

Ladies and Gentlemen

I extend to each and everyone of you a warm welcome to the 69th Annual General Meeting of the Company. The Annual Report together with the Audited Accounts and the Directors' Report for the year ended 30th June, 2011 have been with you for quite sometime and with your permission, I take them as read. I hope it gives you a clear idea of the working of the Company during the year under review.

The Company achieved Net Revenues for the year 2010-11 at Rs. 2478.68 crores (including Rs. 62.94 crores by way of trading in other related products and Rs. 39.75 crores from sale of premises) as against Rs. 2021.95 crores (including Rs. 128.54 crores by way of trading in other related products and Rs. 20.45 crores from sales of premises) in the previous year, a growth of about 22.59%

The Profit before interest, Depreciation, Exceptional Income and Taxes grew over 20% from Rs. 305.56 crores in 2009-10 to Rs. 367.09 crores in the year under review. Net Profit, after setting aside Tax provisions of Rs. 87.73 crores (previous year Rs. 74.89 crores) grew over 20.81% from Rs. 144.83 crores in 2009-10 to Rs. 174.97 crores in 2010-11.

The Directors have recommended Final dividend of 150% i.e. Rs. 3.00 per share which together with the interim dividend of 65% i.e. Rs. 1.30 per share (already paid) aggregates to 215% i.e. Rs. 4.30 per share on Face Value of Share of Rs. 2/- each as against 180% i.e. Rs. 18/- per share on Face Value of Share of Rs. 10/- each in the previous year. Total Dividend payout including Corporate Dividend Tax would be Rs. 63.55 crores, as compared to Rs. 53.37 crores of the previous year. After making necessary provisions, a sum of Rs. 111.42 crores has been transferred to General Reserve.

In the first two months of the current year, the Company processed 32,657 tons of Polymers as compared to 32,286 tons of Polymers in the corresponding period of previous year showing a growth of 1.15 %.

The net sales and other income during first two months of the current year are Rs. 306.45 crores (including Rs. 9.46 crores by way of trading in other related products) as against Rs. 295.34 crores (including Rs. 18.20 crores by way of trading in other related products) in the corresponding period of previous year achieving a growth of over 3.76%. However, the growth in the product turnover comes to 7.16%.

Business Outlook

The agricultural production got a good boost in the year 2010-11 due to good monsoon. Increased production has put a brake on the food inflation. Monsoon

Chairman's Statement

in the current year up till now looks better than previous year. More cultivable area has been sown during this year compared to last year. It is expected that if the monsoon does not play truant in the last leg of the season, then the crop may turnout to be more bountiful than the previous year. This will facilitate food inflation to further come down.

With better outlook of the Rural economy, the company anticipates good growth in all segments in the current year. It is forecasted that the overall GDP growth in the current year may be lower than the previous year. However, barring certain segments of industrial customers, where the demand is impacted due to high cost of money, the company expects better business than the previous year.

Developed countries are going through a volatile economic situation. They anticipate anemic growth in the year 2011. The forecast of growth next year also, in those countries, does not look bright. This has increased volatility in the world economy. The price of crude oil accordingly fluctuating wildly which leads to increased volatility in the raw material price.

In the given situation, the company intends to maintain a reasonable stock of raw material without making any over commitments. In spite of volatility in the raw material prices, the product price remains affordable to the customer.

Reserve Bank of India, in a bid to contain inflationary concerns, increased the cost of borrowing. This has affected the demand and growth of automobiles and some high end domestic appliances. Your company also caters to these segments. However, the Company's share of turnover in these products is less than 10%. There may be some contraction in the demand from these segments.

Due to intensive monsoon and flooding in several regions, the Company's business growth in the first two months was lower than expected. However, the overall business situation for the Company's products looks promising. Thus, the Company still expects that its turnover for the current year will grow around 20% in value terms.

Company has made investments to the tune of Rs. 258 crores in the previous year to augment capacities for various products at its several existing sites and commissioned production at a new site in Tamil Nadu.

The Company has drawn plans to invest around Rs. 200 crores in the current year which includes Rs. 65 crores towards establishing capacity to manufacture LPG composite cylinders. The Central Government's Policy of procuring such cylinders is still hazy. Hence, the Company's investments may be delayed. If the Government's Policy is crystallized by the end of 2011, then the Company's production may start by second quarter of 2012. Otherwise, the same may be delayed. The Company has already committed Rs. 26 Crores for the project including land and advance for equipments etc.

Chairman's Statement

The investments of the Company in the current year is committed to the following businesses.

1. To establish a new unit to manufacture Protective Packaging Products at Hosur, Tamilnadu. The same may start in April 2012. Total investment at this site is expected to be around Rs. 18 crores which will generate additional turnover of Rs. 30 crores annually.
2. To start a new unit to manufacture cross laminated plastics products at new location near Vadodara in Gujarat. First phase may go in production by end September 2012.

The Company is creating a capacity of 12000 Tons at this location, which will be fully operational by the end of 2013. On completion of both the phases, the total capacity will reach to 30000 Tons per annum of this product, being manufactured at three sites. Company will make an investment of Rs. 82 crores at this site to achieve this capacity of 12000 Tons.

3. To augment capacities and product range in all the units of the company spread throughout the country.
4. To commence manufacturing of composite cylinders production at Halol for which land has been acquired.

The Company's intention to manufacture Furniture and Material handling products at Ongole in Andhra Pradesh has been delayed as the allotment of land has been delayed due to a PIL filed against AP Industrial Development Corporation. Since APIDC is not in a position to allot any land in favour of the company, the Company has stopped any further action towards establishing that plant.

The Company has taken steps to launch several new systems in Plastic Piping segment during the current year.

Company's focus remains to increase the share of value added products in its turnover. The Company increased its share of value added products from 25.56% to 29.34% in the previous year. The same may go up further by 3% in the current year.

The Company expects that its borrowing will come down substantially in the current year. The Company has sold 13,170 sq ft area from its new office complex for a sum of Rs. 20.75 crores during the current year. Several serious enquiries are at discussion stage. The Company expects to sell remaining planned sale area by 30th June 2012.

The Company expects that the overall sale proceeds from this complex will be in excess of Rs. 425 crores. About Rs. 81 crores have already been realized till date.

Chairman's Statement

Supreme Petrochem Limited, where your company is having a large investment is doing well. That company is the leader in supplying Polystyrene in India. Now the company has taken steps to be a leader in Expanded Polystyrene (EPS) where 72000 tons annual capacity will be in place. This capacity is more than the combined capacities of other three manufacturers in the country. That product is in good demand in insulation and construction business. The product has export potential also.

I am extremely grateful to my fellow members of the Board for their valuable guidance.

I convey my appreciation to Executives, Staff and Workmen for the unstinted support extended by them.

I, on behalf of the Board of Directors, sincerely appreciate the encouragement and co-operation received by the Company from customers, Bankers, Shareholders and suppliers during the entire period.

Ladies and Gentlemen, now I move the following Resolution :

“RESOLVED THAT the Directors' Report together with the Audited Statement of Accounts for the Financial Year ended 30th June, 2011 be and are hereby approved and adopted.”

Thank you,

B. L. Taparia

Chairman

Mumbai

14th September, 2011

Chairman's Statement at the 69th Annual General Meeting, held on Wednesday 14th September, 2011 at Walchand Hirachand Hall, Indian Merchants' Chambers, Near Churchgate Station, Mumbai - 400 020.

The Supreme Industries Limited

Regd. Office: 612 Raheja Chambers, Nariman Point, Mumbai 400 021