



# **SUPREME PETROCHEM LTD**

**ANNUAL REPORT  
2008-2009**

**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  
 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

**PLANTS:**

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

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

**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

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## NOTICE

NOTICE is hereby given that the Twentieth 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 Tuesday, October 6, 2009 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, 2009.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri M.P. Taparia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri S.J. Taparia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Satish B. Raheja, 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 Shri R. Kannan be and is hereby appointed as a Director of the Company, liable to retire by rotation".

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

"RESOLVED THAT pursuant to Section 198, 269, 310, 311, 387 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government, if required and such other approvals as may be necessary, consent of the Company be and is hereby accorded to the appointment of Shri N. Gopal as a Manager of the Company and to his being paid and provided remuneration, benefits and amenities as the Manager of the Company for the period September 01, 2009 to June 30, 2011 on the terms, conditions and stipulations contained in the Agreement between the Company and Shri N. Gopal a copy whereof is placed before the meeting and for the purpose of identification, is initialed by the Chairman.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution".

**For and on behalf of the Board**

**M. P. Taparia**  
Chairman

**Registered Office:**  
612, Raheja Chambers  
Nariman Point  
Mumbai - 400 021  
Date: July 29, 2009

## 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, September 22, 2009 to Tuesday, October 6, 2009 (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 bring their copies of the Annual Report to the Meeting.



## ANNEXURE TO THE NOTICE

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

### ITEM NO. 7:

Shri R. Kannan was appointed as an Additional Director under Section 260 of the Companies Act, 1956 at a meeting of the Board of Directors held on April 21, 2009.

Shri R. Kannan shall hold office as a Director upto the date of the ensuing Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956 has been received from a member proposing the candidature of Shri Kannan for office of the Director of the Company.

Shri R. Kannan was formerly General Manager of ICICI Ltd., in charge of the Oil & Gas division, and thereafter a Director of the Institute of Financial Management and Research, Chennai. He is currently a faculty member of the Institute. Shri R. Kannan is considered an expert in the Oil, Gas & Petrochemical Industry.

Shri R. Kannan was from July 19, 2005 to March 26, 2009 the Nominee of ICICI Bank Ltd., on the Board of your Company and as such is well acquainted with the affairs of your Company.

The Directors commend the appointment of Shri R. Kannan in view of his extensive knowledge and rich industrial experience.

Shri R. Kannan may be deemed to be interested in the resolution at Item No. 7.

### ITEM NO. 8:

The Board of Directors at their meeting held on July 29, 2009 have appointed Shri N. Gopal as Manager of the Company for the period September 01, 2009 to June 30, 2011 subject to approval of the Members of the Company and other statutory approvals as may be necessary.

The qualifications and experience of Shri N. Gopal together with the responsibilities entrusted to him have been taken into account by the Remuneration Committee of Directors which has recommended the following remuneration:

### REMUNERATION:

- (a) Not exceeding Rs. 90.00 lacs per annum (inclusive of ex-gratia, if any).

In case, accommodation is provided to Shri N. Gopal by the Company, the same shall be valued as per the Income Tax Rules.

In case the Company does not provide accommodation to Shri N. Gopal, he shall be entitled to House Rent Allowance. The value of the accommodation or the House Rent Allowance paid shall form a part of the remuneration stated above.

- (b) The above remuneration may be increased by the Board (or any Committee thereof constituted for the purpose) in its discretion in one or more steps at any time or from time to time during the tenure of the Agreement.

(c) The remuneration shall not exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for time being in force) or any amendment made thereto, without the approval of the Central Government.

Shri N. Gopal shall also be eligible for the following perquisites which shall not be included in the computation of the ceiling on remuneration specified above:

- Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or together are not taxable under the Income Tax Act, 1961.
- Gratuity payable by the Company not exceeding half a months salary for each completed year of service.
- Encashment of leave at the end of the tenure as per the rules of the Company.

The Company will provide a car to Shri N. Gopal and shall reimburse expenses incurred by him for use of and repairs to the car. The driver's salary shall also be reimbursed to Shri N. Gopal as per the rules of the Company.

The Company shall provide a telephone at the residence of Shri N. Gopal. Personal long distance calls on telephone shall be billed by the Company to Shri N. Gopal.

Shri N. Gopal shall be entitled to reimbursement of all actual expenses, including entertainment and traveling, incurred in the course of the Company's business.

Shri N. Gopal shall be entitled to earned/privilege leave on full pay and allowances as per Rules of the Company.

In the event of absence or inadequacy of profits of the Company for any year, Shri N. Gopal shall be entitled to the aforesaid remuneration and reimbursement of expenses during the currency of this Agreement.

### Statement of Information as required under schedule XIII of the Companies Act, 1956:

#### I. General Information:

- Nature of Industry : Manufacture and sale of Polystyrene, Expandable Polystyrene and SPS.
- Date of Commencement of Commercial Production : October 01, 1995.
- Financial Performance

|                               | (Rs. In lacs) |            |            |
|-------------------------------|---------------|------------|------------|
|                               | 2006-2007     | 2007-2008  | 2008-2009  |
| Gross Sales                   | 161103.74     | 161622.81  | 150096.60  |
| Profit before Tax             | 4730.52       | 2757.95    | 3500.57    |
| Net Profit                    | 3228.45       | 2350.71    | 1933.58    |
| 4. Export Performance         | 66784.86      | 53067.02   | 36532.31   |
| Net Foreign Exchange Earnings | (38431.93)    | (39620.02) | (47894.20) |



5. Foreign Investment or Collaborators, if any : ABB Lummus Global Inc (USA)/ NOVA Chemicals (International) S.A./ SH Engg. & Chemical Co. Ltd., (Technical Collaboration)

## II. Information about the Appointee:

1. Background Details : Shri N. Gopal is B-Tech (in Chemical Engineering) from Madras University and M.Sc., DIC (Advanced Chemical Engineering) from Imperial College, London. He has 40 years experience in the Petrochemical field having worked with companies like ICI Petrochemicals Division, U.K.; Indian Petrochemical Corporation Limited (IPCL) and Reliance Industries Limited (Reliance).
2. Past Remuneration : Rs. 65.58 lacs p.a. + perquisites and other benefits.

3. Recognition or Award : -

4. Job profile and his suitability : Shri N. Gopal shall have overall responsibility for the day to day operations of the Company's plant, supply chain management and project implementation subject to the direction, superintendence and control of the Board of Directors. Shri N. Gopal has 40 years experience in the petrochemical industry.

He joined the Company in 1991 as Sr. Vice President (Projects & Operations). He was instrumental in setting up the Company's grass root Polystyrene plant with a capacity of 66000 TPA which has since been expanded to 272000 TPA. He oversaw the restoration and expansion of the fire damaged EPS plant in Chennai. The SPS Plant and its expansion and the current projects for cup grade EPS and Extruded Polystyrene (XPS) are being spearheaded by him.

5. Remuneration Proposed : As given above in the explanatory statement.

6. Comparative remuneration profile with respect to industry, size of Company, profile of the position and person (in case of expatriates the relevant details would be w. r. t. the country of his origin) : Your Company is the largest domestic manufacturer of Polystyrene and has a domestic market share of about 50%. It has customers in 96 countries across the globe. The proposed remuneration is comparable with other Companies of similar size and nature.

7. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any : No pecuniary relationship apart from remuneration drawn from the Company. No relationship with other managerial personnel.

## III. Other information :

1. Reasons of loss or inadequate profits : N. A.
2. Steps taken or proposed to be taken for improvement : N. A.
3. Expected increase in productivity and profits in measurable terms : N. A.

The Agreement with Shri N. Gopal can be inspected at the Secretarial Department of the Company at Solitaire Corporate Park, Building No. 11, 5th Floor, Andheri-Ghatkopar Link Road, Andheri (East), Mumbai 400 093 between 11.00 a.m. to 5.00 p.m. on any working day from Monday to Friday.

The Directors commend the resolution at Item No.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**

**M. P. Taparia**  
Chairman

**Registered Office:**  
612, Raheja Chambers  
Nariman Point  
Mumbai - 400 021.  
Date : July 29, 2009



## DIRECTORS' REPORT

Your Directors take pleasure in presenting the Twentieth Annual Report together with Audited Accounts of your Company for the year ended June 30, 2009.

### 1. FINANCIAL RESULTS

(Rupees in lacs)

|  | 2008-2009      | 2007-2008      |
|--|----------------|----------------|
| Income (Net of Excise)                                       | 139496.39      | 148127.40      |
| Profit before Tax  | 3500.57        | 2757.95        |
| Tax expenses   | 1566.99        | 407.24         |
| Profit after tax   | 1933.58        | 2350.71        |
| Prior period adjustments                                     | (15.14)        | (93.40)        |
| Balance brought forward from Previous Year                   | 2160.19        | 2253.84        |
| <b>Amount available for appropriation</b>                    | <b>4078.63</b> | <b>4511.15</b> |
| Appropriation thereof:                                       |                |                |
| Dividend on equity shares (including corporate dividend tax) | 1132.97        | 1150.96        |
| Transfer to general reserve                                  | 1000.00        | 1200.00        |
| Balance carried forward                                      | 1945.66        | 2160.19        |

Your Directors recommend a dividend of Re.1/- per share for the year 2008-2009.

### 2. REVIEW OF OPERATIONS

The domestic market for Polystyrene witnessed great fluctuations during the year under review. The first six months upto December 2008 saw the market shrinking by 16.5% whereas the remaining six months grew by almost 22%. The price of Styrene Monomer the main raw material also witnessed fluctuations resulting in inventory loss during the first six months of the year under review. Curtailed production by several Styrene Monomer producers kept Styrene Monomer availability tight during the year under review. Foreign exchange rate volatility also had an adverse effect on the Company's performance during the year. However, the Company's emphasis on domestic sales, cost rationalization efforts and prudent financial management resulted in your Company turning around the mid-year losses into profits at the year end. However, the share of domestic PS Manufactures in the domestic market was impacted due to increased imports.

The project for manufacture of Extruded Polystyrene (XPS) is mechanically complete. The Expandable Polystyrene

(EPS) capacity at Chennai was restored from December 1, 2008 and the work for expanding the capacity to 27000 TPA is in progress. Increase of the compounding facilities to 25000 TPA was also completed during the year.

### 3. BUY BACK OF EQUITY SHARES

Your Company commenced buy-back of its equity shares from December 31, 2008. Your Company till June 30, 2009 has bought back and extinguished 1537907 equity shares which has reduced the paid-up share capital of your Company from Rs.9837.65 lacs to Rs.9683.86 lacs as on June 30, 2009.

### 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 System under the guiding principles of declared 'Occupational Health and Safety Policy' and 'Environment Policy'. Both the Environment Management System and Occupational Health and Safety Management Systems 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.

The Company has completed 3181 accident free days and 8.6 million accident free man-hours as on June 30, 2009.

### 6. DIRECTORS

Shri M. P. Taparia, Shri S.J. Taparia and Shri Satish B. Raheja, 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

The two subsidiaries of your Company viz. SPL Industrial Park Limited and SPL Industrial Support Services Limited have not yet undertaken any activities. The statement pursuant to Section 212 of the Companies Act, 1956 is attached hereto. Accounts of the subsidiaries for the year ended March 31, 2009 are also attached.





## 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, 2002 and the unclaimed amounts of the third and final instalment of Debenture redemption paid on April 22, 2002 to the Investor Education and Protection Fund. In the aggregate an amount of Rs.150.73 lacs has been transferred till date since January 2002.

## 12. FIXED DEPOSIT SCHEME

The outstanding fixed deposits as on June 30, 2009 were Rs.1158.10 lacs. There were 69 due but unclaimed deposits aggregating Rs.16.51 lacs out of which 6 deposits aggregating Rs.0.95 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.

## 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 the Company's Bankers for their guidance and support. The Directors are also thankful to Suppliers, Customers and other Business Associates for their continued co-operation and support extended to your Company.

**For and on behalf of the Board**

**M. P. Taparia**  
Chairman

Place : Mumbai  
Date : July 29, 2009



## 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, 2009.

### A. CONSERVATION OF ENERGY

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

### B. TECHNOLOGY ABSORPTION

HIPS/GPPS Grades were further rationalized to meet the changing requirement of both, domestic and international customers. Developed and got approved weather resistant crystal polystyrene and coloured HIPS grades for water purifier application. Developed and got approved special master batches aimed at Performance films. FR HIPS/FR PP to meet REACH regulation of European market developed.

## ANNEXURE - FORM A

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

### A. Power and fuel consumption

|          |                             | Current Year<br>July 01, 2008 to<br>June 30, 2009 | Previous Year<br>July 01, 2007 to<br>June 30, 2008 |
|----------|-----------------------------|---|--|
| <b>1</b> | <b>Electricity</b>          |   |  |
| (a)      | Purchased                   |   |  |
|          | Units (KWH)                 | 28842819  | 27953000   |
|          | Total amount (Rs. Lacs)     | 1369.91   | 1153.95  |
|          | Rate/unit (Rs.)             | 4.75  | 4.13   |
| (b)      | Own Generation              |   |  |
|          | Through Diesel Generator    |   |  |
|          | Units (KWH)                 | 92425   | 10114  |
|          | Unit per ltr. of diesel oil | 3.74  | 0.64   |
|          | Cost/Unit                   | 15.76   | 43.08  |
| <b>2</b> | <b>Furnace Oil</b>          |   |  |
|          | Quantity (MT)               | 1531.834  | 1415.542   |
|          | Total amount (Rs. Lacs)     | 326.06  | 302.51   |
|          | Average rate (Rs. per Kg.)  | 21.29   | 21.37  |

### B. Consumption per unit of production

| Product              | PS      | EPS    | PS      | EPS |
|----------------------|---------|--------|---------|-----|
| Electricity (KWH/MT) | *173.44 | 256.12 | *170.90 | NIL |
| Furnace Oil (Kgs/MT) | 8.48    | 43.08  | 9.14    | NIL |

\* Including Speciality Polystyrene

For and on behalf of the Board

M. P. Taparia  
Chairman

Place : Mumbai  
Date : July 29, 2009





## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

The year under review was tumultuous for the Petrochemical Industry globally. India and Supreme Petrochem Ltd were no exception.

After reaching a peak, crude oil prices declined steeply in the later part of year 2008 due to the global crises, dragging along with it all the petrochemical building blocks. Situation however, started improving from January' 09 after price correction took place and demand for PS started picking up.

The domestic Polystyrene (PS) market witnessed two contrasting patterns in the two halves of the year under review. The first half saw shrinking of the domestic Polystyrene market by almost 16% on the back of the world crisis. The second half of the year, however, witnessed a dramatic turn around in the demand pattern when the demand surged up by about 22% over the same period of the previous year. This could partly be attributed to stimulus package brought out by Government including reducing excise in stages from 14% to 8%.

The robust growth witnessed in second half of the year under review was also due to various factors like low price regime including lower excise duty, spurt in demand from consumer durables, stationery and imitation jewellery sectors etc. As a result the year 2008-09 registered demand growth of about 9% over previous year in the domestic market. However, the share of domestic PS manufacturers in the domestic market was impacted due to increased imports.

Your company has immense faith in the robustness of Indian economy and therefore, while the Industry was in virtual shutdown mode during 2<sup>nd</sup> and 3<sup>rd</sup> quarter of the year under review, your company still arranged adequate quantity of raw material and produced enough quantity of Polystyrene to satisfy the demand of the domestic market.

Export of natural PS witnessed lower demand due to slow down in overseas countries and your Company also decided to export to only those markets which could give better net back. Exports of natural PS therefore reduced to 50307 MT in the year under review from 71370 MT in the previous year.

The Speciality Polystyrene (SPS) business remained stagnant mainly due to reduced demand from overseas markets consequent to global economic slowdown. However, the domestic demand for SPS grew modestly by 20%. It is expected that growth will be much higher in 2009-10 due to several initiatives taken by the company to promote SPS products domestically and some revival on demand from overseas markets.

Expandable Polystyrene (EPS) business was stabilised during the year after starting the restored plant in Chennai on December 1, 2008. Efforts are being made to achieve quality leadership. The increase in installed capacity to 27000 TPA is likely to be completed and commissioned during the first half of the year 2009-10 subject to statutory approvals.

### Expansion/New Projects

**Speciality Polystyrene:** Two new lines, one designed for producing reinforced PP compound aimed at the growing automobile industry and the other for producing highly loaded Master Batches were commissioned and stabilised during the year. Efforts are continuing to load the available capacities fully to get the benefit of increased capacity in 2009-10.

**Extruded Polystyrene:** Construction of the plant and erection of machinery for Extruded Polystyrene (XPS) is complete. Commissioning is expected by first half of August 2009. Core team for marketing this new product has been set up and is being further strengthened.

**Cup Grade EPS Beads:** The technology tie up for 20400 TPA cup grade EPS was concluded in March 2009. The technology transfer documents have been received and the detailed engineering is in progress. The construction activities will start in October 2009 and the plant is expected to be in commercial operation by January 2011. A significant aspect of the project in the product buy-back of about 25% of the capacity by NOVA for a period of 5 years.

Your Company intends to shortly start marketing of the cup grade EPS in India with material imported from NOVA. All application support will be provided to the Indian market with NOVA's assistance.

### Special Economic Zone (SEZ):

A total of 191 hectares of land for your Company's Sector specific Special Economic Zone for Plastic Processing in District Raigad, Maharashtra is being acquired through MIDC. Process of land acquisition is progressing albeit at a slow pace. Your Company has received consent to establish from Maharashtra Pollution Control Board for said SEZ.

**Minor Port:** Due to abnormal delay in transferring the government land of village Dherand and Shahapur by the District Collector, Raigad to Maharashtra Maritime Board (MMB), ASIDE Committee (Assistance to States for Infrastructure Development Export and Allied Activities) has asked MMB to resubmit the proposal for the construction of approach road to our project location. MMB shall resubmit the proposal to the ASIDE Committee only after the required/identified government land is transferred by District Collector, Raigad to MMB. Due to the above the project implementation is further delayed although, all required approvals/permissions are obtained and the possession of land for phase – I is with your Company.



## BUYBACK OF EQUITY SHARES

Pursuant to the suggestions of members in the General Meetings the Board of Directors approved the Scheme of Buy-Back of equity shares at a maximum price of Rs.14/- per share. Your Company has upto June 30, 2009 brought back and extinguished 1537907 shares. The paid-up share capital of your Company therefore stands reduced to Rs.96,83,86,130 comprising of 9,68,38,613 equity shares of Rs.10/- each.

## OUTLOOK

**Polystyrene (PS):** Outlook for the current year is positive for both domestic as well as overseas markets. This is due to the fact that coordinated efforts are being made by the leaders of all major nations in the world to kick-start the global economy. The on-going rationalisation exercise being pursued by all the major PS players as well as the smaller PS producers to reduce excess capacity in all the regions of the world will benefit your Company in the domestic market by preventing low priced offers coming from other countries as well as allowing reasonable price for your company's products when exported out of India. Over the past three years PS capacities of 1.483 million tons have been shut down around the world. Your Company with its large PS capacity is geared up to service the markets affected by the closures. It is expected that PS market in India will grow by 8% in 2009-10.

Rural markets are opening in a big way for sectors like consumer durables, stationery, imitation jewellery etc. Owing to the enhancement of purchasing power of the rural population, the consumer durable majors are giving thrust to rural marketing and planning expansions to feed the same.

**EPS:** Rapid growth in consumer durable industry both for meeting domestic requirement as well as for export to neighbouring countries in Africa & Middle East augurs well for EPS consumption for packaging. In addition, strong growth in cold room for perishables storage affords growth opportunity for insulation panels using EPS. Continuing growth of fish export will ensure consistent growth in EPS consumption in this sector.

We believe that market for EPS in India when compared with demand in other countries in Asia has a huge untapped potential and therefore your Company's Market Development Team is focussed on the following selected areas:

- Buildings and Construction - For wall panels, sandwich panels and for providing insulation for roof and walls. In many countries Insulation in buildings is mandatory and we understand Indian Government is also considering the same.
- Pallets - With increasing Air cargo movement, usage of EPS pallets (with HIP lamination) offer a clean, light weight and economical alternative to conventional

wooden pallets, particularly for Pharmaceuticals, Bio-Chemical and Agro products.

- Fish Boxes - PS provides an easy mix of storage box with very effective insulation properties for transportation of Fish within the country from coastal areas.
- Conventional usage of EPS for packaging of Electronic goods and other white goods will grow rapidly now as demand for these products in semi-urban and rural areas has picked up strongly with increasing per-capita incomes.

**SPS:** Overall growth in Plastics processing industry is expected to result in healthy growth for good quality Master Batches in which segment your company is slowly but steadily establishing itself as a dependable supplier.

PP compounds consumption is expected to pick-up momentum due to renewed growth in automobile industry.

## Opportunities

Rationalisation of PS capacity all over the world would create a better environment for your company in many countries where your company is an active participant.

Careful nurturing of the Indian Economy by the new Government is expected to result in sustained growth in domestic consumption of your company's various products.

In the longer term, energy cost is expected to remain high, giving rise to increase in consumption of innovative products for both hot & cold insulation which will boost consumption of EPS & XPS products of your company. This is an area of great potential.

Your Company is also planning some measures to reduce cost of production by introducing ERP system. This is expected to lead to better credit management, cost management and lowering of inventory. Better energy integration possibilities are being studied in the context of EPS expansion. This shall help in lowering cost of Polystyrene production.

Your company is evaluating the use of gas engines for captive power and steam generation as gas is now available at our doorstep.

## Threats

Low tariff barrier and FTA with various countries pose a threat to your Company by providing opportunities for cheaper imports from countries still having surplus PS capacity despite the on-going rationalisation.

The industry is highly conscious of these aspects and the Polystyrene Producers Association plans to represent to the Government to impose safeguard duty on such imports.