

**31st Annual Report
2000-2001**



Staying Focussed on Agri-Business

SPIC

**SOUTHERN PETROCHEMICAL
INDUSTRIES CORPORATION LIMITED**

SPIC

Agri Inputs



A range of renowned brands

SOUTHERN PETROCHEMICAL INDUSTRIES CORPORATION LIMITED**BOARD OF DIRECTORS**

Dr. A.C. Muthiah	—	Chairman
Thiru Ashwin C. Muthiah	—	Vice-Chairman
Thiru M.A. Gowrishankar, IAS	—	Director
Thiru M. Madhavan Nambiar, IAS	—	Director
Thiru R. Santhanam, IAS	—	Director
Thiru M.B. Pranesh, IAS	—	Director
Dr. K.U. Mada	—	Director
Thiru N.R. Krishnan	—	Director
Thiru S. Venkitaramanan	—	Director
Dr. K. Govindarajan	—	Director
Thiru Babu K. Verghese	—	Director
Thiru Jitender Balakrishnan	—	Director
Thiru R.V. Gupta	—	Director
Thiru P.C. Ghosh	—	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)

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

REGISTERED OFFICE

73 Armenian Street,
Chennai 600 001.

PRINCIPAL OFFICE

“SPIC HOUSE”

88, Mount Road, Guindy, Chennai 600 032

Telephone	:	2350245
Telefax	:	2352163
Telegram	:	“SOUTHPETRO”
E-mail	:	spiccorp@giasmd01.vsnl.net.in
Website	:	www.spicgroup.com

FACTORIES

Fertiliser	:	SPIC Nagar, Tuticorin
Pharma	:	Cuddalore
Tissue Culture	:	Coimbatore

AUDITORS

Messrs A.F. Ferguson & Co.,
Chartered Accountants,
7th Floor, Guna Office Complex,
Annexe Building, 305/1 Anna Salai,
Teynampet, Chennai 600 018.



Southern Petrochemical Industries Corporation Limited

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Staying Focussed on Agri-Business

Southern Petrochemical Industries Corporation Limited (SPIC) is among the foremost business conglomerates of the country today. Since its genesis in 1969, SPIC has grown to be a fertiliser giant following thoughtfully planned growth strategies. Even as SPIC expanded its business horizons in tune with the business climates then prevailing, it had all along believed firmly that its growth lay predominantly in its core competency – Agri-Inputs – and planned for further growth through this route in a manner that will make SPIC a global player in the field.

The 1970s saw SPIC's fertiliser production facilities at Tuticorin stabilise and the logistics of marketing

consultancy wing which executed the project works of several group companies and a host of prestigious clientele.

SPIC never lost an opportunity to add technological and other resource strengths to its businesses through collaborative joint ventures with global leaders in relevant fields. SPIC JEL Engineering Construction Limited, SPIC PHI Seeds Limited, Indo-Jordan Chemicals Company Ltd., Gulf SPIC Contracting Company W.L.L., Technip India Limited and Caltex SPIC India Limited are prestigious joint ventures which gave a new orientation to SPIC's business interests.



streamlined. In the 1980s, SPIC diversified into products that offered import substitution, opting for synergy and integration where there was scope. Chemicals, heavy chemicals, petrochemicals, pharmaceuticals and electronics belonged to this genre. When SPIC put up its massive fertiliser complex at Tuticorin almost three decades back, its highly skilled and competent engineering and manpower resource also had the potential to be a strategic business unit. Thus in the formation of SMO, SPIC found a ready-made project

Selective global partnerships helped SPIC in enhancing its corporate identity and, at the same time, in generating resources.

Once a joint venture business had stabilised and was on course to further growth on its own steam, SPIC had not been averse to relinquishing its interests so that the resources thus freed could be appropriately deployed, especially to strengthen its core business. To cite an instance, SPIC recently divested its stakes from SPIC

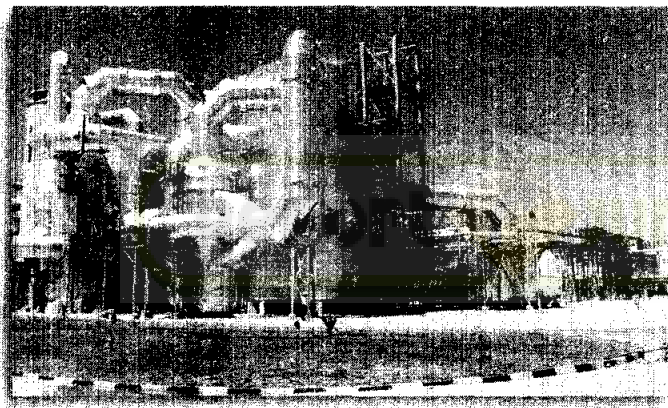


PHI Seeds Limited, a joint venture with Pioneer Hi-Bred International, the US-based worldwide hybrid seeds producers.

Agri-Business: The Mainstay

As stated earlier, all through its forays into other lines, SPIC had accorded priority to its primary interests in fertilisers and other agri-inputs, constantly looking for consolidation and growth. SPIC has taken thoughtful and proactive steps to establish a global presence, through overseas joint ventures, to make the company a major force in realising the national goal of Food Security.

With the Indian population burgeoning and the country's food security needs necessarily viewed as an issue ever demanding top priority, SPIC plans to be well entrenched in the agri-inputs business, where SPIC's competence, experience and excellence have been tested and proven through three decades. To strengthen its manufacturing operations and expand its marketing prowess, SPIC has:



- * Promoted Indo-Jordan Chemicals Company Ltd. – a joint venture with the Jordan Phosphate Mines Company Limited at Jordan, for manufacture of Phosphoric Acid needed for manufacturing phosphatic fertiliser at Tuticorin (commissioned in 1997 and performing exceedingly well).
- * Promoted SPIC Fertilizers and Chemicals FZE – now under implementation at the Jebel Ali Free Zone (Dubai), for manufacture of 400,000 tonnes



of Urea. With the covenants of World Trade Agreement in force, SPIC will be the first Indian company to have established its presence in the Middle East where inputs will be available at international prices, thus making this Dubai venture a profitable one.

- * Modernised its manufacturing facilities leading to higher reliability and enhanced environmental and safety standards.
- * Aggressively marketed the product range of Tuticorin Alkali Chemicals and Fertilisers Limited, utilising its vast distribution network.

While concentrating its attention on its agri-inputs business, SPIC is fully alive to the challenges it faces in the present fertiliser business environment. The steep hikes in the manufacturing and marketing costs and the severe pressures on the Government in meeting the subsidy payments are central to the problems confronting the fertiliser industry which has made several recommendations to the Government to put the industry on a proper footing. In the context of the implications of the World Trade Agreement and the possibility of lower priced imports, particularly Urea, as against the need to keep up indigenous production, the industry is eagerly awaiting appropriate policies that will help the fertiliser industry to play its critical role in furthering the national cause of food security. The Committees appointed by the Government to go into all the relevant issues to resolve the problems for the benefit of the farmers, the Government and the Industry, are to recommend ways which should be, hopefully, helpful in finding durable solutions.

Not losing its main focus on agri-business, since the mid 90s, SPIC has evolved appropriate strategies towards restructuring which is an on-going exercise involving realignment of business operations and determining financial priorities as demonstrated by the following moves:

i) Realigned Business Operations

- * Hiving off the Petroleum (LPG) Division (1998).
- * Sale of Ships (1999 and 2000).
- * Signing up a joint venture with M/s. Technipetrol, SpA of Italy for Engineering Consultancy and Project Services (1998).
- * Divestment of holdings from SPIC PHI Seeds Limited (2000-2001).
- * Merging of Chlor-Alkali Division with a group company for better synergy (2000).
- * Forming of Biotech Division into a separate company (2001).

In consolidating its group businesses, SPIC's Management Group consistently scans the business environment for opportunities or threats. The merger of SPIC Organics Limited into Manali Petrochemical Limited has assured MPL a near monopoly in the manufacture of Polyols. The uptrend seen in the prices of Pen-G, the Approval of US Food and Drug Administration for its product and the absorption of new low cost strains are seen as good pointers of growth for SPIC Pharma.

As part of its overall business strategies, SPIC will be looking for meaningful joint ventures with like-minded multinationals who will add value to its own businesses such as pharmaceuticals and petrochemicals. Such an outlook has already paid rich dividends, particularly for the engineering and project consultancy business arms of SPIC, such as SPIC JEL Engineering Construction Limited, Technip India Limited, and Gulf SPIC Contracting Company W.L.L. as also for Caltex SPIC India Limited and SPEL Semiconductor Limited. -

ii) Managing the Finances Proactively

SPIC began the exercise in 1997-98 with the redemption of FCCB. SPIC had issued Secured Debentures, Preference Shares and Debentures at different points of time. In an astute proactive measure to minimise huge cash outflow and reduce the interest burden, SPIC successfully restructured its Floating Rate Notes which were due to mature in January 2003. At the Extraordinary Meeting of FRN holders held in January 2001 in London, the subscribers were fully appreciative of SPIC's business strategies and prospects and agreed for the restructuring. The maturity of FRNs is now due in the year 2006. Equally and importantly, the interest burden is down to 150 basis points from 250 basis points over LIBOR for the extended maturity period. With the terms fair to all concerned, the move indicated the total confidence the FRN holders had on SPIC's prospects.

In a similar move to restructure the loan schedules and reduce the interest burden, SPIC negotiated with IDBI and achieved its objectives. Because of these initiatives, SPIC hopes to manage its funds more effectively in the years to come.

SPIC is fully alive to the fact that agri-business has to continue to be its main focus. With the proposed new facility adding strength to its fertiliser business where its products already enjoy a high brand equity and good market shares, SPIC will concentrate its efforts in enlarging the scope and the extent of its agri-business. To this purpose, SPIC will continue the agenda of restructuring – exiting from non-core areas and divesting its holdings at appropriate times, consolidating group companies' activities, vigorously implementing effective cost management and continuously upgrading the manufacturing processes and absorption of technology.





SOUTHERN PETROCHEMICAL INDUSTRIES CORPORATION LIMITED

Registered Office : 73, Armenian Street, Chennai - 600 001.

Principal Office : "SPIC House", 88, Mount Road, Guindy, Chennai-600 032.

NOTICE

NOTICE is hereby given that the **THIRTY-FIRST ANNUAL GENERAL MEETING** of the Members of Southern Petrochemical Industries Corporation Limited will be held on Thursday, the 23rd August 2001 at 10.00 A.M. at Kamaraj Arangam, New No. 492, 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 2001 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 Thiru A Santhanakrishnan, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Thiru S Venkitaramanan, who retires by rotation and being eligible, offers himself for re-election.
5. To elect a Director in the place of Thiru M G Thirunavukkarasu, who retires by rotation and being eligible, offers himself for re-election.
6. To appoint Auditors and to 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 R Santhanam, IAS, 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 M B Pranesh, IAS, 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 pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Financial Institutions, and such other approvals, as may be required, approval be and is hereby given to the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall include any Committee(s) which the Board has or may hereafter constitute to exercise powers of the Board, including the powers conferred by this resolution), for directly or indirectly, making investments, by way of subscription, purchase or otherwise, in the shares or other securities in the following bodies corporate, not exceeding the amounts shown against each body corporate, over and above the amounts approved by the Members vide resolution passed under Item no. 12 of the Notice of the 29th Annual General Meeting held on 30th August 1999 for investments / loans / guarantees etc.:

		(Rs. in Lacs)
Sl. No.	Name of the Body Corporate	Amount of Investments in Shares / Securities
	Messrs.	
1.	SPIC Fertilizers and Chemicals Ltd., Mauritius (i.e. US\$ 3.40 Million @ US\$1 = Rs.47.50 approx.)	1615
2.	Gulf SPIC Bahrain EC, Bahrain (i.e. KD 0.588 Million)	823
3.	Any other bodies corporate	1000

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company, be and is hereby altered as follows:

Article 102(a)**Existing**

The Board of Directors may from time to time elect one of their body to be the Chairman of the Board of Directors and one as the Vice-Chairman of the Board.

Proposed

The Board of Directors may, from time to time, elect one of their body to be the Chairman of the Board and one or more as the Vice-Chairman of the Board.

Article 130(1)**Existing**

The Board may from time to time and at any time constitute one or more Committees of the Board consisting of such member or members of its body as the Board may think fit.

Proposed

The Board may from time to time and at any time constitute one or more Committees of the Board consisting of such member or members of its Body as the Board may think fit. The Chairman of the Board of Directors shall nominate the Chairman of such Committees.

Article 132(1)**Existing**

The Chairman or the Vice-Chairman or the President shall be the Chairman of its meetings; if any of them is not available or if at any meeting any of them is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their number to be Chairman of the meeting.

Proposed

In the absence of nomination of Chairman for any Committees of Directors by the Chairman of the Company the Chairman or the Vice-Chairman or the President shall be the Chairman of its Meetings; if any of them is not available or if at any Meeting any of them is not present within five minutes after the time appointed for holding the Meeting, the Members present may choose one of their number to be Chairman of the Meeting.

(By Order of the Board)

For **SOUTHERN PETROCHEMICAL
INDUSTRIES CORPORATION LTD.**

Place : Chennai
Date : 12.7.2001

A. SANTHANAKRISHNAN
Whole-time Director & Secretary

**NOTES:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY TO BE VALID SHALL BE DEPOSITED AT THE REGISTERED / PRINCIPAL OFFICE OF THE COMPANY NOT LATER THAN FORTY- EIGHT HOURS BEFORE THE TIME FIXED FOR HOLDING THE MEETING.**
2. Explanatory Statement of material facts pursuant to Article 76 of the Articles of Association read with Section 173(2) of the Companies Act, 1956, for Item nos. 7 to 10 of the Notice is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, the 1st August 2001 to Thursday, the 23rd August 2001 (both days inclusive).
4. Members / Proxies should bring the Attendance Slip duly filled in for attending the Meeting. For shares held in dematerialised form, the DP ID and Client ID numbers should be indicated in the Attendance Slip.
5. Dividend on equity shares, if declared at the Meeting, will be paid to those Members, whose names stand registered in the Register of Members as on 23rd August 2001. For shares held in electronic form, dividend will be paid on the basis of beneficial ownership as per details received from the Depositories.
6. For shares held in physical form, any change in address/ dividend mandate details may be intimated immediately to the Share Department by quoting the Folio number(s). For Shares held in demat form, change in address/ dividend mandate details may be intimated directly to the Members' DP.
7. Members who are yet to encash their dividend warrants upto 1993-94 are requested to claim the amounts directly from the Registrar of Companies, Tamil Nadu, Chennai, as the amounts have been transferred to the General Revenue Account of the Central Government. For any assistance, Members may write to the Share Department.
8. Amounts remaining in the Unpaid Dividend Accounts for the years 1994-95 and thereafter, at the expiry of seven years, would be transferred to the Investor Education and Protection Fund, established by the Central Government. Upon such transfer, a Member shall have no claim against the Fund or the Company regarding his unpaid dividend. Members may therefore promptly lodge their claims for unpaid dividend, if any, with the Share Department.
9. The Company's equity shares are listed at the Ahmedabad, Bangalore, Calcutta, Chennai, Cochin, Delhi, Hyderabad and Mumbai (BSE & NSE) Stock Exchanges and annual listing fees have been paid to the said Exchanges in time.
10. (a) Investors may simultaneously opt for dematerialisation at the time of lodging their shares for transfer. For further details investors may write to the Share Department.
(b) Members are requested to consolidate multiple share certificates/multiple folios into one share certificate/one folio to save on the cost of dematerialising their shareholdings immediately or at future.
11. **MEMBERS HOLDING SHARES IN PHYSICAL FORM, ESPECIALLY IN INDIVIDUAL NAMES, ARE ENCOURAGED TO NOMINATE A PERSON TO WHOM THEIR SHARES IN THE COMPANY SHALL VEST IN THE EVENT OF THEIR DEATH.** Nomination forms will be sent to the Members on request.
12. M/s. Cameo Corporate Services Ltd., Subramanian Buildings, No. 1, Club House Road, Chennai 600 002, are acting as our Electronic Share Transfer Agent for providing Depository Services through National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).