

**29th Annual Report
1998-99**

Building on core strengths

SPIC
**SOUTHERN PETROCHEMICAL
INDUSTRIES CORPORATION LIMITED**

Southern Petrochemical Industries Corporation Limited

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OPERATING RESULTS AT A GLANCE

(Rupees in crores)

	1998-99	1997-98	1996-97	1995-96	1994-95
Gross profit	263.08	259.40	222.04	210.96	151.19
Interest	159.81	119.24	97.54	93.76	60.95
Profit before depreciation	103.27	140.16	124.50	117.20	90.24
Depreciation*	51.43	56.70	47.28	36.09	22.72
Provision for taxation	1.00	4.50	4.60	—	—
Profit after tax	50.84	78.96	72.62	81.11	67.52
Transfer to:					
Contingency Reserve	—	—	35.00	—	—
Debenture Redemption Reserve	14.58	8.33	—	—	—
Capital Redemption Reserve	3.00	9.00	—	2.00	2.00
General Reserve	20.00	35.00	30.00	35.00	30.00
Networth*	620.99	602.83	587.29	544.39	501.34

*Excluding revaluation



SOUTHERN PETROCHEMICAL INDUSTRIES CORPORATION LIMITED

BOARD OF DIRECTORS

Dr. M.A. Chidambaram	— Chairman
Dr. A.C. Muthiah	— Vice-Chairman & President
Thiru M.S. Srinivasan, IAS	— Director
Thiru R. Gopalan, IAS	— Director
Thiru P.V. Rajaraman, IAS	— Director
Thiru N. Athimoolam, IAS	— Director
Thiru S. Govind Swaminadhan	— Director
Thiru S. Venkitaramanan	— Director
Thiru Frederic J. Heredia	— Director
Dr. K.U. Mada	— Director
Thiru Ashwin C. Muthiah	— Director
Thiru Jitender Balakrishnan	— Director
Thiru R.V. Gupta	— Director
Thiru V. Jagannathan	— Director
Dr. P.R. Sundaravadivelu	— Managing Director
Thiru A. Santhanakrishnan	— Whole-time Director & Secretary
Dr. K. Govindarajan	— Director
Thiru M.G. Thirunavukkarasu	— Finance Director

REGISTERED OFFICE

39 Armenian Street,
Chennai 600 001.

PRINCIPAL OFFICE

"SPIC CENTRE"
97 Mount Road, Guindy, Chennai 600 032.

Telephone : 2350245
Telefax : 2352163
Telegram : "SOUTHPETRO"

AUDITORS

Messrs A.F. Ferguson & Co.,
Chartered Accountants,
7th Floor, Guna Office Complex,
Annexe Building, 304/305 Anna Salai,
Teynampet, Chennai 600 018.

FACTORIES

Fertiliser : SPIC Nagar, Tuticorin
Chlor-Alkali : Manali, Chennai
Pharma : Cuddalore
Tissue Culture : Coimbatore

BANKERS

Indian Bank
Allahabad Bank
Andhra Bank
Bank of Baroda
Bank of India
Canara Bank
Central Bank of India
Dena Bank
Indian Overseas Bank
Oriental Bank of Commerce
Punjab National Bank

Punjab & Sind Bank
State Bank of Bikaner & Jaipur
State Bank of India
State Bank of Patiala
State Bank of Travancore
Syndicate Bank
Union Bank of India
Tamilnad Mercantile Bank Limited
The Bank of Rajasthan Limited
The Catholic Syrian Bank Limited
The South Indian Bank Limited

Dr. A.C. Muthiah
Vice-Chairman & President

It has been a year of directing the energies and talents of our people in our area of core competence – Agri-inputs. To build our organisation and synergise it with the needs of our times – augmenting production capacities, improving productivity, enhancing quality levels and delivering the best value to the customer.

At SPIC, our vision has embraced setting up production facilities beyond the Indian boundaries – to feed the nation's insatiable appetite for agri-inputs, while reducing the country's foreign exchange outflow – such as setting up Indo-Jordan Chemicals Company Ltd., a joint venture in Jordan, to manufacture Phosphoric Acid and SPIC Fertilizers and Chemicals FZE, another joint venture in Jebel Ali Free Zone in Dubai, to produce Urea.

These offshore ventures, in tandem with increased capacities in our Indian facilities and a variety of services offered to farmers, will help us in leveraging a competitive advantage as an agro major.

SPIC thus contributes towards building a food secure India, which is a national goal accorded top priority.



The pathway to a food secure India

The Government of India's agricultural survey has come up with some important projections. A scenario that has to galvanise all concerned parties into concerted action. The green-revolution in the '80s established a growth rate of 3.5% in foodgrains. But the decade of the '90s has seen agricultural growth barely exceed population growth. India will end up importing 40 million tonnes of foodgrains by the year 2030 AD, as indicated by the current rates.

There is, therefore, no room for complacency. Yield rates are inadequate because of the failure to adopt newer technologies, inefficient utilisation of plant nutrients, bad management of soil and water resources, lack of information ...and more.

The per capita consumption of fertilisers and pesticides in India is among the lowest in the world and the opportunity for organisations to meet the demand and grow at a rapid pace is considerable.

It is time for action now to meet the great challenges that face Indian agriculture. It is time to think through solutions for a food secure India and ensure fuller employment and availability of wage goods.

What is SPIC doing to contribute its share and participate in India's march forward as an agricultural power with the focus on sustainable development and environmental stability?

SPIC is focused on being a solution provider to the great Indian dream - to help India become an agricultural power. A dream with dramatic dimensions and requirements; a goal that needs the power of many dynamic minds and several vibrant corporates.

SPIC contributes in meaningful ways to make this dream a reality. Manufacturing fertilisers - DAP and Urea at its Tuticorin complex and also importing and marketing DAP, Urea and Potash. Ammonium Chloride, another top grade fertiliser manufactured by Tuticorin Alkali Chemicals and Fertilisers Limited, is also marketed by SPIC.

In its drive towards Integrated Pest Management (IPM) the company offers a wide range of pesticide formulations and fungicides like *Tasieme* and *Koesib*, all manufactured through Tuticorin Alkali Chemicals and Fertilisers Limited.

LIFE SCIENCES:

The **Biotechnology Division**, with a tissue culture plant in Coimbatore, produces banana crop, plantation crops, a wide variety of ornamental plants and forest trees and has a capacity of 10 million plantlets per annum.

SPIC PHI Seeds Ltd. is a joint venture with Pioneer Hi-Bred International, USA - among the world's largest producers of hybrid seeds. SPIC PHI Seeds Ltd., produces hybrid seeds of corn, mustard, paddy, pearl millet, sorghum and sunflower. The seed processing unit is located in Hyderabad. The company also sources relevant information available through the exhaustive database of PHI Hi-Bred International on different soils and temperatures from different countries and combines it with the feedback received from the farmers worldwide - to develop high-yield, region-specific seeds suited to Indian conditions.

To further maximise returns per unit of cultivable land and contribute to growth in the national agri-output stock, SPIC's Biotechnology Division is also engaged in producing quality seeds, to begin with, for cotton and vegetables. Recently, a seed conditioning unit has been set up at Hosur to enhance the operations.

Bio-Pesticides: SPIC has a well developed programme for bio-pesticides too. Through its own developmental efforts the company manufactures, at its Porur plant, *Neemgold* which is a botanical anti-feedant derived from neem seeds and *Biogold* which is a bio-fertiliser with bacterial inoculants. A major breakthrough has been in developing an environment-friendly bacterial pesticide - *Spicturin*. Another innovative development is *Wanis* - a rare natural botanical extract which works as an excellent fungistat and is totally degradable, leaving no residual effect on soil, water or plants. *Wanis* is totally non-toxic and is safe to animals and spray operators. Such products contribute towards sustainable development in Indian farms.

Towards better Customer Relationship

The company's relationship with the Indian farmers thus covers the entire gamut of agri-inputs: fertilisers, seeds, soil conditioners, plant growth regulators, pesticides and tissue culture plantlets, besides ecologically safe bio-products. Stretching beyond just marketing of wide ranging agri-inputs,

SPIC offers several services for farmers aimed at enhancing their productivity and bringing about grass-root learning process. Through continuous communication programmes on farming practices in the country and abroad, combined with technical assistance on better nutrient, soil, seed and water management, SPIC helps farmers to achieve better results. Measures that build brand equity and also help in better customer relationships. Some of the services are:

- **RURAL DEVELOPMENT CENTRE (RDC)** conducts Young Farmers Training programmes, where young farmers are given training on progressive farming practices and are given newer insights into technological developments which include several aspects of integrated farming. This helps them in adding value to their vocation.
- **AGRO SERVICE CENTRES (ASC)** provide all agri-inputs and farm equipment besides counselling services and welfare projects, such as tribal development projects, eye clinics, health camps and more.
- **INPUT DIAGNOSTIC CENTRE (IDC)** is a lab facility to test soil samples and to advise farmers on the condition of their soil, with recommendations on correction of the imbalances in order to increase the crop yield from it. A mobile laboratory also helps in soil testing services.
- **FARM NEWS JOURNAL** disseminates information on new opportunities in agricultural front and illustrates through success stories, notable achievements that can be emulated. Besides, the journal carries information on a variety of subjects allied to agriculture related developments. The annual Farmers' Seminar-cum-Exhibition organised under the aegis of this journal supplements its own efforts in propagating the latest developments in technologies and other relevant information. Coming face-to-face with achievers and experts, the participants find an opportunity to exchange their experiences and views. These reflect the company's efforts in contributing to the country's long term goals of building a well informed farmer base which in turn will help in making the country much stronger in agriculture.

With this end in mind, SPIC believes in total interaction with the farmer. Learning from him and at the same time educating him, advising him on value addition and marketing. Listening to

his feedback and responding with relevant products and services needed by him. Call it the laboratory of the fields... leading to better understanding and better planning for building a food secure India. In the process, nurturing a relationship that builds bonds of trust between SPIC and the farmers.

An agenda of pride

In pursuit of national agricultural interests, SPIC looks beyond Indian shores. The company constantly plans on ways and means to keep enhancing its contribution to further the cause of Indian agriculture with meaningful activities. SPIC has ventured outside the country to set up production facilities in order to leverage a competitive advantage whether on a raw material or a finished product.

INDO-JORDAN CHEMICALS COMPANY LTD.

A prestigious US\$ 170 million joint venture at Jordan promoted jointly by SPIC and Jordan Phosphate Mines Company Limited and The Arab Investment Company, S.A.A. (TAIC) has paid rich dividends.

In the first full year of operation, the company achieved 106% capacity utilisation, posted a profit of US\$ 13.09 million on a revenue of US\$ 82.73 million and declared dividend. This achievement has provided the impetus to plan for more.... like doubling the capacity of Phosphoric Acid.

IJC gives SPIC the advantage of a constant source of raw material for its plant at Tuticorin - a synergistic business advantage that drives its motive of contributing to a national objective through its core competency.

SPIC FERTILIZERS AND CHEMICALS FZE, DUBAI

The fertiliser plants of SPIC in Tuticorin have always achieved high levels of productivity. Given the ever increasing national demand for fertilisers, SPIC has planned to enhance its production capacity through establishing SPIC Fertilizers and Chemicals FZE - a 3.96 lakh TPA Urea Complex in Jebel Ali Free Zone, in Dubai. It will be among the largest companies in the UAE and add further recognition to SPIC as a fertiliser major. The prestigious project will also help in meeting the country's growing need for the vital agri-input.

Thus SPIC has consistently aligned its operations with its major goal - to make a strong impact on the agricultural growth in India.

SPIC

LIFE SCIENCES

Co/Division	Products / Services
SPIC Pharma	<ul style="list-style-type: none"> Penicillin-G Synthetic Drugs Drug Formulations Herbal Products Medical Devices
Biotechnology	<ul style="list-style-type: none"> Tissue Culture Plants Cut Flowers Hybrid Seeds Botanical Pesticides (Neemgold, Wanis) Microbial Pesticides (SPIC Turin, SPIC Biomoss, Bio-Bti) Industrial Enzymes (Biodart) Animal Feed Supplement (Antivit)

CHEMICALS & PETROCHEMICALS

SPIC Fertiliser Complex	Aluminium Fluoride
Heavy Chemicals Division	<ul style="list-style-type: none"> Caustic Soda Liquid Chlorine Hydrochloric Acid Ammonium Chloride (Chemical grade)
Tuticorin Alkali Chemicals and Fertilisers Ltd.	Soda Ash
Manali Petrochemical Ltd./ SPIC Organics Ltd.	<ul style="list-style-type: none"> Propylene Oxide Propylene Glycol Polyols
Tamilnadu Petroproducts Limited	<ul style="list-style-type: none"> Linear Alkyl Benzene Epichlorohydrin
SPIC Petrochemicals Limited*	<ul style="list-style-type: none"> Purified Terephthalic Acid Polyester

* Proposed

SERVICES

Engineering:

SPIC-SMO

In Power Sector:
Extra High Voltage Transmission Lines.
Railway Electrification.

SPIC-SMO Workshop

Repairs, Condition Monitoring of Rotary Equipment like compressors, turbines etc. for Petrochemical industry. Commissioning and Maintenance needs of process industries, petrochemicals etc.

IT Hardware:

SPEL

IC Assembly & Testing

A multifaceted organisation

SPIC has laid strong roots in other businesses with different dimensions too. Industries like life sciences, chemicals, petrochemicals, and engineering services – often with *strategic alliances with world leaders*.

Strategic Alliances

Some of the performance enhancing tie-ups that SPIC has ventured into are with:

Jurong Engineering Ltd. (Singapore) for large power project installations;

Technip, (France) for comprehensive engineering contracting services;

Gulf SPIC Contracting Co. W.L.L. In association with Dr. Fouad F. Al- Khadra. President, National Consulting Bureau, Kuwait, to tap the business opportunities available in the Middle East for value added service contracts; and

Caltex, (USA) for liquefied petroleum gas.

Aims for the Future

While maintaining its vision of building on its core competence, SPIC is focused on pursuing purposeful business strategies in future as well, in tune with the changing dynamics of the market place, the consumers and the stakeholders.

Such strategies include:

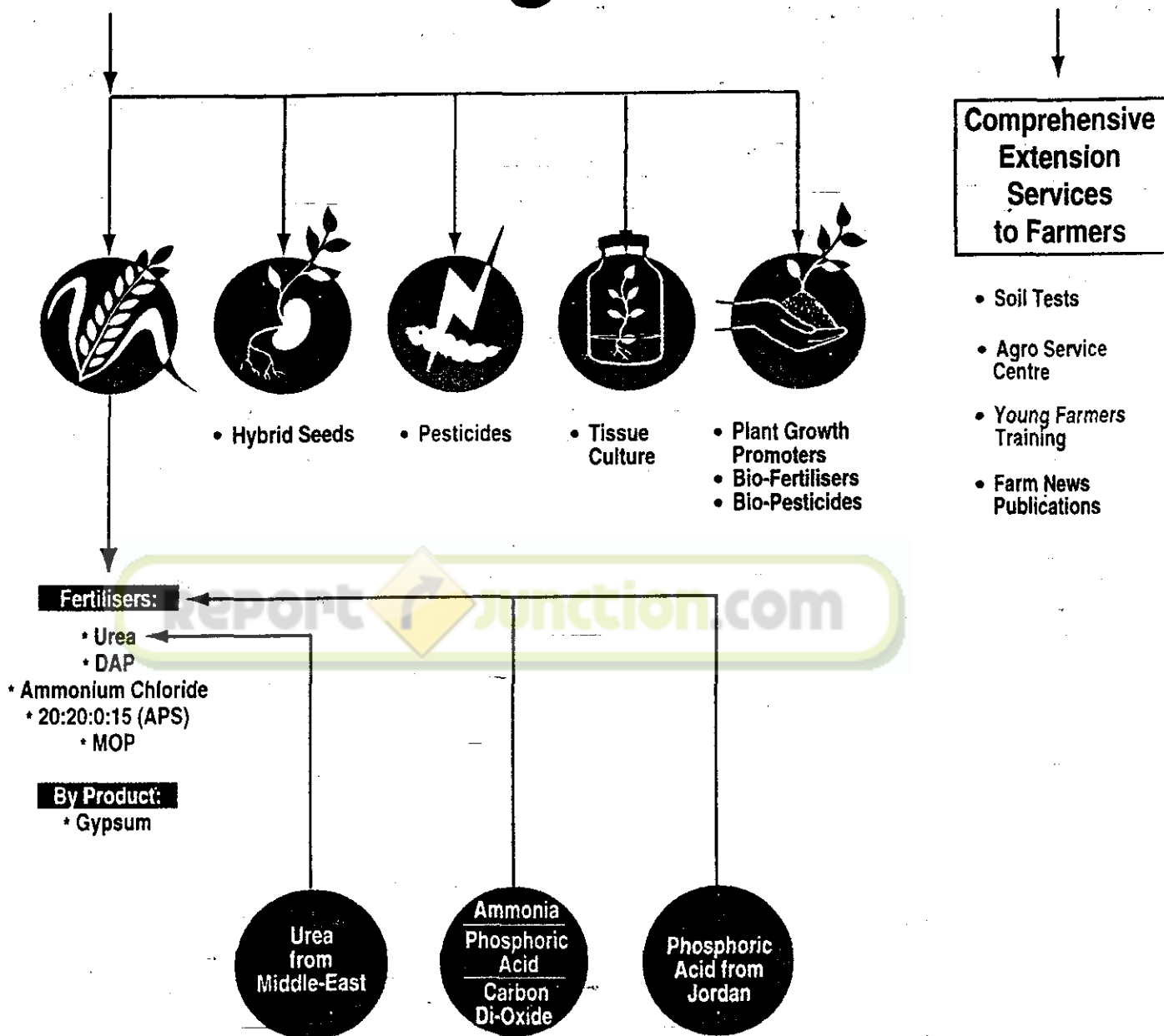
- Continuously improving the shareholder value.
- Reducing the interest component.
- Expanding in agri-inputs business.
- Manufacturing and Distributing high quality products to the satisfaction of the farming community.
- Building and strengthening SPIC brands aggressively.

SPIC... contributing to agricultural growth



Products

Services



HIGHLIGHTS OF PERFORMANCE FOR THE YEAR

1998-99

- Capacity utilisation for Urea plant - 116%
- Capacity utilisation for Ammonia plant - 99%
- Capacity utilisation for Sulphuric Acid and Phosphoric Acid was 104% and 106% respectively at IJC, Jordan.
- Record production of DAP, Sulphuric Acid, Phosphoric Acid and Aluminium Fluoride at Tuticorin plant.
- TAC achieved capacity utilisation of 117%

- Biogold - The bio-fertiliser developed by the Biotech Division recorded 50% increase in sales.
- Total sales of Agri-inputs increased by 21.2%

- The Fertiliser plant received the Award of Honour for 1997 from the National Safety Council, USA & also the National Safety Award for 1997 from British Safety Council, UK.
- SPIC-SMO bagged the prestigious maintenance contract for Mina Abdullah Refinery at Kuwait worth Rs.202 crores.
- Record production of 1184 MMU of Penicillin-G by the Pharmaceuticals Division.
- Heavy Chemicals Division commissioned the Caustic Evaporation unit of its membrane cell plant.
- SPEL achieved a net profit of Rs.2.64 crores compared to Rs.1.03 crores in the previous year.

SOUTHERN PETROCHEMICAL INDUSTRIES CORPORATION LIMITED

Registered Office: 39 Armenian Street, Chennai 600 001.

Principal Office: "SPIC Centre", 97 Mount Road, Guindy, Chennai 600 032.

NOTICE

NOTICE is hereby given that the TWENTY NINTH ANNUAL GENERAL MEETING of the Members of Southern Petrochemical Industries Corporation Limited will be held on Monday, the 30th August 1999 at 2.45 P.M. at Kamaraj Arangam, 574-A, Anna Salai, Teynampet, Chennai 600 006, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March 1999 and the Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors.
2. To declare Dividends.
3. To elect a Director in the place of Dr. M.A. Chidambaram, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Thiru S Govind Swaminadhan, who retires by rotation and being eligible, offers himself for re-election.
5. To elect a Director in the place of Thiru P V Rajaraman, IAS, who retires by rotation and being eligible, offers himself for re-election.
6. To elect a Director in the place of Dr. K. Govindarajan, who retires by rotation and being eligible, offers himself for re-election.
7. To appoint Auditors and fix their remuneration. M/s. A.F. Ferguson & Co., the retiring Auditors, are eligible for re-appointment.

SPECIAL BUSINESS

8. To consider and if thought fit, to pass with or without modifications, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and / or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company, wheresoever situate, both present and future, and the whole of the undertaking of the Company together with power to take over the Management of the business and concern of the Company in certain events to or in favour of M/s. Industrial Development Bank of India (IDBI) to secure :

- (a) the Rupee Term Loan of Rs.50 Crores availed/ to be availed by the Company to meet the long-term working capital requirements of the Company; and
- (b) the Rupee Term Loan not exceeding Rs.124.12 Crores availed/to be availed by the Company to meet the normal capital expenditure required for its various modernisation/expansion projects,

together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, guarantee commission, costs, charges, expenses and other moneys payable, by the Company to IDBI under the loan agreements executed/ to be executed by the Company in respect of the said term loans."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI the documents for creating the aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution."