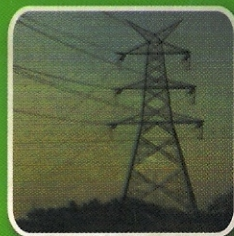
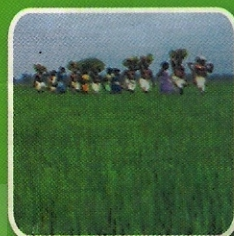


SPIC
Nourishing growth

Southern Petrochemical Industries Corporation Limited



38th

Annual Report 2009

Southern Petrochemical Industries Corporation Limited

Board of Directors

Dr A C Muthiah	Chairman
Ashwin C Muthiah	Vice Chairman
S J Chiru, IAS	Director
K Nanda Kishore, IAS	Director
B Viswabarathy	Director
B Elangovan	Director
M Jayasankar	Director
Jawahar Vadivelu	Director
B Narendran	Director
Sudhir S Rangnekar	Director
Saurav Ghosh	Director
K Natarajan	Director

Secretary

N Ramakrishnan

Auditors

Fraser & Ross
Chartered Accountants, Chennai

Bankers

Canara Bank	Dena Bank	Tamilnad Mercantile Bank Limited
Central Bank of India	State Bank of Patiala	The Bank of Rajasthan Limited

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.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-EIGHTH ANNUAL GENERAL MEETING** of the Members of Southern Petrochemical Industries Corporation Limited will be held on Tuesday, 15 September 2009 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 31 March 2009 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 Ashwin C Muthiah, who retires by rotation and, being eligible, offers himself for re-election.
3. To appoint Auditors and fix their remuneration. Fraser & Ross, the retiring Auditors are eligible for re-appointment.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modification, the following resolution as an **ORDINARY RESOLUTION**:
“RESOLVED THAT Thiru B Narendran, 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.”
5. To consider and if thought fit, to pass, with or without modification, the following resolution as an **ORDINARY RESOLUTION**:
“RESOLVED THAT Thiru Sudhir S Rangnekar, 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 an **ORDINARY RESOLUTION**:
“RESOLVED THAT Thiru K Nanda Kishore, 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 an **ORDINARY RESOLUTION**:
“RESOLVED THAT Thiru B Viswabarathy, 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 modification, the following resolution as an **ORDINARY RESOLUTION**:
“RESOLVED THAT Thiru B Elangovan, 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 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 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 2009 to 30 September 2012.
- II) Remuneration:
 1. Salary:
Rs.1,50,000/- per month.
 2. Special Allowance: Rs.1,25,000/- per month.
 3. Perquisites:
Perquisites in addition to both Salary and Special Allowance, not exceeding Rs.1,25,000/- 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 re-fix individual ceilings under each of the above heads

Notice

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."

(By Order of the Board)

For SOUTHERN PETROCHEMICAL INDUSTRIES CORPORATION LTD.

Place: Chennai
Date : 12 August 2009

N RAMAKRISHNAN
Secretary

Report Junction.com

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. 4 to 9 of the Notice is annexed hereto.
3. The Register of Members and the Share Transfer Register of the Company will remain closed from Tuesday, 1 September 2009 to Tuesday, 15 September 2009 (both days inclusive).
4. Members/Proxies should bring the Attendance Slip duly filled in for attending the Meeting. For shares held in dematerialized 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** (RTAs) by quoting the Folio Number(s).

For shares held in demat form, change in address/other details may be intimated directly to the Member's 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 2000-01, to the Investor Education and Protection Fund constituted by the Central Government.
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 RTAs.
9. As per latest SEBI directive, it shall be mandatory for the transferees to furnish self-attested copy of the PAN (Permanent Account Number) card to the Company/RTAs for registration of transfer of shares in the physical form.

Inspection of documents

All material documents relating to the aforesaid items of business 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.

Annexure to Notice

Details of the Directors seeking re-election/appointment at the 38th Annual General Meeting vide Item Nos. 2, 4 to 8 of the Notice dated 12 August 2009

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

The resume in brief and other details of the Directors, whose re-election/appointment is for the consideration of the Members at the ensuing 38th Annual General Meeting, are furnished hereunder:

Thiru Ashwin C Muthiah

Thiru Ashwin C Muthiah, 43, is the Vice Chairman of the Company. He was appointed a Director of the Company on 18 December 1994. He holds a Masters' degree in business administration.

Thiru Ashwin Muthiah is the Chairman of Sical Logistics Ltd, Manali Petrochemical Ltd, Sical Distriparks Ltd, Sical Infra Assets Limited and SDB Certis CISO India Ltd. He is also the Vice Chairman of PSA Sical Terminals Ltd, and Technip India Ltd. He is a Director of Tamilnadu Petroproducts Ltd, SPEL Semiconductor Ltd, Mitsuba Sical India Ltd, and Tuticorin Alkali Chemicals and Fertilisers Ltd.

Thiru Ashwin Muthiah is a Director of Indo-Jordan Chemicals Company Ltd, Jordan, ACM Educational Foundation, ACM Medical Foundation and MAC Spin Foundation (incorporated under Section 25 of the Companies Act, 1956) and Totalcomm Infra Services Private Ltd.

Thiru Ashwin Muthiah holds positions in various Board-Committees; as the Chairman of the Management Committee of the Company and as a Member of the Remuneration Committee and the Finance Committee of the Company; Chairman of the Investment & Capex Committee and the Operations Oversight Committee and as a Member of the Audit Committee of Sical Logistics Ltd; and the Share Transfer and Shareholders'/Investors' Grievance Committee of Tamilnadu Petroproducts Ltd.

Thiru Ashwin Muthiah holds 45 equity shares of the Company.

Thiru B Narendran

Thiru B Narendran, 63, a chemical engineer and a Master's graduate in transportation, has been a consultant to Shell Inc, Detroit, Rite-Aid Pharmacy, Houston and State Highways Administration, Baltimore, USA. Thiru Narendran is also the Principal Secretary, Consulate General, Republic of Philippines in Chennai. He was appointed Director on 19 January 2009.

Thiru Narendran is a Director on the Boards of various companies – Sicagen India Ltd, SDB Cisco (India) Ltd and Vibrant Industries Ltd. He is also a Director of SIDD Life Sciences Pvt Ltd.

Thiru Narendran also holds positions in Board-Committees; as the Chairman of the Audit Committee, Shareholders'/Investors' Grievance Committee and Share & Debenture Committee, Remuneration Committee and Capital Issues & Allotment Committee of Sicagen India Ltd and as a Member of the Audit Committee, Management Committee, Shareholders'/Investors' Grievance Committee and Remuneration Committee of the Company.

Thiru Narendran does not hold any equity shares of the Company.

Thiru Sudhir S Rangnekar

Thiru Sudhir S Rangnekar, 61, is a graduate in chemical engineering [B.Tech] from IIT-Mumbai and an MBA from IIM-Ahmedabad. He served Shipping Corporation of India for over three decades, and was a member of its Board for ten years. He has also held the positions of Managing Director, IranoHind Shipping Company, Tehran, Iran and Managing Director & Group CEO of Sical Logistics Limited. He is actively involved in various Industry and Trade Associations. He was appointed Director on 6 May 2009.

He is a Member of the Audit Committee, Management Committee and Remuneration Committee of the Board of Directors of the Company.

Thiru Rangnekar does not hold any shares of the Company.

Thiru K Nanda Kishore, IAS

Thiru K Nanda Kishore, IAS, 59, is the Agricultural 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 4 June 2009. He is also a Member of the Shareholders'/Investors' Grievance Committee of the Board of Directors.

Thiru Nanda Kishore is also a Director of Tamil Nadu Civil Supplies Corporation Ltd.

Thiru Nanda Kishore does not hold any shares of the Company.

Thiru B Viswabarathy

Thiru B Viswabarathy, 56, an Associate Member of the Institute of Chartered Accountants of India, is the Senior General Manager (Finance) of Tamilnadu Industrial Development Corporation Ltd (TIDCO). He is one of the nominees of TIDCO on the Board of Directors of the Company. He was appointed Director on 4 June 2009.

Thiru Viswabarathy is a Director on the Boards of various companies – Manali Petrochemical Ltd, DCM Hyundai Ltd and Tamilnadu Telecommunications Ltd.

Thiru Viswabarathy does not hold any shares of the Company.

Thiru B Elangovan

Thiru B Elangovan, 45, General Manager, Tamilnadu Industrial Corporation Ltd (TIDCO), is one of the nominees of TIDCO on the Board of Directors of the Company. He was appointed Director on 28 July 2009.

Thiru Elangovan is a Director on the Boards of various companies – Arkonam Castings & Forgings Ltd, Sakthi Sugars Ltd, Malladi Specialities Ltd, Tamilnadu Telecommunications Ltd, Narmathaa Textiles Ltd and Asian Bearing Ltd.

Thiru Elangovan 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.4 to 9 of the Notice convening the 38th Annual General Meeting:

Item No. 4

Thiru B Narendran was appointed an Additional Director of the Company by the Board of Directors on 19 January 2009.

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 Narendran 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 a Member.

The Board commends the election of Thiru B Narendran as Director of the Company for the approval of Members.

Memorandum of Interest

Except Thiru B Narendran, none of the Directors of the Company is interested in this resolution.

Item No. 5

Thiru Sudhir S Rangnekar was appointed an Additional Director of the Company by the Board of Directors at the Meeting held on 6 May 2009.

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 Sudhir S Rangnekar 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 a Member.

The Board commends the election of Thiru Sudhir S Rangnekar as Director of the Company for the approval of Members.

Memorandum of Interest

Except Thiru Sudhir S Rangnekar, none of the Directors of the Company is interested in this resolution.

Item No. 6

Thiru K Nanda Kishore, IAS, was appointed an Additional Director of the Company by the Board of Directors at the Meeting held on 4 June 2009.

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 Nanda Kishore 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 (TIDCO) viz, a Member.

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

Memorandum of Interest

Thiru K Nanda Kishore, IAS, is interested in this resolution as it concerns his appointment. Thiruvalargal S J Chiru, IAS, B Viswabarathy and B Elangovan, being nominees of TIDCO, may be deemed to be interested in this resolution.

Item No.7

Thiru B Viswabarathy was appointed an Additional Director of the Company by the Board of Directors at the Meeting held on 4 June 2009.

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 B Viswabarathy 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 (TIDCO) viz, a Member.

The Board commends the election of Thiru B Viswabarathy as Director of the Company for the approval of Members.

Memorandum of Interest

Thiru B Viswabarathy is interested in this resolution as it concerns his appointment. Thiruvalargal S J Chiru, IAS, K Nanda Kishore, IAS and B Elangovan, being nominees of TIDCO, may be deemed to be interested in this resolution.

Item No. 8

Thiru B Elangovan was appointed an Additional Director of the Company by the Board of Directors at the Meeting held on 28 July 2009.

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 B Elangovan 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 (TIDCO) viz, a Member.

The Board commends the election of Thiru B Elangovan as Director of the Company for the approval of Members.

Memorandum of Interest

Thiru B Elangovan is interested in this resolution as it concerns his appointment. Thiruvalargal S J Chiru, IAS, K Nanda Kishore, IAS and B Viswabarathy, being nominees of TIDCO, may be deemed to be interested in this resolution.

Item No. 9

The Board of Directors of the Company, at its Meeting held on 4 June 2009, re-appointed Dr A C Muthiah as Chairman (Managing Director) of the Company for a period of three years with effect from 1 October 2009 to 30 September 2012. The Board of Directors also endorsed the terms of remuneration as per the proposal approved by the Remuneration Committee of the Board of Directors at its Meeting held on 4 June 2009, detailed under Item no. 9 of the Notice.

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 consent of the Asset Reconstruction Company (India) Limited, to whom secured lenders having more than 75% of secured debts in value have assigned the financial assistance granted to the Company along with the attendant security interests, for the aforesaid re-appointment of

Dr A C Muthiah as Chairman (Managing Director) vide its letter ref. ARGII/SG/FY10/5282 dated 5 August 2009.

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 000s)				
Financial parameters	2003-04	2004-05	2005-06 (18 months)	2006-08 (18 months)	2008-09
Total Income	1508,36,53	2129,40,34	3332,19,26	1533,46,70	429,15,16
Net Profit (as per P&L a/c)	(9,41,38)	9,74,42	(390,82,58)	(566,82,41)	(707,20,83)
Amount of Dividend paid	Nil	Nil	Nil	Nil	Nil
Rate of Dividend declared (%)	Nil	Nil	Nil	Nil	Nil

Export performance, net foreign exchange earnings and collaborations:

During the financial year 2008-09, the Company's foreign exchange earnings on account of (i) exports on FOB basis was Rs.4466 lacs. The expenditure in foreign currency, including CIF value of imports, was Rs.439.37 lacs. Fertilizer industry is import-intensive requiring regular imports of inputs like sulphur and rock phosphate since feed-stocks are not available in the country.

The Company has promoted/invested in (a) Indo-Jordan Chemicals Company Ltd, a joint venture with the Jordan Phosphate Mines Company Ltd, 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, for the manufacture of urea.

II. INFORMATION ABOUT THE APPOINTEE:

Background details, recognition/awards:

Dr A C Muthiah's association with the Company spans nearly four 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) and as Executive Chairman (Managing Director) of the Company, since the year 2000.

Dr Muthiah's contribution to the Company is immense. He guided the Company through its expansion and modernization programmes. 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, biotechnology 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. Dr Muthiah has created endowments and established projects both as a corporate leader and in his personal capacity.

Past remuneration:

Details of remuneration (in Rs.) drawn by the Appointee during the last three financial years are as under:

Period	Salary	Perquisites	Special Allowance	Contribution to provident and other funds	Total cost to the Company
01 04 2005 - 30 09 2006 (18 months)	2700000	1774131	2250000	855000	7579131
01 10 2006 - 31 03 2008 (18 months)	2700000	2082081	2250000	855000	7887081
01 04 2008 - 31 03 2009	1800000	1436046	1500000	570000	5306046

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. Dr Muthiah's strategy for the revival and restructuring of the Company is presently in its advanced stage, and the Company is expected to be on a growth track very soon. In this scenario, the rich experience, expertise and strategic interventions of Dr Muthiah are very vital for the benefit and betterment of the Company's operations in the future.

Remuneration proposed to the Appointee:

Details of remuneration proposed to be paid to Dr A C Muthiah, Chairman (Managing Director) are furnished in the resolution proposed for the Members' approval, under Item no.9 of the Notice dated 12 August 2009, forming part of this report.

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

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. Considering Dr Muthiah's role in placing the Company in a pre-eminent position on the industrial map of the country, his qualification, rich experience in fertilizer sector, present remuneration and comparable levels of remuneration in the fertilizer industry, and his role in turning around the Company from the present difficult financial position, the remuneration payable to Dr Muthiah is nominal.

Further, the remuneration payable to Dr Muthiah for his fresh term of office viz, from 1 October 2009 to 30 September 2012, is the same remuneration being received by Dr Muthiah in his current tenure of appointment viz, from 1 October 2006 to 30 September 2009.

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

Dr A C Muthiah has no pecuniary relationship, directly or indirectly, with the Company (except to the extent of the remuneration

Notice / Directors' Report

received/receivable by him from the Company and his holding in the Company's equity share capital). Other than Dr Muthiah, there are no other managerial personnel (whole-time directors) in the Company.

III. OTHER INFORMATION:

Reasons for loss/inadequacy of profit, if any:

Since the year 2002, the Company has been going through a difficult phase mainly on account of:

- radical shift in the Fertilizer Pricing Policy of the Government of India for urea and phosphatic fertilizers, resulting in a reduction in subsidy and severe liquidity crunch;
- delay in payment of subsidy by the Government of India forcing the Company to avail of additional credit facilities from raw material suppliers, thereby further eroding EBIDTA;
- delay in commencement of production of SPIC Petrochemicals Ltd [on account of litigation with Chennai Petroleum Corporation Ltd (CPCL)] and the fertilizer project in Dubai (pending tying up of natural gas supply), in which the Company has significant investments; &
- non-opening of letters of credit by the banks arising from proceedings initiated by two of the working capital lending banks before the Hon'ble Debts Recovery Tribunal/Debt Recovery Appellate Tribunal, in an effort to recover their alleged dues, resulting in stoppage of the urea and ammonia plants since March 2007.

Steps taken to improve the Company's performance:

The Company is in the process of operationalizing its investments and to restructure its debts, an exercise which would result in an increase in profitability by:

- a) providing adequate working capital to recommence its fertilizer operations;
- b) minimizing the financial costs;
- c) reducing debt to sustainable level and thereby reducing the interest cost; and
- d) improving on return of 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 resume and 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 resolution for the approval of Members.

Memorandum of Interest

Apart from Dr A C Muthiah, Thiruvallur Ashwin C Muthiah and Jawahar Vadivelu, Directors, who are related to Dr Muthiah, are also deemed to be interested; none of the other Directors of the Company is interested in the aforesaid resolution.

(By Order of the Board)

For SOUTHERN PETROCHEMICAL
INDUSTRIES CORPORATION LTD.

Place: Chennai
Date : 12 August 2009

N RAMAKRISHNAN
Secretary

DIRECTORS' REPORT

Your Directors present their 38th Annual Report together with the audited statement of accounts of the Company for the financial year ended 31 March 2009.

OPERATING RESULTS

	(Rupees in crore)	
	2008-09 (12 months)	2006-08 (18 months)
Sales and services	377.79	1477.50
Other income	51.36	55.97
Total income	429.15	1533.47
Manufacturing and other costs	925.63	1586.55
Profit before interest, depreciation and tax	(496.48)	(53.08)
Interest	127.74	385.11
Depreciation	82.46	125.90
Total expenditure	1135.83	2097.57
Profit/(loss) before tax	(706.68)	(564.10)
Provision for tax	0.53	2.72
Profit/(loss) after tax	(707.21)	(566.82)

SPIC operates its business in four divisions:

1. The **Fertilizer** Division manufactures fertilizers and fertilizer intermediates.
2. The **Pharmaceuticals** Division manufactures Penicillin-G Potassium (fermentation-based), Active Pharmaceutical Ingredients, finished dosage products, industrial enzymes and plant-based nutraceuticals.
3. The **Engineering/Construction Services** Division offers specialized and extra high voltage transmission line construction, railway electrification, operation and maintenance and related engineering services.
4. The **Agri-business** Division offers products for sustainable agricultural development with a global footprint—tissue culture plants, hybrid seeds, bio-fertilizers, bio-pest control agents for eco-friendly crop production.

SPIC's strategic investments *inter alia* in subsidiaries and joint ventures are as follows:

Indo-Jordan Chemicals Company Limited, Jordan

Manufacture of phosphoric acid, sulphuric acid

SPIC Fertilizers and Chemicals FZE, Dubai

Manufacture of ammonia, urea

SPIC Petrochemicals Limited, India

Manufacture of polyester filament yarn (PFY), purified terephthalic acid (PTA)

Indital Chemicals Limited, India

Manufacture of synthetic resins, both liquid and powder, used in automotive, abrasives, railway brake blocks, paints and inks

Orchard Microsystems Limited, India

Integrated Circuit (IC) design

Tamilnadu Petroproducts Limited, India

Manufacture of linear alkyl benzene (LAB); epichlorohydrin (ECH); heavy alkylate; caustic soda; chlorine; hydrochloric acid; ammonium chloride; sodium hypochlorite

Technip India Limited, India

Global engineering, procurement and construction (EPC) services for refinery, oil and gas, petrochemical, chemical, fertilizer, power, environmental and pharmaceutical industries

EDAC Engineering Limited, India

Construction of power plants, refineries, oil and gas, chemical and petrochemical plants in India and abroad; contracts on lump-sum turnkey (LSTK) basis for Balance of Plant (BoP) in thermal power plants and infrastructure projects; provision of services from engineering to operation and maintenance under a single roof

Tuticorin Alkali Chemicals and Fertilisers Limited, India

Manufacture of soda ash, ammonium chloride, sodium bicarbonate, ammonium bicarbonate and bio-products

Manali Petrochemical Limited, India

Manufacture of propylene oxide, propylene glycol, polyols

SPEL Semiconductor Limited, India

Turnkey wafer sort; IC assembly; test sub-contracting

OPERATIONS

Fertilizer Division

The production and sales performance of the Fertilizer Division for the period under review as compared with performance during the previous three financial years, is as follows:

(in metric tonnes)					
Product	Category	2004-05	2005-06 (18 months)	2006-08 (18 months)	2008-09
Urea	Production	678,810	983,207	257,701	--
	Sales	661,434	1,008,237	263,590	--
DAP	Production	369,525	519,618	193,905	--
	Sales	369,717	519,246	194,405	--
Complex Fertilizer	Production	34,656	14,805	26,997	6,225
	Sales	32,172	14,275	29,783	6,225
ALF ₃	Production	3,411	6,566	6,132	2,463
	Sales	5,905	6,524	6,234	2,394
Gypsum	Sales	557,565	959,801	317,054	148,531

Due to constraints on working capital, urea production remains suspended since March 2007.

The Company had manufactured phosphatic fertilizers during the period, 22 November 2008 to 28 December 2008. There was also some contract-manufacturing of fertilizer intermediates.

Achievements during the financial year 2008-09

- ❖ Highest export of aluminum fluoride;
- ❖ Obtained environment clearance for enhanced capacity of sulphuric acid and phosphoric acid plants; &
- ❖ Carried out contract-manufacturing of fertilizer intermediates on behalf of other companies, utilizing the manufacturing facilities at Tuticorin.

Market Scene

Fertilizer marketing in our country is directly linked to the two major seasons, the *Kharif* and *Rabi*.