



**SUPREME PETROCHEM LTD**

**ANNUAL REPORT  
2012-2013**

**BOARD OF DIRECTORS:**

M. P. Taparia, Chairman  
 Rajan B. Raheja  
 Aziz Parpia - upto April 24, 2013  
 B. L. Taparia  
 Satish Raheja  
 S. J. Taparia  
 Hasmukh Shah  
 M. S. Ramachandran  
 R. Kannan  
 Nihalchand Chauhan  
 Ameet Parpia - from April 24, 2013  
 Viren Raheja - Alternate Director to Satish Raheja

**REGISTERED OFFICE:**

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

**CORPORATE OFFICE:**

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

**PLANTS:**

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

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

**BANKERS:**

State Bank of India  
 AXIS Bank Ltd.  
 Central Bank of India  
 HDFC Bank Ltd.  
 ICICI Bank Ltd.  
 IDBI Bank Ltd.  
 ING Vysya Bank Ltd.  
 Kotak Mahindra Bank Ltd.  
 The Hongkong & Shanghai Banking Corporation Ltd.  
 The Karur Vysya Bank Ltd.

**AUDITORS:**

M/s. Parikh & Shah  
 Chartered Accountants

**REGISTRARS & TRANSFER AGENTS:**

Karvy Computershare Private Limited,  
 17-24, Vittalrao Nagar, Madhapur,  
 HYDERABAD - 500 081

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## PERFORMANCE HIGHLIGHTS

₹ Lacs unless indicated otherwise

	2012-2013	2011-12	2010-11	2009-10	2008-09
Net Sales	296818.18	227267.22	194369.87	161184.41	139496.39
Other Income	436.24	648.76	866.92	270.93	297.48
Total Income	297254.42	227915.98	195236.79	161455.34	139793.87
Operating Profit	16175.51	10269.33	16903.64	12876.19	7684.01
(Profit before Financial Cost, Depreciation, Amortisation and Tax)					
Financial Cost	2399.94	3199.28	2021.64	1789.50	2142.84
Depreciation/Amortisation	2770.61	2292.34	2037.02	2068.29	2040.60
Profit Before Tax & Exceptional items	11004.96	4777.71	12844.98	9018.40	3500.57
Net Profit	7282.33	3137.47	8769.07	6047.49	1918.44
Paid up Equity Capital	9683.86	9683.86	9683.86	9683.86	9683.86
Reserves and Surplus	25596.30	21146.38	19584.55	13966.84	9941.24
Shareholders' Funds (Net Worth)	35280.16	30830.24	29268.41	23650.70	19625.10
Deferred Tax Liability (Net)	4872.04	4385.59	4096.64	4349.29	4555.14
Loans	7468.85	14230.64	16608.48	15510.66	13771.62
Capital Employed	47621.05	49446.47	49973.53	43510.65	37962.57
Avg Capital Employed	48533.76	49710.00	46742.09	40736.61	37628.30
Earning Per Equity Share (Rs.)	7.52	3.24	9.06	6.24	1.96
Cash Earning Per Equity Share (Rs.)	10.38	5.61	11.16	8.38	4.09
Book Value (Rs.)	36.43	31.84	30.22	24.42	20.27
Dividend (%)	25.00	14.00	28.00	18.00	10.00
ROACE (%) (PBIT/Average capital Employed)	27.62	16.05	31.81	26.53	15.00
ROANW (%) (PAT/Average Net Worth)	22.03	10.44	33.14	27.95	9.97
Debt : Equity (Total Debt/Total Net Worth)	0.21	0.46	0.57	0.66	0.70
Total Outside Liabilities/ Total Net Worth	1.78	2.25	2.24	2.14	1.99

## NOTICE

NOTICE is hereby given that the twenty fourth 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 18, 2013 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, 2013.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri M. S. Ramachandran, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Rajan B. Raheja, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri B. L. Taparia, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri Nihalchand Chauhan, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Statutory Auditors and fix their remuneration.

### SPECIAL BUSINESS:

8. To consider and, if thought fit, to pass with or without modification, as 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 ('the Board') of all the

immovable and movable properties of the Company wheresoever situate present and future, in favour of Consortium of Banks including State Bank of India (SBI); IDBI Bank Ltd. (IDBI); Central Bank of India (CBI); ICICI Bank Ltd. (ICICI); ING Vysya Bank Ltd. (IVBL); The Karur Vysya Bank Ltd. (KVBL); AXIS Bank Ltd. (AXIS); The Hongkong And Shanghai Banking Corporation Ltd. (HSBC) and such other Banks as may be included in the Consortium from time to time in such manner and form as may be agreed to between the Consortium of Banks and the Board in respect of the existing and future fund and non-fund based credit facilities upto an amount of ₹1500.00 crores extended/to be extended to the Company for meeting its Working Capital requirements, together with interest at the agreed rate, costs, charges, expenses and all other monies payable by the Company in terms of the facility agreements in respect of said Working Capital Facilities.

RESOLVED FURTHER THAT the Board be and is hereby authorised to finalise with the Consortium of Banks 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 documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to the above resolution".

**For and on behalf of the Board**

**M. P. Taparia**  
Chairman

### Registered Office :

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

Date : July 17, 2013



## 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 No. 8 of the notice is annexed.

Register of Members of the Company will remain closed from Wednesday, October 16, 2013 to Friday, October 18, 2013 (both days inclusive).

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

Members holding shares in physical form are advised to furnish, on or before October 10, 2013 particulars of their Bank Account, if changed, to Karvy Computershare Private Limited, Hyderabad to incorporate the same in the dividend warrants/ payment instrument.

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

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

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

## ANNEXURE TO THE NOTICE

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

### ITEM NO. 8:

The Company has been availing credit facilities from the Consortium of Banks to meet its Working Capital requirements. As required by the Consortium of Banks, these credit facilities are to be secured by a appropriate mortgage/hypothecation/charge on the Company's immovable and movable properties on pari-passu basis. The consent of the members is now being sought to create such mortgage/hypothecation/charge on pari-passu basis with the existing mortgages/hypothecations/charges on the Company's immovable/movable properties wheresoever situate both present and future in favour of the current Consortium of Banks and such other Banks as may join the Consortium from time to time for Working Capital Facilities including fund and non-fund based facilities sanctioned/to be sanctioned by the Consortium of Banks upto an aggregate amount of ₹1500.00 crores. 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 may be deemed to be in any way concerned or interested in the resolution except Shri M. S. Ramachandran, who is a Director of ICICI Bank Limited. He will be concerned or interested in the resolution, to the extent of Working Capital Facilities that may be availed from ICICI Bank Limited.

**For and on behalf of the Board**

**M. P. Taparia**  
Chairman

### Registered Office :

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

Date : July 17, 2013

## DIRECTORS' REPORT

Your Directors take pleasure in presenting the twenty fourth Annual Report together with Audited Accounts of your Company for the year ended June 30, 2013.

### 1. FINANCIAL RESULTS

(Rupees in lacs)

	2012-2013	2011-2012
Income (Net of Excise)	297254.42	227915.98
Profit before Tax	11004.96	4777.71
Tax expenses	3738.45	1440.25
Profit after tax	7266.51	3337.46
Prior period adjustments	(15.82)	199.99
Balance brought forward from Previous Year	7282.33	3137.47
<b>Amount available for appropriation</b>	<b>10922.42</b>	<b>7715.73</b>
Appropriation thereof :		
Dividend on equity shares (including corporate dividend tax)	2832.41	1575.64
Transfer to general reserve	4000.00	2500.00
Balance carried forward	4090.01	3640.09

### 2. DIVIDEND

Your Directors recommend a dividend of ₹ 2.50 per equity share for the year 2012-2013. The dividend subject to approval of members at the annual general meeting in October 2013, shall be paid to the members whose names appear in the register of members as on date of applicable book closure.

### 3. REVIEW OF OPERATIONS

The year under review was a difficult year with consumer confidence being low, high commodity prices, inflation and sharp depreciation of rupee value. Under these difficult times your Company could manage to grow its volumes by 6.9% over the previous year. This growth was very low compared to the target fixed by the Company for the previous year. This fall in volume growth compared to target was mainly on account of de-growth in domestic Polystyrene and Special Polymer Compounds demand and lower than expected growth in Expandable Polystyrene and export markets. Growth in exports was affected due to continued uncertainty in political and economic situation in various regions of the global economy, bilateral trade agreements between Polystyrene exporting countries in South and North East Asian markets and major Polystyrene consuming countries like Turkey and European Union. In view of the current economic and political situation in the country your Company expects to grow its volumes by about 15% during the year 2013-14.

In Extruded Polystyrene Insulation Board (XPS) the Company is now focusing more on creating a retail sales network to tap into this large potential. The plant loading will improve significantly once the retail segment picks up.

### 4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT & CORPORATE GOVERNANCE

Management Discussion and Analysis for the year under review and the report on Corporate Governance as stipulated under clause 49 of the Listing Agreement with Stock Exchanges are presented separately in the 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.

### 5. HEALTH, SAFETY & ENVIRONMENT

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

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

Your Company has completed 4637 accident free days as on June 30, 2013 which amounts to 12.46 million man- hours of accident free operation.

### 6. DIRECTORS

Shri M. S. Ramachandran, 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.

Shri Aziz Parpia, who has been a Director of the Company since inception resigned on April 24, 2013 on account of advancing age. The Board places on record its appreciation of his invaluable guidance and contribution to the Company as a member of the Board of Directors and its various Committees.

Ms. Ameeta Parpia was appointed as Director of your Company in the casual vacancy created by the resignation of Shri Aziz Parpia, w.e.f. April 24, 2013.

### 7. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- 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.

## **8. TRANSFERS TO INVESTOR EDUCATION AND PROTECTION FUND**

Your Company transferred an aggregate amount of ₹1.12 lacs during the year to the Investor education and Protection Fund. The aggregate amount transferred to the fund since January 2002 is ₹201.95 lacs.

The unclaimed dividends on equity shares paid in November 2006 will be due for transfer to the Fund in December 2013. Investors who have not yet claimed these dividends are requested to contact either the Company's Secretarial Department or the R & T Agents.

## **9. FIXED DEPOSIT SCHEME**

The outstanding fixed deposits as on June 30, 2013 were ₹10.27 crores including 121 due but unclaimed deposits aggregating ₹45.89 lacs out of which 15 deposits aggregating ₹7.3 lacs have been paid as on the date of this report. There are no claimed and unpaid deposits.

## **10. 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.

## **11. PERSONNEL**

Your Company continues to maintain harmonious industrial relations throughout the year. The Directors acknowledge the sincerity and dedication of the employees.

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.

## **12. AUDITORS' REPORT**

There are no qualifications or adverse remarks in the auditors' report.

## **13. COST AUDITORS**

The Cost Audit Report for the year 2011-12 was filed with the authorities on January 10, 2013. The due date for the same was February 28, 2013. Kishore A. Bhatia, Cost Accountant has been reappointed to audit the cost accounts of the Company for the period July 01, 2012 to June 30, 2013.

## **14. ACKNOWLEDGEMENT**

The Directors are thankful to its Bankers, Customers, Suppliers and other Business Associates/Stakeholders for their continued co-operation and support extended to your Company.

**For and on behalf of the Board**

**M. P. Taparia**  
Chairman

Place : Mumbai  
Date : July 17, 2013

## **MATERIAL CHANGES AFTER THE DATE OF THE DIRECTORS' REPORT:**

### **STATUTORY AUDITORS**

The retiring auditors M/s. Parikh & Shah, Chartered Accountants have vide letter dated August 09, 2013 resigned as Statutory Auditors w.e.f. the end of the ensuing Annual General Meeting of the Company. M/s. G.M. Kapadia & Company, Chartered Accountants having furnished the necessary certificate u/s. 224(1-B) of the Companies Act, 1956 are eligible for appointment as Statutory Auditors. The members are requested to appoint M/s. G.M. Kapadia & Company as Statutory Auditors.

**For and on behalf of the Board**

**M. P. Taparia**  
Chairman

Place : Mumbai  
Date : August 19, 2013



## 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, 2013.

### A. CONSERVATION OF ENERGY

Various energy saving schemes are part of the ongoing programme of energy conservation. Such schemes resulted in savings of 95287 units of electrical energy during the year under review.

### B. TECHNOLOGY ABSORPTION

Technology sourced from NOVA Chemical Inc. (for Polystyrene and food grade EPS) and SH Chemical Co. (for EPS) have since been successfully absorbed.

## ANNEXURE - FORM A

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

### A. Power and fuel consumption

		Current Year	Previous Year
		July 01, 2012 to June 30, 2013	July 01, 2011 to June 30, 2012
<b>1</b>	<b>Electricity</b>		
	(a) Purchased		
	Units (KWH)	26533826	34440928
	Total amount (₹ Lacs)	2074.51	2415.94
	Rate/unit (₹)*	7.82	7.02
	(b) Own Generation		
	Through Diesel Generator		
	Units (KWH)	297298	390438
	Unit per ltr. of diesel oil	3.01	3.00
	Cost/Unit*	16.66	14.61
	(c) Own Generation		
	Through Gas Engine		
	Units (KWH)	10705192	NIL
	Unit per MMBTU of Gas	102	NIL
	Cost/Unit*	8.28	NIL
<b>2</b>	<b>Furnace Oil</b>		
	Quantity (MT)	2122.54	2146.18
	Total amount (₹ Lacs)	841.38	926.72
	Average rate (₹ per Kg.)*	39.64	43.18

### B. Consumption per unit of production

Product	Current Year 2012-13			Previous Year 2011-12		
	PS	EPS	XPS	PS	EPS	XPS
Electricity (KWH/MT)	199.93**	139.46*	1583.69	199.33**	169.81*	1494.10
Furnace Oil (Kgs/MT)	5.48	36.88	NIL	9.03	41.73	NIL
Natural Gas (Kgs/MT)	2.80	15.43	NIL	NIL	NIL	NIL

\* Average of all plants

\*\* Including Speciality Polymers and Compounds

For and on behalf of the Board

**M. P. Taparia**  
Chairman

Place : Mumbai

Date : July 17, 2013





## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

The Indian economy is currently going through a difficult phase. Domestic as well as global issues have slowed the economic growth to a decade low of 5% for the financial year 2012-13. Inflation coupled with sharp rupee depreciation dampened the consumer confidence leading to slow market growth. The year under review has been a year of economic uncertainties and weak sentiments. Your Company's performance for the year under review must be viewed in the background of the above said economic environment and consumer sentiment.

The domestic Polystyrene (PS) industry faced difficult business environment during the year under review. The contributory factors were the increasing Styrene Monomer (main raw material) prices compounded by the weakening rupee against the dollar which lead to high Polystyrene prices. This adversely affected quantitative sales, though with increasing sales revenue. High prices of Polystyrene increased usage of reprocessed Polystyrene by certain consumer segments. The situation was further compounded by the poor off take from major Polystyrene consuming segments like refrigerators and TV. The fall in demand from TV segment was due to switch over to LCD/LED TVs from conventional CTVs and also increased imports under FTAs. All these resulted in degrowth in domestic demand by about 3.5% over the previous year.

Exports continue to remain sluggish as a result of uncertain political and economic situation in your Company's major international markets. Start up of new Polystyrene plants in Egypt and Saudi Arabia exerted pressure on margins due to enhanced competition. Exports to Turkey a major market for your Company have slowed down due to bilateral trade agreements entered into between Turkey and South Korea which allows imports of South Korean Polystyrene into Turkey on duty free basis. Your company managed to retain volumes and reasonable margins by servicing large number of small and medium sized customers over different markets. With this change in marketing strategy for exports your Company could increase the volumes marginally by 3%.

Customs tariff on imports of polymers was increased to 7.5% from 5% towards the end of the year under review. However, in view of the various FTAs entered into by Government of India particularly with Singapore your Company will not get any significant advantage of the same in respect of Polystyrene.

Government of India has entered into various FTAs under which aggressive imports of household appliances on duty free basis has affected local production thus making an adverse impact on local consumption of Polystyrene. Imports of Polystyrene and also household appliances under FTAs particularly with countries like Singapore, Thailand and

ASEAN Nations are contributing to lower capacity utilization of domestic Polystyrene industry. In near future may also affect employment opportunities in India.

The first phase of debottlenecking of the Polystyrene plant to increase the proportion of value added grades by 40,000 TPA within the overall installed capacity of 2,72,000 TPA was completed in August 2012. The second phase of debottlenecking to increase the production capacity of value added grades by another 10,000 TPA has been deferred due to sluggish domestic market.

Expandable Polystyrene demand in the country grew by 6% due to increased usage in cold storage, construction industry and packaging. Your Company with its increased capacity was able to capture the growth in demand and significantly improve its market participation. The shutdown of Expandable Polystyrene operations during the year by one of your Company's competitors with Western Region has also helped your Company gain market share and become a market leader.

Food Grade Expandable Polystyrene has been well accepted in both domestic and export market. Exports of food grade EPS has shown encouraging volume growth. There however remains large scope to increase volumes in export market. Domestic demand for same is not showing any appreciable volume jump. Your Company has therefore decided to enhance the standard EPS capacity within the overall capacity.

The Speciality Polymers and Compound (SPC) market continued to be sluggish. While the number of water filter producers increased during the year under review, low volumes for appliance sector due to overall economic situation, adversely affected off-take of specialty compounds. Special Compounds developed by your company for Telecom & Railway batteries have been well accepted by customers. Many low margin products have been withdrawn from the market to enhance profitability of business even with muted volumes. Exports of SPC recorded a marginal increase in volumes despite difficult business environment in the international market

Focus of the company to develop retail network on pan-India basis to make Extruded Polystyrene Insulation Board (Brand name INSUboard) available to consuming public is continuing at brisk pace. Continuous efforts are being made to create awareness by participating in seminars, exhibitions, road shows etc. Results are encouraging. New products are being introduced based on customer feedback and special requirements. Several technical innovations have been initiated to reduce cost and improve product quality. Your company has gained acceptance with HVAC (Heating Ventilation Air Conditioning) consultants which resulted in inclusion of INSUboard in the users handbook of ISHRAE

(Indian Society of Heating Refrigerating and Air Conditioning Engineers).

The gas based Captive Power Plant of 4000 KVA was commissioned in September, 2012. This has helped the Company to schedule drawal of power from the grid at non peak hours thus reducing overall per unit cost of power.

## CAPITAL EXPENDITURE

The capital expenditure schemes relating to first phase of debottlenecking of PS plant, Captive Power Plant and balance expenditure in respect of EPS and SPC were completed by the first quarter of the year under review. Your Company is planning to incur capital expenditure of about ₹30 crores towards normal capital expenditure during the year for replacement of old and fatigued equipment and also installation of balancing equipment in EPS plant.

## FINANCE

Your Company's total debt stands reduced to ₹7468.84 lacs as on June 30, 2013. Total borrowings have been brought down by about ₹6761.80 lacs during the year. As on June 30, 2013 your Company has a very healthy debt to equity ratio of 0.21 and total outside liability to networth ratio of 1.78.

## OUTLOOK

**Polystyrene:** The domestic PS market is expected to grow by 4% in 2013-14. This is based on the demand growth expected mainly from rigid transparent sheets, water filters, refrigerators, air conditioners and PS Foam food serviceware. On the export front your Company may face competitive pressures due to various bilateral trade agreements entered into by South and North East Asian Countries with major PS consuming countries like Turkey and European Union. However, excellent brand image enjoyed by your Company in many countries, customer loyalty and strong distribution network will to a large extent mitigate such competitive pressures.

**Expandable Polystyrene:** The domestic EPS sale is expected to grow by about 11% in 2013-14. Though the main applications of EPS have traditionally been in packaging more growth is expected from block applications i.e. in cold storages and construction industry where sandwich panels and 3 D panels are expected to do well as stated in our previous years report. Use of EPS for construction in India continues to be low and is therefore a growth opportunity for your Company.

**Speciality Polymers and Compounds:** Your Company is strengthening its value added compounds portfolio particularly in the area of engineering compounds. This will help in improving the bottom line though the volumes may not see quantum jump in the immediate near future. Sales force has been strengthened to explore new markets and applications, both in domestic market as well as export market.

**Extruded Polystyrene Insulation Board (XPS):** Demand from retail segment for XPS insulation Board is showing encouraging results in the recent months. Your Company is putting up a large distributor network to improve availability and awareness about the product to the retail sector. XPS market has a new entrant who has put up a XPS plant in Hyderabad. This is a welcome development since two domestic players will help in developing the market faster. We expect the demand to grow with increased product awareness.

## RISK MANAGEMENT

International pricing and demand/supply risk are inherent in the import of Styrene Monomer, the main raw material. Your Company enters into procurement contracts on annual basis for import of Styrene Monomer with inbuilt flexibility with regard to quantities to minimise these risks. Your Company also looks to increase sales linked to raw material prices so that any increase in raw material cost is passed on.

The global economic scenario and the dollar-rupee parity has a direct effect on sales in the overseas market which represent a substantial part of your Company's PS, EPS and SPC sales. Your Company therefore aims to export only in those markets which provide better netback in rupee terms and to take steps to strengthen existing customer relationship by introducing new products, developing new customers and markets. Hedging of open foreign exchange exposure relating to imports helps to lessen the impact of foreign exchange rate fluctuations in respect of import of raw material.

Your Company has adequately insured its plant and machinery on a reinstatement basis. The Policies also cover stocks of finished goods, raw materials (at plant and while in transit) projects under erection and third party liabilities. Adequate loss of profit insurance policy to cover loss of gross profit if any, due to interruption has also been purchased by your Company. The management periodically reviews the adequacy of the insurance cover.

The phased elimination of duty on imports of Polystyrene from Singapore under India and Singapore trade agreement may lead to large imports of Polystyrene into India in the coming years to the detriment of Indian Industry. Your Company is taking up this issue strongly with the Government through its trade association.

## HUMAN RESOURCES/INDUSTRIAL RELATIONS

Your Company considers Human Resources as one of the most important ingredients for growth and strives to align human resource policy and initiatives to meet business plans. Training of employees to maintain high level of motivation is therefore an ongoing process. Industrial relations at all the units remained cordial during the year.

## INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

The internal controls system for safeguarding and protecting assets against loss from unauthorised use or disposition are in place.