



Chairman's Statement

34th Annual General Meeting

July 04, 2023

Good afternoon, Ladies and Gentlemen,

A warm welcome to all of you to the 34th Annual General Meeting of Supreme Petrochem Ltd. The Annual Report including Directors' Report and the Annual Audited Financial Statements for the year ended March 31, 2023 have been with you for some time now and with your permission I take them as read. I am sure it would have given you a clear picture of the working of the Company for the year under review.

I thank you for sparing the time to join us today for this virtual AGM of the Company. Virtual meeting helps in greater participation by the members since it provides an opportunity to all members of the Company to participate in this meeting from wherever they are.

Company's net revenue during the year increased to Rs.5,346 crores as compared to Rs.5,063 crores in the previous year on the back of increase in sales volume of manufactured products by 4.87% and increased input costs. The Company posted net profit of Rs.498 crores as against Rs.663 crores in previous year. Company's margins came down in line with reduced global deltas between raw material and finished products to pre-Covid levels during the second half of the year in contrast to the deltas prevailing in the previous year which were very high due to various reasons including high ocean freights and disruptions in supply chain. In the last quarter of 2022-23 Company commissioned its expanded capacity of PS at Amdoshi plant and EPS at both Amdoshi and Manali locations after receipt of statutory clearances. The Company's effective capacity after expansion now stands at 300,000 MTA for PS and 110,000 MTA for EPS.

During the year Company issued new shares of the face value of Rs.4/- each after reduction of paidup value by Rs.6/- each share. Said shares with face value of Rs.4/- per share were later split in to two shares with face value of Rs.2/- per share in January, 2023. The splitting of shares did not change the equity share capital of the Company in any manner.



With Covid-19 pandemic behind us, the business environment improved considerably in 2022-23 resulting in overall demand growth in domestic markets. Company's all products did well despite loss of some quantities due to ban on supply of single use plastic articles w.e.f. July 1, 2023.

SM prices during the first quarter of the year under review prevailed at high levels and started tapering down from the beginning of the second quarter and settled towards the end of the second quarter. In the second half of the year, SM prices were largely stable within a narrow band. However, SM prices have dropped considerably since mid May 2023 due to slow down in China and Europe. With increase in SM capacities in China, supply side situation is favourable to India with all regional suppliers looking towards India for exports of their cargoes. All polymer prices including PS are following downward trajectory since May 2023 this year in line with global trend which is discouraging the processors to stock material as they await price stability. However, drop in polymer prices are expected to help convertors grow their businesses, which augurs well for your Company's business in medium to long term.

Domestic PS demand increased by 20% during the year despite loss of about 16,000 MT due to ban on use of single use plastic articles starting from the second quarter of 2022-23. Growth mainly came from increase in demand in appliance industry including air conditioners, stationery, rigid sheets and household wares etc.

Imports of PS surged during the year particularly around the peak demand months. Company's domestic PS business could, therefore, grow modestly by 5.7%. Low priced imports from South East Asian countries have in recent past started arriving in India due to slow down in Chinese and European economies putting pressure on the domestic players. China which was a net importer of SM & PS all these years, has become self-sufficient with capacities built locally. This has completely changed the trade flow of SM/ PS and made the South East / North East PS producers look for other markets. India and neighboring countries are looking attractive to them as an alternate for China market.



Your Company is combating the competition from imports, both by offering high quality products for discerning customers and by nimble footed pricing policy for price-sensitive low-end applications. We have also strengthened our Customer Service Team to offer quick technical support which is not possible by overseas suppliers as well as by strengthening the logistics team to ensure just-in-time supplies to customers across the country.

EPS market in India grew by 8.5%. Company's sale grew by 12.8%, primarily due to better quality and timely supplies made possible by facilities at two different locations. With better product quality Company is a supplier-of-choice in a highly competitive environment. With enhancement of capacity, Company has started exports of EPS from its Amdoshi factory.

Company's efforts to promote modern construction methods like EIFS, 3D panel etc. is gaining acceptance. Several projects were completed in the year under review. Arrangements are being made to bring Light Weight Concrete Technology to our country from other developed nations and adapt the same to Indian conditions.

Company's Compounding business is growing steadily with several new grades being introduced to the market. Highest sale was recorded of XPS due to pent-up demand after two years of Covid disruption when many stalled projects re-started. Company's insulation boards were used in some of the prestigious projects like Central Vista Project, Pragati Maidan upgradation in New Delhi etc. Several new players entered Refrigerated trucks business which also helped grow XPS business. Going forward Company sees good demand for XPS since under construction new projects of IITs, AIIMS, IIMs and many star hotels etc. have planned fully insulated buildings using XPS.

With the expansion of PS now fully operational, Company is focusing back on its exports which for last 3 years were at low levels due to non-availability of product with the Company. Competition in export markets have intensified with slow down in Europe and in China as well as self sufficiency of China due to which Asian producers are looking at other markets to compensate for loss of China market. Company is reviving other markets and is confident it will be able to increase its exports to about 50,000 tons during the year.



Company is targeting a total volume growth of 10-12% for all its manufactured products during the current year. Company's total volume sale in the first quarter of 2023-24 grew by 9% over the corresponding quarter in the previous year.

First phase of Mass ABS project with 70,000 TPA capacity is progressing as per schedule and is estimated to be completed by 3rd quarter of F.Y.2024-25. Company has initiated steps for undertaking EPS second phase expansion and XPS expansion project at its Amdoshi complex. Total capital expenditure planned for the year is Rs.430 crores. Company shall be meeting all capital expenditure requirements from internal sources. Company had a net cash surplus of over Rs.800 crores as at end of June, 2023. Company remains debt free and, barring unforeseen circumstances, shall continue to remain debt free.

Company considers circular economy as an important step for sustainable growth of its business particularly of EPS. In this direction, Company continues to take initiatives to educate the downstream processors and general public about collection and responsible recycling of post consumer waste and creation of facilities for same with the help of Indian Centre for Plastics in the Environment (ICPE) and other NGOs. As a good corporate citizen Company is helping many unorganized players in the EPS collection and recycling space in key metropolitan cities to enrol on CPCB portal and become an organized plastic waste recycling player. Efforts made by the company in this direction is appreciated by appliance makers and their distribution channels.

As an initiative towards environment sustainability, Company has installed Zero Liquid Discharge system (ZLD) at both its manufacturing locations at Amdoshi and Manali which not only reduces water intake for processes but also significantly lowers effluent discharge.

As part of its CSR activities, the Company undertook initiatives for health and hygiene, drinking water, education by promoting e-classrooms in the schools, and Anganwadis. Company through other foundations participated in activities like mid-day meal schemes, development of paraplegic centre and old age home, promotion of education and equipment for blood bank etc.



Company has a robust Health, Safety and Environment (HSE) system and Quality Management System in the organization. Company regularly reviews safety of its plant operations including storage and handling of liquid raw materials at all its locations to ensure safe and secure functioning of its manufacturing plants.

I wish to place on record my gratitude to my colleagues on the Board for their counsel and support, the insights and advice given from time to time which I deeply value.

I thank all customers, vendors, bankers, employees and other stakeholders for their continuous support. I wish all of you and your beloved family members to stay well and safe and look forward to your continued support in the journey forward.

Thank you,

M. P. Taparia

Chairman

This does not purport to be a record of the proceedings of the Annual General Meeting.

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