

PERFORMANCE HIGHLIGHTS

(Rupees In Lacs)

	1996-97	1997-98	1998-99	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Polymers Processed (MT)	46513	59945	66858	67262	68413	83499	91913	100053	95439	118115
Sales	41170.60	47908.28	55441.16	56096.08	53487.76	67466.02	79241.62	90925.15	93150.04	113067.09
Less: Excise Duty	5087.24	6501.31	7469.47	8145.03	6960.63	8339.50	9904.92	11297.96	11740.33	14860.69
Net Sales	36083.36	41406.97	47971.69	47951.05	46527.13	59126.52	69336.70	79627.19	81409.71	98206.40
Other Income	222.53	320.75	312.16	476.32	289.13	338.96	380.59	242.14	1003.30	466.61
Total Income	36305.89	41727.72	48283.85	48427.37	46816.26	59465.48	69717.29	79869.33	82413.01	98673.01
Operating Profit (PBITD + Misc.Exp. W/Off)	6585.00	7637.45	8625.78	8032.27	7126.50	8795.02	8774.47	8908.42	9008.77	10193.24
Interest	3507.91	3914.76	4180.45	3805.26	4119.17	4234.08	3271.54	2560.43	2508.59	2696.04
Gross Profit	3038.27	3665.88	4267.77	4199.43	3007.33	4560.94	5502.93	6347.99	6500.18	7497.20
Depreciation	1824.07	2013.87	2442.82	2526.87	2570.60	3349.69	3647.87	4139.01	3929.84	4134.10
Profit Before Tax & Exceptional Items	1214.20	1652.01	1824.95	1672.56	436.73	1211.25	1855.06	2208.98	2570.34	3363.10
Tax & Exceptional Items	-2.00	-92.00	-72.00	-117.00	-160.64	-94.00	-353.75	-110.09	-205.00	656.08
Profit after Tax	1212.20	1560.01	1752.95	1555.56	276.09	1117.25	1501.31	2098.89	2365.34	4019.18
Prior Years Adjustments	-1.67	21.06	7.86	24.23	3.73	-2.45	-73.49	7.99	-0.85	-23.37
Net Profit	1213.87	1581.07	1760.81	1579.79	279.82	1114.80	1427.82	2106.88	2364.49	3995.81
Paid up Equity Capital	971.49	971.49	971.49	971.49	971.49	1001.23	1001.23	1339.08	1339.08	1381.08
Reserves and Surplus*	10291.93	10815.87	11853.05	12766.93	12730.58	12870.54	17069.45	18446.36	19409.84	18352.36
Shareholders' Funds	11263.42	11787.36	12824.54	13738.42	13702.07	13871.77	18070.68	19785.44	20748.92	19733.44
Loans	26159.96	26560.25	22470.40	21362.56	27655.27	24251.20	24099.87	20446.01	24653.54	23748.68
Deferred Tax Liability (Net)	-	-	-	-	-	-	-	-	-	4283.20
Capital Employed**	36029.53	38980.02	35737.07	34658.18	41041.39	37843.43	42063.98	39575.68	45146.48	44516.59
Net Fixed Assets***	17539.74	23498.22	23806.38	23524.54	25109.25	29663.18	31284.68	28820.23	30015.70	35615.87
Net Current Assets	17511.86	12566.62	6616.77	5895.56	10554.68	5177.15	8312.48	8016.88	11992.43	8752.23
Earning Per Equity Share (Rs.)	11.85	14.52	16.71	15.17	2.84	11.16	14.26	15.67	17.66	29.40
Cash Earning Per Equity Share (Rs.)	30.61	35.10	41.73	41.09	29.30	44.52	38.48	46.60	47.01	59.64
Book Value (Rs.)	116.00	121.00	132.00	141.00	141.00	139.00	141.00	148.00	156.00	143.00
Dividend (%)	60.00	60.00	70.00	70.00	30.00	60.00	70.00	90.00	90.00	100.00
PBITD / Average Capital Employed (%)	18.91	20.36	23.09	22.82	18.83	22.30	21.96	21.82	21.27	22.74
ROACE (%) (PBIT / Average Capital Employed)	13.67	14.99	16.55	15.64	12.04	13.81	12.83	11.68	11.99	13.52
ROANW (%) (PAT / Average Net Worth)	10.45	12.24	13.20	11.09	2.01	8.10	9.40	11.09	11.67	19.86
Debt : Equity (Long Term Debt / Total Net worth)	1.78	1.58	1.29	0.96	1.10	1.18	0.59	0.83	0.95	0.65
Total Debt / Total Net Worth	2.11	2.06	1.65	1.55	2.02	1.75	1.33	1.03	1.19	1.20

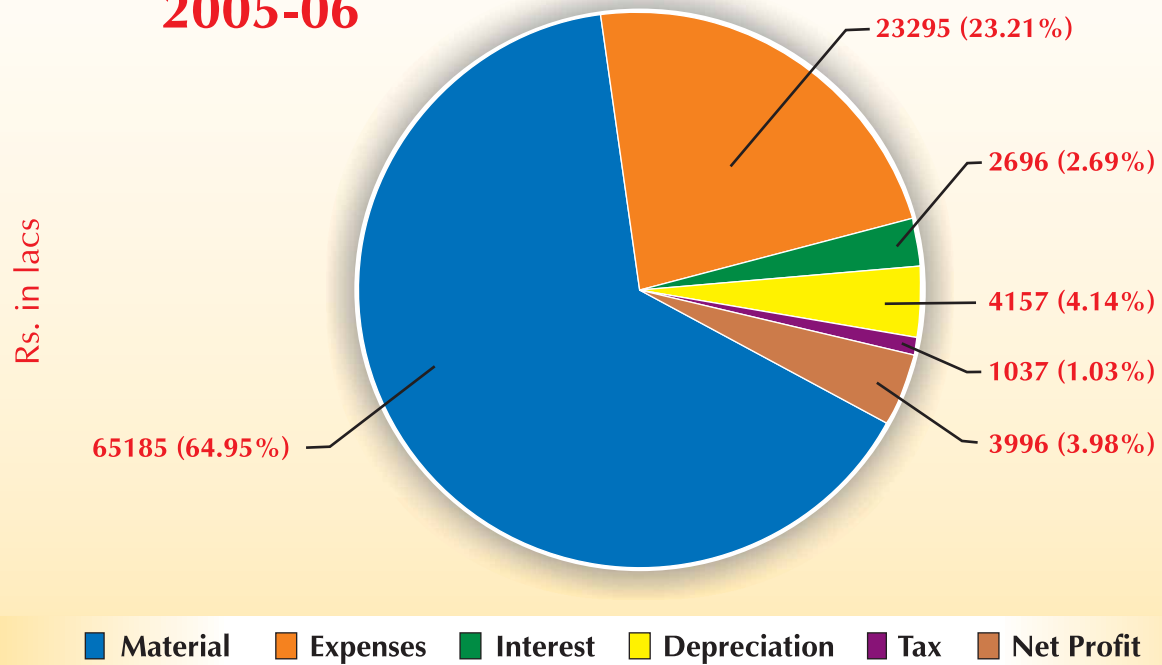
* excluding revaluation reserves & after reducing miscellaneous expenditure

** excluding revaluation reserves, miscellaneous expenditure & capital work-in-progress

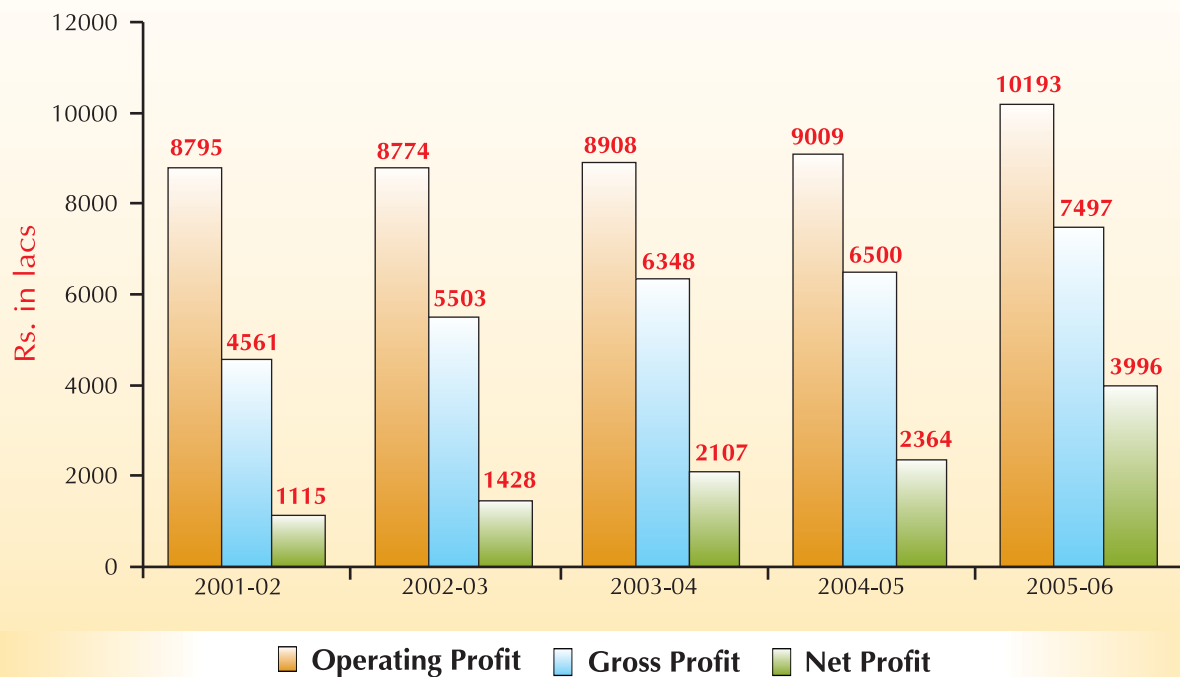
*** excluding revaluation.

DISTRIBUTION OF REVENUE

2005-06



OPERATING, GROSS AND NET PROFITS



BOARD OF DIRECTORS

B L Taparia, Chairman
M P Taparia, Managing Director
S J Taparia, Executive Director
V K Taparia, Executive Director
B V Bhargava, Director
E B Desai, Director
H S Parikh, Director
N N Khandwala, Director
S R Taparia, Director
Y P Trivedi, Director

Sr. VICE – PRESIDENT (FINANCE) & SECRETARY

O P Roongta

Sr. VICE – PRESIDENT (OPERATIONS)

J M Totla

BANKERS

Central Bank of India
State Bank of India
Bank of India
ING Vysya Bank
BNP Paribas
ICICI Bank Ltd.
Bank of Baroda
IDBI Bank Ltd.
UTI Bank Ltd.
Vijaya Bank

AUDITORS

M/s. Chhogmal & Co.,
Chartered Accountants

REGISTERED OFFICE

612, Raheja Chambers,
Nariman Point,
Mumbai 400 021.
Tele : 022-2285 1656 Fax : 022-2285 1657
Website: <http://www.supreme.co.in>
Email : supremenpt@supreme.co.in

CORPORATE OFFICE

1101, 1161 & 1162, Solitaire Corporate Park,
167, Guru Hargovindji Marg,
Andheri Ghatkopar Link Road, Andheri (E),
Mumbai 400 093
Tele : 022-4043 0000 Fax : 022-4043 0099
Website: <http://www.supreme.co.in>
Email: supreme@supreme.co.in

WORKS

1. Daman (Union Territory)
2. Derabassi (Punjab)
3. Durgapur (West Bengal)
4. Guwahati (Assam)
5. Halol (Gujarat)
6. Hosur (Tamil Nadu)
7. Jalgaon (Maharashtra)
8. Kanhe (Maharashtra)
9. Kanpur (Uttar Pradesh)
10. Khopoli (Maharashtra)
11. Khushkheda (Rajasthan)
12. Malanpur 1 (Madhya Pradesh)
13. Malanpur 2 (Madhya Pradesh)
14. Nandesari (Gujarat)
15. Noida (Uttar Pradesh)
16. Pondicherry (Union Territory)
17. Silvassa (Union Territory)

OFFICES

- Ahmedabad
- Bangalore
- Chennai
- Cochin
- Hyderabad
- Indore
- Kolkata
- Mumbai
- New Delhi

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NOTICE

NOTICE is hereby given that the 64th Annual General Meeting of the Company will be held at Walchand Hirachand Hall, Indian Merchant's Chamber, Near Churchgate Station, 76, Veer Nariman Road, Mumbai – 400020, on Thursday the 5th October, 2006 at 4.00 p.m. to transact with or without modification(s), as may be permissible, the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Directors' Report and the Audited Statement of Accounts together with Auditors' Report thereon for the financial year ended 30th June, 2006.
2. To declare dividend on Equity Shares for the Financial year ended 30th June, 2006.
3. To appoint a Director in place of Shri B. V. Bhargava, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri. E. B. Desai, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri Y. P. Trivedi, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

To consider and if thought fit, to pass the following Resolution:

7. As a Special Resolution

“RESOLVED THAT subject to all the applicable provisions of the Companies Act, 1956, including any amendment thereof for the time being in force, provisions of the Articles of Association of the Company, the Guidelines issued by the Securities and Exchange Board of India, and subject to such approvals, consents, permissions and sanctions, if any, of Reserve Bank of India, Stock Exchanges and any other concerned authorities, a sum of Rs. 13,81,08,370/- (Rupees Thirteen Crores Eighty One Lacs Eight Thousand Three Hundred Seventy only) out of the sum standing to the credit of Capital Redemption Reserves amounting to Rs. 11,20,00,000/- (Rupees Eleven Crores Twenty Lacs only) and Securities Premium Account amounting to Rs. 2,61,08,370/- (Rupees Two Crores Sixty One Lacs Eight Thousand Three Hundred Seventy only), both aggregating to Rs. 13,81,08,370/- (Rupees Thirteen Crores Eighty One Lacs Eight Thousand Three Hundred Seventy only), forming part of Reserves & Surplus of the Company, be and the same is hereby capitalised and applied for allotment of 1,38,10,837 (One Crore Thirty Eight Lacs Ten Thousand Eight Hundred Thirty Seven) Equity Shares of Rs. 10/- (Rupees Ten) each as Bonus Shares credited as fully paid-up, to

members of the Company or as the beneficial owner(s) of the equity shares of the Company, in the records of the Depositories, at the close of business on such date (here-in-after referred to as “the Record Date”) as the Board of Directors (here-in-after referred to as “the Board” which term shall be deemed to include any Committee thereof) may determine in that behalf in proportion of 1 (One) fully paid up equity share of Rs. 10/- (Rupees Ten) each for every 1 (One) fully paid up equity share of Rs. 10/- (Rupees Ten) each held as on the Record Date and that Bonus Shares so issued and allotted, for all purposes, be treated as an increase in the nominal amount of the equity share capital of the Company held by each such member and not as income.

RESOLVED FURTHER THAT the new equity shares to be issued and allotted as Bonus Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respect and carry the same rights as the existing fully paid up equity shares of the Company, including entitlement to dividend in full to be declared after the date of allotment of these Bonus Equity Shares.

RESOLVED FURTHER THAT no letters of allotment shall be issued for the Bonus Shares but in the case of members who opt to receive the Bonus Shares in dematerialised form, the Bonus Shares aforesaid shall be credited to the beneficiary accounts of the shareholders with their respective Depository Participants within the stipulated time and in the case of shareholders who opt to receive the Bonus Shares in physical form, the share certificates in respect thereof shall be delivered within such time and subject to the rules as laid down in the Companies (Issue of Share Certificates) Rules, 1960.

RESOLVED FURTHER THAT in case of shares held by beneficial owners in dematerialised form, allotment of Bonus Shares shall be made by way of direct credit to their respective Demat Account.

RESOLVED FURTHER THAT the members to whom the new equity shares are allotted, shall accept the same in full and final satisfaction of their respective rights and interest in the capitalised sum of Rs. 13,81,08,370/- (Rupees Thirteen Crores Eighty One Lacs Eight Thousand Three Hundred Seventy only).

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things, including listing of such shares on the Stock Exchanges, as may be, in its sole and absolute discretion, deem necessary, expedient, usual or proper and to settle any question, doubt or difficulty that may arise with regard to the issue and allotment of Bonus Shares as aforesaid or any other matter incidental or consequential thereto or otherwise reconsider the matter in the changed circumstances, if any, and that the decision of the board shall be final and binding on all members and other interested person.”

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business at Item No. 7 of the above Notice is annexed.
3. Register of Members and the Share transfer books of the company will remain closed from Wednesday, 27th September, 2006 to Thursday, 5th October, 2006 (both days inclusive).
4. The Dividend, if declared, will be payable to those Equity Shareholders whose names stand on the Register of Members as at the close of business on 5th October, 2006. However, in respect of shares held in the electronic form, the dividend will be payable to the beneficial owners of shares as at the close of business on Tuesday, the 26th September, 2006 as per details furnished by the Depositories for this purpose.
5. Pursuant to provisions of Section 205A of the Companies Act, 1956, dividends which remain unpaid or unclaimed for a period of 7 years, will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 30th June, 1999 or any subsequent financial years, are requested to make their claims to the Company at its Registered Office. **It may be noted that once the unclaimed dividend is transferred, on expiry of seven years, to the Investor Education and Protection Fund, as stated here-in, no claim shall lie in respect thereof.**
6. Members holding shares in electronic form may please note that their bank details as furnished by the respective depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the Depositories and the company will not entertain any direct request from such members for deletion of/ change in such bank details. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, directly to their Depository Participants.

By order of the Board

O.P. Roongta

Sr. Vice-President (Finance) &
Secretary

Registered Office

612, Raheja Chambers,
Nariman Point,
Mumbai 400 021

Dated : 1st August, 2006

EXPLANATORY STATEMENT UNDER SECTION 173 OF THE COMPANIES ACT, 1956, REGARDING SPECIAL BUSINESS.

Item No. 7

There has all along been a steady and continued growth and expansion in the Company's activities and its reserves have augmented considerably. The Company's reserves have risen to Rs. 18352.36 lacs as on 30th June, 2006 against paid up Equity Capital of Rs. 1381.08 lacs i.e. a book value of about Rs. 143 per equity share of Rs. 10 each.

Having regard to the current happy position of the net worth and the need to bring issued Equity Capital closer to Capital employed in the business, the Directors consider it desirable to recommend issue of Bonus Shares in the proportion of 1 (One) fully paid up Bonus Share for every 1 (One) existing Equity Share held. The above issue would be effected by capitalizing an amount from the Capital Redemption Reserves and Securities Premium Account forming part of Reserves & Surplus. The proposal of Board of Directors conforms fully to the Guidelines issued in this behalf by the Securities & Exchange Board of India (SEBI).

Book Closure / Record Date for the purpose of determining eligibility of members to the issue of Bonus Shares will be fixed in consultation with the Stock Exchanges in accordance with applicable Stock Exchange guidelines.

The proposed Bonus Shares shall rank in all respect pari passu with the Existing Equity Shares of the Company and the said Bonus Shares shall be entitled to the dividend in the manner stated in the resolution.

The Directors of the Company may be deemed to be concerned or interested in the issue of Bonus Shares to the extent of their shareholding, if any, in the Company or to the extent of the shares held in The Supreme Industries Ltd. by the company/ies of which they are Directors or Members.

The Directors recommend this Resolution for your approval.

By order of the Board

O.P. Roongta

Sr. Vice-President (Finance) &
Secretary

Registered Office

612, Raheja Chambers,
Nariman Point,
Mumbai 400 021

Dated : 1st August, 2006

Directors' Report

The Directors have great pleasure in presenting the 64th Annual Report together with the Audited Financial Statements for the financial year ended 30th June 2006.

FINANCIAL RESULTS

	Current Year Rs. in Lacs	Previous Year Rs. in Lacs
Total Income (net)	98673.01	82413.01
Profit before Interest, Depreciation and Tax	10193.24	9008.77
Interest and financial charges	2696.04	2508.59
Depreciation	4157.46	3930.69
Profit before Tax and Exceptional Income	3339.74	2569.49
Exceptional Income	1693.08	—
Profit Before Tax	5032.82	2569.49
Provision for Current Tax	949.00	205.00
Deferred Tax	8.00	0.00
Fringe Benefit Tax	80.00	0.00
Net Profit available for appropriation	3995.82	2364.49
Appropriation:		
Transfer to Debenture Redemption Reserve	—	312.50
Proposed Dividend	1381.08	1205.17
Tax on Proposed Dividend	193.70	169.03
Transferred to General Reserve	2421.04	677.79
	3995.82	2364.49

- Exceptional income of Rs. 1693.08 lacs stated above in financial results consists of profit on sale of 6,10,137 equity shares of the company in the market held by the trusts of which the company is the sole beneficiary.
- The equity share capital and securities premium account of the company during the year has increased by Rs.42 lacs and Rs.798 lacs respectively consequent upon exercise of the option attached to warrants allotted to promoters in the earlier year.
- In accordance with Accounting Standard 22 issued by The Institute of Chartered Accountants of India, the Company has for the first time recognized the deferred tax assets / liabilities in the books of the accounts. The accumulated deferred tax liability as at the beginning of the year amounting to Rs.4275.20 lacs has been charged off against the balance in General Reserve and the liability for the current year has been charged to the profit before tax for the year as stated in the financial results.

DIVIDEND

The Directors have recommended payment of dividend for the year ended 30th June 2006, as under

	Rs. in lacs
(i) Dividend on 1,38,10,837 Equity Shares of Rs. 10 each @ 100 % i.e. Rs.10/- Per share (Previous year on 1,33,90,837 Equity Shares of Rs. 10/- each @ 90% i.e. Rs. 9/- per share)	1381.08
(ii) Corporate Dividend Tax	193.70
	1574.78

ISSUE OF BONUS SHARES

Considering the consistent improvement in operational performance of the Company and the future outlook, the Board of Directors are pleased to recommend for approval of shareholders, issue of fully paid equity shares of Rs. 10 each as bonus shares in the proportion of One Equity share for every One existing Equity share of Rs. 10 each held by capitalising Capital Redemption Reserve and Securities Premium Account for a total amount of Rs. 1381.08 lacs. With the proposed issue of bonus shares, the total paid-up capital of the Company will go up from Rs.1381.08 lacs to Rs. 2762.16 lacs.

PROPERTY DEVELOPMENT BUSINESS

Pursuant to approval granted by shareholders at the previous annual general meeting, in order to enter into property development

business, company has shifted its' corporate office located at its property in Andheri (West), Mumbai and the plans are under preparation to pursue the objects. Company is also evaluating various proposals for development of property at Salt lake, Kolkata.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management 's Discussion and Analysis of operations for the year under review of the Company, as stipulated under clause 49 of the listing agreement with the Stock Exchanges, is provided in annexure attached to this report.

FIXED DEPOSITS

The amount of Fixed Deposits has decreased from Rs. 2119.65 lacs to Rs.1907.39 lacs. Out of deposits which matured during the year, 287 deposits aggregating to Rs. 37.97 lacs remain unclaimed as on 30th June 2006 of which Rs. 6.61 lacs have since been renewed/refunded.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors to the best of their knowledge and belief confirm that:

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii. appropriate accounting policies have been selected and applied consistently and have made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at June 30, 2006 and of the Profit and Loss Account for the year ended June 30, 2006;
- iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

The Company has taken requisite steps to comply with the recommendations concerning Corporate Governance.

A separate statement on Corporate Governance together with a certificate from the auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the listing agreement forms part of the Annual Report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS / OUTGO

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo required to be given pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this report.

PERSONNEL

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the 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 Directors' Report 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.

SUPREME PETROCHEM LIMITED (SPL)

Supreme Petrochem Ltd., a company jointly promoted by your Company and R Raheja Group has drawn up a plan to enhance its compounding capacities, to set up a new unit for manufacture of EPS, a project for minor port and a SEZ earmarked facility to promote export of plastic processed goods. All these projects are under implementation. SPL has taken a majority stake in Shin ho Petrochemical (India) Ltd. having a running EPS plant at Chennai of 6000 MT per annum. SPL is also moving towards developing a sector specific SEZ for plastics processed goods.

SUBSIDIARY COMPANY

With a view to expand its business in gulf countries, the Company has promoted The Supreme Industries Overseas (FZE), a wholly owned subsidiary of the Company, incorporated in SAIF Free Zone, UAE by investing a sum of AED 150,000 (equivalent

to Rs 18.88 lacs). Statement required pursuant to provisions of section 212 of the Companies Act, 1956 is provided in the Annual Report.

CONSOLIDATED ACCOUNTS

The Company has sought an exemption from the Govt. of India, Ministry of Company Affairs, New Delhi under section 212 of the Companies act, 1956, from annexing to this Report, the Annual Report of its subsidiary company for the year ended 30th June 2006. Accordingly, the Annual Report of its subsidiary company is not annexed to this Report.

Members desirous to have a copy of audited Annual Accounts of the above subsidiary may write to the Sr. Vice President (Finance) & Secretary at the Registered Office of the Company and the same will be provided upon such a request.

Information on the financials of the subsidiary company as required is provided in the Annual Report.

DIRECTORS

Shri B.V. Bhargava, Shri E.B. Desai and Shri Y.P. Trivedi, Directors of the Company retire by rotation at the forthcoming Annual General Meeting in accordance with provisions of the Companies Act, 1956 and the Articles of Association of the Company and being eligible, offer themselves for re-appointment.

AUDITORS

M/s Chhogmal & Co., Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a certificate from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

ACKNOWLEDGEMENT

The Board of Directors wishes to express its gratitude and record its sincere appreciation for the commitment and dedicated efforts put in by all the employees. Your Directors take this opportunity to express their grateful appreciation for the encouragement, co-operation and support received by the Company from the local authorities, bankers, customers, suppliers and business associates. The directors are thankful to the esteemed shareholders for their continued support and the confidence reposed in the Company and its management.

For and on behalf of the Board of Directors

B L Taparia
Chairman

Place: Mumbai
Date: 1st August, 2006

Management Discussion and Analysis

1. FINANCIAL PERFORMANCE:

The performance of the Company for the financial year 2005-06 is reflected by the following key ratios:

	2005-06	2004-05
Growth in total income %	19.73	3.18
Operating margin (PBDIT) % to total income	10.33	10.93
Profit after tax (PAT) % to total income	4.07	2.87
Return on avg. capital employed (ROACE) % of avg. capital employed	13.52	11.99
Inventory turnover ratio (no. of times of net sales)	9.99	10.91
Debt/Equity ratio	1.20	1.19
Cash Earning Per Share (CEPS) Rs.	59.64	47.01
Earning Per Share (EPS) Rs.	29.40	17.66

During the year, the Company has incurred capital expenditure of Rs. 84.23 Crores to augment the capacities at various plants and to introduce new products in various product segments. Major capital expenditure was incurred for the following projects.

1. Enhancing the capacity of Plastic piping System.
2. Installation of 7 layer state of the art extrusion line in Performance Packaging Division,
3. Installation of PVC/ PVDC coating line in PVC Film Division
4. Enhancing capacities of Protective Packaging products and
5. Enhancing injection moulding capacity at plants located at Noida, Pondichery and Lalru
6. Acquiring Moulds for new products in Furniture & Crates.

The company has initiated plans for development of its properties at Andheri in Mumbai and evaluating proposals for Salt lake in Kolkatta To pursue these projects, the company has incurred a capital expenditure of Rs. 17.63 crores during the year.

As part of its strategy to focus on changing needs of market segments, the Company has plans for capital expenditure of over Rs. 120 Crores during 2006-07. These investments are expected to further improve the financial performance of the Company in the coming years. The requirement of additional funds for financing its capital projects will be met by internal resources and borrowings.

The gross working capital comprising of receivables and inventories as at 30th June 2006 is 21.39.% of net sales as compared to 20.2% of net sales as at 30th June 2005. The Company has adequate facilities granted by the consortium of bankers for its working capital requirement. The short-term debt rating of P1 has been re-affirmed by CRISIL.

The increasing credit demand from the industry and increase in administrative rate by Reserve Bank of India at regular intervals has put the interest rate under pressure.

Your Company has restructured its debt profile to reduce the incidence of interest on operational performance. In spite of increasing rate of interest on borrowed funds, close monitoring of working capital has resulted into reduction of interest and financing charges in terms of percent to total income at 2.73% for the year as compared to previous financial year at 3.04%.

2. INDUSTRY STRUCTURE AND DEVELOPMENT

The Company is engaged in processing and manufacturing of plastic products, components and other end-user industry products, and is market leader in various products. The Company is preferred partner to user industries with commitment to supply high quality customised products and integrated services.

India is one of the countries with very low per capita consumption of plastics. The consumption of plastics in India during the financial year 2005-06 was around 4.6 Million tons indicating a growth of around 12% compared to previous year. After several years of low consumption, the industry appears to have come back to a growth path. We expect that the pace of growth may continue and per capita consumption of plastics will improve.

India is far behind in export of plastics products due to various factors. The export of plastics goods from China was around 15 billion Dollars in the year 2005 against 1 billion Dollar from India in 2005-06. Considering the inherent strength of the plastics processing industry in the country, to adopt to fast changing requirement and its capabilities to deliver customised products, the exports of value added products are expected to grow once the concept of SEZ is fully operationalised. We envisage good growth potential for exports of plastics products from India.

Government of India is taking initiatives to boost the manufacturing activities in India. Creation of SEZ is one of such initiatives. Introduction of Value Added Tax (VAT) by most of the states is expected to not only boost State revenues but will also have positive impact on manufacturing activities. It is expected that the remaining states will also follow VAT system very soon. Central Sales Tax (CST), which is a big hindrance in integrating the tax system in the country, is expected to be abolished in phases over a period of 2 to 3 years. Government has de-reserved 180 items from Small Scale reservation list and has expressed it's intention to de-reserve the list of remaining 326 items in near future. Plastics products still constitute major chunk of residual items in the reserved category. De-reservation thereof is expected to boost consumption of plastics and trigger export growth of plastics products. This will create further growth opportunities for your company's business.

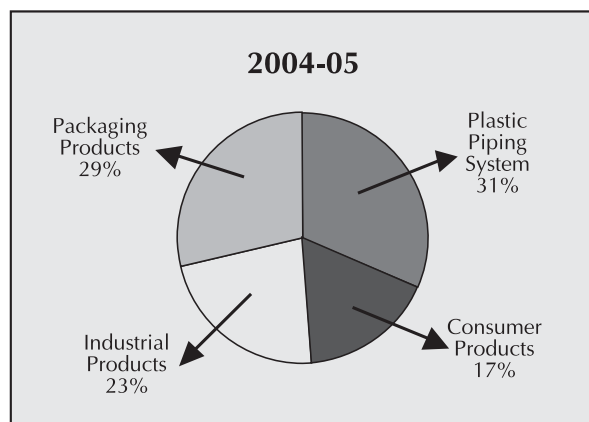
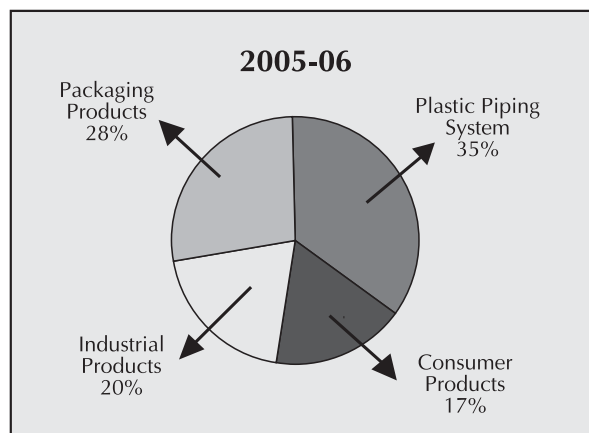
The company has taken initiatives to boost its export. Expansion of capacity of cross laminated products, plastics piping system, flexible packaging film and opening up of

a subsidiary in UAE are some of the initiatives taken by the company to take its exports to greater heights.

3. PRODUCT GROUPS

Group	Products
Plastics Piping system	PVC Pipes, Injection moulded fittings and handmade fittings, Polypropylene random Co-polymer pipes and fittings.
Consumer products	Furniture, Food Serviceware, mats, embossed sheets
Industrial products	Industrial components, material handling crates and moulds
Packaging products	Flexible packaging film, Protective Packaging products. Rigid PVC film, Cross-laminated film & Wide Width film.

PRODUCT GROUPWISE SHARE IN TURNOVER FOR THE LAST TWO YEARS (% of value)



The turnover of the Company for the year under review has crossed Rs.1000 crores mark at Rs. 1135.34 crores (including Rs 60.48 crores by way of polymer trading and other non-plastics products) as against Rs. 941.53 crores (including Rs. 33.84 crores by way of trading in polymers and other non Plastics products) of the previous year.

The Company has processed 1,18,115 tons of polymers as against 95439 tons of polymers in the previous year. This reflects growth of 24 % in polymer consumption. The company anticipates volume growth of over 20 percent in the current year.

The company exported goods worth 16.70 million Dollars as against 15.14 million Dollars in the previous year registering a growth of above 10%.

Profit before depreciation & exceptional items and taxes during the year under review have gone up by 15.33 % from Rs. 65.00 crores in the previous year to Rs. 74.97 crores during the year.

4. COMPANY'S STRENGTH AND GROWTH DRIVERS

4.1 MANUFACTURING SITES

The Company has 17 manufacturing sites spread throughout the country. This enables the company to provide rapid response and cost effective improved services to its customers located nearby to its manufacturing sites and thus increases the market competitiveness.

The company is in process of setting up a manufacturing unit to produce Protective Packaging Products in Maharashtra in the current year.

The unit to be set up at Gadegaon (near Jalgaon) is also expected to go partially in production in the current year.

4.2 DISTRIBUTION NETWORK

The company considers its distributors as its partners in progress and has built up excellent relationship. The distributors provide cost effective rapid response services to the ultimate customers. Considering the increased business and product portfolio, the distributorship network is getting expanded.

4.3 PRODUCT GROUPS

The Company has strong product portfolio, which is further customised to match with the requirement of changing circumstances and preference. The diversified product profile and product group (as has been already dealt with in para 3 above) provide great opportunity to the Company to remain preferred partner to its customers for variety of products.

The Company's 7-layer film manufacturing plant has already been commissioned and the product has met with high acceptance for a variety of applications. This will enable the company to supply much superior packaging solutions with increased shelf life for processed foods at economical cost.

After the success of PP Random Copolymer Pipe System, the company has taken up initiative to introduce Polythene pipes. These pipes have functional superiority to meet the exacting requirements for sewerage, drainage, supply of potable water and industrial usage at a very competitive cost against the current usage of

conventional material i.e GI and RCC Pipes. Throughout the world, municipalities, water departments and industries are increasingly using these types of pipes. The company intends to supply this system in diameter upto 1500 mm and expect to garner good business in this product segment.

In Cross laminated film products, after the completion of ongoing expansion, the company will be able to produce 9 feet width film as against present production of upto 7.5 ft width film. This will provide many more new applications and fresh opportunities to the Company.

4.4 GROWTH DRIVERS

The Company continues to remain market leader in the products.it manufactures and looks for further consolidating its position with various initiatives and expansion plans.

To improve it's operating profit margins; the Company has accelerated initiatives in three dimensions.

- To withdraw from certain low profit margin products.
- To increase the share of value added products in every product segment.
- To reduce cost especially in overall energy consumption.

These initiatives will not only soften the impact of further anticipated increase in raw material cost in the current year but will also improve the operating margin.

5. OPERATIONAL PERFORMANCE

5.1 PLASTICS PIPING SYSTEMS

The year 2005-06 was a good financial year for Piping Division. The prices of PVC resin remained stable and affordable for major part of the year resulting in the growth of PVC resin consumption in the country at 27%. Against the national growth by 27%, the company registered a growth of 40%, which is quite heartening.

The Company has the largest range of products and is a solution provider offering complete system with an extensive reach in the country. The Company is respected for its quality and services. These factors have enabled the company to achieve higher volume growth than the industry growth in this segment.

The Company sold 57215 MT of Pipes and Fittings during the year 2005-06 against 40854 MT sold during 2004-05. The company's exports also grew substantially. The Company has exported 3130 MT of Pipes and Fittings during the year 2005-06 against 2120 MT exported during the year 2004-05 registering a growth of nearly 51%.

The company has set-up Wholly Owned subsidiary in Sharjah at **SAIF Zone** with a view to improve it's

share and launch value added products in international market. The results of which will be seen over coming years. The focus will continue to increase the products for export.

The Company had planned initially to invest Rs.10 crores during the year 2005-06 to increase the capacity of 54000 MT p.a. for PVC Pipes to 66000 MT p.a. However, looking to the robust growth and increasing demand for Pipes, Company invested Rs. 17.5 cr. and increased the capacity of Pipes & Fittings to nearly 78000 MT p.a. This helped the Company in meeting its peak season demand during March-June period.

The required investment is also made to enhance the range of Casing /Bore well Pipes, Sewerage /Drainage Pipes, Ribbed Screen Casing Pipes, Structured Wall Well guard Casing Pipes and Structured Wall Ecodrain drainage Pipes.

With the available range of products, Company has developed a product portfolio of around 4000 items. This is helping Company in attracting new channel partners.

Company's network is continuously growing. During the current year the Company aims to increase the network further to ensure that there is no area left unrepresented and company's products are made available in every nook and corner of the country.

The Company has commissioned the plant in U.P and expects to have substantial capacity utilization during the current year. The Company's focus is to make quality products available to Agriculture and Housing segment at affordable price in U P and surrounding areas.

The Company's plumbing product range mainly, Indogreen for hot and cold water and Aquagold for cold water has seen tremendous growth during the year 2005-06. The sale of these products nearly tripled compared to sale during the year 2004-05. The Company strongly believes that these product lines have high growth potential as they are targeted to replace GI Pipes. The advantages of Indogreen PPR Pipes and PVC Aquagold Pipes over GI Pipes are numerous. The system is well accepted in international market. With superior properties, they also enjoy cost advantage. The Company therefore, has initiated steps further to enhance the capacity for these product lines to meet the growing demand of plumbing system.

The Underground Drainage System is proving to be cost efficient based on life performance. Presently the company is supplying products to Punjab Sewerage Board and Punjab Health Dept. who in turn are using the Pipes for Sanitation in 190 Villages as a Pilot project. After completion of this project and looking to the success of the project, Punjab Govt. is determined to take-up this project to many other villages. The company is convinced that many other State Govt. will also follow the same route to improve

the hygiene and sanitation condition in rural India.

The Govt. is planning to bring millions of hectares of un-irrigated land under irrigation through irrigation projects. The State Govts are actively working to ensure that most of the villages are supplied with adequate quality potable water. There is further thrust on rainwater harvesting and improvement in sanitation conditions. These initiatives taken by Central and State Govts. will see enormous growth for piping products.

The Govt. has announced many schemes for improvement of Primary/Secondary Education, Primary Health Centers and tourism. This has brought in the latent growth potential through renewed construction activity for Educational Institutes, Shopping Malls, Hospitals and Five Star Hotels / Budget Hotels. The country's IT sector is booming. We see now high growth coming through retail sectors. All these requirements along with infrastructure projects will ensure that the demand for Piping products will grow steadily beyond 20% p.a. over next 10 years.

The company has acquired 100 acres of land at Gadegaon, which is 15 km away from Jalgaon. The company is planning to create world-class production facility at this new site and intends to invest Rs.50 crores in the current year. The present manufacturing facilities at Jalgaon Unit are expected to be shifted to new site by August'2007. The first phase of production facilities at the new site is expected to start commercial production in the first quarter of 2007.

The company enjoys good reputation for its quality, range of products and services. The brand is recognized as a National Brand ahead of all its competitors.

5.2 CONSUMER PRODUCTS

FURNITURE

The Furniture Division has seen a volume growth of about 6 percent. Turnover of furniture division has gone up by approx.11% i.e., from Rs.120 Crores to Rs.133 Crores. The company continues to concentrate on its furniture manufacturing activity at 4 locations viz: Pondichery, Durgapur (West Bengal), Lalru (Punjab) and Guwahati (Assam).

The company is focusing to broaden the range of value added furniture products, which help to build the superior brand image of company's products for its durability and aesthetics. Such products command better price realization and are relatively less affected by raw material cost volatility. The share of such products sale had gone upto 13% in value during the year under review. The company intends to increase share of such products by another 2% in value during next 12 months.

The company's furniture product enjoys good acceptance in the market for its quality, design, colour

and range. The brand is also regarded as a premium brand in the country. There are now only two brands on all India basis whose annual turnover in Plastics furniture is more than Rs.100 crores, including that of your company.

FOOD SERVICEWARE

Most of the states have streamlined the VAT rates for these products at 4% and that has changed the outlook for food service ware products. The Company's products are now affordable and the demand for company's products in domestic market is steadily increasing. During the year 2005-06 the Company sold 720 MT in the Domestic Market against 485 MT sold during the year 2004-05 thus registering a growth of nearly 50%.

Realizing the trend and potential to grow in the domestic market, the Company has prepared a road map to focus on increasing the sale of these products in the domestic market. Accordingly orders have been placed for many new products to be launched in the first quarter of this year.

The enhanced product range will boost domestic sales. The Company expects to double the domestic sales in the current year. The necessary marketing network is being put in place to ensure that the Company's products are available in all the major segments of use.

The company is at an advanced stage of discussions with a major retail network for show casing its products in shopping malls. This will boost the domestic sale and with shopping malls coming up in most of the cities and towns across the country. The Company expects to grow this business substantially through such retail network as experienced in other countries.

The Company exported 2026 MT of products in the year 2005-06 against 1913 MT exported during the last year registering a moderate growth of 6%. Increasing sales of these products in the domestic market has not diminished the Company's enthusiasm to further expand its presence in the international markets.

The company has plans to introduce high value added products in international Market, which will improve its bottom line. The Company has an adequate established network of clients in major international markets and hence achieving annual growth of 20% by volume looks feasible.

MAT BUSINESS

Sales were up 4.5% over last year. The division continues to focus on exports. Growth is expected to be around 5% in the current year.

5.3 INDUSTRIAL PRODUCTS

The demand of industrial products was better. This has resulted in growth of over 15% in company's

industrial component business. Company performed well in products for automobiles, household appliances and televisions. Prospects for this year are encouraging. Capacity enhancement activities in Talegaon and Noida factories are completed. Some additional capacities may also be required to be created at both these plants. Khushkhera factory at Rajasthan is being modified to make only auto products and the supplies of auto components from this plant are expected from September onwards.

Company has started manufacturing TV cabinets at Pondicherry factory and planning expansion of capacity for industrial moulded products in this factory during the current year.

Company has successfully started supplies of industrial moulded products from Durgapur unit, which is running at full capacity. This was earlier done at Salt Lake Factory in Kolkata. As per indications, industrial activities are likely to grow in West Bengal and company may be required to look for expansion.

Soft drink crate business continues to be very slow. Uncertainty still prevails in this business. In the current year also requirement of soft drink crates is expected to be low.

Company achieved growth of over 35% in Trade Crate sector. New products were introduced as planned and manufacturing of these products started at different zones. Company has set up fabrication facilities (post moulding activities to add values) at all its manufacturing sites. Company hopes to maintain similar growth rate for the current year as well.

In Technology Center, the activities mainly confined to designing and outsourcing moulds from India and abroad. The center has successfully added various new moulds in industrial products, crates and furniture. As per plans, company disposed off the machines installed at technology center. Company has proper tie up for the repairs of the moulds at various units.

5.4 PACKAGING PRODUCTS

PACKAGING FILMS

Volume growth was over 40% this year. Growth however was in low value segments. Besides, raw material costs continued to be very high. Hence, margins in this business were under pressure.

7 Layer blown film extruder and 8-colour rotogravure-printing machine were installed in Oct 2005. This is the only 7 component 7 layer film line in the Country. This has taken the company to a leadership position in this segment. The variety of film structures that can be produced on this equipment is quite large and comprehensive.

Several new projects have been taken up to package various products in these films. The Company is getting positive feedback from its customers. This should

ensure a good growth for value added products from this year onwards.

Several international customers have given their acceptance to these value added products. As a result, exports are picking up. Against exports of 160 tonnes last year, the company expects to export over 500 tonnes in this year. The company expects an overall volume growth of over 25% over the previous year and more than an equivalent increase in growth of value added products.

PROTECTIVE PACKAGING

Sales in this division grew by 18% in value over the previous year. All, except the Air Bubble film i.e ABF bottlenecking work taken up were completed successfully, thereby increasing productivity of non-cross linked and cross-linked PE foam. Debottlenecking of ABF will be completed in the 1st quarter of this year. Besides, expansions of cross-linked foam facility in all three plants have taken place between March & May, this year. The benefits of these expansions would accrue in the current year.

The two-stage cross-link foam line will be established by Oct this year. The company has a tie up with M/s Sanwa Kako of Japan who is one of the leaders in the manufacturing of these products. Our company would get full technical support and marketing guidance to ensure that the equipments get established very quickly. The Company has also imported these products to establish the market so that the Plant gets fully loaded as soon as the production is started.

The company also plans to start manufacturing extruded cross-linked PE foam by March 07. The Company intends to build its market by importing these products.

Several new products have been launched for use in construction activity as well as for insulation. Some of these products have been developed based on the customer's requirements. Response for these products has been good. In view of increased construction activity in the country, the company expects products of this segment to do well.

The new facility planned for in Maharashtra would start this year offering just in time products to customers in this region while saving on logistics costs.

Several competitors of individual products have mushroomed over the last two years bringing unhealthy competition in the trade segment. However, the company has strategized to enhance its product range and technical services to its customers thereby ensuring continued growth and improved profitability. The company expects the business to grow by over 25% this year.

RIGID PVC FILM

There was marginal growth of 4% in Rigid PVC film business. Company installed PVDC coating line during

the year and successfully introduced PVC/PVDC film. The feed back from the customers are encouraging. Company expects to get in to regular business for this value added product from this year onwards. Company is looking for opportunities for adding more value added products in this line of business.

CROSS LAMINATED FILM

The XF division has done well during the year under review despite rising raw material prices.

The Company uses cross-laminated film for making tarpaulins, bags, rainwater harvesting sheets and fumigation covers. For the third year in a row the tarpaulin segment has shown a robust growth. This segment grew by 24% over the previous year. The division achieved production of 5631 tonnes of XF Film and products thereof during the year against the production of 5015 tonnes in the previous year. With the mix of thickness and sizes, the Company could not produce more than this volume with the current installed capacity for the year.

The bag business had dropped in the year. This was principally due to a very large customer switching over to other packing material instead of XF bags. The Company is working with other industrial raw material producers to introduce XF bags for their packing requirements. Company expects to make breakthrough in certain applications in the current year.

The division sold 5680 tonnes of products during the year compared to 4889 tonnes, in the previous year. The Exports increased to 1036 tonnes from 887 tonnes in the previous year.

In the year 2006-07, the company will be investing around Rs.23 Crores to enhance the capacity of cross-laminated film products from 6000 tonnes to 10500 tonnes. This enhanced capacity is expected to be fully operational by the month of April/May 2007.

Due to soaring crude prices the raw material prices are expected to remain at a high level throughout the year. However, this may not affect the business in the current year also. There is a growing demand for company's tarpaulin all over the country. This segment is expected to register growth of more than 30% in the current year.

With the additional capacity at its disposal, the company is planning to make all out efforts to push its products in the world market. The Company expects to increase its export by more than 50% in volume during the current year. There is increasing acceptance of products in several developed countries.

The overall business in this division is expected to grow by 30% by volume in the current year.

6. INTERNAL CONTROL SYSTEM

The company has adequate internal audit and control systems. Internal auditors comprising of professional firms of Chartered Accountants have been entrusted the job to conduct regular audits at all units/locations and report to the management the lapse, if any. Both internal auditors and statutory auditors independently evaluate the adequacy of internal control system. Based on the audit observations and suggestions, follow up and remedial measures are being taken including review and increase in the scope of coverage, if necessary. These reports together with remedial measures initiated are finally reviewed by the Audit Committee of Board of Directors. No serious lapse has been reported by any of the internal auditors for any of the unit during the year.

7. HUMAN RESOURCES

Human resource is considered as key to the future growth strategy of the Company and looks upon to focus its efforts to further align human resource policies, processes and initiatives to meet its business needs. In order to focus on keeping employees abreast of technological and technical developments, the Company provides opportunity for training and learning within the country and abroad. Industrial relations at all the units and locations are very cordial.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities, laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that would influence the Company's operations include cost of raw materials, tax laws, interest and power cost and economic developments within the country and such other factors.

Annexure to the Directors' Report

Additional information given as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

(I) CONSERVATION OF ENERGY

Continuous monitoring and awareness amongst employees has helped to avoid wastage of energy. Various investments in reducing the consumption of energy has helped the company to reduce the overall electricity bill. Further study is on to see various alternative sources of energy or alternative fuels for electricity generation. With the new Electricity Act on the horizon, the Company is keeping all options open before finally deciding on going for captive generation plant.

(II) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

(i) Research & Development (R & D)

On going study in the following areas to reduce cost of on conversion and improve the quality.

- Evaluation of the alternative materials or additives to reduce the cost of raw material.
- Improving the output/input ratio to gain maximum finished products from per kg raw material.
- Modify the mould or dies to improve the cycle time to get higher production from the same machine.
- To modify the process parameters to improve the quality.
- Expenditure on R & D : Not significant.

(ii) Technology Absorption

- The Company has expanded the scope of know-how from M/s. Wavin Overseas B.V., Netherlands. Apart from UPVC Pipes and Fittings, Company has entered into an Agreement to manufacture

PPRC Pipes & Fittings. The quality of product produced in the plant has been approved and certified by the collaborator. The Company has also obtained technology and equipments to manufacture structured wall pipes which would substantially save on raw materials.

- The Company has also received know-how from M/s. Schoeller Wavin GMBH for manufacture of crate moulds.

The Company has successfully developed the moulds as per the design and the moulds are performing well as per the standards of M/s. Scheoller Wavin GMBH.

- The Company also has taken know-how for manufacture of Cross Laminated Films & Products from Ole-Bendt Rasmussen, Switzerland and the technology is fully absorbed.
- The Company has entered for technical know-how arrangement with M/s Sanwa Kako of Japan, one of the leaders for two-stage cross link foam.

(III) FOREIGN EXCHANGE EARNINGS AND OUTGO

Total Foreign Exchange earned and used.

	(Rs. in lacs)
Foreign Exchange Earned	: 8419.92
Foreign Exchange Used	: 20445.14

For and on behalf of the Board of Directors

B.L. Taparia
Chairman

Place : Mumbai

Date : 1st August, 2006

CORPORATE GOVERNANCE

PHILOSOPHY OF COMPANY ON CORPORATE GOVERNANCE

Good Corporate Governance ensures adoption of best business practice, and accountability of the persons in-charge of the company's operations. Your Directors are committed to good Corporate Governance practices and the company has been sharing all important information about its various business segments and operations of the company through Directors report, Quarterly Results, Chairman's Statement and Annual Reports. Further as required by the listing agreement, report on Corporate Governance is given below:

1. BOARD OF DIRECTORS:

(i) As at 30th June 2006 the Board comprised of 10 Directors.

Composition and Categories of Board of Directors :

Name of the Directors	Category	No. of outside Directorship		No. of Committees Chairpersonship/ Membership held including SIL*	
		Public	Private	Chairperson	Members
Shri B L Taparia	Promoter / Non Executive Chairman	2	2	-	-
Shri M P Taparia	Promoter / Executive Director	3	2	-	1
Shri S J Taparia	Promoter / Executive Director	3	2	-	3
Shri V K Taparia	Promoter / Executive Director	-	1	-	-
Shri S R Taparia	Independent / Non Executive Director	2	4	1	1
Shri H S Parikh	Independent / Non Executive Director	3	1	3	4
Shri B V Bhargava	Independent / Non Executive Director	9	-	3	6
Shri N N Khandwala	Independent / Non Executive Director	-	-	-	2
Shri E B Desai	Independent / Non Executive Director	7	2	5	4
Shri Y P Trivedi	Independent / Non Executive Director	9	5	5	4

* Audit Committee and the Shareholders / Investor Grievance Committees are considered.

(ii) During the Financial Year 2005 – 2006 the Board met on Six occasions i.e. on 12th August, 2005, 30th September, 2005, 18th October 2005, 23rd January, 2006, 29th March, 2006 & 27th April 2006,

Attendance of Directors at the Board Meetings held during 2005-06 and the last Annual General Meeting held on 30th September, 2005

Directors	Category	Meetings held during the tenure of the Directors	Meetings Attended	Attendance at the last AGM
Shri B L Taparia	Promoter / Non Executive Chairman	6	6	Yes
Shri M P Taparia	Promoter / Managing Director	6	6	Yes
Shri S J Taparia	Promoter / Executive Director	6	6	Yes
Shri V K Taparia	Promoter / Executive Director	6	5	Yes
Shri S R Taparia	Independent / Non Executive Director	6	5	Yes
Shri H S Parikh	Independent / Non Executive Director	6	6	Yes
Shri B V Bhargava	Independent / Non Executive Director	6	6	Yes
Shri N N Khandwala	Independent / Non Executive Director	6	4	No
Shri E B Desai	Independent / Non Executive Director	6	6	Yes
Shri Y P Trivedi	Independent / Non Executive Director	6	6	Yes

2. AUDIT COMMITTEE :

The Company has an independent audit committee. The composition, procedure, Role / Function of the committee comply with the requirements of the Companies Act, 1956 as well as those of the listing agreement. The brief terms of reference of

the audit committee include the following:

- Over seeing the company's financial report process and the disclosure of its Financial informations.
- To review quarterly, half yearly and annual financial results before submission to the Board.
- To review the statement of significant related party transactions submitted by management.
- To review the adequacy of internal control systems with the management, external & internal auditors.
- Discussion with external auditors about the nature and scope of audit including their observation.
- To investigate into any matter referred to by the Board

Composition and Attendance of Members at the Meetings of the Audit Committee held during 2005 – 2006

Members	Category	Meetings held	Meetings attended
Shri H S Parikh -Chairman	Independent	4	4
Shri S R Taparia	Independent	4	3
Shri N N Khandwala	Independent	4	3

3. REMUNERATION COMMITTEE :

(i) Brief Terms of reference :

- To recommend to the Board, remuneration payable to whole time Directors and to decide the amount of salary, perquisites and commission to be paid to the Managing Director and Executive Directors within the overall ceiling fixed by the shareholders.

(ii) Composition

Members	Category
Shri H S Parikh -Chairman	Independent
Shri B V Bhargava	Independent
Shri N N Khandwala	Independent

During the year no meeting of Remuneration Committee was held.

4. SHAREHOLDERS / INVESTORS' GRIEVANCES COMMITTEE :

The company has constituted Shareholders / Investors' Grievances Committee of the Board of Directors to look into the specific complaints received from the share holders of the company

Composition :

Members	Category	Meetings held	Meetings attended
Shri S R Taparia - Chairman	Independent	2	1
Shri N N Khandwala	Independent	2	2

During the year, the company received 31 complaints / correspondence from Shareholders regarding non-receipt of Share Certificates / issuance of Duplicate Share Certificates / Dividend Warrants all of which have been duly resolved in time

5. (A) Remuneration paid to Directors during 2005 – 2006 :

Sr. No.	Names	Category	Sitting Fees	Salary & Perquisites	Commission	Total
1	Shri B L Taparia	Promoter / Non Executive Chairman	60,000	-	-	60,000
2	Shri M P Taparia	Promoter / Executive Director	-	11,43,000	35,02,000	46,45,000
3	Shri S J Taparia	Promoter / Executive Director	-	11,35,380	35,02,000	46,37,380
4	Shri V K Taparia	Promoter / Executive Director	-	11,27,760	35,02,000	46,29,760
5	Shri S R Taparia	Independent / Non Executive Director	90,000	-	-	90,000
6	Shri H S Parikh	Independent / Non Executive Director	1,20,000	-	-	1,20,000
7	Shri B V Bhargava	Independent / Non Executive Director	60,000	-	-	60,000
8	Shri N N Khandwala	Independent / Non Executive Director	1,10,000	-	-	1,10,000
9	Shri E B Desai	Independent / Non Executive Director	70,000	-	-	70,000
10	Shri Y P Trivedi	Independent / Non Executive Director	60,000	-	-	60,000
	Total		5,70,000	34,06,140	1,05,06,000	1,44,82,140

(B) EQUITY SHAREHOLDING OF THE NON-EXECUTIVE DIRECTORS IN THE COMPANY AS ON 30TH JUNE 2006 :

Sr. No.	Name of the Non-Executive Director	No. of Shares
1)	Shri B L Taparia	38250
2)	Shri S R Taparia	263
3)	Shri H S Parikh	9191
4)	Shri B V Bhargava	500
5)	Shri N N Khandwala	31450
6)	Shri E B Desai	6075
7)	Shri Y P Trivedi	2001

6. CEO / CFO CERTIFICATION :

The Managing Director and Sr. Vice President (Finance) & Secretary heading the finance function have certified to the Board that :

- (a) They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of the internal control systems of the company, pertaining to financial reporting and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) They have indicated to the Auditors and the Audit Committee
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

The above Certificate was placed before the Board Meeting held on 1st August, 2006.

7. GENERAL BODY MEETINGS.
Location and time of last Three AGM's held :

Year	Location	Date	Time
2003 – 61 st AGM	Walchand Hirachand Hall, I.M.C. Near Churchgate Station, Mumbai –400 020.	17 th October, 2003	4.00 p.m.
2004 – 62 nd AGM	Walchand Hirachand Hall, I.M.C. Near Churchgate Station, Mumbai –400 020.	22 nd September, 2004	4.00 p.m.
2005 – 63 rd AGM	Walchand Hirachand Hall, I.M.C. Near Churchgate Station, Mumbai –400 020.	30 th September, 2005	4.00 p.m.

8. MEANS OF COMMUNICATION:

The Quarterly results of the company are published in widely circulated newspapers such as The Economic Times (English) & Maharashtra Times (Marathi)., The results are also displayed on the company's websites : <http://www.supreme.co.in>

9. CODE FOR PREVENTION INSIDER TRADING PRACTICES :

In compliance with the SEBI Regulations on prevention of Insider Trading, the Company has adopted a code of conduct for its Directors and designated employees. The code lays down guidelines which included procedures to be followed and disclosures to be made while dealing into the shares of the Company.

10. MANAGEMENT DISCUSSION AND ANALYSIS :

The management discussion and analysis is a part of the Annual report and annexed separately.

11. PARTICULARS OF DIRECTORS

Particulars of Directors as required under clause 49 VI(A), of the listing Agreement, appointment of retiring Directors seeking re-appointment are given here in below:

Name of the Directors	Mr. B. V. Bhargava	Mr. E. B. Desai	Mr. Y. P. Trivedi
Date of Birth	16-04-1936	01-04-1931	06-01-1929
Date of Appointment	25-09-1996	30-08-2003	30-08-2003
Qualifications	M. Com., L.L.B	B.A., L.L.B. (Hons)	B. Com. L. L. B.
Chairman / Director of other companies	CRISIL Ltd., Excel Crop Care Ltd., Grasim Industries Ltd., ICICI Lombard General Insurance Co. Ltd., IRVNA Research Service Ltd., J. K. Laxmi Cement Ltd., National Commodity & Derivative Exchange Ltd., Raymond Ltd., Schenectady Herdillia Ltd.	Birla Global Finance Ltd., Bekaert Industries Pvt. Ltd., Century Textiles & Industries Ltd., Dolphin Fisheries & Trading Pvt. Ltd., Hercules Hoist Ltd., Hindalco Industries Ltd., Kennametal India Ltd., Panasonic Battery India Ltd., Prudential ICICI Trust Ltd.	Reliance Industries Ltd., Reliance Petroleum Ltd., Zandu Pharmaceuticals Works Ltd., Zodiac Clothing Company Ltd., New Consolidated Construction Company Ltd. Safari Industries (India) Ltd., Birla Power Solutions Ltd., Sai Service Station Ltd., Seksaria Biswan Sugar Factory Ltd., Metro Exports Pvt. Ltd., Telestar Travels Pvt. Ltd., Trivedi Consultants Pvt. Ltd., Monica Travels Pvt. Ltd., Clare Mont Trading Pvt. Ltd.

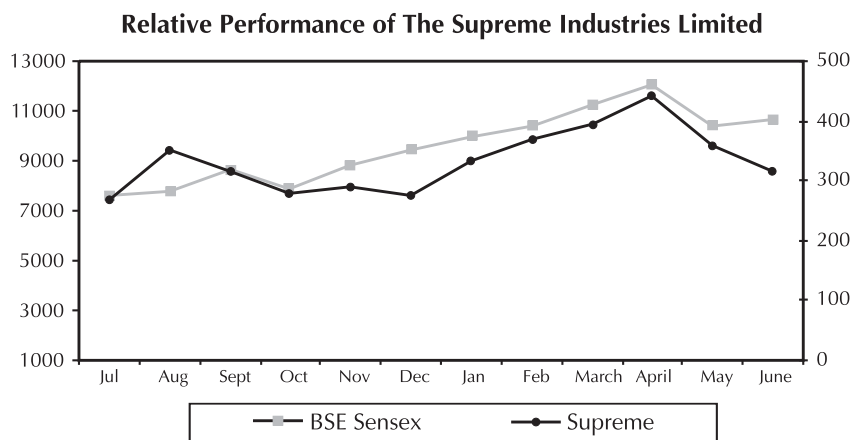
12. DISCLOSURES

- (i) The Company did not have any related party transactions which may have potential conflict with the interests of Company. Nature and other particulars of such transactions have been disclosed and are forming part of the notes to the accounts.
- (ii) The Company has paid during the year Rs. 1.33 lacs towards professional fees to M/s. Mulla & Mulla & Craigie & Blunt & Caroe, a firm in which Shri E. B. Desai is a partner.
- (iii) Proceeds from Preferential issue of Equity Shares :
During the year the Company has received Rs. 7.56 crores against the conversion of Warrants into Equity Shares. The proceeds are utilized for meeting corporate needs of the Company.

13. GENERAL SHAREHOLDER INFORMATION.

- (i) Registered Office : 612, Raheja Chambers, Nariman Point, Mumbai 400 021.
- (ii) Book Closure Date : From 27-09-2006 to 05-10-2006 (Both days inclusive)
- (iii) AGM Date & Venue : On Thursday 5th October, 2006 at 4.00 p.m. at Walchand Hirachand Hall, Indian Merchants' Chamber, Near Churchgate Station, 76, Veer Nariman Road, Mumbai – 400 020.
- (iv) Dividend payment : Within the statutory time limit.
- (v) Listing on Stock Exchanges : (i) Bombay Stock Exchange (BSE),
(ii) National Stock Exchange of India Ltd., (NSE),

- (vi) Listing Fees : Annual Listing Fees for the year 2006 – 2007 has been paid to both the Stock Exchanges.
- (vii) Trading Group : (i) BSE : “B-1” Group,
(ii) NSE : “Other Securities”
- (viii) Stock Codes : (i) BSE : 509930
(ii) NSE : SUPREMEIND
- (ix) Relative performance of Supreme Share Price v/s. BSE Sensex :



- (x) Key Financial Reporting Dates F.Y. 2006 – 2007.
- Unaudited Results for the First Quarter ended September 30, 2006. : On or before End October, 2006
 - Unaudited Results for the Second Quarter ended December 31, 2006. : On or before End January, 2007
 - Unaudited Results for the Third Quarter ended March 31, 2007. : On or before End April, 2007
 - Audited Results for the F.Y. 2006-2007 : On or before End September, 2007
- (xi) Shareholder Assistance : Share Department
- Investor Service Department : The Supreme Industries Limited,
Regd. Office : 612, Raheja Chambers, Nariman Point,
Mumbai 400 021.
- Phone Nos. : (022) 22820072, 22851656, 22851159-60
- Fax No. : (022) 22851657
- E-mail : supremenpt@supreme.co.in

14. Distribution of Shareholding (As on June 30th, 2006)

No. of Equity Shares held	No. of Shareholders	Percentage of Shareholders	No. of Shares	Percentages of Shareholdings
Upto 500	25473	94.50	1510393	10.93
501 – 1000	705	2.61	535882	3.88
1001 – 2000	350	1.29	509323	3.68
2001 – 3000	116	0.43	286919	2.08
3001 – 4000	72	0.27	257637	1.87
4001 – 5000	50	0.19	231627	1.68
5001 – 10000	85	0.32	618708	4.48
Over 10000	104	0.39	9860348	71.40
Total	26955	100.00	13810837	100.00

15. Categories of Shareholders (As on June 30th 2006)

Category	No. of Shareholders	Voting Strength (Percentage)	Number of Shares held
Promoters	17	44.98	6212639
Non Residents Individuals / OCB	438	4.21	579960
Companies	434	13.50	1864646
FII's / FI's / Mutual Fund / Bank	15	0.08	11514
Individuals	26051	37.23	5142078
Total	26955	100.00	13810837

- 16. Registrar & Transfer Agent (For Physical & Demat Shares)** : M/s. Bigshare Services Pvt.Ltd
E-2/3 Ansa Industrial Estate, Saki Vihar Road, Sakinaka,
Andheri (E), Mumbai 400 072.
Tel No. 28473474, 28473747 Fax No. 28475207
E-mail: bigshare@bom7.vsnl.net.in
- 17. Dematerialisation of Shares (as on 30.06.2006)** : 12689223 Shares are
Dematerialised (91.87% of total Shares viz. 13810837 shares)
- 18. Additional information regarding The Supreme Industries Limited Is also available on the Internet at** : <http://www.supreme.co.in>
- 19. Market Price Data : High / Low during each month in the last Financial Year.**

Month	BSE		NSE	
	High	Low	High	Low
July – 2005	287.95	261.00	287.95	252.25
August – 2005	384.80	252.00	390.00	254.30
September – 2005	373.90	305.25	379.00	301.00
October – 2005	348.00	276.25	344.00	276.05
November – 2005	302.25	275.00	302.00	282.00
December – 2005	305.00	271.50	302.00	272.00
January – 2006	345.00	272.50	344.00	273.50
February – 2006	394.00	318.50	393.00	314.50
March – 2006	442.20	366.00	443.15	362.00
April – 2006	477.65	390.00	473.90	386.65
May – 2006	482.45	309.65	482.40	310.25
June – 2006	378.00	243.05	379.75	243.00

20. Code of Conduct

The Board has adopted the Code of Conduct for members of the Board and Senior Management of the Company. The Code lays down, in details, the standards of business conduct, ethics and governance. The compliance of the same has been affirmed and a declaration signed by the Managing Director to this effect is given below. Code of conduct has also been posted on the Company's Website. www.supreme.co.in

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, all Board members and Senior Management Personnel have affirmed compliance with The Supreme Industries Limited Code of Conduct for the year ended 30th June, 2006.

For The Supreme Industries Limited
M. P. Taparia
Managing Director

Mumbai, 1st August, 2006

AUDITORS' CERTIFICATE

To the Members of

M/s. The Supreme Industries Limited

We have examined the compliance of conditions of corporate governance by M/s. The Supreme Industries Limited for the year ended on 30th June, 2006, as stipulated in Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the record maintained by the Shareholders / Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **CHHOGMAL & CO.,**
Chartered Accountants

CHINTAN SHAH
Partner
M. No. 107490
Mumbai, 1st August, 2006

CHHOGMAL & CO.
Chartered Accountants

206, Apollo Chambers,
Mogra Road, Andheri (E),
Mumbai - 400 069

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the annexed Balance Sheet of THE SUPREME INDUSTRIES LTD., Mumbai as at 30th June 2006 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We report that:

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India, in terms of Section 227(4A) of the Companies Act, 1956, our comment on the matters specified in the paragraphs 4 and 5 of the said Order are annexed herewith.
2. Further to our comments in the Auditors' Report referred to in paragraph 1 above:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. The reports on the accounts of Branches audited under Section 228 of the Companies Act, 1956 by persons other than ourselves, have been forwarded to us, as required by Clause (c) Sub - Section (3) of the said section and that we have taken due notice in our report of the points raised in the reports of the said Branch Auditors.
3. In our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of the books.
4. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
5. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
6. On the basis of information and explanations given to us and representations received from the directors as on 30th June 2006 and taken on record by the board, we report that no director is disqualified from being appointed as director of the company under Section 274 (1) (g) of the Companies Act, 1956.
7. In our opinion and to the best of our information and according to the explanations given to us, the accounts read together with Notes thereon, give the information required by Companies Act, 1956, in the manner so required and give a true and fair view:
 - i. in the case of the Balance Sheet of the state of affairs of the company as at 30th June 2006
 - ii. in the case of the Profit and Loss Account of the profit for the year ended on that date and
 - iii. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

ANNEXURE TO THE AUDITORS' REPORT

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. As explained to us the Company has a phased program for physical verification of the fixed assets of the company to cover all locations. In our opinion, the frequency of verification is reasonable, considering the size of the Company. No serious discrepancies were noticed on such verification as compared with the available records.

- c. During the year there is no disposal of substantial part of fixed assets, affecting going concern assumption.
2.
 - a. The stock of finished goods, raw materials, components, stores and spare parts except those lying with third parties, in bonded warehouse and in transit, has been physically verified by the management at regular intervals, which we consider to be reasonable.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c. The company has maintained proper records of inventory, no material discrepancies were noticed on physical verification of stocks as compared to book records and the discrepancies noticed have been properly dealt with in books of account.
3. In respect of loans, secured or unsecured, granted or taken by the company from / to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act 1956:
 - a. The Company has granted unsecured interest free deposit for use of office premises without payment of rent to a company, listed in the register maintained under section 301 of the Companies Act 1956, and maximum amount involved during the year was Rs. 309.71 Lacs and outstanding at the end of the year was Rs. 129.34 Lacs. The Company has vacated the office premises during the last quarter and the balance would be recovered as per agreed terms.
 - b. The terms and conditions of unsecured deposit given by the company are prima facie not prejudicial to the interest of the company.
 - c. Recovery of the deposit is as per agreed terms.
 - d. As per the agreed stipulations amount is not overdue.
 - e. The Company has accepted unsecured loans from three companies, listed in the register maintained under section 301 of the Companies Act 1956. The Maximum amount involved during the year aggregated to Rs. 2000 lacs, have been repaid during the year.
 - f. The terms and conditions of unsecured loan accepted by the company are prima facie not prejudicial to the interest of the company.
 - g. The Interest and principal were regularly repaid during the year.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purpose of inventory and fixed assets and for the sale of goods and services. As per the information given to us, no major weaknesses in internal control have been identified by the management or the internal auditors of the company during the year. During the course of audit, nothing had come to our notice that may suggest a major weakness in the internal control systems of the company.
5. In our opinion and according to the information and explanations given to us, the Company has not entered into any transactions with Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
6. In our opinion and according to the information and explanations given to us, the company has complied with the directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other provision of the Act and the rules framed there under, for acceptance of public deposits.
7. The company has an internal audit system commensurate with size and nature of its business.
8. The Central Government has not prescribed for the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act.
9.
 - a. According to the records of the Company and information and explanations given to us, Provident Fund, Investor Education and Protection Fund, Employees State Insurance Income Tax, Wealth Tax, Sales Tax, Custom Duty, Cess, Excise Duty and other statutory dues have been deposited regularly during the year with the appropriate authorities.
 - b. According to the records of the Company and information and explanations given to us the following are the particulars of disputed amounts payable in respect of, Sales Tax, Custom Duty, Excise Duty and Entry tax.

Name of the statute	Nature of dues	Amount Rs.	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Excise Duty Excise Duty Excise Duty	12.46 lacs 239.82 lacs 30.76 lacs	1978 1994 to 2005 1995 to 2005	CESTAT CESTAT Com of CE (Appeals)
The Central Sales Tax Act, 1956	Sales Tax	197.29 lacs	2001 to 2003	DC (ST, Appeals)
West Bengal Sales Tax Act, 1994	Sales Tax	42.71 lacs	1995 to 2003	DC
UP Trade Tax Act	Entry Tax	114.56 lacs	2000 to 2002	High Court
MP Commercial Tax Act	Sales Tax	0.68 lacs		DC
TN Sales Tax	Entry Tax	49.02 lacs	2003 – 2006	High Court
	TOTAL	687.30 lacs		

10. The Company does not have accumulated losses as at the end of the year and the Company has not incurred cash loss during the current and immediately preceding financial year.
11. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the bases of security by way of pledge of shares, debentures and other securities.
13. The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/ Schemes are not applicable to the Company.
14. In our opinion, the company is not a dealer in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
16. In our opinion and according to the information and explanations given to us, the term loan have been applied for the purpose for which they were raised other than amounts temporarily invested pending utilisation of the funds for stated use.
17. According to the Cash Flow Statement and records examined by us and according to the information and explanations given to us, on overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment and vice versa.
18. The Company has allotted shares to parties & companies covered in the register maintained under Sec 301 of the Companies Act, 1956 on conversion of warrants issued earlier. The said allotment has been at a price, which is not prejudicial to the interest of the company.
19. During the year the company redeemed the Secured debentures amounting to Rs.1375 lacs. There are no outstanding debentures as at the year-end.
20. The Company has not raised any money by public issue during the year.
21. According to the information and explanation given to us, no fraud by the Company and no significant fraud on the company was noticed or reported by the management during the year.

For **CHHOGMAL & CO.,**
Chartered Accountants

Chintan Shah
Partner
M.No: 107490
Mumbai, 1st August, 2006.

Balance Sheet as on 30th June, 2006.

Rs. in lacs

Schedule		2005 - 2006		2004 - 2005	
		Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	1	1381.08		1339.08	
Share Capital Suspense		—		84.00	
Reserves & Surplus	2	18662.00	20043.08	19772.20	21195.28
LOAN FUNDS					
Secured Loans	3	16879.26		20089.70	
Unsecured Loans	4	6869.42	23748.68	4563.85	24653.55
DEFERRED TAX LIABILITY (Net)					
			4283.20		—
			48074.96		45848.83
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	5	67061.16		61919.27	
Less : Depreciation		34384.39		31797.17	
Net Block		32676.77		30122.10	
Add : Capital Work - in - Progress		3248.73	35925.50	255.98	30378.08
INVESTMENTS					
	6		3397.23		3478.35
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	7	9826.92		7462.35	
Sundry Debtors	8	11182.91		8996.05	
Cash & Bank Balances	9	770.79		751.61	
Loans & Advances	10	4234.63		5791.80	
		26015.25		23001.81	
Less : CURRENT LIABILITIES & PROVISIONS					
Creditors	11	15123.98		9548.47	
Provisions	12	2139.04		1460.94	
		17263.02	8752.23	11009.41	11992.40
			48074.96		45848.83
Significant Accounting Policies	18				
Notes to the accounts	19				

As per our report of even date
For **CHHOGMAL & CO**
Chartered Accountants

B L Taparia
Chairman

M P Taparia
Managing Director

H S Parikh
N N Khandwala
B V Bhargava
E B Desai
Y P Trivedi

Directors

Chintan Shah
Partner
M No. 107490

S J Taparia
Executive Director

V K Taparia
Executive Director

O P Roongta
Sr. Vice-President (Finance)
& Secretary

Mumbai, 1st August, 2006

Mumbai, 1st August, 2006

Profit and Loss Account for the year ended 30th June, 2006.

Rs. in lacs

	Schedule	2005 - 2006		2004 - 2005	
		Rs.	Rs.	Rs.	Rs.
INCOME					
Turnover	13	113067.08		93150.04	
Less: Excise Duty		14860.69		11740.33	
		98206.39		81409.71	
Other Income	14	466.62	98673.01	1003.30	82413.01
EXPENDITURE					
Cost of Materials	15	65184.95		54025.51	
Manufacturing, Selling & Other Expenses	16	23294.81		19378.72	
Interest & Financial Charges	17	2696.04		2508.59	
Depreciation		4134.10	95309.90	3929.84	79842.66
[Excluding transfer from Revaluation Reserve Rs. 9.61lacs (previous year Rs. 10.45 lacs)]					
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS			3363.11		2570.35
Exceptional Income			1693.08		—
Depreciation for Earlier Years Provided for			23.37		0.85
Provision for Taxation:					
Corporate Tax		949.00		205.00	
Deferred Tax		8.00		—	
Fringe Benefit Tax		80.00	1037.00	—	205.00
PROFIT AFTER TAX AVAILABLE FOR APPROPRIATION			3995.82		2364.50
Appropriations:					
Transfer to Debenture Redemption Reserve		—		312.50	
Transferred to General Reserve		2421.04		677.79	
Proposed Dividend on Equity Shares		1381.08		1205.18	
Provision for Corporate Dividend Tax		193.70	3995.82	169.03	2364.50
EARNINGS PER SHARE (Refer Note No. 13 of Schedule 19)					
Basic Earning per share	Rs.		29.40		17.66
Diluted Earning per share	Rs.		29.40		17.13
Face Value per share	Rs.		10.00		10.00
Significant Accounting Policies	18				
Notes to the accounts	19				

As per our report of even date
For **CHHOGMAL & CO**
Chartered Accountants

B L Taparia
Chairman

M P Taparia
Managing Director

H S Parikh
N N Khandwala
B V Bhargava
E B Desai
Y P Trivedi

} Directors

Chintan Shah
Partner
M No. 107490

S J Taparia
Executive Director

V K Taparia
Executive Director

O P Roongta
Sr. Vice-President (Finance)
& Secretary

Mumbai, 1st August, 2006

Mumbai, 1st August, 2006

Schedules to Balance Sheet

Rs. in lacs

	2005 - 2006		2004 - 2005	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 1				
SHARE CAPITAL				
AUTHORISED				
3,00,00,000 (Previous Year 3,00,00,000) Equity Shares of Rs. 10 each	3000.00		3000.00	
1,12,00,000 (Previous Year 1,12,00,000) Preference Shares of Rs. 10 each	1120.00		1120.00	
3,38,00,000 (Previous Year 3,38,00,000) Unclassified Shares of Rs. 10 each	3380.00		3380.00	
	7500.00		7500.00	
ISSUED AND SUBSCRIBED				
1,33,90,837 Nos. (Previous Year 1,33,90,837 Nos.) Equity Shares of Rs. 10 each Fully Paid Up (including 50,76,372 Nos. Shares issued as fully paid Bonus Shares out of General Reserve)		1339.08		1339.08
4,20,000 Nos. (Previous Year Nil) Equity Shares of Rs. 10 each issued to promoters of the Company during the year, upon exercising option to convert preferential warrants held by them into equal number of shares at a premium of Rs. 190 per share (refer note no. 8 of schedule 19)		42.00		—
		1381.08		1339.08
SCHEDULE 2				
RESERVES AND SURPLUS				
REVALUATION RESERVE				
As per last Balance Sheet	362.38		375.04	
Less: (1) Transferred to Profit & Loss Account	9.61		10.45	
(2) Transferred to Leasehold Land	2.22		2.22	
(3) Assets sold off / discarded	40.91	309.64	—	362.38
		194.59		194.59
CAPITAL RESERVE				
SECURITIES PREMIUM ACCOUNT				
As per last Balance Sheet	6677.12		6703.93	
Less: Share issue expenses	1.31		26.81	
	6675.81		6677.12	
Add: Share premium received on 4,20,000 nos. (Previous Year Nil) Equity Shares of Rs. 10 each issued to the promoters of the Company on preferential allotment basis @ Rs.190 per share	798.00	7473.81	—	6677.12

Schedules to Balance Sheet

Rs. in lacs

	2005 - 2006		2004 - 2005	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 2 (Contd...)				
GENERAL RESERVE				
As per last Balance Sheet	10730.62		10042.83	
Less: Provision for Deferred Tax Liability (refer note no.14 of schedule 19)	4275.20		—	
	6455.42		10042.83	
Add: Transferred from Investment Allowance (Utilised) Reserve	—		10.00	
Add: Transfer from Debenture Redemption Reserve	687.50		—	
Add : Transferred from Profit & Loss Account	2421.03	9563.96	677.79	10730.62
INVESTMENT ALLOWANCE (UTILISED) RESERVE				
As per last Balance Sheet	—		10.00	
Less: Transferred to General Reserve	—	—	10.00	—
DEBENTURE REDEMPTION RESERVE				
As per last Balance Sheet	687.50		375.00	
Add : Transferred from Profit & Loss Account	687.50		312.50	
	687.50		687.50	
Less: Transferred to General Reserve	687.50	—	—	687.50
CAPITAL REDEMPTION RESERVE		1120.00		1120.00
		18662.00		19772.21
SCHEDULE 3				
SECURED LOANS				
A. WORKING CAPITAL LOANS				
From Banks - Rupee Loans		3970.20		308.85
B. TERM LOANS				
(a) IDBI Ltd. - Foreign Currency Loan	383.58		652.95	
- Rupee Loan	—	383.58	1785.00	2437.95
(b) ICICI Bank Ltd. - Foreign Currency Loan		1567.91		1823.42
(c) Bank of India - Foreign Currency Loan		—		870.60
(d) ABN Amro Bank - Foreign Currency Loan		1668.13		1776.02
(e) State Bank of Hyderabad - Rupee Loan		2331.53		1248.59
(f) State Bank of India - Rupee Loan		2000.00		2000.00
(g) Cooperatieve Centrale Raiffeisen Boerenleenbank B.A. (Rabobank) - Foreign Currency Loan		613.73		1741.20
(h) Vijaya Bank - Foreign Currency Loan		748.77		1538.47
(i) United Bank of India - Rupee Loan		1249.80		1458.20
(j) State Bank of Patiala - Rupee Loan		998.67		1164.46
(k) Federal Bank Ltd.		1346.94		346.94
(l) ING Vysya Bank Ltd.		—		2000.00

Schedules to Balance Sheet

Rs. in lacs

	2005 - 2006		2004 - 2005	
	Rs.	Rs.	Rs.	Rs.
C. DEBENTURES				
15,00,000 Nos. 8.75% Redeemable Non-Convertible Debentures of Rs. 100 each issued to IL & FS on private placement basis to be redeemed at par in 12 equal quarterly instalments.	1375.00		1500.00	
Less: Repaid during the year	1375.00	—	125.00	1375.00
		<u>16879.26</u>		<u>20089.70</u>

NOTES :

- Working Capital Loans from Banks (A) are secured against hypothecation and/or pledge of stocks and Book Debts, second subservient charge on certain fixed assets of the Company and personally guaranteed by three Directors, which is counter guaranteed by the Company.
- Term Loans are secured / to be secured on pari passu basis by mortgage of:
 - Immovable properties of the company, situated at various locations, both present & future, subject to the excluision of properties at Andheri, Jalgaon, Malanpur & Kolkata:

Lenders	Amount of Loan	
I D B I	US\$ 3 million	
ICICI Bank Ltd.	US\$ 4.976 million	
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank)	US\$ 4 million	excluding property at Noida also
Federal Bank Ltd.	Rs. 200 million	
State Bank of Patiala	Rs. 200 million	
United Bank of India	Rs. 250 million	
Vijaya Bank	US\$ 3.3 million	
ABN Amro Bank	US\$ 4.53 million	
State Bank of India	Rs. 200 million	
State Bank of Hyderabad	Rs. 400 million	
and		

- movable properties such as plant, machineries & moulds of the Company, both present and future, (excluding current assets charged to bankers for working capital) and second / subservient charge on current assets of the Company.
- These loans are personally guaranteed by three Directors which is counter guaranteed by the Company.

SCHEDULE 4 UNSECURED LOANS

Fixed Deposits	1869.42	2063.85
Commercial Paper (maximum amount during the year Rs. 7000 lacs)	5000.00	2500.00
(Previous year Rs. 6500 lacs).	<u>6869.42</u>	<u>4563.85</u>

Schedules to Balance Sheet

SCHEDULE 5 FIXED ASSETS

Rs. in Lacs

ASSETS	GROSS BOOK			DEPRECIATION			NET BLOCK	
	As At 01.07.2005 Rs.	Additions During the Year Rs.	Deductions/ Adjustment During The Year Rs.	As At 30.06.2006 Rs.	As At 01.07.2005 Rs.	For The Year Rs.	As At 30.06.2006 Rs.	As At 30.06.2005 Rs.
Freehold Land	410.26	265.24	—	675.50	—	—	675.50	410.26
Leasehold Land	577.94	78.06	7.43	648.57	—	—	648.57	577.94
Buildings	10644.08	586.64	457.62	10773.10	2676.54	429.62	7847.10	7967.55
Plant, Machinery & Electrical Installations	36025.04	4766.82	767.42	40024.44	18999.38	2352.01	19311.84	17025.66
Moulds & Dies	11836.90	948.88	374.80	12410.98	8583.88	1076.67	3090.13	3253.02
Furniture, Fixture & Office Equipments	1626.49	320.32	405.92	1540.89	1165.17	165.95	583.71	461.32
Vehicles	390.14	158.32	22.55	525.91	189.95	74.30	277.81	200.20
Sundry Equipments	408.41	68.84	15.48	461.77	182.25	45.15	242.11	226.15
Total	61919.26	7193.12	2051.22	67061.16	31797.17	4143.70	32676.77	30122.10
Previous Year	56971.83	5739.11	791.67	61919.27	28432.33	3940.29	30122.10	28539.50
Capital Work - in -Progress (including advances on Capital Account).							3248.73	255.98
							35925.50	30378.08

- NOTES :
- Buildings include the cost of ownership premises in Co-operative Societies Rs. 161.53 lacs (Previous Year Rs. 161.53 lacs).
 - Land and Buildings acquired from M/s. Siltap on it's amalgamation with the Company are in the process of being transferred in the name of the Company.
 - Buildings includes acquisition during the year aggregating to Rs. 55 lacs pending transfer in the name of the Company.
 - The Company has initiated development of it's property at Andheri in Mumbai and evaluating proposals for Salt Lake in Kolkata. The expenses incurred till date amounting to Rs. 1762.79 lacs has been included under Capital Work-in-Progress.

Schedules to Balance Sheet

SCHEDULE 6

INVESTMENTS

Rs. in lacs

Investment in	Face Value	Quantity		Amount	
		As At	As At	As At	As At
		30.6.2006	30.6.2005	30.6.2006	30.6.2005
GOVERNMENT & TRUST SECURITIES	Rs.				
(a) 6 1/2 %, 7 years National Saving Certificate				0.05	0.05
(b) National Savings Certificate VIII Issue				0.66	0.66
(c) Kisan Vikas Patra				0.10	0.10
(d) Unit Trust of India 6.75% Tax Free Bonds	10	254990	254990	25.50	25.50
Sub Total				26.31	26.31
OTHERS - UNQUOTED AND FULLY PAID UP					
Equity Shares					
(a) Saraswat Co-op. Bank Ltd.	10	1000	1000	0.10	0.10
(b) Samarpan Fabricators Ltd.	100	1350	1350	0.75	0.75
(c) Super Bazar Co-op. Stores Ltd.	10	1000	1000	0.10	0.10
(d) SICOM Ltd.	10	50000	50000	12.50	12.50
(e) HCC Holdings Pvt. Ltd.	10	—	1000000	—	100.00
(f) Supreme Industries Overseas (FZE), a wholly owned subsidiary incorporated in UAE	DHS 150000	1	—	18.88	—
Sub Total				32.33	113.45
OTHERS - QUOTED & FULLY PAID UP					
Equity Shares					
(a) Supreme Petrochem Ltd.*	10	28936400	28936400	3337.50	3337.50
(b) Symphony Comfort Systems Ltd.	10	600	600	0.27	0.27
(c) Vijaya Bank Ltd.	10	3200	3200	0.77	0.77
(d) Unimers India Ltd.	10	500	500	0.05	0.05
Sub Total				3338.59	3338.59
Total				3397.23	3478.35
(a) Aggregate Value of Quoted Investments - at Cost				3338.59	3338.59
- at Market Value				5687.33	9362.94
(b) Aggregate Value of Unquoted Investments - at Cost				58.64	139.76

* includes 34,36,400 Equity shares allotted on preferential basis with a lock-in period of 3 years from date of allotment, upto 18th January, 2007.

During the year the Company purchased and sold the following investments in Mutual Funds:

Name	Face Value Per Unit	Units	Cost Rs. in Lacs
Principal Floating Rate Fund SMP Institutional option Daily div. Reinvestment	10	9019333.519	902.00
Birla Floating Rate Fund Daily Dividend Reinvestment	10	2506395.614	250.68
DSP Merrill Liquid Fund Daily Dividend Reinvestment	10	2501842.055	250.43

Schedules to Balance Sheet

Rs. in lacs

	2005- 2006 Rs.	2004 - 2005 Rs.
SCHEDULE 7 - INVENTORIES		
(As per inventory prepared, valued and certified by the Managing Director)		
Stores, Spare parts, Packing Materials, etc	463.04	394.67
Raw Materials and Components	4719.10	3493.83
Reusable Material	441.18	224.37
Finished / Semi-Finished Goods	4151.75	3254.41
Finished Goods for Resale	51.85	95.07
	9826.92	7462.35
SCHEDULE 8 - DEBTORS		
(Unsecured, considered good unless otherwise specified)		
Over Six months		
Considered Good	620.29	631.38
Considered Doubtful	29.69	43.99
	649.98	675.37
Less : Provision for Doubtful Debts	29.69	43.99
	620.29	631.38
Add : Others	10562.62	8364.67
	11182.91	8996.05
SCHEDULE 9 - CASH AND BANK BALANCES		
Cash on hand	54.77	59.52
Cheques in hand	151.17	175.57
Remittance in Transit	29.80	9.58
Balance with Scheduled Banks in :		
Current Accounts	283.30	218.95
Deposit Accounts (Earmarked)	251.75	287.99
	770.79	751.61
SCHEDULE 10 - LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	-	
Others	2995.92	4832.01
Security and other Deposits	944.06	696.70
Prepaid Expenses	294.65	263.09
	4234.63	5791.80
SCHEDULE 11 - CREDITORS		
Sundry Creditors	9178.10	4605.38
(includes Rs. 525.50 lacs due to Small Scale Industries (Previous year Rs. 340.41 lacs)).		
Items covered by Investors Education & Protection Fund (refer note No. 17 of Schedule 19)	103.30	118.67
Interest Accrued but not due on		
(i) Secured Loans	2.87	8.42
(ii) Unsecured Loans	60.51	71.84
Other Liabilities (includes Rs. 11.43 lacs due to subsidiary, maximum amount payable during the year Rs. 11.43 lacs)	5779.20	4744.16
	15123.98	9548.47
SCHEDULE 12 - PROVISIONS		
Provision for Income Tax (Net of advances)	549.60	78.73
Provision for Fringe Benefit Tax (Net of advances)	5.00	-
Provision for Wealth Tax	9.66	8.00
Proposed Dividend	1381.08	1205.18
Provision for Corporate Dividend Tax	193.70	169.03
	2139.04	1460.94

Schedules to Profit and Loss Account

Rs. in lacs

	2005 - 2006		2004 - 2005	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 13				
TURNOVER				
Sales - Gross		112874.19		93037.83
Less: Excise Duty		14860.69		11740.33
		98013.50		81297.50
Labour Charges		192.89		112.21
		98206.39		81409.71
SCHEDULE 14				
OTHER INCOME				
Dividend (Refer note no. 7 of Schedule 19)		58.32		641.28
Claims & Refunds		45.02		62.42
Sundry Receipts		181.97		182.06
Liabilities no longer required written back		62.02		54.48
Lease Rent		67.09		63.06
Profit on sale of Assets (Net)		19.10		—
Profit on sale of Investments		33.10		—
		466.62		1003.30
SCHEDULE 15				
COST OF MATERIALS				
OPENING STOCK				
Raw Material & Components	3493.83		2178.60	
Reusable Material	224.37		188.47	
Finished / Semi-Finished Goods	3254.41		2677.81	
Goods for Resale	95.07	7067.68	162.11	5206.99
Add : PURCHASES				
Raw Material & Components	60326.26		51894.49	
Goods for Resale	7154.89	67481.15	4137.94	56032.43
		74548.83		61239.42
Less: Goods destroyed by fire		—		146.23
		74548.83		61093.19
Less : CLOSING STOCK				
Raw Material & Components	4719.10		3493.83	
Reusable Material	441.18		224.37	
Finished / Semi-Finished Goods	4151.75		3254.41	
Goods for Resale	51.85	9363.88	95.07	7067.68
		65184.95		54025.51

Schedules to Profit and Loss Account

Rs. in lacs

	2005 - 2006	2004 - 2005
	Rs.	Rs.
SCHEDULE 16		
MANUFACTURING, SELLING & OTHER EXPENSES		
Stores & Spare Parts Consumed	1167.96	1169.09
Labour Charges	2104.27	1897.11
Power & Fuel	4599.74	4004.53
Water Charges	40.07	33.49
Salaries, Wages & Bonus	2919.27	2445.49
Contribution to Pension & Provident Fund	193.03	158.02
Staff & Labour Welfare	159.03	152.49
Managerial Remuneration	139.12	124.44
Directors' Fees	5.70	5.60
Repairs & Maintenance of Building	83.18	90.92
Repairs & Maintenance of Plant & Machinery	592.37	496.80
Repairs & Maintenance (Others)	108.41	142.88
Rent, Rates & Taxes	231.43	166.62
Insurance	188.40	164.87
Charity & Donations	29.49	29.61
Legal & Professional Fees	143.42	145.01
Travelling & Conveyance [Directors Rs. 51.72 lacs (Previous year Rs. 43.63 lacs)]	618.42	552.81
Vehicle Expenses	142.78	103.34
Advertisement & Publicity	710.41	552.96
Packing, Freight and Transport Charges	5658.10	4288.94
Postage, Stationery & Telephone	453.22	432.69
Royalty, Commission & Discount	2154.58	1795.82
Sales Tax etc	48.70	268.22
Provision for Doubtful Debts	—	21.68
Bad Debts	72.68	9.79
Plant Security Services	109.88	100.24
Loss on Sale / Discard of Assets (Net)	—	31.40
Loss on sale of Investments	—	0.60
Foreign Currency Exchange Fluctuation (Net)	332.58	-231.89
Miscellaneous Expenses	288.57	225.15
	23294.81	19378.72
SCHEDULE 17		
INTEREST & OTHER FINANCIAL EXPENSES		
INTEREST		
(i) On Term Loans	1304.92	1255.69
(ii) On Fixed Deposits	145.96	235.27
(iii) On Debentures	26.37	144.52
(iv) Other Interest	919.60	585.40
Bank Charges, Guarantee Commission and Other Financial Expenses	371.97	400.77
	2768.82	2621.65
Less : Interest Received [TDS Rs.8.66 lacs (Previous Year Rs. 6.85 lacs)]	72.78	113.06
	2696.04	2508.59

SCHEDULE 18: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE ACCOUNTS.

A. BASIS OF ACCOUNTING

- i. The financial statements are prepared under the historical cost convention, in accordance with applicable accounting standards and on the basis of a going concern.
- ii. The Company adopts the accrual concept in preparation of the accounts. Claims / Refunds not ascertainable with reasonable certainty are accounted for on final settlement.
- iii. Benefit on account of entitlement to import duty-free raw materials under the Advance License Scheme, is estimated and accounted for in the year of export.
- iv. Sales are accounted for inclusive of excise duty and net of returns, claims etc.

B. FIXED ASSETS

- i. Certain Land, Buildings, Plant & Machinery and Moulds & Dies are stated at revalued amounts as a result of their revaluation less depreciation.
- ii. Other fixed assets are stated at cost less depreciation.
- iii. Interest on borrowings and incidental expenses incurred during the period of construction and till the acquired assets are put to use, are added to the cost of fixed assets.
- iv. The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

C. CAPITAL WORK - IN - PROGRESS

The cost incurred for fixed assets, the construction / installation / acquisition of which are not completed is included under the head Capital Work-in-Progress and the same are related / classified to the respective assets on their completion.

D. DEPRECIATION & AMORTISATION

- i. Depreciation on Building, Plant & Machinery and Moulds & Dies is provided on Straight Line Method and on other assets on Written Down Value Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956, except certain specific assets on which depreciation is provided at higher rates based on useful life of the assets estimated by the management.
- ii. Leasehold Land is amortised over the period of lease.
- iii. Cost of software and ERP package is amortised over a period of four years.

E. INVESTMENTS

Investments are stated at cost. Provision for diminution, if any, in the value of investments is made to recognise decline other than temporary.

F. INVENTORIES.

Inventories are valued as under:

- i. Raw Material & Components - at cost using FIFO cost basis.
- ii. Finished Goods - at cost using weighted average cost basis or net realisable value whichever is lower.
- iii. Stores, Spare Parts, Packing Materials etc. - at cost using FIFO basis except obsolete and non-moving items stated at net realizable value.
- iv. Goods for Resale - at cost using FIFO basis or net realisable value whichever is lower.

G. FOREIGN CURRENCY TRANSACTIONS

Foreign currency loans / liabilities incurred for the acquisition of fixed assets are translated at exchange rates prevailing on the last day of the accounting year or forward rates as applicable. The net variation arising out of the said translation and rollover charges, if any, are adjusted to the cost of fixed assets.

Other foreign currency assets and liabilities are similarly translated and the gain / loss arising out of such translation is adjusted to the Profit and Loss Account.

H. RETIREMENT BENEFITS

Liability is provided for retirement benefits of Provident Fund, Superannuation Fund, Gratuity and Leave Encashment in respect of all eligible employees of the Company. The Company has covered its liability towards employees' superannuation and gratuity under Group Superannuation and Group Gratuity Scheme of Life Insurance Corporation of India (LIC). The Company accordingly pays the premium to LIC and accounts for the same.

I. RESEARCH & DEVELOPMENT EXPENDITURE

Revenue expenditure is charged to the Profit & Loss Account and the Capital expenditure is added to the cost of Fixed Assets in the year in which it is incurred.

J. SHARE / DEBENTURE ISSUE EXPENSES AND DEBENTURE REDEMPTION RESERVE

- i. Issue expenses are adjusted against the Share Premium Account.
- ii. Debenture Redemption Reserve has been created pursuant to SEBI (Disclosure and Investor Protection) Guidelines, 2000.
- iii. Premium paid / payable on redemption is adjusted against the Share Premium Account.

K. TAXES ON INCOME

Current tax is determined based on the amount of tax payable in respect of taxable income for the financial year ending 31st March. Deferred tax is recognised, subject to consideration of prudence in respect of deferred tax assets, on timing difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more periods.

Fringe Benefit Tax (FBT) is accounted for on estimated value of fringe benefits for the year ended 31st March as per Provisions of Income Tax Act.

SCHEDULE 19: NOTES FORMING PART OF THE ACCOUNTS:

1. Contingent Liabilities not provided for:	2005-06	Rs. in lacs 2004-05
a. Bills / Cheques discounted (Guaranteed by three Directors)	840.86	83.80
b. Guarantees given by Banks	537.44	641.10
c. Disputed demand of Lease rent differential not acknowledged as debt	213.11	213.11
d. Claims against the Company including Show Cause-cum-Demand Notices from Central Excise Department not acknowledged as Debts	575.63	550.15
e. Disputed Income Tax Demands	414.85	453.44
f. Disputed Sales Tax / Entry Tax Demands	274.31	120.89
g. Other claims against the company not acknowledged as debts.	56.75	52.58
h. The Company has imported capital goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rate of duty on an understanding to fulfill quantified exports against which remaining future obligation aggregates to Rs. 6055.55 lacs (Previous Year Rs. 2984.89 lacs). Non fulfillment of such future obligation, if any, entails options / rights to the Government to confiscate capital goods imported under the said license and other penalties under the above referred scheme.		
2. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs. 1955.61lacs (Previous year Rs. 1483.95 lacs).		
3. Difference due to exchange rate variation on repayment of foreign currency Loan during the year and on outstanding foreign currency loan as on 30 th June 2006 has been capitalised Rs. 98.82 lacs (Previous year de-capitalised Rs. 21.01 lacs).		
4. The company has capitalised interest amounting to Rs. 44.89 lacs (Previous year Rs. Nil) on payments made towards properties under construction.		
5. a) Depreciation on incremental value due to revaluation is provided at the rates specified in Schedule XIV to the Companies Act, 1956 prior to amendment in 1993. The additional charge of depreciation due to such revaluation is Rs. 9.61 lacs (Previous year Rs. 10.46 lacs). An equivalent amount has been transferred from Revaluation Reserve to Profit & Loss Account.		
b) Rs. 2.22 lacs (Previous year Rs. 2.22 lacs) has been transferred from Revaluation Reserve to Leasehold Land Account being the amortisation in the value of Lease Premium due to effusion of time.		
6. Loans and Advances include interest free unsecured deposit of Rs. 129.34 lacs (Previous year Rs. 309.71 lacs) given to M/s. Supreme Capital Management Ltd. in consideration for using it's office premises at Mumbai without payment of rent which the Company has vacated during the last quarter and the advance lying would be recovered as per agreed terms.		
7. SIL Trust and SCL Trust held shares of the Company, pursuant to the amalgamation of M/s. Siltap Chemicals Ltd. with the Company, of which the Company is the sole beneficiary.		
a. Rs. 54.91lacs (Previous year Rs. 54.91 lacs) received by the trusts as dividend has been included under the head 'Dividend Received'.		
b. Rs. 1693.08 lacs being gain on sale of 6,10,137 shares held by the trusts have been included under the head 'Exceptional income'.		

8. Company had made preferential allotment to the promoters of the company 4,20,000 warrants with an option to subscribe to an equal number of equity shares of face value of Rs. 10/- each at a premium of Rs. 190/- per share within 18 months from the date of allotment viz. 26th May, 2004. Consequent upon the option exercised by the promoters, the Company has received the entire subscription amount and allotted 4,20,000 equity shares during the year.
9. The Company has given undertaking to IDBI & ICICI Bank for non-disposal of its investments in Supreme Petrochem Ltd (SPL) without the prior consent of the respective Financial Institution so long as any part of the loan facilities sanctioned by the Financial Institution to SPL remains outstanding.
10. The Company is engaged mainly in processing of plastic polymers and as such is the only reportable segment as per Accounting Standard on Segment Reporting (AS-17) issued by the Institute of Chartered Accountants of India. The geographical segmentation is not relevant as export turnover is not significant in respect to total turnover.
11. Disclosure on related party transactions:

(Rs. in lacs)

Nature of Transactions	Holding & Subsidiaries	Associates	Key Management Personnel	Total
Purchase of goods	- (-)	4575.55 (3925.02)	- (-)	4575.55 (3925.02)
Sale of goods	- (-)	5.85 (29.43)	- (-)	5.85 (29.43)
Interest expense	- (-)	29.20 (35.74)	- (-)	29.20 (35.74)
Rendering of services – Received	- (-)	- (12.48)	- (-)	- (12.48)
Rendering of services – Paid	21.31 (-)	- (-)	- (-)	21.31 (-)
Dividend Received	- (-)	- (578.82)	- (-)	- (578.82)
Dividend Paid	- (-)	461.70 (463.53)	12.35 (10.52)	474.05 (474.05)
Inter Corporate Deposits received	- (-)	2000.00 (830.00)	- (-)	2000.00 (830.00)
Inter Corporate Deposits paid	- (-)	- (-)	- (-)	- (-)
Remuneration	- (-)	- (-)	139.12 (124.44)	139.12 (124.44)
Outstanding at year-end				
- Sundry Debtors	- (-)	0.33 (-)	- (-)	0.33 (-)
- Sundry Creditors	- (-)	408.25 (-)	- (-)	408.25 (-)
- Other Payable	11.43 (-)	- (-)	105.06 (80.84)	105.06 (80.84)
- Other Receivables	- (-)	129.34 (313.19)	- (-)	129.34 (313.19)

* Figures in bracket relate to previous year.

Names of related parties and description of relationship

Subsidiary Company: The Supreme Industries Overseas (FZE)

Associates: Supreme Petrochem Ltd., Supreme Capital Management Ltd., Multilayer Films Pvt. Ltd., Varali Investment & Trading Co. Pvt. Ltd., Jagatguru Investment & Trading Co. Pvt. Ltd., Balabheem Investment & Trading Co. Pvt. Ltd., Platinum Granite Pvt. Ltd., Platinum Plastics & Industries Pvt. Ltd. and Suraj Packaging Pvt. Ltd.

Key Managerial Personnel: Mr. M P Taparia, Managing Director, Mr. S J Taparia, Executive Director & Mr. V K Taparia, Executive Director.

12. The Company has taken / given premises under cancelable operating lease. These lease agreements are normally renewed on expiry. The rental income / expenditure are accounted for in Profit and Loss Account of the Company in accordance with Accounting Standard on lease transactions (AS-19) issued by the Institute of Chartered Accountants of India.

The particulars of godown premises given on lease are:

Gross Carrying Amount	Accumulated Depreciation	Depreciation for year
Rs. 489.76 lacs	Rs. 308.87 lacs	Rs. 66.03 lacs
(Rs. 462.51 lacs)	(Rs. 241.26 lacs)	(Rs. 72.36 lacs)

The company has taken office premises on non-cancelable operating lease. Lease obligations under non- cancelable periods are as follows:

	Rs. in lacs
Future lease rental obligation not later than one year	151.20
Future lease rental obligation later than one year but not later than five year	100.80

13. Earning per Equity share – Basic / diluted		Rs. in lacs
	2005 - 06	2004 – 05
Profit after tax (PAT) available for Equity shareholders	4019.18	2365.34
Weighted Average Number of Equity shares	Nos. 1,36,71,604	1,33,90,837
Nominal value of Equity shares	Rs. 10.00	10.00
Basic earning per Equity Share	Rs. 29.40	17.66
Weighted Average for Potential Equity Shares	Nos. Nil	4,20,000
Diluted earning per Equity Share	Rs. 29.40	17.13

14. a. Provision for Income Tax liability has been made in the accounts based on the income for the period 1.4.2005 to 31.3.2006 (A/Y: 2006-07). The tax liability including fringe benefit tax for the period 1.4.2006 to 30.6.2006 shall be determined on the basis of the income / expenditure for the year ended 31st March, 2007 (A.Y 2007-08).
- b. The Company has provided for deferred tax in the current year, being the first year of applicability, the accumulated timing differences as on beginning of the financial year i.e. 1st April 2005 being Rs. 4275.20 lacs has been adjusted against accumulated reserves in accordance with transitional provisions of Accounting Standard 22.
- c. The Company has recognized deferred tax provision for the year aggregating to Rs. 8.00 lacs in the Profit & Loss Account.
- d. The components for Deferred Tax Liability as on 31st March, 2006 consists mainly on account of timing differences in depreciation.
- e. Corporate Tax includes provision for wealth tax Rs. 4.00 lacs (Previous year Rs. 5.00 lacs).
15. Commitment charges / processing fee paid / payable on Borrowings is being amortised over the period of such borrowings.
16. The Company deals with several Small Scale Industrial Undertakings (SSI) on mutually accepted terms and conditions. Based on the records of the Company and the information received from SSI suppliers, there are no amounts "Outstanding and Due" to SSI suppliers for more than 30 days.

The above information and that given in Schedule 11 in respect of sundry creditors pertaining to SSI has been determined on unitwise basis to the extent such information is available with the company and relied upon by the auditors.

17. Items covered by Investor Education & Protection Fund shown under Schedule 11 includes:

a. Unclaimed Dividend	Rs. 47.07 lacs	(Previous Year Rs. 44.10 lacs)
b. Debenture Application Money	Rs. 0.15 lacs	(Previous Year Rs. 0.15 lacs)
a. Unclaimed Matured Deposits & Interest	Rs. 47.40 lacs	(Previous Year Rs. 55.81 lacs)
b. Unpaid Matured Debentures & Interest	Rs. 8.68 lacs	(Previous Year Rs. 18.61 lacs)
Total	Rs. 103.30 lacs	(Previous Year Rs.118.67 lacs)

Amount due and outstanding to be credited to Investor Education & Protection Fund as on 30.06.2006 is Rs. Nil (Previous Year Rs. Nil)

18. Sundry Debtors, Sundry Creditors, Unsecured Loans and Advances are subject to confirmation by the respective parties.
19. In the opinion of the Board, the current assets, loans and advances are approximately of the value stated, if realised in the ordinary course of business. The provisions for all the known and determined liabilities are adequate and not in excess of the amounts reasonably required.
20. Previous year's figures have been regrouped/ rearranged wherever necessary.

21. Foreign exchange derivatives and exposures outstanding at close of the year.

Nature of the instrument	currency	Aggregate Amount	Purpose of hedging/ speculation
1. Forward purchase	Jap Yen.	212.52 Million	Hedging
Currency Swap	US \$	1.65 Million	Hedging
2. Open Foreign exchange exposures			
Receivables	US \$	1.64 Million	
Payables	US \$	26.16 Million	

22. Remuneration to Managing Director and Executive Director is as follows:

	Managing Director M P Taparia		Executive Director S J Taparia		Executive Director V K Taparia	
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
A Salaries	9.00	9.00	8.94	8.94	8.88	8.88
B Commission	35.02	26.95	35.02	26.95	35.02	26.95
C Contribution to PF etc.	1.08	3.78	1.07	3.75	1.07	3.73
D Other Allowances & Perquisites	1.35	0.25	1.34	0.23	1.33	5.73
Total	46.45	39.98	46.37	39.87	46.30	45.28

23. Computation of Net Profit in Accordance with Sections 198, 309 and 349 of the Companies Act, 1956 for the purpose of commission to Managing Director and Executive Director.

	2005 - 2006
	Rs. in lacs
Profit as per Profit and Loss Account before Exceptional Items	3363.10
Add: Managing and Executive Directors' Remuneration	139.12
Net Profit for Commission	3502.22
i) Commission to Mr. M P Taparia, Managing Director @ 1% of the Profit for the year *	35.02
ii) Commission to Mr. S J Taparia, Executive Director @ 1% of the Profit for the year *	35.02
iii) Commission to Mr. V K Taparia, Executive Director @ 1% of the Profit for the year *	35.02
* As approved by the Board of Directors in their Meeting held on 1 st August, 2006.	

24. Payment to Auditors (including Branch Auditors):

	2005-2006	2004-2005
	Rs.	Rs.
Audit Fees	12.27	10.95
Tax Audit Fees	6.63	6.21
For Taxation Matters	1.82	1.86
In other capacity	10.13	8.16
	30.85	27.18

25. Additional information pursuant to the provisions of paragraphs 3,4C & 4D of Part II of Schedule VI of the Companies Act, 1956.

A. Details of Capacity, Products Manufactured, Turnover, Opening Stock, Closing Stock of Goods Produced for Sale and Traded.

		2005 - 2006		2004 - 2005		
(i)	TURNOVER	UNIT	Quantity	Value	Quantity	Value
	MANUFACTURED PRODUCTS :					
	Injection Moulded Products	MT	34951.443	40850.68	32314.990	36256.64
	Extruded Products	MT	79341.963	64036.72	60893.825	51318.69
	Machinery & Moulds	Nos	74	337.24	57	596.79
	TRADING PRODUCTS					
	Injection Moulded Products	MT	96.843	68.40	8.755	6.74
	Extruded Products	MT	1567.250	954.84	1647.724	838.87
	Polymers & Others		---	6323.39	---	3723.50
			2005 - 2006		2004 - 2005	
(ii)	RAW MATERIALS & COMPONENTS CONSUMED :	UNIT	Quantity	Value	Quantity	Value
	PVC Resin	MT	58833.826	23897.66	43436.050	20139.25
	Polyethylene	MT	21652.934	12145.80	20117.405	11199.82
	Polystyrene	MT	6706.974	3935.59	5831.050	3605.45
	Polypropylene	MT	19287.226	10389.49	17930.362	8889.90
	Engineering Plastics	MT	1207.588	1171.89	1095.400	952.45
	Additives	MT	9002.530	4487.13	7007.890	3852.49
	Others			3073.43		1938.82
				59100.99		50578.18
Consumption figures shown above are after adjusting excess / shortages on physical count.						
			2005 - 2006		2004 - 2005	
(iii)	STOCKS :	UNIT	Quantity	Value	Quantity	Value
	OPENING STOCK OF FINISHED GOODS :					
	MANUFACTURED PRODUCTS :					
	Injection Moulded Products	MT	1863.906	1632.26	1952.980	1419.52
	Extruded Products	MT	2062.182	1572.79	1746.158	1169.45
	Machinery & Moulds	Nos.	39	48.36	40	88.85
	TRADING PRODUCTS :					
	Injection Moulded Products	MT	1.057	1.06	2.497	3.56
	Extruded Products	MT	4.986	1.83	39.059	12.61
	Polymers & Others	MT	---	92.18	---	145.95
	PURCHASES :					
	TRADING PRODUCTS :					
	Injection Moulding Items	MT	95.786	60.62	7.315	6.59
	Extrusion Items	MT	1562.790	945.50	1618.910	702.50
	Machinery, Moulds & Spares	Nos	---	---		0.32
	Polymers & Others	MT	---	6148.77	5952.859	3428.52
	CLOSING STOCKS OF FINISHED GOODS :					
	MANUFACTURED PRODUCTS					
	Injection Moulded Products	MT	2328.770	2024.71	1863.906	1633.26
	Extruded Products	MT	3153.513	2127.04	2062.182	1572.79
	Machinery & Moulds	Nos.	---	---	39	48.36
	TRADING PRODUCTS:					
	Injection Moulded Products	MT	---	---	1.057	1.06
	Extruded Products	MT	0.526	0.33	10.245	21.77
	Polymers & Others	MT	---	51.51	---	72.24

(iv) CAPACITY AND PRODUCTION :

	Unit	Capacity Licensed	2005 - 2006 Capacity Installed *	Production	2004 - 2005 Capacity Installed *	Production
Injection Moulded Products	MT	N.A	54900	35146.307	58200	32225.916
Extruded Products	MT	N.A	100172	80433.294	86422	61209.849
Machinery & Moulds	Nos	N.A	N.A	35	N.A	74

NOTES :

- (1) * As certified by the Management and accepted by the auditors being a technical matter.
- (2) Production includes production achieved on labour job basis from outsiders.
- (3) Job work charges from outsiders Rs. 192.89 lacs not included herein (Previous Year Rs. 112.21 lacs).
- (4) The Turnover does not include Sale of Scrap for Rs. 302.91 lacs (Previous Year Rs. 296.60 lacs).
- (5) Production Quantities shown herein are after adjustment of departmental consumption.
- (6) Turnover includes 62nos. (Previous Year 54 nos.) of Machinery and Moulds Rs. 227.75 (Previous Year Rs.567.60) and Packing Material & Components Rs. 404.02 lacs (Previous year Rs. 428.15 lacs) transferred to other divisions for captive use.

B. Value of Imported and Indigenous Raw Material and Components Consumed :

Rs. in lacs

	2005 - 2006		2004 - 2005	
	Value Rs.	% of Total Consumption	Value Rs.	% of Total Consumption
Imported	16697.36	28.25	7986.60	15.79
Indigenous	42403.63	71.75	42591.57	84.21
	59100.99	100.00	50578.18	100.00

C. Value of Imported and Indigenous Stores & Spare Parts Consumed:

	2005 - 2006		2004 - 2005	
	Value Rs.	% of Total Consumption	Value Rs.	% of Total Consumption
Imported	20.58	1.76	50.44	4.31
Indigenous	1147.38	98.24	1118.65	95.69
	1167.96	100.00	1169.09	100.00

D. CIF Value of Imports :

	2005 - 2006 Rs.	2004 - 2005 Rs.
i) Raw Material & Components	17785.73	9914.09
ii) Stores & Spares	27.14	108.13
iii) Capital Goods	1909.25	1076.63
	19722.12	11098.86

E. Expenses and Remittances in Foreign Currency during the Financial Year :

	2005 - 2006 Rs.	2004 - 2005 Rs.
i) Interest	405.29	349.31
ii) Other Matters	317.73	192.98
	723.02	542.29

F. Details of Foreign Shareholding and Dividend Remitted Thereon :

	2005 - 2006 Final	2004 - 2005 Final
i) Number of Non-resident Shareholders	447	472
ii) Number of Shares held on which dividend were paid	600036	507947
iii) Gross Dividend (Rs. in lacs)	54.00	45.72

G. Earnings in Foreign Currency:

	2005 - 2006 Rs.	2004 - 2005 Rs.
Export (On FOB Basis)	8419.92	6542.18

26. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I. REGISTRATION DETAILS

Registration No. 3554
 Balance Sheet 30 06 2006
 Date Month Year

State Code 11

II. CAPITAL RAISED DURING THE YEAR : (Amount in Rs. Thousands)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	4200

III. POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS(Amount in Rs.Thousands)

Sources of Funds	Total Liabilities	Total Assets
	4807496	4807496
	Paid Up Capital	Reserves & Surplus
	138108	1866200
	Secured Loans	Unsecured Loans
	1687926	686942
	Deferred Tax Liabilities	
	428320	
Application of Funds	Net Fixed Assets	Investments
	3592550	339723
	Net Current Assets	Miscellaneous Expenditure
	875223	NIL
	Accumulated Losses	
	NIL	

IV. PERFORMANCE OF COMPANY : (Amount in Rs. Thousands)

Turnover	Total Expenditure
9867301	9530990
+ - Profit Before Tax	+ - Profit After Tax
503282	399582
Earning per Share in Rs.	Dividend Rate (%)
29	100

V. GENERIC NAME OF THE PRINCIPAL PRODUCTS OF THE COMPANY (as per monetary terms) :

Item Code No. (ITC Code)	39172309	39174000
Product Description	PVCP	PIPE S & FITTING S
Item Code No. (ITC Code)	94018000	
Product Description	PLASTIC	MOULDED CHAIRS
Item Code No. (ITC Code)	39269009	
Product Description	PLASTIC	TARP AULIN

Note : Signatures to Schedules 1 to 19 forming part of Balance Sheet and Profit and Loss Account

B L Taparia
 Chairman

S J Taparia
 Executive Director

O P Roongta
 Sr. Vice-President (Finance)
 & Secretary

M P Taparia
 Managing Director

V K Taparia
 Executive Director

H S Parikh

N N Khandwala

B V Bhargava

E B Desai

Y P Trivedi

Directors

Mumbai, 1st August, 2006

Cash Flow Statement For The Year Ended 30th June, 2006

Rs. in Lacs

	For Year Ended 30.06.2006		For Year Ended 30.06.2005	
A. Cash Flow Arising From Operating Activities				
Net Profit Before Tax		3363.10		2570.34
Adjustment For :				
Add : Depreciation	4134.10		3929.84	
Leasehold Assets Premium W/off	5.21		4.88	
Interest Net	2696.04		2508.59	
(Profit) / Loss on sale of Investments	-33.10	6802.25	-	6443.31
		10165.35		9013.65
Less : Dividend Received	58.32		641.28	
Profit /(Loss) on sale of Assets	19.10		-31.40	
Lease Rent etc. Received	67.09	144.51	63.06	672.95
Operating Profit before working capital changes		10020.84		8340.71
Adjustments for :				
Inventories	2364.56		1852.30	
Trade & Other Receivable	629.69		1915.07	
Trade & Other Payable	-5575.51	-2581.26	452.88	4220.25
Cash Generated from Operations		12602.10		4120.45
Interest Paid		-2768.82		-2621.65
Direct Taxes Paid		-551.47		-177.00
Net Cash Flow from Operating Activities (A)		9281.81		1321.80
B. Cash Flow from Investing activities				
Purchase of Fixed Assets		10185.87		5339.32
Sale of Fixed Assets		-442.13		-176.88
Purchase of Investments		18.88		-
Sale of Investments		-133.10		-
Share Issue Expenses		1.31		26.81
Interest Received		-1693.08		-113.06
Dividend Received		-58.32		-641.28
Lease Rent Received		-67.09		-63.06
Net Cash Used in Investing Activities		7739.56		4371.84
C. Cash Flow from Financing Activities				
Proceeds from Issue of Equity Shares		756.00		-
Proceeds from Long Term & Short Term Borrowings		470.13		4332.53
Dividend & Corporate Dividend Tax paid		-1374.21		-1362.68
Redemption of Debentures		-1375.00		-125.00
Net Cash Used in Financing Activities		-1523.08		2844.85
Net Increase / (Decrease) in cash & Cash Equivalents (A-B-C)		19.17		-205.19
Opening Balance as on 01.07.2005		751.62		956.80
Closing Balance as on 30.06.2006		770.79		751.62

B L Taparia
Chairman

S J Taparia
Executive Director

O P Roongta
Sr. Vice-President (Finance) & Secretary

M P Taparia
Managing Director

V K Taparia
Executive Director

H S Parikh

N N Khandwala

B V Bhargava

E B Desai

Y P Trivedi

} Directors

Mumbai, 1st August, 2006

CHHOGMAL & CO.
Chartered Accountants

206, Apollo Chambers,
Mogra Road, Andheri (E),
Mumbai - 400 069

Auditors' Report to the Board of Directors on Consolidated Financial Statements

We have examined the attached consolidated balance sheet of Supreme Industries Limited and its subsidiaries, (the Supreme Industries Limited group) as at June 30, 2006, the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit also includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

In respect of the financial statements of subsidiary, we did not carry out the audit. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary is based solely on the reports of the other auditors. The details of the assets and revenues in respect of these subsidiary to the extent to which they are reflected in the consolidated financial statements are given below:

Audited by other Auditors:	Total assets	Total revenues
Foreign subsidiary	Rs. 22.52 lacs	Rs. 21.37 lacs

As stated in Note no. 3 of Notes forming part of consolidated accounts, in case of an associate, the financial statements as on June 30, 2006 are not available. The investment in this associate has been stated at "equity method" as per AS 23 "Accounting for Investments in Associates in Consolidated Financial Statements".

We further report that in respect of an associate, we did not carry out the audit. These financial statements has been certified by Management and have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the associates is based solely on these certified financial statements. Since the financial statements for the nine months ended March 31, 2006, which were compiled by Management of these companies were not audited, any adjustments to their balances could have consequential effects on the attached consolidated financial statements. The details of the net carrying cost of investment and current year's share of profit or (loss) in respect of these associates to the extent to which they are reflected in the consolidated financial statements are given below:

Certified by management:	Net carrying cost of investment	Current year / period share of profit / (loss)
Associate	Rs. 3337.50 lacs	Rs. 695.00 lacs

We report that, unless stated otherwise, the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21, "Consolidated Financial Statements", AS 23, and "Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, and on the basis of the separate audited / certified financial statements of the SUPREME Group included in the consolidated financial statements.

We report that on the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of the SUPREME Group, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the consolidated balance sheet, of the state of affairs of the Supreme Industries Limited Group as at June 30, 2006;
- in the case of the consolidated profit and loss account of the consolidated results of operations of the Supreme Industries Limited Group for the year ended on that date
- in the case of the consolidated cash flow statement, of the consolidated cash flows of the Supreme Industries Limited Group for the year ended on that date.

For **CHHOGMAL & CO.,**
Chartered Accountants

Chintan Shah
Partner

M.No: 107490
Mumbai, 1st August 2006.

Consolidated Balance Sheet as on 30th June, 2006.

Rs. in lacs

	Schedule	2005 - 2006	
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	1381.08	
Share Capital Suspense		—	
Reserves & Surplus	2	20241.09	21622.17
LOAN FUNDS			
Secured Loans	3	16879.26	
Unsecured Loans	4	6869.42	23748.68
DEFERRED TAX LIABILITY (Net)			4283.20
			<u>49654.05</u>
APPLICATION OF FUNDS			
FIXED ASSETS	5		
Gross Block		67061.36	
Less : Depreciation		34384.41	
Net Block		32676.95	
Add : Capital Work - in - Progress		3248.73	35925.68
INVESTMENTS	6		4956.42
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	9826.92	
Sundry Debtors	8	11182.91	
Cash & Bank Balances	9	777.37	
Loans & Advances	10	4238.94	
		<u>26026.14</u>	
Less : CURRENT LIABILITIES & PROVISIONS			
Creditors	11	15115.15	
Provisions	12	2139.04	
		<u>17254.19</u>	8771.95
			<u>49654.05</u>
Significant Accounting Policies	18		
Notes to the accounts	19		

As per our report of even date
For **CHHOGMAL & CO**
Chartered Accountants

B L Taparia
Chairman

M P Taparia
Managing Director

H S Parikh
N N Khandwala

B V Bhargava

E B Desai

Y P Trivedi

} Directors

Chintan Shah
Partner
M No. 107490

S J Taparia
Executive Director

V K Taparia
Executive Director

O P Roongta
Sr. Vice-President (Finance)
& Secretary

Mumbai, 1st August, 2006

Mumbai, 1st August, 2006

Consolidated Profit and Loss Account for the year ended 30th June, 2006.

Rs. in lacs

	Schedule	2005 - 2006	
INCOME			
Turnover	13	113067.08	
Less: Excise Duty		14860.69	
		<u>98206.39</u>	
Other Income	14	466.62	98673.01
EXPENDITURE			
Cost of Materials	15	65184.95	
Manufacturing, Selling & Other Expenses	16	23293.67	
Interest & Financial Charges	17	2696.11	
Depreciation		4134.12	95308.85
(Excluding transfer from Revaluation Reserve Rs. 9.61lacs)			
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS			3364.16
Exceptional Income			1693.08
Depreciation for Earlier Years Provided for			23.37
Provision for Taxation:			
Corporate Tax		949.00	
Deferred Tax		8.00	
Fringe Benefit Tax		80.00	1037.00
NET PROFIT			3996.87
Add: Share of profit in associate for the period			694.75
GROUP PROFIT AFTER TAX AVAILABLE FOR APPROPRIATION			4691.62
Appropriations:			
Transfer to Debenture Redemption Reserve			
			—
Transfer to Capital Reserve		0.11	
Transferred to General Reserve		3116.73	
Proposed Dividend on Equity Shares		1381.08	
Provision for Corporate Dividend Tax		193.70	4691.62
EARNINGS PER SHARE			
(Refer Note No. 16 of Schedule 19)			
Basic Earning per share	Rs.		33.58
Diluted Earning per share	Rs.		33.58
Face Value per share	Rs.		10.00
Significant Accounting Policies	18		
Notes to the accounts	19		

As per our report of even date
For **CHHOGMAL & CO**
Chartered Accountants

B L Taparia
Chairman

M P Taparia
Managing Director

H S Parikh
N N Khandwala
B V Bhargava
E B Desai
Y P Trivedi

} Directors

Chintan Shah
Partner
M No. 107490

S J Taparia
Executive Director

V K Taparia
Executive Director

O P Roongta
Sr. Vice-President (Finance)
& Secretary

Mumbai, 1st August, 2006

Mumbai, 1st August, 2006

Schedules to Consolidated Balance Sheet

Rs. in lacs

2005 - 2006

SCHEDULE 1

SHARE CAPITAL

AUTHORISED

3,00,00,000 (Previous Year 3,00,00,000) Equity Shares of Rs. 10 each	3000.00	
1,12,00,000 (Previous Year 1,12,00,000) Preference Shares of Rs. 10 each	1120.00	
3,38,00,000 (Previous Year 3,38,00,000) Unclassified Shares of Rs. 10 each	3380.00	
	<u>7500.00</u>	

ISSUED AND SUBSCRIBED

1,33,90,837 Nos. (Previous Year 1,33,90,837 Nos.) Equity Shares of Rs. 10 each Fully Paid Up (including 50,76,372 Nos. Shares issued as fully paid Bonus Shares out of General Reserve)		1339.08
4,20,000 Nos. (Previous Year Nil) Equity Shares of Rs. 10 each issued to promoters of the Company during the year, upon exercising option to convert preferential warrants held by them into equal number of shares at a premium of Rs. 190 per share (refer note no.11 of schedule 19)	42.00	
	<u>1381.08</u>	

SCHEDULE 2

RESERVES AND SURPLUS

REVALUATION RESERVE

As per last Balance Sheet	362.38	
Less: (1) Transferred to Profit & Loss Account	9.61	
(2) Transferred to Leasehold Land	2.22	
(3) Assets sold off / discarded	40.91	309.64

CAPITAL RESERVE

Add: Transfer from Profit & Loss Account	194.59	
	0.11	194.70

SECURITIES PREMIUM ACCOUNT

As per last Balance Sheet	6677.12	
Less: Share issue expenses	1.31	
	<u>6675.81</u>	
Add: Share premium received on 4,20,000 nos. (Previous Year Nil) Equity Shares of Rs. 10 each issued to the promoters of the Company on preferential allotment basis @ Rs. 190 per share	798.00	7473.81

Schedules to Consolidated Balance Sheet

Rs. in lacs

2005 - 2006

SCHEDULE 2 (Contd...)**GENERAL RESERVE**

As per last Balance Sheet	10730.62	
Less: Provision for Deferred Tax Liability (refer note no.17)	4275.20	
	<u>6455.42</u>	
Add: Transferred from Investment Allowance (Utilised) Reserve	—	
Add: Transfer from Debenture Redemption Reserve	687.50	
Add: Adjustment due to Associate regrouping	883.33	
Add : Transferred from Profit & Loss Account	<u>3116.73</u>	11142.98

DEBENTURE REDEMPTION RESERVE

As per last Balance Sheet	687.50	
Add : Transferred from Profit & Loss Account	<u>—</u>	
	<u>687.50</u>	
Less: Transferred to General Reserve	<u>687.50</u>	—

CAPITAL REDEMPTION RESERVE		1120.00
----------------------------	--	---------

FOREIGN EXCHANGE TRANSLATION RESERVE		-0.04
		<u>20241.09</u>

SCHEDULE 3**SECURED LOANS****A. WORKING CAPITAL LOANS**

From Banks - Rupee Loans	3970.20
--------------------------	---------

B. TERM LOANS

(a) IDBI Ltd. - Foreign Currency Loan	383.58
(b) ICICI Bank Ltd. - Foreign Currency Loan	1567.91
(c) ABN Amro Bank - Foreign Currency Loan	1668.13
(d) State Bank of Hyderabad - Rupee Loan	2331.53
(e) State Bank of India - Rupee Loan	2000.00
(f) Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) - Foreign Currency Loan	613.73
(g) Vijaya Bank - Foreign Currency Loan	748.77
(h) United Bank of India - Rupee Loan	1249.80
(i) State Bank of Patiala - Rupee Loan	998.67
(j) Federal Bank Ltd.	1346.94

C. DEBENTURES

15,00,000 Nos. 8.75% Redeemable Non-Convertible Debentures of Rs. 100 each issued to IL & FS on private placement basis to be redeemed at par in 12 equal quarterly instalments.	1375.00	
Less: Repaid during the year	<u>1375.00</u>	—
		<u>16879.26</u>

Schedules to Consolidated Balance Sheet

Rs. in lacs

2005 - 2006

SCHEDULE 3 (Contd...)

NOTES :

1. Working Capital Loans from Banks (A) are secured against hypothecation and/or pledge of stocks and Book Debts, second/subservient charge on certain fixed assets of the Company and personally guaranteed by three Directors, which is counter guaranteed by the Company.
2. Term Loans are secured / to be secured on pari passu basis by mortgage of:
 - (a) Immovable properties of the company, situated at various locations, both present & future, subject to the exclusion of properties at Andheri, Jalgaon, Malanpur & Kolkata:

Lenders	Amount of Loan	
I D B I	US\$ 3 million	
ICICI Bank Ltd.	US\$ 4.976 million	
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank)	US\$ 4 million	excluding property at Noida also
Federal Bank Ltd.	Rs. 200 million	
State Bank of Patiala	Rs. 200 million	
United Bank of India	Rs. 250 million	
Vijaya Bank	US\$ 3.3 million	
ABN Amro Bank	US\$ 4.53 million	
State Bank of India	Rs. 200 million	
State Bank of Hyderabad	Rs. 400 million	
and		

- (b) movable properties such as plant, machineries & moulds of the Company, both present and future, (excluding current assets charged to bankers for working capital) and second / subservient charge on current assets of the Company.
- (c) These loans are personally guaranteed by three Directors which is counter guaranteed by the Company.

SCHEDULE 4

2005 - 2006

UNSECURED LOANS

Fixed Deposits	1869.42
Commercial Paper (maximum amount during the year Rs. 7000 lacs) (Previous year Rs. 6500 lacs).	5000.00
	<u>6869.42</u>

Schedules to Consolidated Balance Sheet

SCHEDULE 5 FIXED ASSETS

Rs. in Lacs

ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As At 01.07.2005	Additions During the Year	Deductions/ Adjustment During The Year	As At 30.06.2006	As At 01.07.2005	For The Year	As At 30.06.2006	As At 01.07.2005
Freehold Land	410.26	265.24	—	675.50	—	—	675.50	410.26
Leasehold Land	577.94	78.06	7.43	648.57	—	—	648.57	577.94
Buildings	10644.08	586.64	457.62	10773.10	2676.54	429.62	2926.00	7967.55
Plant, Machinery & Electrical Installations	36025.04	4766.82	767.42	40024.44	18999.38	2352.01	20712.60	17025.66
Moulds & Dies	11836.90	948.88	374.80	12410.98	8583.88	1076.67	9320.85	3253.02
Furniture, Fixture & Office Equipments	1626.49	320.52	405.92	1541.09	1165.17	165.97	957.20	461.32
Vehicles	390.14	158.32	22.55	525.91	189.95	74.30	248.10	200.20
Sundry Equipments	408.41	68.84	15.48	461.77	182.25	45.15	219.66	226.15
Total	61919.26	7193.32	2051.22	67061.36	31797.17	4143.72	34384.41	30122.10
	Capital Work - in -Progress (including advances on Capital Account).							
							3248.73	255.98
							35925.68	30378.08

- NOTES :
- Buildings include the cost of ownership premises in Co-operative Societies Rs. 161.53 lacs.
 - Land and Buildings acquired from M/s. Siltap on it's amalgamation with the Company are in the process of being transferred in the name of the Company.
 - Buildings includes acquisition during the year aggregating to Rs. 55 lacs pending transfer in the name of the Company.
 - The Company has initiated development of it's property at Andheri in Mumbai and evaluating proposals for Salt Lake in Kolkata. The expenses incurred till date amounting to Rs. 1762.79 lacs has been included under Capital Work-in-Progress.

Schedules to Consolidated Balance Sheet

SCHEDULE 6 INVESTMENTS

Rs. in lacs

Investment in	Face Value	Quantity As At 30.6.2006	Amount As At 30.6.2006
GOVERNMENT & TRUST SECURITIES			
	Rs.		
(a) 6 1/2 %, 7 years National Saving Certificate			0.05
(b) National Savings Certificate VIII Issue			0.66
(c) Kisan Vikas Patra			0.10
(d) Unit Trust of India 6.75% Tax Free Bonds	10	254990	25.50
	Sub Total		26.31
OTHERS - UNQUOTED AND FULLY PAID UP			
Equity Shares			
(a) Saraswat Co-op. Bank Ltd.	10	1000	0.10
(b) Samarpan Fabricators Ltd.	100	1350	0.75
(c) Super Bazar Co-op. Stores Ltd.	10	1000	0.10
(d) SICOM Ltd.	10	50000	12.50
(e) HCC Holdings Pvt. Ltd.	10	—	—
	Sub Total		13.45
OTHERS - QUOTED & FULLY PAID UP			
In Equity Shares of Associates			
Supreme Petrochem Ltd.*	10	28936400	2834.84
Add: Goodwill on aquisition			502.66
Add : Accumulated share of profit			1578.08
			4915.58
In Equity Shares of Others			
(a) Symphony Comfort Systems Ltd.	10	600	0.27
(b) Vijay Bank Ltd.	10	3200	0.77
(c) Unimers India Ltd.	10	500	0.05
	Sub Total		4916.66
	Total		4956.42
(a) Aggregate Value of Quoted Investments - at Cost			4916.66
- at Market Value			5687.33
(b) Aggregate Value of Unquoted Investments - at Cost			39.76
* includes 34,36,400 Equity Shares allotted on preferential basis with a lock-in-period of 3 years from date of allotment upto 18th January, 2007.			

During the year the Company purchased and sold the following investments in Mutual Funds:

Name	Units	Cost
		Rs. in lacs
Principal Floating Rate Fund SMP Institutional option Daily div. Reinvestment	9019333.519	902.00
Birla Floating Rate Fund Daily Dividend Reinvestment	2506395.614	250.68
DSP Merrill Lynch Liquid Fund Daily Dividend Reinvestment	2501842.055	250.43

Schedules to Consolidated Balance Sheet

Rs. in lacs

2005 - 2006**SCHEDULE 7 - INVENTORIES**

(As per inventory prepared, valued and certified by the Managing Director)

Stores, Spare parts, Packing Materials, etc	463.04
Raw Materials and Components	4719.10
Reusable Material	441.18
Finished / Semi-Finished Goods	4151.75
Finished Goods for Resale	51.85
	<u>9826.92</u>

SCHEDULE 8 - DEBTORS

(Unsecured, considered good unless otherwise specified)

Over Six months	620.29
Considered Good	29.69
Considered Doubtful	<u>649.98</u>
Less:Provision for Doubtful Debts	29.69
Add:Others	620.29
	<u>10562.62</u>
	<u>11182.91</u>

SCHEDULE 9 - CASH AND BANK BALANCES

Cash on hand	54.77
Cheques in hand	151.17
Remittance in Transit	29.80
Balance with Scheduled Banks in :	
Current Accounts	289.88
Deposit Accounts (Earmarked)	251.75
	<u>777.37</u>

SCHEDULE 10 - LOANS AND ADVANCES

(Unsecured, considered good)

Advances recoverable in cash or kind or for value to be received	
- Others	2995.92
Security and other Deposits	945.07
Prepaid Expenses	297.95
	<u>4238.94</u>

SCHEDULE 11 - CREDITORS

Sundry Creditors

(includes Rs. 525.50 lacs due to Small Scale Industries (Previous year Rs. 340.41 lacs)).

Items covered by Investors Education & Protection Fund (refer note No. 20 of Schedule 19)	103.30
Interest Accrued but not due on	
(i) Secured Loans	2.87
(ii) Unsecured Loans	60.51
Other Liabilities	5770.37
	<u>15115.15</u>

SCHEDULE 12 - PROVISIONS

Provision for Income Tax (Net of advances)	549.60
Provision for Fringe Benefit Tax (Net of advances)	5.00
Provision for Wealth Tax	9.66
Proposed Dividend	1381.08
Provision for Corporate Dividend Tax	193.70
	<u>2139.04</u>

Schedules to Consolidated Profit and Loss Account

Rs. in lacs

2005 - 2006

SCHEDULE 13

TURNOVER

Sales - Gross	112874.19
Less: Excise Duty	14860.69
	<u>98013.50</u>
Labour Charges	192.89
	<u>98206.39</u>

SCHEDULE 14

OTHER INCOME

Dividend (Refer note no. 7 of Schedule 19)	58.32
Claims & Refunds	45.02
Sundry Receipts	181.97
Liabilities no longer required written back	62.02
Lease Rent	67.09
Profit on sale of Assets (Net)	19.10
Profit on sale of Investments	33.10
	<u>466.62</u>

SCHEDULE 15

COST OF MATERIALS

OPENING STOCK

Raw Material & Components	3493.83	
Reusable Material	224.37	
Finished / Semi-Finished Goods	3254.41	
Goods for Resale	<u>95.07</u>	7067.68

Add : PURCHASES

Raw Material & Components	60326.26	
Goods for Resale	<u>7154.89</u>	67481.15
		<u>74548.83</u>
Less: Goods destroyed by fire		<u>—</u>
		74548.83

Less : CLOSING STOCK

Raw Material & Components	4719.10	
Reusable Material	441.18	
Finished / Semi-Finished Goods	4151.75	
Goods for Resale	<u>51.85</u>	9363.88
		<u>65184.95</u>

Schedules to Consolidated Profit and Loss Account

Rs. in lacs

2005 - 2006

SCHEDULE 16**MANUFACTURING, SELLING & OTHER EXPENSES**

Stores & Spare Parts Consumed	1167.96	
Labour Charges	2104.27	
Power & Fuel	4599.74	
Water Charges	40.07	
Salaries, Wages & Bonus	2928.32	
Contribution to Pension & Provident Fund	193.03	
Staff & Labour Welfare	159.03	
Managerial Remuneration	139.12	
Directors' Fees	5.70	
Repairs & Maintenance of Building	83.18	
Repairs & Maintenance of Plant & Machinery	592.37	
Repairs & Maintenance (Others)	112.05	
Rent, Rates & Taxes	233.88	
Insurance	188.40	
Charity & Donations	29.49	
Legal & Professional Fees	145.54	
Travelling & Conveyance [Directors Rs. 51.72 lacs (Previous year Rs. 43.63 lacs)]	618.75	
Vehicle Expenses	142.78	
Advertisement & Publicity	711.43	
Packing, Freight and Transport Charges	5658.10	
Postage, Stationery & Telephone	454.83	
Royalty, Commission & Discount	2133.27	
Sales Tax etc.	48.70	
Bad Debts	72.68	
Plant Security Services	109.88	
Foreign Currency Exchange Fluctuation (Net)	332.52	
Miscellaneous Expenses	288.58	
	<u>23293.67</u>	

SCHEDULE 17**INTEREST & OTHER FINANCIAL EXPENSES****INTEREST**

(i) On Term Loans	1304.92	
(ii) On Fixed Deposits	145.96	
(iii) On Debentures	26.37	
(iv) Other Interest	919.60	2396.85
Bank Charges, Guarantee Commission and Other Financial Expenses		372.04
		<u>2768.89</u>
Less : Interest Received [TDS Rs.8.66 lacs (Previous Year Rs. 6.85 lacs)]		72.78
		<u>2696.11</u>

SCHEDULE 18: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE ACCOUNTS.

A. BASIS OF ACCOUNTING

- i. The financial statements are prepared under the historical cost convention, in accordance with applicable accounting standards and on the basis of a going concern.
- ii. The Company adopts the accrual concept in preparation of the accounts. Claims / Refunds not ascertainable with reasonable certainty are accounted for on final settlement.
- iii. Benefit on account of entitlement to import duty-free raw materials under the Advance License Scheme, is estimated and accounted for in the year of export.
- iv. Sales are accounted for inclusive of excise duty and net of returns, claims etc.
- v. Accounts of Indian Associates have been prepared in compliance with Indian accounting standards and those of foreign subsidiary have been prepared in compliance with the local laws and applicable accounting standards.
- vi. Financial statements of the parent company and its subsidiary have been consolidated on a line by line basis by adding together the books value of the like items of assets, liabilities, income & expenses after eliminating intra-group balances and the unrealized profits / losses on intra-group transactions and are presented to the extent possible, the same manner as the Company's independent financial statements.
- vii. Investment in associate company have been accounted for, by using equity method whereby investment is initially recorded at cost and the carrying amount is adjusted thereafter for post acquisition change in the Company's share of net assets of the associates.

B. FIXED ASSETS

- i. Certain Land, Buildings, Plant & Machinery and Moulds & Dies are stated at revalued amounts as a result of their revaluation less depreciation.
- ii. Other fixed assets are stated at cost less depreciation.
- iii. Interest on borrowings and incidental expenses incurred during the period of construction and till the acquired assets are put to use, are added to the cost of fixed assets.
- iv. The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

C. CAPITAL WORK - IN - PROGRESS

The cost incurred for fixed assets, the construction / installation / acquisition of which are not completed is included under the head Capital Work-in-Progress and the same are related / classified to the respective assets on their completion.

D. DEPRECIATION & AMORTISATION

Indian Company:

- i. Depreciation on Building, Plant & Machinery and Moulds & Dies is provided on Straight Line Method and on other assets on Written Down Value Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956, except certain specific assets on which depreciation is provided at higher rates based on useful life of the assets estimated by the management.
- ii. Leasehold Land is amortised over the period of lease.
- iii. Cost of software and ERP package is amortised over a period of four years.

Foreign Company

Depreciation have been provided by the foreign Company on methods and at the rates required by the local laws so as to write off the assets over the useful life.

E. INVESTMENTS

Investments are stated at cost. Provision for diminution, if any, in the value of investments is made to recognise decline other than temporary.

F. INVENTORIES.

Inventories are valued as under:

- i. Raw Material & Components - at cost using FIFO cost basis.
- ii. Finished Goods - at cost using weighted average cost basis or net realisable value whichever is lower.
- iii. Stores, Spare Parts, Packing Materials etc. - at cost using FIFO basis except obsolete and non-moving items stated at net realizable value.

iv. Goods for Resale - at cost using FIFO basis or net realisable value whichever is lower.

G. FOREIGN CURRENCY TRANSACTIONS

Reporting currency of the Company is Indian Rupee.

Foreign currency loans / liabilities incurred for the acquisition of fixed assets are translated at exchange rates prevailing on the last day of the accounting year or forward rates as applicable. The net variation arising out of the said translation and rollover charges, if any, are adjusted to the cost of fixed assets.

Other foreign currency assets and liabilities are similarly translated and the gain / loss arising out of such translation is adjusted to the Profit and Loss Account.

Financial statements of overseas operations are translated as under.

1. Assets and liabilities: At the rate prevailing at the end of the year.
2. Revenues and Expenses: At yearly average exchange rates prevailing during the year.

Exchange differences arising on translation of foreign operations are accumulated in the foreign currency translation reserve.

H. RETIREMENT BENEFITS

Liability is provided for retirement benefits of Provident Fund, Superannuation Fund, Gratuity and Leave Encashment in respect of all eligible employees of the Company. The Company has covered its liability towards employees' superannuation and gratuity under Group Superannuation and Group Gratuity Scheme of Life Insurance Corporation of India (LIC). The Company accordingly pays the premium to LIC and accounts for the same.

I. RESEARCH & DEVELOPMENT EXPENDITURE

Revenue expenditure is charged to the Profit & Loss Account and the Capital expenditure is added to the cost of Fixed Assets in the year in which it is incurred.

J. SHARE / DEBENTURE ISSUE EXPENSES AND DEBENTURE REDEMPTION RESERVE

- i. Issue expenses are adjusted against the Share Premium Account.
- ii. Debenture Redemption Reserve has been created pursuant to SEBI (Disclosure and Investor Protection) Guidelines, 2000.
- iii. Premium paid / payable on redemption is adjusted against the Share Premium Account.

K. TAXES ON INCOME

Indian Company:

Current tax is determined based on the amount of tax payable in respect of taxable income for the financial year ending 31st March. Deferred tax is recognised, subject to consideration of prudence in respect of deferred tax assets, on timing difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more periods.

Fringe Benefit Tax (FBT) is accounted for on estimated value of fringe benefits for the year ended 31st March as per Provisions of Income Tax Act.

Foreign Company:

Taxes are provided by the Company as per the prevailing local laws.

SCHEDULE 19: NOTES FORMING PART OF THE ACCOUNTS:

1. **Basis of preparation:** The consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21, "Consolidated Financial Statements", AS 23, and "Accounting for Investments in Associates in Consolidated Financial Statements"
2. The subsidiary and associate included in the consolidated financial statements are as under:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership As on 30 th June, 2006.
The Supreme Industries Overseas (FZE)	Sharjah (UAE)	100%
Name of Associate	Country of Incorporation	Proportion of Ownership As on 30 th June, 2006.
Supreme Petrochem Limited	India	29.67%

3. The accounts of the associate are not available as on 30th June, 2006. Financial statements as certified by the management for the 9 month period ending 31st March, 2006 have been considered for the preparation of the consolidated financial statements.

4. Contingent Liabilities not provided for: Rs. in lacs
- | | |
|---|----------------|
| | 2005-06 |
| a. Bills / Cheques discounted (Guaranteed by three Directors) | 840.86 |
| b. Guarantees given by Banks | 537.44 |
| c. Disputed demand of Lease rent differential not acknowledged as debt | 213.11 |
| d. Claims against the Company including Show Cause-cum-Demand Notices from Central Excise Department not acknowledged as Debts | 575.63 |
| e. Disputed Income Tax Demands | 414.85 |
| f. Disputed Sales Tax / Entry Tax Demands | 274.31 |
| g. Other claims against the company not acknowledged as debts. | 56.75 |
| h. The Company has imported capital goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rate of duty on an understanding to fulfill quantified exports against which remaining future obligation aggregates to Rs. 6055.55 lacs. Non fulfillment of such future obligation, if any, entails options / rights to the Government to confiscate capital goods imported under the said license and other penalties under the above referred scheme. | |
5. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs. 1955.61 lacs.
6. Difference due to exchange rate variation on repayment of foreign currency Loan during the year and on outstanding foreign currency loan as on 30th June 2006 has been capitalised Rs. 98.82 lacs.
7. The company has capitalised interest amounting to Rs. 44.89 lacs on payments made towards properties under construction.
8. a) Depreciation on incremental value due to revaluation is provided at the rates specified in Schedule XIV to the Companies Act, 1956 prior to amendment in 1993. The additional charge of depreciation due to such revaluation is Rs. 9.61 lacs. An equivalent amount has been transferred from Revaluation Reserve to Profit & Loss Account.
- b) Rs. 2.22 lacs has been transferred from Revaluation Reserve to Leasehold Land Account being the amortisation in the value of Lease Premium due to effusion of time.
9. Loans and Advances include interest free unsecured deposit of Rs. 129.34 lacs given to M/s. Supreme Capital Management Ltd. in consideration for using it's office premises at Mumbai without payment of rent which the Company has vacated during the last quarter and the advance lying would be recovered as per agreed terms.
10. SIL Trust and SCL Trust held shares of the Company pursuant to the amalgamation of M/s. Siltap Chemicals Ltd. with the Company of which the Company is the sole beneficiary.
- a. Rs. 54.91 lacs received by the trusts as dividend has been included under the head 'Dividend Received'.
- b. Rs. 1693.08 lacs being gain on sale of 6,10,137 shares held by the trusts have been included under the head 'Exceptional Items'.
11. Company had made preferential allotment to the promoters of the company on 26th May 2004 of 4,20,000 warrants with an option to subscribe to an equal number of equity shares of face value of Rs. 10/- each at a premium of Rs. 190/- per share within 18 months from the date of allotment viz. 26th May, 2004. Consequent upon the option exercised by the promoters, the Company has received the entire subscription amount and allotted 4,20,000 equity shares during the year.
12. The Company has given undertaking to IDBI & ICICI Bank for non-disposal of its investments in Supreme Petrochem Ltd (SPL) without the prior consent of the respective Financial Institution so long as any part of the loan facilities sanctioned by the Financial Institution to SPL remains outstanding.
13. The Company is engaged mainly in processing of plastic polymers and as such is the only reportable segment as per Accounting Standard on Segment Reporting (AS-17) issued by the Institute of Chartered Accountants of India. The geographical segmentation is not relevant as export turnover is not significant in respect to total turnover.
14. Disclosure on related party transactions: Rs. in lacs

Nature of Transactions	Associates	Key Management Personnel	Total
Purchase of goods	4575.55	-	4575.55
Sale of goods	5.85	-	5.85
Interest expense	29.20	-	29.20
Dividend Paid	461.70	12.35	474.05
Inter Corporate Deposits received	2000.00	-	2000.00
Remuneration	-	139.12	139.12
Outstanding at year-end			
- Sundry Debtors	0.33	-	0.33
- Sundry Creditors	408.25	-	408.25
- Other Payable	-	105.06	105.06
- Other Receivables	129.34	-	129.34

Names of related parties and description of relationship

Associates: Supreme Petrochem Ltd., Supreme Capital Management Ltd., Multilayer Films Pvt. Ltd., Varali Investment & Trading Co. Pvt. Ltd., Jagatguru Investment & Trading Co. Pvt. Ltd., Balabheem Investment & Trading Co. Pvt. Ltd., Platinum Granite Pvt. Ltd., Platinum Plastics & Industries Pvt. Ltd. and Suraj Packaging Pvt. Ltd.

Key Managerial Personnel: Mr. M P Taparia, Managing Director, Mr. S J Taparia, Executive Director & Mr. V K Taparia, Executive Director.

15. The Company has taken / given premises under cancelable operating lease. These lease agreements are normally renewed on expiry. The rental income / expenditure are accounted for in Profit and Loss Account of the Company in accordance with Accounting Standard on lease transactions (AS-19) issued by the Institute of Chartered Accountants of India.

The particulars of godown premises given on lease are:

Gross Carrying Amount	Accumulated Depreciation	Depreciation for year
Rs. 489.76 lacs	Rs. 308.87 lacs	Rs. 66.03 lacs

The company has taken office premises on non-cancelable operating lease. Lease obligations under non- cancelable periods are as follows:

	Rs. in lacs
	2005 - 06
Future lease rental obligation not later than one year	151.20
Future lease rental obligation later than one year but not later than five year	100.80

16. Earning per Equity share – Basic / diluted

Profit after tax (PAT) available for Equity shareholders		4591.52
Weighted Average Number of Equity shares	Nos.	1,36,71,604
Nominal value of Equity shares	Rs.	10.00
Basic earning per Equity Share	Rs.	33.58
Weighted Average for Potential Equity Shares	Nos.	Nil
Diluted earning per Equity Share	Rs.	33.58

17. a. Provision for Income Tax liability has been made in the accounts based on the income for the period 1.4.2005 to 31.3.2006 (A/Y: 2006-07). The tax liability including fringe benefit tax for the period 1.4.2006 to 30.6.2006 shall be determined on the basis of the income / expenditure for the year ended 31st March, 2007 (A.Y 2007-08).
- b. The Company has provided for deferred tax in the current year, being the first year of applicability, the accumulated timing differences as on beginning of the financial year i.e. 1st April 2005 being Rs. 4275.20 lacs which has been adjusted against accumulated reserves in accordance with transitional provisions of Accounting Standard 22.
- c. The Company has recognized deferred tax provision for the year aggregating to Rs. 8.00 lacs in the Profit & Loss Account.
- d. The components for Deferred Tax Liability as on 31st March, 2006 consists mainly on account of timing differences in depreciation.
- e. Corporate Tax includes provision for wealth tax Rs. 4.00 lacs.
- f. In respect of foreign subsidiary no tax is payable as per local laws.
18. Commitment charges / processing fee paid / payable on Borrowings is being amortised over the period of such borrowings.
19. The Company deals with several Small Scale Industrial Undertakings (SSI) on mutually accepted terms and conditions. Based on the records of the Company and the information received from SSI suppliers, there are no amounts "Outstanding and Due" to SSI suppliers for more than 30 days.

The above information and that given in Schedule 11 in respect of sundry creditors pertaining to SSI has been determined on unitwise basis to the extent such information is available with the company and relied upon by the auditors.

20. Items covered by Investor Education & Protection Fund shown under Schedule 11 includes:

a. Unclaimed Dividend	Rs. 47.07 lacs
b. Debenture Application Money	Rs. 0.15 lacs
a. Unclaimed Matured Deposits & Interest	Rs. 47.40 lacs
b. Unpaid Matured Debentures & Interest	Rs. 8.69 lacs

Total

Rs. 103.31 lacs

Amount due and outstanding to be credited to Investor Education & Protection Fund as on 30.06.2006 is Rs. Nil.

21. Foreign exchange derivatives and exposures outstanding at close of the year.

Nature of the instrument	currency	Aggregate Amount	Purpose of hedging/ speculation
1. Forward purchase	Jap Yen.	212.52 Million	Hedging
Currency Swap	US \$	1.65 Million	Hedging
2. Open Foreign exchange exposures			
Receivables	US \$	1.64 Million	
Payables	US \$	26.16 Million	

22. Sundry Debtors, Sundry Creditors, Unsecured Loans and Advances are subject to confirmation by the respective parties.

23. In the opinion of the Board, the current assets, loans and advances are approximately of the value stated, if realised in the ordinary course of business. The provisions for all the known and determined liabilities are adequate and not in excess of the amounts reasonably required.

24. Being first year of the consolidated accounts, previous year's figures are not applicable.

25. Remuneration to Managing Director and Executive Director is as follows:

	Managing Director M P Taparia 2005-06	Executive Director S J Taparia 2005-06	Rs. in lacs Executive Director V K Taparia 2005-06
A Salaries	9.00	8.94	8.88
B Commission	35.02	35.02	35.02
C Contribution to PF etc.	1.08	1.07	1.07
D Other Allowances & Perquisites	1.35	1.34	1.33
Total	46.45	46.37	46.30

26. Computation of Net Profit in Accordance with Sections 198, 309 and 349 of the Companies Act, 1956 for the purpose of commission to Managing Director and Executive Director.

	Rs. in lacs 2005 - 2006
Profit as per Profit and Loss Account before Exceptional Items	3363.10
Add: Managing and Executive Directors' Remuneration	139.12
Net Profit for Commission	3502.22
i) Commission to Mr. M P Taparia, Managing Director @ 1% of the Profit for the year *	35.02
ii) Commission to Mr. S J Taparia, Executive Director @ 1% of the Profit for the year *	35.02
iii) Commission to Mr. V K Taparia, Executive Director @ 1% of the Profit for the year *	35.02

* As approved by the Board of Directors in their Meeting held on 1st August, 2006.

27. Payment to Auditors (including Branch Auditors):

	2005-2006 Rs. in lacs
Audit Fees	12.58
Tax Audit Fees	6.63
For Taxation Matters	1.82
In other capacity	10.13
	31.16

Consolidated Cash Flow Statement For The Year Ended 30th June, 2006

Rs. in lacs

For Year Ended 30.06.2006**A. Cash Flow Arising From Operating Activities**

Net Profit Before Tax		3364.12
Adjustment For :		
Add : Depreciation	4134.12	
Leasehold Assets Premium W/off	5.21	
Interest Net	2696.11	
(Profit) / Loss on sale of Investments	-33.10	6802.34
		<u>10166.46</u>
Less : Dividend Received	58.32	
Profit /(Loss) on sale of Assets	19.10	
Lease Rent etc. Received	67.09	144.51
		<u>10021.95</u>
Operating Profit before working capital changes		
Adjustments for :		
Inventories	2364.57	
Trade & Other Receivable	634.00	
Trade & Other Payable	-5566.69	-2568.12
Cash Generated from Operations		12590.07
Interest Paid		-2768.89
Direct Taxes Paid		-551.47
Net Cash Flow from Operating Activities (A)		<u>9269.71</u>

B. Cash Flow from Investing activities

Purchase of Fixed Assets	10186.07
Sale of Fixed Assets	-442.13
Sale of Investments	-133.10
Share Issue Expenses	1.31
Exceptional Income	-1693.08
Interest Received	-72.78
Dividend Received	-58.32
Lease Rent Received	-67.09
Net Cash Used in Investing Activities	<u>7720.88</u>

C. Cash Flow from Financing Activities

Proceeds from Issue of Equity Shares	756.00
Proceeds from Long Term & Short Term Borrowings	470.13
Dividend & Corporate Dividend Tax paid	-1374.21
Redemption of Debentures	-1375.00
Net Cash Used in Financing Activities	<u>-1523.08</u>
Net Increase / (Decrease) in cash & Cash Equivalents (A-B-C)	25.75
Opening Balance as on 01.07.2005	751.62
Closing Balance as on 30.06.2006	777.37

Note: Being first year of Consolidated Accounts, cashflow has been prepared considering balances of The Supreme Industries limited as on 30.06.2005 and excluding non cash transactions.

B L Taparia
Chairman

S J Taparia
Executive Director

O P Roongta
Sr. Vice-President (Finance) & Secretary

M P Taparia
Managing Director

V K Taparia
Executive Director

H S Parikh

N N Khandwala

B V Bhargava

E B Desai

Y P Trivedi

} Directors

Mumbai, 1st August, 2006

Statement Pursuant to Section 212 of The Companies Act, 1956 relating to Company's interest in the Subsidiary Company viz. The Supreme Industries Overseas (FZE)

1. The Financial Year of the Subsidiary Company ended on : 30th June 2006.
2. Date from which it became Subsidiary : 10th December, 2005.
3. a) No. of shares held by The Supreme Industries Ltd. (Holding Company) with it's nominees in the subsidiary at the end of the financial year of the subsidiary : 1 no. Equity Shares of UAE DHS 1,50,000 each fully paid up each.
- b) Extent of Interest of Holding Company at the end of the financial year of the subsidiary : 100 %
4. The net aggregate amount of the Subsidiary's profit less losses, so far as it concerns the members of the Holding Company.
 - a) Not dealt with in Holding Company's accounts.
 - i) For the Financial Year ended 30th June, 2006 : Rs. 1.06 lacs
 - ii) For the Previous Financial years : NA
 - b) Dealt with in Holding Company's accounts.
 - i) For the Financial Year ended 30th June, 2006 : Nil
 - ii) For the Previous Financial years : Nil
5. Changes in the Holding Company's interest in the subsidiary between the end of the financial year of the subsidiary and the end of the Holding Company's financial year : None
6. Material changes between the end of the financial year of the subsidiary and the end of the Holding Company's financial year in respect of
 - a) Fixed Assets : Nil
 - b) Investments : Nil
 - c) Money lent by the subsidiary : Nil
 - d) Money borrowed by the subsidiary for any purpose other than meeting current liabilities : Nil

B L Taparia
Chairman

S J Taparia
Executive Director

O P Roongta
Sr. Vice-President (Finance) & Secretary

M P Taparia
Managing Director

V K Taparia
Executive Director

H S Parikh
N N Khandwala
B V Bhargava
E B Desai
Y P Trivedi

} Directors

Mumbai, 1st August, 2006

FINANCIAL SUMMARY
RELATING TO SUBSIDIARY COMPANY AS ON 30.06.2006

Rs. in lacs

Sr No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rate as on 30.06.2006	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit before Tax	Provision for Tax	Profit after Tax	Proposed Dividend
1	The Supreme Industries Overseas (FZE)	Dhs	12.58	18.87	1.08	22.52	22.52	Nil	21.37	1.06	Nil	1.06	Nil

Note : The Balance Sheet, Profit and Loss Account, Directors' Report & Auditors' Report of the Subsidiary are not being attached in view of exemption application filed with Ministry of Company Affairs, Government of India, New Delhi. The accounts of the Subsidiary Company and its detailed information will be made available to the investors seeking such information at any point of time.

THE SUPREME INDUSTRIES LIMITED

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

ATTENDANCE SLIP 64TH ANNUAL GENERAL MEETING

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE VENUE

I/We hereby record my/our presence at the 64th Annual General Meeting of the Company held at Walchand Hirachand Hall, Indian Merchant's Chamber, Near Churchgate Station, 76, Veer Nariman Road, Mumbai – 400020, on Thursday, the 5th October, 2006 at 4.00p.m.

Regd. Folio No. /DPID - Client ID No. : _____

Full name of the Shareholder _____
(in Block Letters)

Signature _____

Full Name of the Proxy _____
(in Block Letters)

Signature _____

THE SUPREME INDUSTRIES LIMITED

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

PROXY FORM

Regd. Folio No. / DPID - Client ID No. : _____

I/We _____ of _____ being a member(s) of

The Supreme Industries Limited hereby appoint Shri/Smt./Kum _____ of

_____ or failing him/her Shri/Smt./Kum _____ of

_____ or failing him/her Shri/Smt./Kum _____ of

_____ as my/our proxy to attend and vote for me/us and my/us and my/our behalf at the 64th Annual General Meeting of the Company to be held on Thursday the 5th October, 2006 at 4.00 p.m. and at any adjournment thereof.

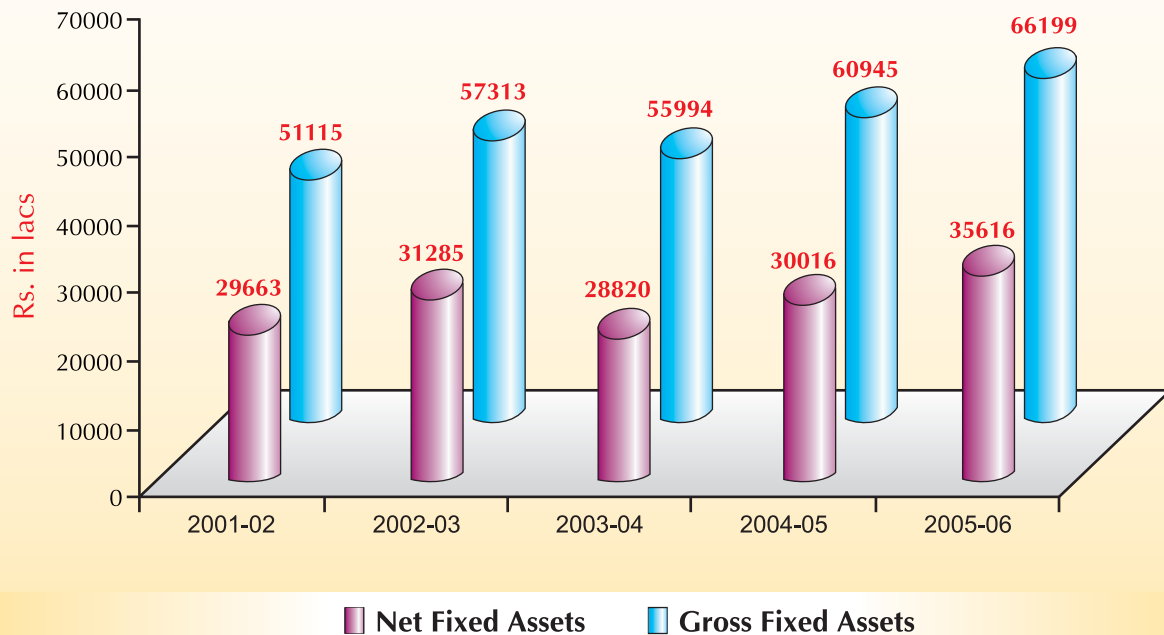
Signed _____ day of _____ 2006

Affix 15
Paise
Revenue
Stamp

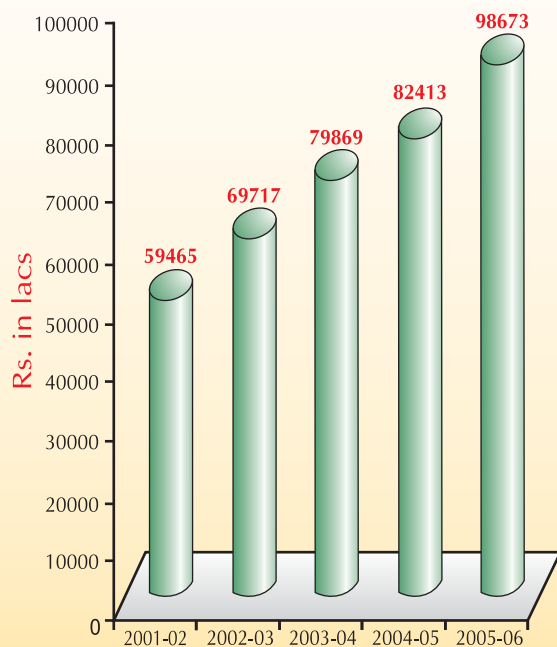
Signature

NOTE : The proxy must be deposited at the registered office of the Company, viz. 612, Raheja Chambers, Nariman Point, Mumbai - 400 021, not less than 48 hours before the time for holding the Meeting.

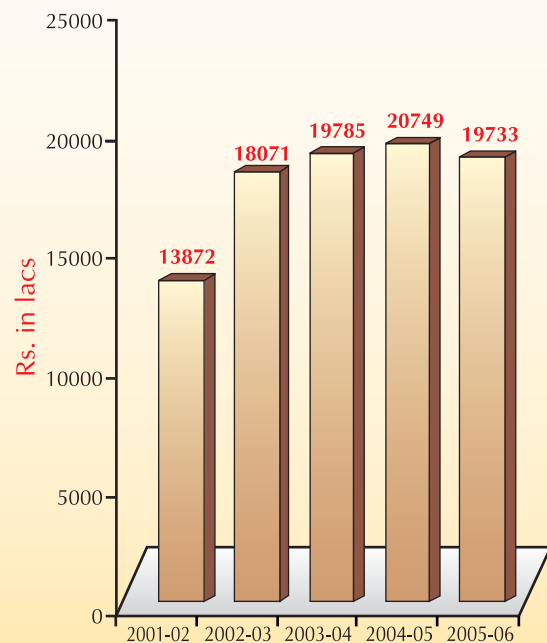
GROSS AND NET FIXED ASSETS



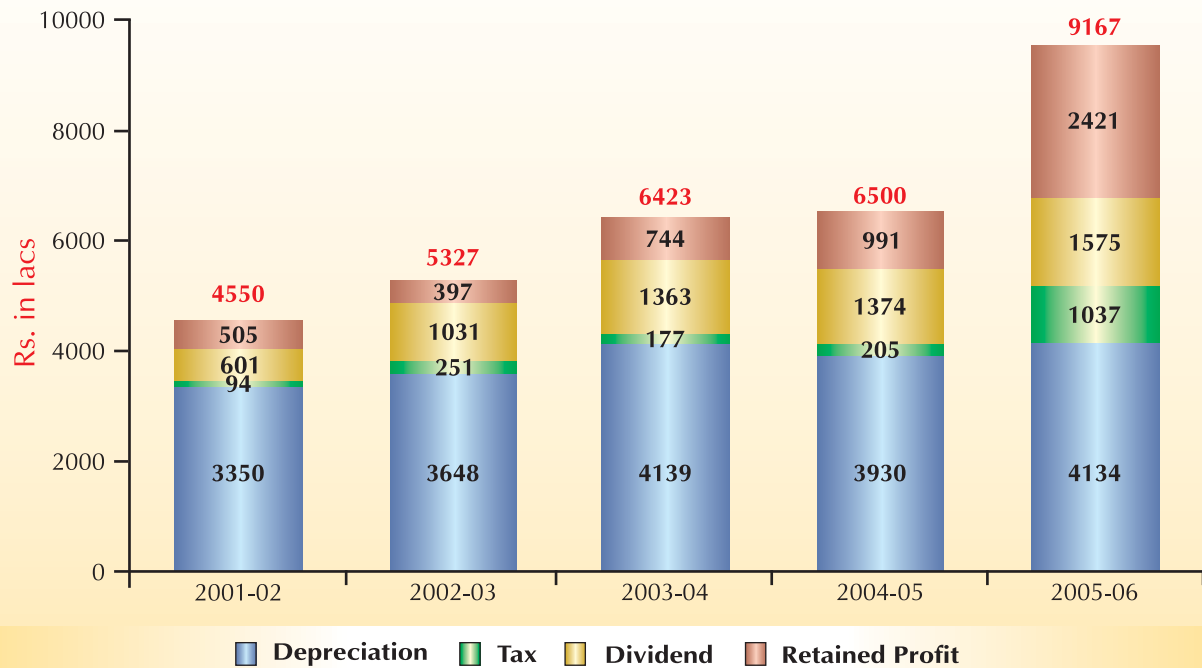
INCOME



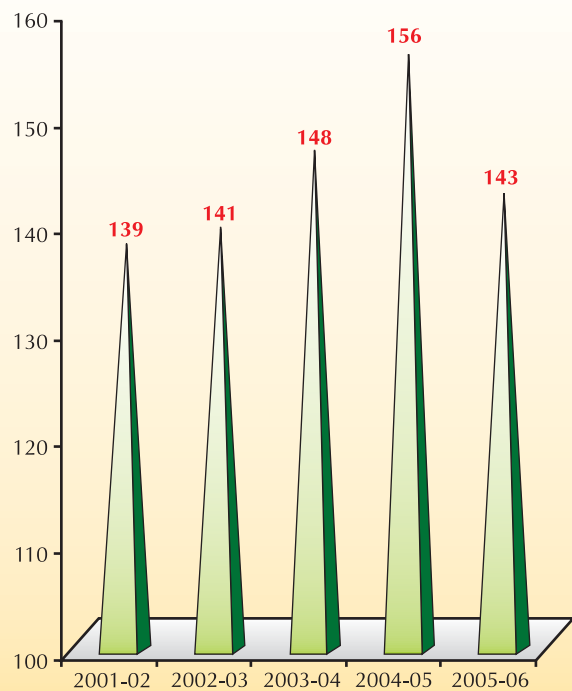
SHAREHOLDERS' FUNDS



DISTRIBUTION OF PROFIT



BOOK VALUE (Rs.)



EPS / CEPS (Rs.)

