

# *Towards consolidation*

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30TH ANNUAL REPORT  
1999-2000

## **SPIC**

**SOUTHERN PETROCHEMICAL  
INDUSTRIES CORPORATION LIMITED**



## SOUTHERN PETROCHEMICAL INDUSTRIES CORPORATION LIMITED

### BOARD OF DIRECTORS

Dr. A.C. Muthiah	— Chairman
Thiru Shaktikanta Das, 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
Dr. K.U. Mada	— Director
Thiru Ashwin C. Muthiah	— Director
Dr. K. Govindarajan	— Director
Thiru Babu K. Verghese	— 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
Thiru M.G. Thirunavukkarasu	— Finance Director
Thiru S. Stalin	— Director (Agro Inputs)

### REGISTERED OFFICE

39 Armenian Street,  
Chennai 600 001.

### AUDITORS

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

### 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

### PRINCIPAL OFFICE

“SPIC CENTRE”  
97 Mount Road, Guindy, Chennai 600 032.

Telephone : 2350245  
Telefax : 2352163  
Telegram : “SOUTHPETRO”  
E-mail : [spiccorp@giasmd01.vsnl.net.in](mailto:spiccorp@giasmd01.vsnl.net.in)  
Website : [www.spicgroup.com](http://www.spicgroup.com)

### FACTORIES

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

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

## Southern Petrochemical Industries Corporation Limited

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### OPERATING RESULTS AT A GLANCE

	(Rupees in crores)				
	1999-2000	1998-99	1997-98	1996-97	1995-96
Gross profit	265.21	263.08	259.40	222.04	210.96
Interest	180.68	159.81	119.24	97.54	93.76
Profit before depreciation	84.53	103.27	140.16	124.50	117.20
Depreciation*	56.16	51.43	56.70	47.28	36.09
Provision for taxation	—	1.00	4.50	4.60	—
Profit after tax	28.37	50.84	78.96	72.62	81.11
Transfer to:					
Contingency Reserve	7.00	—	—	35.00	—
Debenture Redemption Reserve	14.58	14.58	8.33	—	—
Capital Redemption Reserve	1.00	3.00	9.00	—	2.00
General Reserve	5.00	20.00	35.00	30.00	35.00
Networth*	653.15	620.99	602.83	587.29	544.39

\*Excluding revaluation



## CONSOLIDATING FOR GROWTH

### India – An Agricultural Economy

Being a predominantly agrarian economy, achieving self-sufficiency in food production and preserving the viability of rural employment have been the major concerns that have shaped the public policies in India for decades. While the national efforts in achieving food security have yielded satisfactory results in the context of a growing population, agricultural growth can be sustained only through increased and imaginative initiatives. The areas that need such attention are the agricultural inputs like seeds, fertilisers, pesticides, etc. on one hand and irrigation, electricity, infrastructure and market support, etc. on the other.

### SPIC – Focus on Agri Business

Though the industrial and infrastructure development shows a growth trend, 70 percent of India's population is even today engaged in agricultural and allied activities which account for 29 per cent of the country's GDP. With India's population already having crossed 100 crores, concerted efforts must continue to increase the output of food grains and farm produce for self-sufficiency. Being an agri-major, SPIC contributes handsomely in moving towards this goal.

SPIC's unique strength is that it manufactures and markets not only fertilisers but also other agricultural essentials like seeds, plant growth promoters and pesticides. In keeping with the worldwide trends, SPIC has also introduced a range of eco-friendly bio-pesticides and bio-fertilisers, preparing for the needs of the future too.

To ensure that these agri-inputs reach the farmers at the right time and the right place, SPIC has built up a strong dealer network. Currently exceeding 4000, these dealers are spread through out the country and also act as a source of direct feedback from the farmers. This extensive network provides additional strength to SPIC as a capable distributor of products which have a large rural market.

With the formidable strengths that the SPIC Brand has already developed and considering the enormous potential that agri-inputs and agri business have in our country, SPIC will continue to commit its resources in the field of its core competence—agri-business.

### Sharpening the Competitive Edge

SPIC had already laid out significant plans to become globally competitive. As early as 1992, SPIC had promoted SPIC PHI Seeds Limited, a joint venture with Pioneer Hi-Bred International Inc., USA, a world leader in hybrid seeds. This has made available to the Indian farming community the best hybrid seeds for enhanced yields.

SPIC's Urea project under implementation at Jebel Ali Free Zone, Dubai - SPIC Fertilizers & Chemicals FZE, will directly help in making Urea available to the country at competitive prices. The project is expected to be commissioned in early 2002.

Enhanced reliability and improved economy are also being achieved with the critical raw material – phosphoric acid, produced by SPIC's prestigious Joint Venture at Jordan – Indo-Jordan Chemicals

Company Limited – and consumed at SPIC's Tuticorin plant. In the near future, SPIC plans to double the capacity of IJC.

These efforts insure SPIC against any sudden change in the policies of the government and fluctuations in international prices of agri-inputs. These will also be of even greater advantage in the context of World Trade Organisation (WTO) agreements since, when quantity barriers are removed in the next couple of years, SPIC will be in a position to leverage the markets with considerable strength.

### **Restructuring for Consolidation**

In order to focus its resources in its core competency field of agri-inputs, SPIC is in the process of restructuring its operations through meaningful strategies which will add value to its business and maximise returns to shareholders.

Unrelated business such as pharmaceuticals, heavy chemicals and biotechnology with least or no synergy with mainline business will be either hived off to world leaders in respective fields or formed into strategic alliances/joint ventures. By this SPIC expects to add value also to those business through technology inputs, brand development and marketing support, thus enabling those operations to grow faster on their own merits.

With SPIC planning to concentrate wholly on its core business and aiming at a good growth rate, SPIC Holdings and Investments Limited (SHIL) – SPIC's investment arm will arrange for the investment needs of the proposed regrouping or joint ventures.

### **SPIC's Other Strategic Joint Ventures**

As an enterprising company that aims at planned growth through dynamic initiatives, SPIC has formed several joint ventures with world leaders. In keeping with its mission, these strategic tie-ups are in areas where SPIC had already invested but are outside its core competency.

**\* Technip India Limited (TPIL):** TPIL is a joint venture with Technip of France, among the best in the business of EPC contracts, to exploit business opportunities globally.

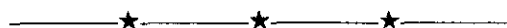
**\* Gulf SPIC Contracting & General Trading Company W.L.L.:** Established in Kuwait as a joint venture, Gulf SPIC undertakes value-added maintenance/service contracts. The Company has been awarded for the second time a 5-year Maintenance Contract for Kuwait National Petroleum Corporation's Mina Abdullah Refinery. The company also plans a state-of-the-art Workshop in Kuwait for refurbishment/overhauling. Recently, a prestigious order has been obtained for Operation and Maintenance of a Chlor Alkali plant in Kuwait – incidentally the first case under the privatisation programme proposed by the Kuwait Government. Besides maintenance contracts, Gulf SPIC will soon be taking up mechanical, electrical, and instrumentation contracts.

**\* SPIC Jel Engineering Construction Limited (SJCL):** A SPIC joint venture with Jurong Engineering Limited of Singapore, for

## SPIC

engineering contracts, especially for power projects, is also a prestigious alliance.

- \* **Caltex SPIC India Limited:** SPIC's joint venture with Caltex Oil Corporation, USA, has already made considerable inroads into the Liquefied Petroleum Gas (LPG) markets and gained impressive market shares with over 3,00,000 customers for its SPICJOTHI Brand.



### Rewards and Recognitions

SPIC has constantly been improving the efficiency of its manufacturing process while also promoting safe and productive work culture and demonstrating concern for environment.

SPIC has consciously set out to be a corporate entity which is efficient, people friendly, quality oriented and environment sensitive. The efforts made by SPIC in these directions have won for it many awards and distinctions:

#### ICMA Awards

- \* SPIC, Tuticorin was the recipient of the prestigious Indian Chemical Manufacturers Association (ICMA) Award for Social Responsibility, for the year 1998. ICMA's Certificates of Merit were also awarded to SPIC for:

- i) Joint Ventures and Strategic Alliances across the globe with good performance in the last two consecutive years.
- ii) ISO 9002 Quality Management System Certification.

#### National Safety Awards

- \* Award of Honour in Safety from the National Safety Council of Tamilnadu Chapter for the year 1998.

#### British Safety Council Awards

- \* This global level safety award has been given to SPIC for its excellent commitment to safety. In fact, SPIC has been winning awards from the British Safety Council from as early as 1981. The award primarily is in recognition of the Company's proven commitment to health and safety at the highest level.

#### FAI Awards

- \* Fertiliser Association of India (FAI) has awarded its Best Production Performance honour for SPIC's Phosphoric Acid Plant at Tuticorin.
- \* FAI's second prize for the Best Video Film has also been won by SPIC (The film depicted SPIC's innovative efforts in promoting the use of botanical pesticides).

#### ISO 14001

- \* SPIC Fertiliser Complex at Tuticorin has been accredited with the globally recognised ISO 14001 Certificate for its excellent Environmental Management System.

## Services – Value Addition From SPIC

SPIC does not stop with manufacturing and marketing of agri-inputs. SPIC's service orientation has also been getting stronger and wider. By extending a hand of friendship to the farmers and arming them with relevant knowledge inputs, SPIC has been empowering them to improve their productivity and income.

### Agro Service Centres

SPIC Agro Service Centres are the primary channels for agricultural development to:

- i) Increase farm productivity and sustainability
- ii) Guide and assist farmers in availing the facilities offered by the Governmental organisations and NGOs
- iii) Encourage rural savings and crop insurance, and
- iv) Organise special programmes to improve the overall income of the farmers.

Soil Testing, Seed Treatment Campaigns, Health Care camps and a number of special projects are among the popular programmes conducted regularly.

Seminars and Group Discussions involving farmers and several experts organised by SPIC on relevant subjects are very enthusiastically received.

### Equipping Young Farmers

SPIC's Rural Development Centres offer training on crop cultivation, crop protection and integrated farming methodologies. Several thousand farmers have benefited from the residential courses offered

by the RDCs, through their own qualified faculty and experts from the field. The main emphasis of these RDCs is on training educated, young farmers who in turn become progressive farmers-cum-teachers benefiting hundreds of other farmers in their villages. The much sought after programmes have helped farmers to avoid over dependency on crop cultivation and instead adopt allied or non-agricultural vocations too.

Short term programmes are also conducted at these Training Centres, in dairy farming, poultry breeding, horticulture and the like. A special training programme is also conducted exclusively for women farmers. These programmes contribute to the welfare of the rural community by increasing their earning capacity.

### Building Relationship with Farmers

SPIC publishes, *Pannai Cheithi Malar*, a bi-monthly Tamil journal and also *Shetra Samacharam*, a Telugu quarterly, devoted to agricultural and allied activities. These journals carry informative articles, success stories, questions & answers and well researched analyses by experts on relevant topics.

Regular Farm Meets and Exhibitions are organised under the aegis of these publications. At these gatherings, experts speak on new trends in relevant areas of agriculture and integrated farming. The displays in the exhibitions help the farmers to gain new insights and gather information on new technologies in farming.



# SPIC

## SPIC's Commitment to Rural Society

As a socially conscious organization, SPIC is convinced that the Grameen Methodology— funding and offering technical assistance to the weakest and marginalised sections employing a delivery mechanism at the grassroot level – is ideal for rural development. Taking this as a model for stimulating personal initiative and enterprise, SPIC has promoted development schemes which offer basic benefits to the rural community.

Apart from offering product and technical support, SPIC also plays the role of a proactive catalyst for socially beneficial programmes offered by Governmental and non-Governmental organisations. By liaising with and involving specialists and organising relevant activities, SPIC helps the rural community as a whole.

To illustrate, two such programmes which have made a significant impact are:

### Self Help Group

This development activity based on a NABARD concept, operates through nationalised banks. 15-20 men and women contribute fixed amounts towards a corpus fund. Loans to farmers are distributed from the corpus, enabling farmers to avoid borrowing from money lenders at high interest rates. SPIC has helped form several such groups with active participation from the farmers.

### Vikas Volunteer Vahini (VVV)

These are permanent Farmers Clubs with over 50 members each, who elect office bearers from

among themselves. For the formation of VVV, a bank grants a specified amount towards establishment expenditure. SPIC acts as a catalyst in forming VVV which in turn implements several progressive schemes at village levels for Integrated Rural Development. The VVV lends a much needed institutional strength to the farmers and also a framework for collective contribution to the community they live in. Though only a recent initiative, SPIC has already promoted several such Farmers Clubs.

SPIC's corporate goal aims at enabling the farmers to increase their farm productivity and improve their standard of living – a philosophy reflected in the vision of Dr A C Muthiah, Chairman, SPIC:

*"It must be the responsibility of not only just the Government but also of the society including the NGOs and Corporate houses such as ours, to find and create the ways and means for meaningful economic opportunities for the rural populace. We need to provide the right inputs at the right time, guide them with the know-how at the grass root levels and empower them with adequate knowledge, information and skills which will automatically lead to improved quality of life."*



## 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 THIRTIETH ANNUAL GENERAL MEETING of the Members of Southern Petrochemical Industries Corporation Limited will be held on Tuesday, the 29th August 2000 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 2000 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To declare Dividends.
3. To elect a Director in the place of Dr. P R Sundaravadivelu, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Dr. K U Mada, who retires by rotation and being eligible, offers himself for re-election.
5. To elect a Director in the place of Thiru Ashwin C Muthiah, who retires by rotation and being eligible, offers himself for re-election.
6. To appoint Auditors and fix their remuneration. M/s. A.F. Ferguson & Co., the retiring Auditors, are eligible for re-appointment.

#### SPECIAL BUSINESS

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

"RESOLVED THAT Thiru Babu K Verghese, whose period of Office shall be liable to

determination by retirement of Directors by rotation, be and is hereby appointed a Director of the Company."

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

"RESOLVED THAT Thiru S Stalin, whose period of Office shall be liable to determination by retirement of Directors by rotation, be and is hereby appointed a Director of the Company."

9. To consider and if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT sanction of the Company be and is hereby accorded in terms of Sections 198, 269, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force and/or any notification which the Central Government may issue from time to time), for the appointment of Thiru S Stalin, as a Whole-time Director, designated as Director (Agro Inputs), for a period of five years with effect from 14.6.2000 to 13.6.2005 and for payment of remuneration / minimum remuneration by way of salary, commission / special allowance and other perquisites as described below:

Remuneration:

- 1) Salary:  
Rs. 50,000/- per month.
- 2) Commission or Special Allowance:  
Commission on the Net Profits of the Company



or special allowance, restricted to an amount equal to the annual salary.

3) Perquisites:

Perquisites shall be allowed in addition to both salary and commission or special allowance. However, it shall be restricted to an amount equal to the annual salary.

Perquisites are presently classified as follows:

(i) Housing / House rent allowance:

The expenditure incurred by the Company will be subject to a ceiling of 60% of the salary.

(ii) Gas, electricity, water and furnishing:

The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income-tax Rules, 1962.

(iii) Medical reimbursement:

Expenses incurred for the appointee and his family.

(iv) Leave and Leave travel concession:

Leave as per the rules of the Company including encashment of leave. Leave travel concession for self and family once in a year incurred in accordance with the rules of the Company.

(v) Club fees:

Fees of Clubs subject to a maximum of two Clubs.

(vi) Personal accident insurance:

Personal accident insurance of an amount the annual premium of which does not exceed Rs. 4000/-.

For the purpose of calculating the above ceiling, perquisites will be evaluated as per Income-tax Rules, wherever applicable. In

the absence of any such rule, perquisites shall be evaluated at actual cost.

However, the Board of Directors will have the liberty to refix individual ceilings under each of the above heads so as not to exceed the limit of annual salary or to allow any other perquisite as may be permitted by the Government of India.

4) Other payments and provisions which shall not be included in the computation of the ceiling on remuneration:

(i) Contribution towards Provident Fund and Superannuation Fund:

Contribution towards Provident Fund will be subject to a ceiling of 12.5% of the salary. Contribution to Pension/Superannuation/Annuity Fund together with contribution to Provident Fund shall not exceed 27.5% of the salary. Contributions to Provident Fund, and Pension/Superannuation/Annuity Fund to the extent of limit prescribed under Income-tax Act/Rules, 1962 or notification issued thereunder from time to time will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act/Rules/Notification.

(ii) Gratuity:

Gratuity payable shall not exceed one half month's salary for each completed year of service.

(iii) Encashment of leave:

As per rules of the Company.

(iv) Car:

Provision of Company's car for business and personal use.