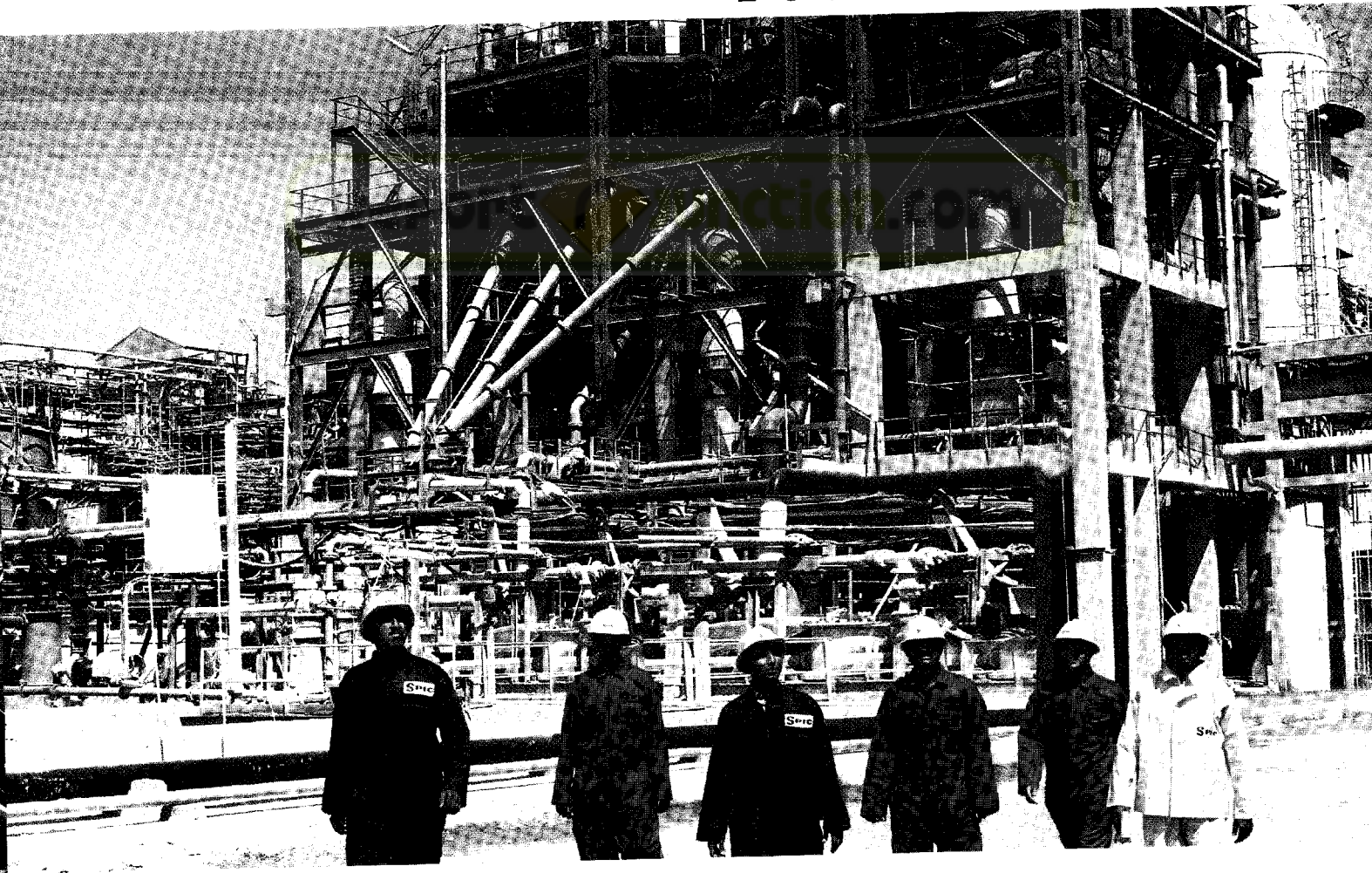


SPIC

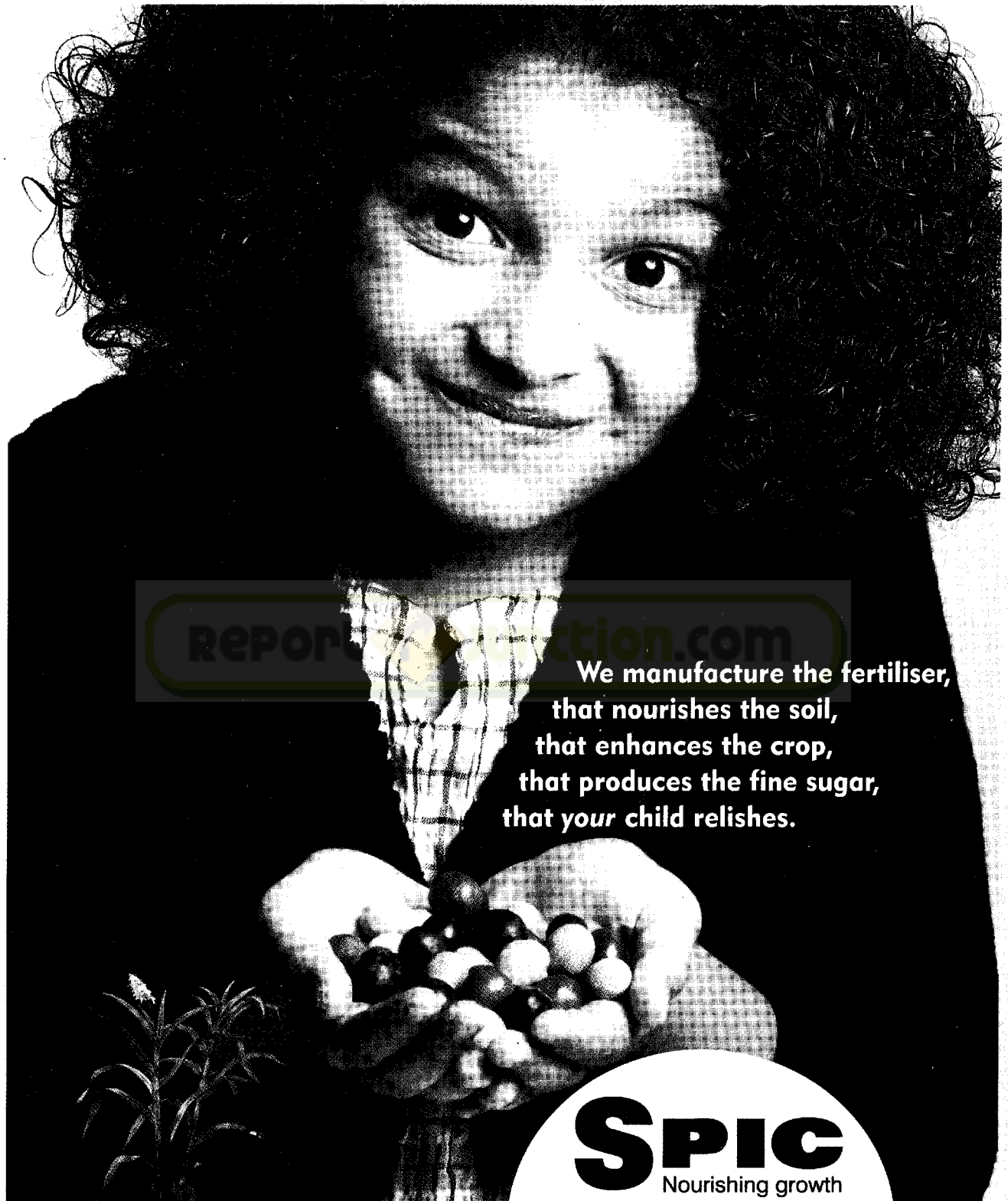
SOUTHERN PETROCHEMICAL
INDUSTRIES CORPORATION LIMITED

34th

ANNUAL REPORT
2003 - 04



Aligning People and Processes to Performance



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We manufacture the fertiliser,
that nourishes the soil,
that enhances the crop,
that produces the fine sugar,
that your child relishes.

SPIC
Nourishing growth

**SPIC Urea (Nitrogenous Fertiliser), SPIC DAP (Phosphatic Fertiliser),
SPIC MOP (Potassic Fertiliser), SPIC 20:20 (Complex Fertiliser)**

SPIC House, 88 Mount Road, Guindy, Chennai 600 032 Tel: 91-44-2235 0245 Fax: 91-44-2235 2163 email: spiccorp@spic.co.in website: www.spicltd.com



Southern Petrochemical Industries Corporation Limited

Board of Directors

Dr. A C Muthiah	- Chairman
Thiru Ashwin C Muthiah	- Vice-Chairman
Thiru Rameshram Mishra, IAS	- Director
Thiru N Narayanan, IAS	- Director
Thiru P Baskaradoss, 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
Thiru Jawahar Vadivelu	- Director
Dr. P L Sanjeev Reddy	- Director
Thiru V R Mehta	- Director
Thiru P C Ghosh	- Director
Thiru J M Garg	- Director
Thiru Babu K Verghese	- Managing Director
Thiru M G Thirunavukkarasu	- Finance Director

Vice-President (Corporate Affairs) & Secretary

Thiru N Ramakrishnan

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 : 044-22350245

Telefax : 044-22352163

Telegram : "SOUTHPETRO"

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 Fraser & Ross
Chartered Accountants,
Nandanam, Chennai - 600 035.

Southern Petrochemical Industries Corporation Limited

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ALIGNING PEOPLE AND PROCESSES TO PERFORMANCE

A company's overall performance is the sum total of the performance of its human, investment and image capital.

SPIC has always believed that its people are its most valuable asset. And in one of the most challenging years so far, SPIC's people have paved the way to the Company's renaissance.

The HR function in SPIC is not seen as a stand-alone function, insular to the Company's objectives. It has evolved as an important part of SPIC's business strategy. In a business environment where service differentiation increasingly determines the coordinates of success, the people strategy practised at SPIC has re-engendered the overall success of the Company. It has proved to be the first of the two strong pillars on which SPIC has started to re-emerge.

By making an HR matrix through creating an empowered workforce vertically and through conducting people management and development horizontally, SPIC has ensured that its people enrich the Company as much as the Company rewards them. This symbiosis is critical in the Company's enhanced performance, its appreciation and alignment with its employees.

SPIC's processes – production, production administration, marketing and accounting – have long been at the vanguard of industry standards. In this year of aligning people and processes to the Company's performance, the processes excelled and proved their dependability, becoming thereby, the second pillar on which SPIC could script its resurgence.

On the production front, more Urea and DAP were produced than in 2002-03. A facility for another complex fertiliser – the 17:17:17 – was put up, adding to SPIC's already formidable product portfolio. Phosphoric Acid capacity was enhanced appreciably through a revamp of the existing plant. Highest ever per diem production of Sulphuric Acid, Aluminium Fluoride and DAP, followed by the highest per annum production of Aluminium Fluoride were recorded this year.

There were other achievements, related to production administration – the lowest energy consumption in the Urea plant since SPIC's inception, two million accident-free man-hours, record annual discharges of rock phosphate and sulphur and the decision to directly import naphtha by using Indian Oil Corporation's facilities.

The British National Safety Award of the British Safety Council, the re-certification of SPIC for the ISO 14000 Environment Management System and the certification for the ISO 9000-2000 Quality Management System are testimony to SPIC's commitment to the health, safety and environment aspects of business.

SPIC's marketing process has contributed immensely in the renewal of SPIC's growth. With the focus of all marketing activity on increasing contribution to the Company while maintaining a high level of motivation and customer orientation, SPIC ensured that its novel marketing initiatives and strategy helped in the better performance of the Company.

Marketing successes included the sustaining of Urea volumes and the increasing of DAP volumes. In a drought year, these achievements speak volubly of SPIC's brand equity, the attributes of its marketers and their dedicated efforts. Market share for both Urea and DAP went up – Urea's by about a per cent and DAP's by about three. Whatever was produced was sold. In effect, SPIC had the lowest inventory in more than a decade. With a full realisation of collectibles and SPIC's future production sold well into the next year, the success of the marketing process was complete.

Report

The accounting process in SPIC has been observing the latest standards and seeks to reflect the state of the Company in lucid terms. SPIC follows all applicable standards, using the process to enhance the transparency of its operations.

The enhanced performance of the Company – whether it be the huge 97% reduction in losses, the steep increase in marketing contribution or the substantial savings on interest, energy or salary costs – are a reflection of its focused and informed alignment with SPIC's people and processes. It is only a matter of time that SPIC's good performance on all parameters becomes a permanent fixture of the future.

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-FOURTH ANNUAL GENERAL MEETING** of the Members of Southern Petrochemical Industries Corporation Limited will be held on Wednesday, 29 September 2004 at 3.00 P.M. at Rajah Annamalai Hall, Chennai - 600 108, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31 March 2004 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To elect a Director in place of Thiru S Rajagopal, who retires by rotation and, being eligible, offers himself for re-election.
3. To elect a Director in place of Thiru R V Gupta, who retires by rotation and, being eligible, offers himself for re-election.
4. To elect a Director in place of Thiru N Narayanan, IAS, who retires by rotation and, being eligible, offers himself for re-election.
5. To appoint Auditors and fix their remuneration. M/s. Fraser & Ross, the retiring Auditors are eligible for re-appointment.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification, the following resolution as an **ORDINARY RESOLUTION**:
 "RESOLVED THAT Thiru P Baskaradoss, 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."
7. To consider and if thought fit, to pass, with or without modification, the following resolution as a **SPECIAL RESOLUTION**:
 "RESOLVED THAT subject to the approval of the Central Government, Financial Institutions and other approvals, as may be necessary, sanction of the Company be and is hereby accorded in terms of Sections 198, 269, 309, 311 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, for the re-appointment of Thiru Babu K Verghese as Managing Director of the Company and for payment of remuneration/minimum remuneration by way of Salary, Special Allowance/Performance Award and other Perquisites to him as described below:

- i) Period:
 From 1 October 2004 to 30 September 2007.

ii) Remuneration:

1. Salary:
 Rs.1,00,000/- 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.

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 Allowance:
 Leave as per the rules of the Company including encashment of leave. Leave Travel Allowance once 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) Insurance:
 Insurance coverage to the Appointee in accordance with the rules of the Company.
 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.
 The Board of Directors, however, 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 the Indian Income-tax Act/Rules or notifications 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/Notifications.

- 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 the 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:

The remuneration aforesaid shall be the minimum remuneration payable to Thiru Babu K Verghese."

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

"RESOLVED THAT pursuant to the condition stipulated by the Corporate Debt Restructuring Cell in its letter no.BY.CDR/659 dated 19 March 2003 requiring additional contribution to the Company's equity share capital, at par, by the promoters of the Company, and in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956/other applicable laws, the Rules and Regulations thereunder, and the Memorandum and Articles of Association of the Company and subject to such approvals, as

may be necessary, from the Securities and Exchange Board of India (SEBI) and other bodies/authorities, and subject to such conditions, as may be prescribed by them, while granting such approvals and subject to such terms, conditions and alterations and in such manner and in such tranche(s), the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall be deemed to include any Committee which the Board may have constituted or hereafter constitute to exercise its powers including the powers conferred by this resolution) may in its absolute discretion think fit for acceptance in the interest of the Company, consent of the Company be and is hereby accorded to the Board to issue and allot up to 2,00,00,000 (two crore) equity shares of the face value of Rs.10/- each of the aggregate nominal value of Rs.20,00,00,000/- (Rupees twenty crores only), for cash, at par, and on such further terms and conditions specified in the SEBI (Disclosure and Investor Protection) Guidelines, 2000 (as amended from time to time) [hereinafter referred to as "the SEBI Guidelines"] to (1) FICON Holdings Limited, Mauritius, and (2) ACM Educational Foundation, Chennai, on preferential allotment basis, without offering the same to any persons who at the date of offer are holders of equity shares of the Company, as set out in the explanatory statement to this resolution, and the said equity shares, upon allotment, shall rank *pari passu* with the existing equity shares of the Company in all respects."

"RESOLVED FURTHER THAT the Relevant Date for determining the issue price for the aforesaid preferential issue under the SEBI Guidelines shall be 30 August 2004."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things and execute such documents, instruments and writings as it may in its absolute discretion deem necessary or desirable for giving effect to the above resolution."

"RESOLVED FURTHER THAT the Board do seek listing of the aforesaid equity shares at the National Stock Exchange of India, where the equity shares of the Company are listed."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to agree to, and accept all such conditions, modifications and alterations, if any, as may be stipulated by SEBI/other bodies while according approval or consent to the issue and to take all such actions as may be necessary, proper or expedient, for the issue/allotment of the equity shares and to do all such acts, deeds, matters, things, in connection therewith and/or incidental thereto and to settle all issues that may arise in this regard, as the Board may in its absolute discretion deem fit, without being required to seek further consent or approval of the Members of the Company in general meeting or otherwise, and that the

Members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

9. To consider and if thought fit, to pass, with or without modification, 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 such other approvals as may be required, approval of the Members be and is hereby accorded 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 constituted or may hereafter constitute to exercise its powers including the powers conferred by this resolution), for investing a sum of Rs.20,00,00,000/- (Rupees twenty crores only) in the preference share capital of Tuticorin Alkali Chemicals and Fertilisers Limited (TAC), by subscription to 20,00,000 5% Redeemable Cumulative Preference Shares of Rs.100/- each, at par, by way of conversion of the promoter's contribution of Rs.20 crores granted earlier by the Company to TAC,

notwithstanding that such investment is in excess of the limit stipulated under the said Section 372A."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to settle all or any matter arising out of or incidental to the proposed investment and to do all such acts, deeds, matters and things as are, in their absolute discretion, considered necessary, expedient or desirable to give effect to this resolution."

(By Order of the Board)

For SOUTHERN PETROCHEMICAL INDUSTRIES CORPORATION LTD.

Place : Chennai
Date : 31 July 2004

N RAMAKRISHNAN
Secretary

NOTES:

- 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.**
- 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. 6 to 9 of the Notice is annexed hereto.
- The Register of Members and the Share Transfer Register of the Company will remain closed from Tuesday, 14 September 2004 to Wednesday, 29 September 2004 (both days inclusive).
- 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.
- For shares held in physical form, any change in address/other details may be intimated immediately to the Registrar and Transfer Agents viz., Cameo Corporate Services Limited, "Subramanian Building", 1 Club House Road, Chennai - 600 002 by quoting the Folio Number(s). For shares held in demat form, change in address/other details may be intimated directly to the Members' DP.
- As per the requirements of Section 205A of the Companies Act, 1956, the Company has transferred unclaimed dividends up to 1993-94 to the General Revenue Account of the Central

Government and in respect of 1994-95 and 1995-96 to the Investor Education and Protection Fund constituted by the Central Government. In respect of the amounts remaining in the Unpaid Dividend Accounts for 1996-97 and thereafter, the Company would transfer the same, at the expiry of seven years, to the aforesaid Fund. Upon such transfer, a Member shall have no claim against the Fund or the Company regarding his unpaid dividend. **Members are therefore requested to promptly lodge their claims for unpaid dividend, if any, in respect of the years 1996-97 to 2000-01 with the Registrar and Transfer Agents or the Company.**

- The Company's Equity Shares are listed at the National Stock Exchange. Annual listing fees has been paid to the said Exchange in time.
- MEMBERS HOLDING SHARES IN PHYSICAL FORM ARE ENCOURAGED TO NOMINATE A PERSON TO WHOM THEIR SHAREHOLDING IN THE COMPANY SHALL VEST IN THE EVENT OF DEMISE.** Nomination forms will be sent to the Members on request by the Registrars and Share Transfer Agents.

General

In respect of Item No.7 of the Agenda of the Notice, the details contained in the resolution along with the Explanatory Statement thereto may be treated as an abstract of the terms of re-appointment of Thiru Babu K Verghese as Managing Director, for circulation to the Members as required under Section 302 of the Companies Act, 1956.

All material documents relating to the aforesaid items of the Agenda of the Notice are available for inspection by the Members at the Principal Office of the Company on any working day between 11.00 A.M. and 1.00 P.M. prior to the date of the Meeting.