Supreme Petrochem Ltd were allotted on August 18, 2008 to members of SPL Polymers Limited in the ratio of 1 fully paid equity share of Rs.10/- each of Supreme Petrochem Ltd for every 6 fully paid equity shares of Rs.10/- each held in SPL Polymers Limited on August 5, 2008 (Record Date). This has increased the paid up share capital of your Company from Rs. 975128000/- to Rs.983765200/- and has added about 6120 new members. Your Directors are pleased to welcome these new additions to the SPL family.

The EPS plant at Chennai is ready for commissioning and should contribute to your Company's earnings and profitability in the current year.

4. 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.

5. HEALTH & SAFETY

Your Company has continued implementation of HSE management systems under the guiding principles of declared 'Health and Safety Policy' and 'Environmental Policy.' Both the Environmental Management System and Occupational Health and Safety Management System are continued to be maintained as per ISO 14001 Standard and OHSAS 18001 Specifications respectively.

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

Your Company has completed 2814 accident free days and 6688178 accident free man-hours as on June 30, 2008.

6. DIRECTORS

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

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

7. SUBSIDIARY COMPANIES

(i) **SPL Industrial Park Limited:** The Company has been floated to implement the SEZ project.

(ii) **SPL Industrial Support Services Limited:** This Company has been floated to render support services to units which may be set up in the proposed SEZ.

Your Company has invested Rs.4.94 lacs each in these Companies on incorporation. Though these Companies have not yet undertaken any activities, the statement pursuant to Section 212 of the Companies Act, 1956 is attached hereto. The accounts of the subsidiaries for the year ended March 31, 2008 are also attached.



SUPREME PETROCHEM LTD

8. CONSOLIDATED ACCOUNTS

In accordance with the requirements of Accounting Standards AS21 issued by the Institute of Chartered Accountants of India, the consolidated accounts of your Company and its two subsidiaries are annexed to this Annual Report.

9. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

- (i) in the preparation of the annual accounts, applicable accounting standards have been followed, with proper disclosure of any departures;
- (ii) the accounting policies are consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year;
- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the accounts on a going concern basis.

10. CORPORATE GOVERNANCE

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.

11. TRANSFERS TO INVESTOR EDUCATION AND PROTECTION FUND

Your Company has transferred the unclaimed interest on non-convertible debentures paid on January 01, 2001 and the unclaimed amounts of the second instalment of Debenture redemption paid on April 22, 2001 to the Investor Education and Protection Fund. In the aggregate an amount of Rs.33.27 lacs has been transferred till date.

The unclaimed interest on debentures paid on January 01, 2002 will be due for transfer to the fund on February 01, 2009, whereas the unclaimed amounts of second instalment of Debentures, redeemed in April 22, 2002 will be due for transfer to the fund on May 22, 2009. Investors who have not yet claimed interest amount or the redemption amount are requested to contact the Secretarial Department of the Company.

12. FIXED DEPOSIT SCHEME

The outstanding fixed deposits as on June 30, 2008 were Rs.666.28 lacs. There were 79 due but unclaimed deposits aggregating Rs.15.74 lacs out of which 9 deposits aggregating Rs.2.05 lacs have been paid as on the date of this report. There are no claimed and unpaid deposits.

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

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

14. 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 in the prevalent difficult market conditions

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956 the Report and the Accounts is being sent to all shareholders of the Company excluding the aforesaid information.

Any shareholder interested in obtaining such particulars may write to the Secretary at the Registered Office of the Company.

15. AUDITORS

The retiring auditors M/s. Parikh & Shah, Chartered Accountants having furnished the necessary certificate u/s. 224(1-B) of the Companies Act, 1956 are eligible for re-appointment. The members are requested to re-appoint the auditors. There are no qualifications or adverse remarks in the auditors report.

Your Directors propose to appoint Branch Auditors for the Chennai unit in consultation with the Statutory Auditors. Authorisation for the same is being sought from the members in the ensuing Annual General Meeting.

16. DELISTING OF SECURITIES

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

17. ACKNOWLEDGEMENT

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

For and on behalf of the Board

Rajan B. Raheja
Director

A. H. Parpia
Director

S. J. Taparia
Director

Place : Mumbai
Date : August 21, 2008



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, 2008.

A. CONSERVATION OF ENERGY

The on-going programme for Energy Conservation is on course and is showing good results.

B. TECHNOLOGY ABSORPTION

Further optimization of High Impact Polystyrene grades for Gas Assist injection moulding process achieved. High Gloss HIPS firmly established for styling parts of appliance sector both for domestic market as well as export market. Developed several colours for a discerning MNC Company & got included as AVL (Approved Vendor List) on global basis.

Developed several grades of Olefinic compounds for automobile sector as well as electrical applications. Increased the basket of masterbatch grades for plastic processing sector.

ANNEXURE - FORM A

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

A. Power and fuel consumption

	Current Year July 01, 2007 to June 30, 2008	Previous Year July 01, 2006 to June 30, 2007
1. Electricity		
(a) Purchased		
Units (KWH)	27953000	28137000
Total amount (Rs. Lacs)	1153.95	1192.60
Rate/unit (Rs.)	4.13	4.24
(b) Own Generation		
Through diesel generator		
Units (KWH)	10114	141102
Unit per ltr. of diesel oil	0.64	2.99
Cost/Unit	43.08	12.96
2. Furnace Oil		
Quantity (MT)	1415.542	1702.892
Total amount (Rs. Lacs)	302.51	264.97
Average rate (Rs. per Kg.)	21.37	15.50
3. Other/Internal Generation – P S Purge		
Quantity (MT)	213.513	221.908
Total cost	—	—
Rate per unit	—	—
B. Consumption per unit of production		
Product (POLYSTYRENE) (MT)	*163573.15	*185590
Electricity (KWH/MT)	*170.90	*152.37
Furnace Oil (Kgs/MT)	9.14	9.18
Others - P. S. Purge (Kgs/MT)	1.38	1.20

* Including Speciality Polystyrene

For and on behalf of the Board

Rajan B. Raheja
Director

A. H. Parpia
Director

S. J. Taparia
Director

Place : Mumbai
Date : August 21, 2008


SUPREME PETROCHEM LTD
ANNEXURE II TO THE DIRECTORS' REPORT

Information as per Section 217(2A) read with Companies (Particulars of Employees), Rules 1975 and forming part of Directors' Report for the year ended June 30, 2008.

Sr.No.	Name	Age	Designation/ Nature of Duties	Gross Remuneration Received/ Receivable	Qualification	Experience (No. of Yrs.)	Date of Commencement of employment	Previous employment & designation
1	Shri Bedi S.J.S.	57	Chief Executive (Marketing)	26,77,050	B.Tech (Hons) Chemical PGDBA (IIM Ahmedabad)	35	07.02.2006	LG Polymers Pvt. Ltd., Executive Director (Marketing)
2	Shri N. Gopal	62	Executive Director (Styrenics) & Manager	82,70,567	B.Tech (Chem) MS,DIC (Advanced Chemical Engineering)	39	12.11.1990	Reliance Petrochemicals Ltd. -General Manager
3	Shri Mondkar S.L.	62	Dy. Chief Executive (Marketing)	25,24,665	BSc. (Chem)	39	07.07.1997	Polychem Ltd. General Manager (Marketing)
4	Shri Mujumdar K.V.	55	Chief Executive (Works)	29,28,225	BSP,BE, DBM	31	26.08.1992	Hindustan Organic Chemicals Ltd. Manager (Instrumentation)
5	Shri Nayyar Rakesh	51	Executive Director (Finance & Corporate Affairs) & Company Secretary	81,79,184	B.Com (Hons) AICWA, ACS,AIIA	32	15.04.1992	IL&FS - Consultant
6	Shri Raje G.G.	58	Chief Executive (Works)	26,06,670	M.Tech (Chemical Engg.) IIT - Mumbai	35	11.06.1992	Hindustan Organic Chemicals Ltd. General Manager (Cooling Unit)
7	Shri Rangarajan R.	53	Chief Executive (Exports)	29,31,958	B.Tech (Chemical)	30	02.05.1992	McDowell & Co. Ltd. Polymer Division Manager (Project)
8	Shri Rastogi S.K.	54	Dy. Chief Executive (Marketing)	27,68,691	B.Tech (Plastic) HBTI - Kanpur	30	14.05.1996	McDowell & Co. Ltd. - Dy. General Manager (Marketing)

Notes:

- Gross remuneration includes salaries, Company's contribution to provident and superannuation funds, medical reimbursement, leave travel assistance and value of other perquisites as per income tax rules, wherever applicable.
- The designation represents the nature of duties of the employees.
- None of the employees listed above are related to any Director of the Company.

For and on behalf of the Board

Rajan B. Raheja
Director

A. H. Parpia
Director

S. J. Taparia
Director

Place : Mumbai
Date : August 21, 2008



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The domestic demand for Polystyrene grew by 7% during the year under review as compared to the previous year. The demand could have grown at a higher rate but for the high prices of Styrene Monomer, the main raw material for Polystyrene, which was fuelled by spiraling increase in crude oil prices. This kept the margins under pressure and as a result the top line grew due to high prices of raw material but the bottom line shrunk because of the pressure on the margins.

With the softening of price of crude oil, prices of Styrene Monomer have also now started softening. Availability of Styrene Monomer is also expected to ease with the new capacities going on stream by the year end in Kuwait, Saudi Arabia and Iran. With additional capacities going on stream and softening of crude oil prices it is expected that 2009 may see improved availability of Styrene Monomer at reasonable prices. Availability of PBR, the other major raw material used for manufacture of HIPS is also tight and prices of same have more than doubled during the year under review. Foreign exchange rate volatility of over 8% in the last quarter of year under review also impacted the bottom line. Your Company suffered a net foreign exchange loss of Rs.1371.13 lacs during the year.

Your Company had decided to move into value added products viz. Expandable Polystyrene (EPS), Specialty Polymer products and Expanded Polystyrene (XPS). Capacity implementations for these are progressing as per schedule. Your Company has now also decided to implement projects for Cup Grade EPS beads and EPS insulation product.

SPECIALITY POLYSTYRENE PRODUCTS

During the year under review the Company took steps to install additional lines for Speciality Polystyrene products to enhance the capacity to 25,000 tpa. This capacity to produce alloys/ blends/ compounds/ masterbatches of polymers would be fully operational by September 2008. With the encouraging response received from various segments of the market including overseas markets for speciality polymer products, plans are afoot to enhance this capacity in stages to 50,000 tpa in the next 24 - 30 months. A part of this capacity may also be put up at Chennai to cater to the growing automobile industry in Tamil Nadu.

Your Company achieved TS16949 certification during the year. This certification is a pre-requisite for participation in an automobile sector. The feedback from major automobile producers and their OEM suppliers has been very positive for the various reinforced compounds developed by your Company. The full advantage of these developments are expected to occur in the current year. Sustained marketing efforts are being made for further enhancing your Company's presence in compounded products.

EXPANDED POLYSTYRENE (XPS)

Your Company's plant with a capacity of 5,000 tpa for producing XPS board at its existing plant site at Amdoshi, Maharashtra is progressing as per schedule. The plant is likely to be commissioned by this year end. This new plant will be first of its kind and technology adapted is "Green" in line with concerns of environment issues pertaining to blow agents used for foaming

of Polystyrene. Separate marketing setup for handling this new product is being set up.

XPS board is emerging as an important insulation medium for residential as well as commercial buildings all over the world due to renewed efforts for environmental protection by reducing erosion of greenhouse gasses. Considerable excitement is seen in the insulation sector with Government of India unveiling guidelines for Energy Conservation in Building Construction as well as encouraging feed back from growing building movement both which argues well for XPS/ EPS insulation products.

Your Company is developing the insulation business on a system concept basis for giving a total value added solution to customers, both retail as well as projects. Your Company has already started doing seed marketing for XPS for market development and would continue to make efforts to develop the market for XPS in India. After stabilizing this plant, your Company intends setting up a second plant for XPS at Chennai which would cater to the construction boom in South India.

EXPANDABLE POLYSTYRENE (EPS)

The first phase of EPS plant at Chennai has since been completed. The total capacity of 20,000 tpa shall be fully operational by this year end. Your Company had also started work on a EPS plant at its existing site at Amdoshi. The same has now been put on hold in view of developments relating to Cup Grade EPS beads as mentioned hereinbelow.

Your Company proposes to set up facilities for manufacture of EPS insulation products at Chennai.

CUP GRADE EPS BEADS

Your Company had started dialogue with M/s Nova Chemicals, U.S.A. for licencing technology for Cup Grade EPS beads. This is a very restricted technology and is produced only by a few in the world. Cup Grade EPS has great potential not only in the domestic market but also in the export markets of Gulf and Africa. Your Company has entered into an MOU with M/s Nova Chemicals, U.S.A. for transfer of technology and also product offtake for Cup Grade EPS. The MOU provides for product offtake by M/s Nova for a certain number of years and also permits your Company to export the product to certain markets. The planned capacity of the plant is 20,400 tpa and is likely to be commissioned by June 2010. This development is very encouraging as this brings a highly technologically restricted product in your Company's fold.

SPECIAL ECONOMIC ZONE

Land acquisition through MIDC for your Company's Sector Specific Special Economic Zone for plastic processing sector in Dist. Raigad, Maharastra is progressing well and it is likely that by March 2009, your Company should be able to get possession of land from MIDC. Your Company is also taking necessary effective steps for starting the work as soon as land is handed over to it by MIDC.

MINOR PORT

Land earmarked for companies minor port was notified by Govt. of Maharashtra for some other project and your Company has now been successful in getting the same de-notified. However, the land for approach road to be transferred to Maharashtra



SUPREME PETROCHEM LTD

Maritime Board (MMB) by Govt. of Maharashtra is still in progress. Your Company shall build the road no sooner it gets clearance from MMB. Road shall be build under scheme for Assistance to States for Infrastructure Development Export and Allied Activities under which 50% of the project cost shall be contributed by the Central Government.

FINANCE

Interest rates further hardened during the year under review. However, with the judicious management of funds, your Company has been able to reduce the interest cost despite hardening of interest rates. Your Company continues to be rated by Fitch Ratings (issue of Commercial paper with rating of F1 (Indicating strongest credit quality and capacity for timely payment of financial commitments) and also assigned for A- (Ind) rating to the outstanding long term bank loans.

AMALGAMATION OF SPL POLYMERS

The amalgamation of SPL Polymers Limited with your Company w.e.f. July 1, 2007 was completed on July 12, 2008 subsequent to the approvals received from the Bombay and Madras High Courts.

In compliance with the Scheme of Amalgamation, equity shares of Supreme Petrochem Ltd were allotted to members of SPL Polymers Limited in the ratio of 1 fully paid equity share of Rs.10/- each of Supreme Petrochem Ltd for every 6 fully paid equity shares of Rs.10/- each held in SPL Polymers Limited.

OUTLOOK

With increase in the emerging applications like insulation, fresh produce packaging, increased demand for consumer durables due to growth in GDP and also softening of Styrene Monomer prices, it is expected that demand for Polystyrene and EPS would grow @ 10% during 2008-09.

Demand in several underdeveloped and developing countries is growing with rising income levels due to increased demand for minerals and agriculture produce from these countries. Rapid increase in income levels of oil producing Middle East/ Gulf Countries is also resulting in larger than normal growth in consumption of PS in these countries. All above factors contribute to better export opportunities for your Company.

Supply in particular in Europe and U.S.A. is getting tight as a result of on-going rationalism exercise internationally by majors in PS business. This opens up more export opportunities for your Company.

OPPORTUNITY

With the increase in demand for alloys/ blends/ compounding in the automotive, building and construction, electrical and electronic appliances segments, your Company is in a position to take advantage of this growing market because of increased installed capacity. Sustained growth in GDP of Indian economy would also lead to growth of domestic consumption of Polystyrene.

The rise in costs of manufacturing in China due to tight monetary control by their banking system etc. is expected to create increased export opportunities for Indian Plastics processing units. This will help increasing consumption of Polystyrene in India.

THREAT

Low tariff barrier and FTAs with various neighbouring countries having large excess capacity of Polystyrene poses continuous threat for PS/ EPS business of your Company.

Your Company has therefore taken all steps to protect the business by arranging long term supply contract as well as marketing arrangements with major customers on mutually beneficial terms to wean them away from importing from alternate sources. Establishing down stream PS/ EPS processing units in the form of XPS/ EPS insulation business is an action to protect our PS/ EPS business.

AWARDS AND RECOGNITION

Your Company has achieved recognition and approval from prestigious organizations as under :

- Your Company has continued implementation of HSE management systems under the guiding principles of declared 'Health and Safety Policy' and 'Environmental Policy.' Both the Environmental Management System and Occupational Health and Safety Management System are continued to be maintained as per ISO 14001 Standard and OHSAS 18001 Specifications respectively.
- HSE performance index for the period under review stood to be in excellent range. Your Company has completed 2814 accident free days and 6688178 accident free man-hours as on June 30, 2008.

Your Company has achieved following recognitions and awards during the period under review-

- National Safety Awards (Winner under longest accident free period) – from Ministry of Labour & Employment, Government of India.
- National Safety Council of India – Suraksha Puraskar in recognition for developing and implementing very effective management systems and procedures and achieving very good performance in Occupational Safety and Health.
- First and Second Prizes in State Level Fire Drill Competition from Director, Maharashtra Fire and Emergency Services and Fire Advisor Mumbai.
- National Safety Council – Maharashtra Chapter : Maharashtra Safety Award 2006 – Certificate of Merit for meritorious performance in Industrial Safety during year 2006. (declared in Sept 2007)
- National Safety Council – Maharashtra Chapter : Maharashtra Safety Award 2006 – Certificate for achieving longest accident free period during year 2006. (declared in Sept 2007)
- Greentech Environment Excellence Gold Award – From Greentech Foundation, New Delhi. For outstanding achievement in Environment Management.

Your Company has also received TS16949 certification during the year under review. This certification is pre-requisite for participating in the automobile sector for supply of alloys/ compounds. Your Company continues to be certified with ISO 9001, Environmental Management System ISO 14001 and with OHSAS 18001 Specification by BVQI.