

SPIC

**SOUTHERN PETROCHEMICAL
INDUSTRIES CORPORATION LIMITED**

**32nd Annual Report
2001-2002**

FERTILISING GROWTH THROUGH CHANGE AND CONSOLIDATION

Nourishing Growth

Just as a colourful form of life emerges from the inimitable cocoon, SPIC is also on the verge of a wholesome transformation. Moving towards consolidation and growth, the change management process is apparent and is clearly fostering an environment that promotes excellence.

SPIC firmly believes that its primary reason to engage in these initiatives is to nourish growth. While its core values remain strongly entrenched, the approach to excellence has undergone a change - a change that would nourish growth in all its manifestations - towards agriculture, towards its people and, above all, towards the society with which it is firmly entwined.



SOUTHERN PETROCHEMICAL INDUSTRIES CORPORATION LIMITED

Dr A C Muthiah	- Chairman
Thiru Ashwin C Muthiah	- Vice-Chairman
Thiru Arun Ramanathan, IAS	- Director
Thiru M Madhavan Nambiar, IAS	- Director
Thiru N Narayanan, IAS	- Director
Thiru T S Sridhar, IAS	- Director
Dr K U Mada	- Director
Thiru N R Krishnan	- Director
Thiru S Venkitaramanan	- Director
Thiru S Rajagopal	- Director
Thiru R V Gupta	- Director
Dr P L Sanjeev Reddy	- Director
Thiru S Gurumurthy	- Director
Thiru P C Ghosh	- Director
Thiru Babu K Verghese	- Managing Director
Thiru A Santhanakrishnan	- Whole-time Director & Secretary
Thiru M G Thirunavukkarasu	- Finance Director

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 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 : "SOUTHMETRO"
 E-mail : spiccorp@spic.co.in
 Website : www.spicltd.com

FACTORIES

Fertiliser : SPIC Nagar, Tuticorin - 628 005.
 Pharma : Cuddalore - 607 005.
 Maraimalai Nagar - 603 209.
 Biotech : Coimbatore - 641 101.
 Porur, Chennai - 600 116.
 Hosur - 635 110.

AUDITORS

Messers 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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FERTILISING GROWTH THROUGH CHANGE AND CONSOLIDATION

The twelve months that made up the financial 2001-2002, by all accounts, proved very eventful for SPIC.

In the previous two financials, the Company had focused on agri-business as its mainstay and was committed to remain so. The Company had demonstrated the depth of its commitment over the previous two years by steadily distancing itself from businesses that did not contribute to the growth of its focus area or were in any way a digression, despite being profitable by themselves. This was the background on which events of the financial under report unfolded.

There was change in the economy, change in the industry and change within the Company. At the macro level, the economy was of no help, public policy took forever in the coming and the industry outlook was bleak.

Conditions within SPIC at the start of the year prompted only one question : Would the Company allow change to dictate to it or would the Company ride it, learn, and eventually, excel in converting adversities into opportunities? The situation warranted the Company to look closely at a new change management process. The change strategy that was formulated with a view to creating the right atmosphere for the twin goals of consolidation and growth also lent to every one within the organisation a good chance to brace themselves to face that moot question.

It triggered a realisation of acceptance of change. The realisation spanned the entire organisation. Everyone realised that change was inevitable, and as the saying goes, the only constant factor. From this realisation was born the desire of revival and excellence. In a rare and unspoken unanimity the Company decided that it would ride change, that it would harness that energy to purposeful ends.



The first area in which change manifested itself was Government policy. Both the direction and the speed of the Government's policy changed significantly during the year. Most of these changes came after the third quarter of the financial. Seldom were the announcements allowed to go uncontested by the industry. As such, by the end of the year most announcements were under review or at best in a nebulous state. The effects of these policy decisions would be more in evidence only in the next financial.

There were changes in the company too. A Management Committee was constituted in July with Mr Ashwin Muthiah as its Chairman. He was also appointed Vice Chairman of the Company.

With the new Management Committee taking charge, a brisk pace was established in giving a seamless order to the activities of the company.

Five areas – debt-restructuring, plant operations, cost control, marketing and disinvestment – were identified by the Management Committee for active and innovative consideration. The Management Committee, apart from Mr Ashwin Muthiah, had Deputy Managing Director Mr Babu K Verghese, Director and Secretary Mr A Santhanakrishnan and Finance Director Mr M G Thirunavukkarasu as its members. This was the first major step in change management that the Company took to prepare itself for its eventual consolidation.

The SPIC Vision and Mission statements too evolved to incorporate the new management aspects of change management and consolidation. The core values, however, remain the same. In fact, the core values of service to the farmer, quality of products and adherence to values have found a new boost.



SPIC

The SPIC Corporate logo got a new tagline – Nourishing growth. The tagline emphasises SPIC's belief that its primary *raison d'être* is to nourish growth in all its dimensions.

In order to stay competitive, to optimise costs and enhance its stakeholder values, SPIC restructured its operations. The fallout of that these initiatives was two fold: Outsourcing was adopted to make substantial savings in operations and a Voluntary Retirement Scheme, the second in SPIC, was offered and taken. The outsourcing initiative covered SPIC's Logistics and Management Services and Systems. More than 150 employees availed themselves of the VR scheme.

There were other people related changes too. The most important was Dr P R Sundaravadivelu Vice Chairman retiring on the last day of the financial. "Performance Par Excellence" said the plaque that his farewell memento bore. Indeed, performance was the buzzword of the year. The new Management Committee made it clear that in judging the importance of any person working for SPIC, performance would be the exclusive criterion. There would be none other.

Other fronts too experienced change: starting this year SPIC will be making all the disclosures in the format prescribed by SEBI for Corporate Governance Code disclosures.

These significant changes are with a clear direction and full of meaning. The goal is clear: consolidation for growth, for profits, for value-addition and for performance.

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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-SECOND ANNUAL GENERAL MEETING** of the Members of Southern Petrochemical Industries Corporation Limited will be held on Monday, 26 August 2002 at 3.00 P.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 31 March 2002 and the Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors.
2. To elect a Director in the place of Thiru Ashwin C Muthiah, who retires by rotation and being eligible, offers himself for re-election.
3. To elect a Director in the place of Dr K U Mada, who retires by rotation and being eligible, offers himself for re-election.
4. To elect a Director in the place of Thiru Babu K Verghese, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditors and fix their remuneration. M/s A F Ferguson & Co., the retiring Auditors, are eligible for re-appointment.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT Thiru N R Krishnan, 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."
7. To consider and if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION:
"RESOLVED THAT Thiru S Rajagopal, 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 R V Gupta, 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 an ORDINARY RESOLUTION:

"RESOLVED THAT Thiru N Narayanan, 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."

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

"RESOLVED THAT Thiru T S Sridhar, 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."

11. 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 Babu K Verghese and for payment of remuneration/minimum remuneration by way of Salary, Special Allowance/Performance Award and other perquisites as described below:

- | | | |
|------|--------------|---|
| I) | Designation | : As Deputy Managing Director (from 1 October 2001 to 31 March 2002)
As Managing Director (from 1 April 2002 to 30 September 2004) |
| II) | Period | : From 1 October 2001 to 30 September 2004 |
| III) | Remuneration | : |
| | 1. | Salary: Rs. 80000/- per month. |
| | 2. | Special Allowance/Performance Award, which shall be restricted to an amount equal to the annual Salary. |
| | 3. | Perquisites: |
| | | Perquisites shall be allowed in addition to both Salary and Special Allowance/Performance Award. However, it shall be restricted to an amount equal to the annual Salary. |

SPIC

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 per cent 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 actuals.

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.

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 per cent of the Salary. Contribution to pension/superannuation/annuity fund together with contribution to Provident Fund shall not exceed 27.5 per cent 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) **Leave encashment:**
Encashment of leave at the end of the tenure, as per rules of the Company.
- iv) **Car:**
Provision of Company's car for business and personal use.
- v) **Telephone:**
Provision of telephone at residence.
4. **Reimbursement of expenses:**
 - i) **Entertainment expenses:**
Reimbursement of entertainment expenses actually and properly incurred for the business of the Company subject to a reasonable ceiling as may be fixed from time to time by the Board.
 - ii) **Travelling expenses:**
Reimbursement of travelling expenses actually and properly incurred for the business of the Company subject to a reasonable ceiling as may be fixed from time to time by the Board.
5. **Minimum Remuneration:**

In the event of loss, absence or inadequacy of profits, in any financial year during the currency of tenure of Thiru Babu K Verghese, the remuneration aforesaid shall be the minimum remuneration payable to him. However, any excess over the limits on minimum remuneration prescribed under the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, shall be payable to Thiru Babu K Verghese, with the approval of the Central Government, if so, required."

"RESOLVED FURTHER THAT in the event of any statutory amendment or modifications or relaxation by the Central Government to Schedule XIII to the Companies Act, Income Tax Act and to Income Tax Rules or issuance of any notification under the aforesaid Acts/Rules, during the tenure of his appointment, the Board of Directors of the Company be and is hereby authorised to vary or increase the remuneration/minimum remuneration including Salary, Special Allowance/Performance Award, perquisites and other allowances within such revised limit or ceiling, as may be prescribed by the Central Government, without any further reference to the Company in General Meeting or the Central Government."

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

"RESOLVED THAT 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 to or in favour of Industrial Development Bank of India (IDBI), Agents and Trustees for the Debentureholder, to secure the Series XIII 25,00,000 13 per cent Secured Redeemable Non-Convertible Debentures of Rs. 100/- each, for cash, at par, of the aggregate value of Rs. 2500 lacs, issued by the Company under private placement basis to Unit Trust of India, together with interest thereon, at the agreed rate, premia on prepayment or on redemption, costs, expenses and all other moneys payable by the Company to IDBI, Agents and Trustees for the Debentureholder, in terms of a Trustee Agreement entered into/to be entered into by the Company in respect of the said Debentures."

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

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

"RESOLVED THAT 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 Industrial Development Bank of India (IDBI), to secure:

- a) the Rupee Term Loan of Rs. 57.50 crores availed by the Company from IDBI under the Corporate Loan Scheme towards financial assistance against securitisation of disinvestment proceeds of Heavy Chemicals Division receivable from Tamilnadu Petroproducts Ltd.; and
- b) the Rupee Term Loan of Rs. 127 crores availed by the Company from IDBI under the Corporate Loan Scheme towards substitution of existing working capital facility of Rs. 75 crores granted to the Company and outstanding loans of Rs. 52 crores granted to the Company's Pharma Division,

together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption,

guarantee commission, costs, charges, expenses and other moneys payable by the Company to IDBI under the loan agreements executed by the Company in respect of the said Rupee 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."

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

"RESOLVED THAT in partial modification of the Special Resolutions passed by the Members, vide Item Nos. 10 and 11 of the Notice, at the 28th Annual General Meeting of the Company held on 28 August 1998, in respect of the appointment and payment of remuneration to Dr A C Muthiah, Chairman (Managing Director), for a period of five years, from 1 October 1998 to 30 September 2003 and to Dr P R Sundaravadivelu, then Managing Director, for the period from 1 July 1998 to 31 March 2002, and pursuant to the approval of the Central Government under Sections 198(4), 309(3) and 310 of the Companies Act, 1956, granted vide its letters bearing even ref.nos.2/17/2002/CL.VII dated 4 June 2002 and 20 June 2002, approval of the Members of the Company be and is hereby accorded, in terms of Sections 198, 309 and 310 and other applicable provisions, if any, of the Companies Act, 1956, for modifying the terms of payment of remuneration/minimum remuneration to Dr A C Muthiah and Dr P R Sundaravadivelu, with effect from 1 April 2000 to the rest of the tenure of their appointment, that is, upto 30 September 2003 and 31 March 2002 respectively, by way of payment of Special Allowance restricted to an amount equal to the annual Salary, in lieu of Commission, to each of them and that all other terms and conditions in this regard remain and be applicable unaltered, as per the approval given by the Members at the 28th Annual General Meeting of the Company held on 28 August 1998."

(By Order of the Board)

For **SOUTHERN PETROCHEMICAL INDUSTRIES CORPORATION LTD.**

Place : Chennai
Date : 28 June 2002

A SANTHANAKRISHNAN
Whole-time Director & Secretary