

SPIC

Nourishing growth

Southern Petrochemical Industries Corporation Limited



36th ANNUAL REPORT 2005-06

Southern Petrochemical Industries Corporation Limited

Board of Directors

Dr A C Muthiah	Chairman
Ashwin C Muthiah	Vice Chairman
Babu K Verghese	Managing Director
M G Thirunavukkarasu	Finance Director
S Ramasundaram, IAS	Director
Shaktikanta Das, IAS	Director
K Gnanadesikan, IAS	Director
Surjit K Chaudhary, IAS	Director
Dr K U Mada	Director
N R Krishnan	Director
Jawahar Vadivelu	Director
M R Srinivasan	Director
V R Mehta	Director
P C Ghosh	Director
KBN Murthy	Director

Secretary

N Ramakrishnan

Auditors

Fraser & Ross
Chartered Accountants, Chennai

Bankers

Indian Bank	Allahabad Bank	State Bank of Bikaner and Jaipur
Bank of Baroda	Canara Bank	Central Bank of India
Dena Bank	Indian Overseas Bank	Oriental Bank of Commerce
Punjab National Bank	Punjab and Sind Bank	State Bank of India
State Bank of Patiala	Union Bank of India	State Bank of Travancore
Syndicate Bank	Tamilnad Mercantile Bank Limited	The South Indian Bank Limited
Andhra Bank	The Bank of Rajasthan Limited	Bank of India

Registered Office

73 Armenian Street, Chennai 600 001

Principal Office

SPIC House, 88 Mount Road
Guindy, Chennai 600 032
Voice: +91.44.22350245
Fax: +91.44.22352163
Email: spiccorp@spic.co.in
Corporate website: www.spic.co.in

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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-SIXTH ANNUAL GENERAL MEETING** of the Members of Southern Petrochemical Industries Corporation Limited will be held on Tuesday, 10 April 2007 at 2.45 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 30 September 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To elect a Director in place of Thiru M G Thirunavukkarasu, who retires by rotation and, being eligible, offers himself for re-election.
3. To elect a Director in place of Thiru N R Krishnan, who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint Auditors and fix their remuneration. Fraser & Ross, the retiring Auditors are eligible for re-appointment.

SPECIAL BUSINESS

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

"RESOLVED THAT Thiru Surjit K Chaudhary, 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."

6. 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 Institution(s) 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 Dr A C Muthiah as Chairman (Managing Director) of the Company and for payment of remuneration/minimum remuneration by way of Salary, Special Allowance and other Perquisites to him as described below:

i) Period:

From 1 October 2006 to 30 September 2009.

ii) Remuneration:
1. Salary:

Rs.2,00,000/- per month.

2. Special Allowance: Rs.2,00,000/- per month.
3. Perquisites:

Perquisites in addition to both Salary and Special Allowance, not exceeding Rs.2,00,000/- per month.

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 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 Income-tax Act/Rules/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.

ii) Travelling Expenses:

Reimbursement of travelling expenses actually and properly incurred for the business of the Company.

5. Minimum Remuneration:

The remuneration aforesaid shall be the minimum remuneration payable to Dr A C Muthiah."

Notice

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 Institution(s) and other approvals, as may be necessary, sanction of the Company be and is hereby accorded in terms of Sections 198, 269, 309 and other applicable provisions, if any, read with Schedule XIII, of the Companies Act, 1956, for the re-appointment of Thiru M G Thirunavukkarasu as Finance 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 July 2006 to 30 June 2009.
- II) Remuneration:
 1. Salary:
Rs.70,000/- per month.
 2. Special Allowance/Performance Award: Not exceeding Rs.70,000 per month.
 3. Perquisites:
Perquisites shall be allowed in addition to both Salary and Special Allowance/Performance Award, not exceeding Rs.70,000/- per month.
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 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) 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 Income-tax Act/Rules/ 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 M G Thirunavukkarasu."

8. To consider and if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:
 "RESOLVED THAT pursuant to Clause 3.6 of the Scheme of Amalgamation of SPIC Holdings and Investments Limited, SPIC Biotechnologies Limited and Mitocon Biotec Limited with the Company, sanctioned by the Hon'ble High Court of Judicature at Madras by its Sanction dated 16 February 2007, and 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 authorities, if so required, consent of the Company be and is hereby accorded for the vesting in the Company of the following investments held in various companies by the erstwhile SPIC Holdings and Investments Limited, notwithstanding that, arising from the vesting of such investments, the aggregate investments of the Company shall be over and above the limits prescribed under Section 372A of the Companies Act, 1956:

Sl.No.	Name of company	Nature of investment
1	Sical Logistics Limited	3,11,014 equity shares of Rs.10/- each
2	SPEL Semiconductor Limited	5,40,000 equity shares of Rs.10/- each
3	Gold Nest Trading Company Limited [formerly, TAC Investments Finance (Madras) Limited]	2,49,000 equity shares of Rs.100/- each
4	Indital Chemicals Limited	38,058 equity shares of Rs.100/- each
5	SPIC JEL Engineering Construction Limited	5,27,143 equity shares of Rs.10/- each
6	Orchard Microsystems Limited	32,62,100 equity shares of Rs.10/- each
7	National Aromatics and Petrochemicals Corporation Limited	25,000 equity shares of Rs.10/- each
8	SPIC Electric Power Corporation Private Limited	5,00,000 equity shares of Rs.10/- each
9	SPIC Petrochemicals Limited	57,50,000 equity shares of Rs.10/- each; & 5,000 8% Redeemable Cumulative Non-Convertible Preference shares of Rs.100/- each
10	SPIC Aromatics and Chemicals Corporation Limited	5,000 8% Redeemable Cumulative Non-Convertible Preference shares of Rs.100/- each

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

"RESOLVED THAT pursuant to Clause 3.6 of the Scheme of Amalgamation of SPIC Holdings and Investments Limited, SPIC Biotechnologies Limited and Mitocon Biotech Limited with the Company, sanctioned by the Hon'ble High Court of Judicature at Madras by its Sanction dated 16 February 2007, and in supersession of the resolution passed by the Members at the Extraordinary General Meeting of the Company held on 5 November 1994 and pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956 and other enabling provisions, if any, and Article 144 of the Articles of Association of the Company, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing, from time to time, any sum or sums of money which together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount up to which monies may be borrowed by the Board of Directors outstanding at any time shall not exceed Rs.3,000 crores (Rupees three thousand crores only)."

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

"RESOLVED THAT in furtherance of the resolution passed by the Members of the Company, at their 35th Annual General Meeting held on 29 September 2005, re-appointing Fraser & Ross, Chartered Accountants, as Auditors of the Company, to hold Office from the conclusion of the 35th Annual General Meeting till the conclusion of the 36th Annual General Meeting, on a remuneration of Rs.18,00,000/- (Rupees eighteen lacs only) plus service tax as applicable and reimbursement of out-of-pocket expenses incurred, approval of the Members be and is hereby further accorded, consequent to extension of the Company's financial year, 2005-06 (1 April 2005 to 31 March 2006), by six months viz. up to 30 September 2006, for payment of an additional sum of Rs.9,00,000/- (Rupees nine lacs only), as remuneration, to Fraser & Ross, Chartered Accountants, for audit of the financial accounts of the Company relating to the said extended period."

(By Order of the Board)

For SOUTHERN PETROCHEMICAL
INDUSTRIES CORPORATION LTD.

Place : Chennai
Date : 27 February 2007

N RAMAKRISHNAN
Secretary

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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.5 to 10 of the Notice is annexed hereto.
3. The Register of Members and the Share Transfer Register of the Company will remain closed from Tuesday, 27 March 2007 to Tuesday, 10 April 2007 (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 Depository Participant (DP) ID and Client ID numbers should be indicated in the Attendance Slip.
5. 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.

6. 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 to 1998-99 to the Investor Education and Protection Fund constituted by the Central Government. In respect of the amounts remaining in the Unpaid Dividend Accounts for 1999-2000 and 2000-01, 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 1999-2000 and 2000-01 with the Registrar and Transfer Agents or the Company.**
7. The Company's Equity Shares are listed at the National Stock Exchange. Annual listing fee has been paid to the said Exchange in time.
8. 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 Registrar and Transfer Agents.

Inspection of documents

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.

Notice

Notice

Annexure to Notice

Details of the Directors seeking re-election/appointment at the 36th Annual General Meeting vide Item Nos. 2, 3 and 5 of the Notice dated 27 February 2007

[Pursuant to Clause 49(IV)(G) of the Listing Agreement]

The resume in brief/other details of the Directors, whose re-election/appointment is for the consideration of the Members at the ensuing 36th Annual General Meeting, are furnished hereunder:

Thiru M G Thirunavukkarasu

Thiru M G Thirunavukkarasu, 57, is the Finance Director of the Company since June 1998. He is a Member of the Institute of Chartered Accountants of India, the Institute of Cost and Works Accountants of India and the Institute of Company Secretaries of India. He has vast experience of over three decades in corporate finance and accounting disciplines.

Thiru Thirunavukkarasu is a Director of SPIC Fertilizers and Chemicals Ltd, Mauritius, SPEL Semiconductor Ltd, and National Aromatics and Petrochemicals Corporation Ltd.

Thiru Thirunavukkarasu also holds positions in various Board-Committees, namely, as the Chairman of the Securities Transfer and Investors' Grievance Committee of SPEL Semiconductor Ltd, as a Member of the Shareholders'/Investors' Grievance Committee, the Management Committee and the Finance Committee of the Company and the Remuneration and Compensation Committee of SPEL Semiconductor Ltd.

Thiru Thirunavukkarasu holds 150 equity shares of the Company.

Thiru N R Krishnan

Thiru N R Krishnan, 68, was a Member of the Indian Administrative Service. He was the Secretary to the Government of India, in the

Ministry of Fertilizers. He was appointed a Director of the Company on 17 March 2001.

Thiru Krishnan is a Director of Tamilnadu Road Development Company Ltd, SPIC Petrochemicals Ltd, Tamilnadu Petroproducts Ltd, and Cognizant Foundation (incorporated under Section 25 of the Companies Act, 1956).

Thiru Krishnan also holds positions in various Board-Committees, namely, as the Chairman of the Shareholders'/Investors' Grievance Committee of the Company, Member of the Audit Committee and the Remuneration Committee of the Company, Member of the Audit Committee of Tamilnadu Road Development Company Ltd and Member of the Audit and Remuneration Committees of Tamilnadu Petroproducts Ltd.

Thiru Krishnan does not hold any shares of the Company.

Thiru Surjit K Chaudhary, IAS

Thiru Surjit K Chaudhary, IAS, 51, is the Agriculture Production Commissioner and Secretary, Agriculture Department, Government of Tamilnadu. He is one of the nominees of Tamilnadu Industrial Development Corporation Ltd, on the Board of Directors of the Company. He was appointed Director on 30 May 2006. He is also a Member of the Shareholders' and Investors' Grievance Committee of the Board of Directors.

Thiru Chaudhary is also a Director of Tamilnadu Civil Supplies Corporation Ltd, and Niliakkottai Food Park Ltd.

Thiru Chaudhary does not hold any shares of the Company.

EXPLANATORY STATEMENT

PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, READ WITH ARTICLE 76 OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The following Explanatory Statement sets out the material facts referred to in Item Nos.5 to 10 of the Notice convening the 36th Annual General Meeting:

Item No. 5

Thiru Surjit K Chaudhary, IAS, was appointed an Additional Director of the Company by the Board of Directors at the Meeting held on 30 May 2006.

As per the provisions of Section 260 of the Companies Act, 1956, read with Article 106 of the Articles of Association of the Company, Thiru Chaudhary will hold Office up to the date of this Annual General Meeting. Notice proposing his candidature for appointment as Director under Section 257 of the Companies Act, 1956, together with the requisite deposit, has been received from Tamilnadu Industrial Development Corporation Ltd viz. a Member.

The Board commends the election of Thiru Surjit K Chaudhary, IAS, as Director of the Company for the approval of Members.

Memorandum of Interest

Except Thiruvalargal Surjit K Chaudhary, IAS, K Gnanadesikan, IAS, S Ramasundaram, IAS and Shaktikanta Das, IAS, none of the Directors of the Company is interested in this resolution.

Item Nos. 6 & 7

The Board of Directors of the Company, at its Meetings:

- i) held on 30 May 2006, re-appointed Thiru M G Thirunavukkarasu as Finance Director of the Company for a period of three years with effect from 1 July 2006 to 30 June 2009; and,
- ii) held on 28 July 2006, re-appointed Dr A C Muthiah as Chairman (Managing Director) of the Company for a period of three years with effect from 1 October 2006 to 30 September 2009.

The terms of their re-appointment, as detailed under Item Nos.6 and 7 of the Notice, were considered and approved by the Board of Directors at the respective Meetings as aforementioned, on the recommendation of the Remuneration Committee of the Board of Directors.

In terms of Articles 100(b) and 157 of the Articles of Association of the Company, Members' approval by way of Special Resolution is required for the appointment and payment of remuneration to the Directors.

The Company has received the 'no objection' of Industrial Development Bank of India Limited, lead financial institution and Monitoring Agency appointed by the Corporate Debt Restructuring (CDR) Cell of financial

institutions and banks, for the aforesaid re-appointment of Thiru Thirunavukkarasu as Finance Director (Whole-time Director) and Dr Muthiah as Chairman (Managing Director) vide its letters ref. no.LCB/22.B.18/3076 dated 10 August 2006 and LCB/22.B.18/3936 dated 2 January 2007 respectively.

In this regard, as required under Part II, Section II of Schedule XIII to the Companies Act, 1956, the following information is furnished:

I. GENERAL INFORMATION:

Nature of industry: Manufacture/import and sale of nitrogenous and phosphatic fertilizers, besides business interests in engineering, biotech and pharmaceuticals.

Date of commencement of commercial production: The commercial production of urea, the main product of the Company, commenced on 22 June 1975.

Financial performance:

The following are the results of the Company during the last five years, at a glance:

(Rs. in Thousands)

Financial parameters	2001-02	2002-03	2003-04	2004-05	2005-06 (18 months)
Turnover	1721,98,40	1638,80,27	150,83,653	2129,40,34	3332,19,26
Net Profit (as per P&L a/c)	(215,50,80)	(375,68,97)	(9,41,38)	9,74,42	(390,82,58)
Amount of Dividend paid	Nil	Nil	Nil	Nil	Nil
Rate of Dividend declared in %	Nil	Nil	Nil	Nil	Nil

Export performance, net foreign exchange earnings and collaborations:

During the financial year 2005-06, the Company's foreign exchange earnings on account of exports on FOB basis was Rs.1816.89 lacs. The expenditure in foreign currency, including CIF value of imports, is Rs.45347.99 lacs. Fertilizer industry is import-intensive requiring regular imports of inputs like sulphur and rock phosphate since feedstocks are not available in the country.

The Company has promoted/invested in (a) Indo-Jordan Chemicals Company Limited, a joint venture with the Jordan Phosphate Mines Company Limited, Jordan, for the manufacture of phosphoric acid; and (b) SPIC Fertilizers and Chemicals FZE, as a joint venture with Emirates Trading Agency, Dubai, under implementation at the Jebel Ali Free Zone, Dubai, for the manufacture of urea.

II. INFORMATION ABOUT THE APPOINTEES:

Background details, recognition/awards:

Dr A C Muthiah

Dr A C Muthiah's association with the Company spans over three decades. Since incorporation of the Company in 1969 and up to 1983, he was the Executive Vice-President in charge of the general management of the affairs of the Company relating to production, finance, personnel and administration, sales and expansion of the Company's activities. In October 1983, he was appointed Vice-Chairman and President (Managing Director). He guided the Company through its expansion/modernization programmes. Since the year 2000, Dr Muthiah is the Executive Chairman (Managing Director) of the Company.

During the managerial tenure of Dr Muthiah, the Company made rapid strides not only as a fertilizer manufacturer but also in other fields like agri-business, pharmaceuticals, bio-technology, and petrochemicals. Dr Muthiah is largely instrumental in the making of the Company as a fertilizer major in India.

Dr Muthiah is a former President of the Federation of Indian Chambers of Commerce and Industry and the Board of Control for Cricket in India. He was bestowed with knighthood by the King of Belgium and is the honorary consul of Belgium for southern India. Dr Muthiah has created endowments and established projects both as a corporate leader and in his personal capacity.

Thiru M G Thirunavukkarasu

Thiru M G Thirunavukkarasu holds a degree in Commerce (B.Com) and Associate Memberships of the Institute of Chartered Accountants of India, the Institute of Cost and Works Accountants of India and the Institute of Company Secretaries of India. He has vast experience in the corporate finance and accounting disciplines of over three decades, having worked in various companies like Vikrant Tyres Ltd, SRF Ltd, Needle Industries (India) Ltd and UB Petroproducts Ltd.

Past remuneration:

Details of remuneration (in Rs.) drawn by the Appointees during 2003-04 to 2005-06 are as under:

Dr A C Muthiah:

Period	Salary	Perquisites	Special Allowance	Contribution to provident and other funds	Total cost to the Company
1 4 2003 - 31 3 2004	1500000	1312983	1500000	475000	4787983
1 4 2004 - 31 3 2005	1950000	1288409	1500000	610738	5349147
1 4 2005 - 30 9 2006 (18 months)	2700000	1774131	2250000	855000	7579131

Thiru M G Thirunavukkarasu:

Period	Salary	Perquisites	Special Allowance/ Performance Award	Contribution to provident and other funds	Total cost to the Company
1 4 2003 - 31 3 2004	780000	646652	780000	249500	2456152
1 4 2004 - 31 3 2005	840000	702892	840000	266000	2648892
1 4 2005 - 30 9 2006 (18 months)	1260000	937939	1260000	399000	3856939

Job profile and suitability:

Dr Muthiah is the Executive Chairman (Managing Director) of the Company since the year 2000.

In the last few years, the fertilizer industry has been a witness to steep hikes in the manufacturing and marketing costs, besides delayed realization of subsidies from the government. The need to compete in a global environment which seeks to remove trade barriers on one hand and the necessity to maintain internal food security on the other has made increase in agricultural production and productivity a matter of priority and concern to the country. In this scenario, the rich experience and skills of Dr Muthiah are very vital for the benefit and betterment of the Company's operations in the future.

Thiru Thirunavukkarasu, as Finance Director, is in charge of the finance function of the Company. He has vast experience in the corporate finance and accounting disciplines of over three decades.

The Company is taking sustained efforts to improve its liquidity and reduce interest cost through restructuring its short-term and long-term debt, to place it on a firmer footing in the fast changing fertilizer business environment. In this regard, the knowledge, experience and expertise of Thiru Thirunavukkarasu would be essential.

Notice / Financial Highlights

Remuneration proposed to the Appointees:

Details of remuneration proposed to be paid to Dr Muthiah, Chairman (Managing Director) and Thiru Thirunavukkarasu, Finance Director, are furnished in the resolutions proposed for Members' approval, under Item Nos.6 and 7 respectively of the Notice dated 27 February 2007, forming part of this report.

The remuneration aforesaid shall be the minimum remuneration payable to the Appointees.

Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person:

The prevalent levels of remuneration in manufacturing industries, in general and the fertilizer industry, in particular, are higher. Taking into account the turnover of the Company, the academic background, qualifications and rich experience of Thiruvallargal Dr Muthiah and Thirunavukkarasu, their invaluable contribution to the Company, their vital role in the turnaround, and comparable remuneration levels in the country, the proposed remuneration to the Appointees is reasonable.

Pecuniary relationship, directly or indirectly with the Company/relationship with managerial personnel, if any:

Neither Dr A C Muthiah nor Thiru M G Thirunavukkarasu has any pecuniary relationship with the Company, directly or indirectly (except to the extent of the remuneration received/receivable by them from the Company and their respective holding in the Company's equity share capital); nor do they have relationship with any of the managerial personnel (Whole-time Directors) of the Company.

III. OTHER INFORMATION:

Reasons for loss/inadequacy of profit, if any:

- ❖ Fertilizer Pricing Policy of the Government of India has undergone a radical shift for urea and phosphatic fertilizers, resulting in reduction in subsidy and severe liquidity crunch.
- ❖ Delay in payment of subsidy by the Government of India has forced the Company to avail of additional credit facilities from raw material suppliers, thereby further eroding EBITDA.
- ❖ The Company had curtailed its production of phosphatic fertilizers to around 60% capacity during the past three years due to severe liquidity crunch.
- ❖ The liquidity problem faced by the Company has forced it to bring down the plant operations intermittently, resulting in higher costs and lower profitability.
- ❖ Delay in the commencement of production of SPIC Petrochemicals Limited (on account of litigation with Chennai Petroleum Corporation Limited) and the fertilizer project in Dubai (pending tying up of natural gas supply), in which the Company has significant investments.

Steps taken to improve the Company's performance:

The Company is taking steps to operationalise its investments and to restructure its debts, an exercise, which would result in an increase in profitability by:

- a) providing adequate working capital to sustain high levels of operations.
- b) minimizing the financial costs.
- c) reducing debt to sustainable level and thereby reducing the interest cost.
- d) return on investments.

Expected increase in productivity and profits in measurable terms:

It is expected that with the above mentioned measures, the Company's liquidity position would improve and it would be able to achieve full production of urea and DAP as well as substantially increase the production of aluminium fluoride. It is expected that this would result in increase in the profits of the Company.

The Board commends the resolutions for the approval of Members.

Memorandum of Interest

In respect of the re-appointment of Dr A C Muthiah and the remuneration payable to him, as detailed under resolution no.6 above, apart from Dr Muthiah, Thiruvallargal Ashwin C Muthiah and Jawahar Vadivelu, Directors, who are related to Dr Muthiah are also deemed to be interested. Thiru M G Thirunavukkarasu is interested in resolution no.7 to the extent of his re-appointment and remuneration. None of the other Directors of the Company is interested in the aforesaid resolutions.

Item Nos. 8 & 9

In terms of Clause 3.6 of the Scheme of Amalgamation ("Scheme") of SPIC Holdings and Investments Limited, SPIC Biotechnologies Limited and Mitocon Biotec Limited ("Transferor Companies") with the Company viz. the Transferee Company, upon the Scheme becoming effective, the Company would obtain the approval of Members, at the earliest convened general meeting for:

- the incremental limit, in terms of Section 372A of the Companies Act, 1956 ("the Act"), arising from the vesting of investments held by the erstwhile SPIC Holdings and Investments Limited, in the Company (As per Section 372A, investments exceeding the prescribed limit can be made with approval of Members and financial institutions); and
- consolidating the borrowing power of the erstwhile SPIC Holdings and Investments Limited of Rs.500 crores with the existing borrowing limit of Rs.2,500 crores of the Company, under Section 293(1)(d) of the Act.

The Scheme was sanctioned, effective as at the close of office hours of 31 March 2006, by Sanction dated 16 February 2007 of the Hon'ble High Court of Judicature at Madras.

Consequent to and arising therefrom, the resolutions under Item nos.8 and 9 of the Notice are placed for approval of Members under Sections 372A and 293(1)(d) of the Act respectively. The Board commends the resolutions for the approval of Members.

Memorandum of Interest

None of the Directors of the Company is interested in the resolutions.

Item No. 10

At the 35th Annual General Meeting of the Members of the Company held on 29 September 2005, Fraser & Ross, Chartered Accountants, were re-appointed Auditors of the Company to hold Office from the conclusion of the 35th Annual General Meeting till the conclusion of the 36th Annual General Meeting on a remuneration of Rs.18 lacs plus service tax as applicable, and reimbursement of out-of-pocket expenses incurred.

Consequent to, and arising from, extension of the Company's financial year, 2005-06 (viz. 1 April 2005 to 31 March 2006), by six months viz. to end on 30 September 2006, an additional sum of Rs.9 lacs is to be paid to the Auditors, as remuneration, for the work performed by them in auditing the Company's financial accounts relating to the extended period of the financial year.

The Board commends the resolution for the approval of Members.

Memorandum of Interest

None of the Directors of the Company is interested in the aforesaid resolution.

(By Order of the Board)

For SOUTHERN PETROCHEMICAL INDUSTRIES CORPORATION LTD.

Place : Chennai
Date : 27 February 2007

N RAMAKRISHNAN
Secretary

Financial Highlights

Particulars	SPIC Consolidated			SPIC		
	2006 USD Million (18 months)	2006 Rs in lac (18 months)	2005 Rs in lac (12 months)	2006 USD Million (18 months)	2006 Rs in lac (18 months)	2005 Rs in lac (12 months)
Total Income	917.69	421769.03	265590.37	725.02	333219.26	212940.34
PBDIT	36.16	16621.00	30730.36	(1.70)	(779.14)	23265.54
Interest	67.99	31250.06	19343.61	65.08	29911.49	18063.35
Depreciation	33.09	15207.60	8973.83	17.97	8257.01	4227.77
Profit Before Tax (PBT)	(64.92)	(29836.66)	2412.92	(84.74)	(38947.64)	974.42
Tax	1.61	740.30	120.24	0.29	134.94	-
Profit After Tax (PAT)	(66.53)	(30576.96)	2292.68	(85.04)	(39082.58)	974.42
Equity share capital	26.21	12044.82	10054.77	26.21	12044.82	10054.77
Reserves and surplus	76.91	35347.46	110100.04	51.72	23770.87	101446.48
Networth	78.93	36276.14	11038.07	39.83	18306.67	3126.55
Gross fixed assets	843.62	387728.58	351504.17	600.98	276210.11	252033.55
Net fixed assets	438.74	201646.68	184221.72	311.71	143260.47	126617.65
Total assets	1169.60	537548.06	568752.59	545.54	250729.94	327031.95

As on 30 September 2006, 1 USD = Rs.45.96