

SPIC

40th

ANNUAL REPORT 2011

Southern Petrochemical Industries Corporation Limited

Southern Petrochemical Industries Corporation Limited

Board of Directors

Dr A C Muthiah	Chairman
Ashwin C Muthiah	Vice Chairman
M S Shanmugam, I.A.S.	Director
T K Arun	Director
B Elangovan	Director
M Jayasankar	Director
B Narendran	Director
Thirumathi Neeta Mukerji	Director

Secretary

N Rajeeva Prakash

Auditors

Fraser & Ross
 Chartered Accountants,
 ASV N Ramana Tower
 52 Venkatnarayana Road
 Chennai 600 017

Registered Office

73 Armenian Street, Chennai 600 001

Principal Office

SPIC House, 88 Mount Road
 Guindy, Chennai 600 032

Voice: +91.44.22350245

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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 FORTIETH ANNUAL GENERAL MEETING of the Members of Southern Petrochemical Industries Corporation Limited will be held on Wednesday, 16 November 2011 at 2.30 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 2011 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 B Elangovan, who retires by rotation and, being eligible, offers himself for re-election.
3. To elect a Director in place of Thiru B Narendran, who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint the Auditors and fix their Remuneration.

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 M S Shanmugam, I.A.S., 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 pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, including any amendment thereto or re-enactment thereof for the time being in force, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as the "SEBI ICDR Regulations") and the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, other applicable laws, rules, regulations, the Listing Agreement with the National Stock Exchange of India Limited, the Memorandum and Articles of Association of the Company, and in accordance with the restructuring

package approved by the Corporate Debt Restructuring (CDR) Empowered Group and subject to such other approvals, consents, permissions and / or sanctions as may be required and subject to such terms and conditions and modifications, as may be prescribed by any of the authorities while granting such approvals, consents, permissions and / or sanctions, consent of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as "the Board" which term includes the Committee(s) thereof), to issue and allot, on preferential basis, to Industrial Investment Bank of India Limited, one of the secured lenders of the Company, (hereinafter referred to as 'IIBI'), in one or more tranches, up to 12,631 (Twelve thousand six hundred and thirty one) Equity Shares of the face value of Rs.10/- each, fully paid up, by way of conversion of the Company's secured debt to IIBI, for a sum not exceeding Rs.2.40 lacs (inclusive of the premium), at an issue price of Rs.19/- per share, which includes a premium of Rs.9/- per share, subject to the relevant provisions of SEBI ICDR Regulations and on such terms and conditions as may be deemed appropriate by the Board."

"RESOLVED FURTHER THAT the Relevant Date in relation to pricing of the aforesaid issue of Equity Shares, in accordance with the SEBI ICDR Regulations would be 24 February 2010, being the date of approval of the CDR package by the CDR Empowered Group."

"RESOLVED FURTHER THAT the Equity Shares being issued and allotted as aforesaid shall rank *pari passu* in all respects with the existing Equity Shares of the Company."

"RESOLVED FURTHER THAT the Board be and is hereby authorized in its entire discretion to decide to proceed with the issue of the shares and for the purpose of giving effect to this issue and allotment of Equity Shares, to do all such acts, deeds, matters and things as it may at its absolute discretion deem necessary or appropriate for such purpose, including without limitation, to seek listing of the Equity Shares on the National Stock Exchange of India Limited, with power on behalf of the Company to settle any question, difficulty or doubt that may arise in regard to such issue or allotment of shares and in complying with any Regulations, as it may in its absolute discretion deem fit, without being required

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to seek any further clarification, consent or approval of the Members and that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

(By Order of the Board)
 For SOUTHERN PETROCHEMICAL
 INDUSTRIES CORPORATION LTD.
 N RAJEEVA PRAKASH

Place: Chennai

Date : 26 July 2011

Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL, 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 and 6 of the Notice is annexed hereto.
3. The Register of Members and the Share Transfer Register of the Company will remain closed from Thursday, 3 November 2011 to Wednesday, 16 November 2011 (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 of India Limited. Annual listing fee has been paid to the said Exchange in time.
8. MEMBERS HOLDING SHARES IN SINGLE NAME IN PHYSICAL FORM ARE ADVISED TO NOMINATE A PERSON TO WHOM THEIR SHAREHOLDING IN THE COMPANY SHALL VEST IN THE EVENT OF DEMISE. Nomination forms can be downloaded from the Company's website www.spic.in under the Section ' For investors'.
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/transmission of shares in 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.

The Ministry of Corporate Affairs, (MCA) has taken "Green Initiative in the Corporate Governance" allowing paperless compliances by Companies and has issued circular stating that the Annual Reports (including notices) can be sent to its Members through e-mail. This also provides better service to the shareholders, as it eliminates the chances of the Annual Reports being lost in postal transit; besides, the Reports reach the Members immediately.

In complying with the above, shareholders who hold shares in demat form are requested to update their e-mail addresses with their respective DPs. Shareholders who hold shares in physical form are requested to send the E-mail Registration Form (page no.19) duly filled in, to the Company's RTA.

Annexure to Notice

**Details of the Directors seeking re-election/appointment at the
40th Annual General Meeting vide Item Nos. 2, 3 & 5 of the
Notice dated 26 July 2011**

[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 40th Annual General Meeting, are furnished hereunder:

Thiru B Elangovan

Thiru B Elangovan, aged 47 years, a nominee of Tamilnadu Industrial Development Corporation Limited (TIDCO), is the General Manager, TIDCO. He was appointed as Director on 28 July 2009.

Thiru Elangovan is a Director on the Boards of various companies – Arkonam Castings & Forgings Limited, Sakthi Sugars Limited, Tamilnadu Telecommunications Limited, Tanfac Industries Limited, Jayamkondam Lignite Power Corporation Limited, Narmathaa Textiles Limited and Asian Bearings Limited. He is also a Member of Audit Committee and Shareholders' / Investors' Grievance Committee of Tamilnadu Telecommunications Limited.

Thiru Elangovan does not hold any shares of the Company.

Thiru B Narendran

Thiru B Narendran, aged 66 years, a chemical engineer and a Master's graduate from U.S.A. in transportation, had been a consultant to Shell Inc. Houston, Rite-Aid Pharmacy, Detroit and State Highways Administration, Baltimore, USA. Thiru Narendran is also the Principal Secretary, Consulate General, Republic of Phillipines in Chennai. He was appointed as Director on 19 January 2009.

Thiru Narendran is a Member of the Audit Committee, Shareholders' / Investors' Grievance Committee and Remuneration Committee of the Company. He is also the Chairman of the Audit Committee, Shareholders' / Investors' Grievance and Share & Debenture Committee, Remuneration Committee and Capital Issues & Allotment Committee of Sicagen India Ltd.

Thiru Narendran does not hold any shares of the Company.

Thiru M S Shanmugam, I.A.S.

Thiru M S Shanmugam, I.A.S., aged 45 years, is a Member of the Indian Administrative Service. He is one of the nominees of TIDCO on the Board of Directors of the Company. He is presently the Joint Secretary to the Government of Tamilnadu, in the Industries Department. He was appointed as Director on 26 July 2011.

Thiru Shanmugam is the Chairman and Managing Director of Southern Structurals Limited. He is also the Director of Tamil Nadu Salt Corporation Limited, Tamilnadu Cements Corporation Limited, Tamilnadu Industrial Explosives Limited, Tamilnadu Industrial Investment Corporation Limited, TICEL Biopark Limited, Tamilnadu Telecommunications Limited and Tanfac Industries Limited.

Thiru Shanmugam does not hold any shares of the Company.

Notice

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 and 6 of the Notice convening the 40th Annual General Meeting:

Item No.5

Thiru M S Shanmugam, I.A.S. was appointed as an Additional Director of the Company by the Board of Directors effective 26 July 2011.

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 M S Shanmugam 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 M S Shanmugam as a Director of the Company for the approval of the Members.

Memorandum of Interest

Thiru Shanmugam is interested in this resolution as it concerns his appointment. Thiruvalargal T K Arun and B Elangovan, being nominees of TIDCO, may be deemed to be interested in this resolution.

Item No.6

In terms of the Rework (restructuring) package for the Company approved by the Corporate Debt Restructuring (CDR) Empowered Group at its meeting held on 24 February 2010, secured lenders of the Company have the option to convert a portion of the secured debt of the Company into Equity Shares / Secured Non-convertible Debentures to the extent of Rs.60 crores.

Pursuant to the Members' approval, at the Extraordinary General Meeting held on 22 February 2010, secured debt of a sum of Rs.30 crores has been converted into equity, by allotment, on 30 March 2010, of 1,66,66,666 Equity Shares of Rs.10/- each, @ Rs.18/- per share (inclusive of a premium of Rs.8/-) per share, to ARCIL.

Pursuant to Members' approval at the 39th Annual General Meeting held on 21 September 2010, secured debt of a sum of Rs.6.10 crores has been converted into equity, by allotment, on 8 November 2010, of 32,14,734 Equity Shares of Rs.10/- each, @ Rs.19/- per share (inclusive of a premium of Rs.9/-) per share, to seven secured lenders, viz, Central Bank of India, State Bank of Patiala, Dena Bank, ICICI Bank Limited, New India Assurance Company Limited, Tamil Nadu Mercantile Bank Limited and State Bank of Hyderabad.

Pursuant to Members' approval at the Extraordinary General Meeting held on 29 November 2010 secured debt of a sum of Rs.21.34 crores has been converted into equity, by allotment, on 8 December 2010, of 1,06,71,001 Equity Shares of Rs.10/- each, @ Rs.20/- per share (inclusive of a premium of Rs.10/-) per share, to ARCIL.

Industrial Investment Bank of India Limited, ('IIBI') one of the secured lenders of the Company, who had not exercised their option earlier, have now exercised their option, for conversion of their portion of the debt (0.04%) of Rs. 60 Crores into equity.

The shares proposed to be issued to IIBI @ Rs.19/- per share is as per the CDR Scheme and in compliance with the relevant provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR Regulations"), with reference to the Relevant Date of 24 February 2010, being the date of approval of the Corporate Debt Restructuring package by the CDR Empowered Group.

Equity Shares, so allotted, shall rank *pari passu* in all respects with the existing Equity Shares of the Company.

The proposed issue of Equity Shares on preferential basis to IIBI as aforementioned under Item no.6 of the Notice, will be subject to provisions of all applicable Acts including the Companies Act, 1956, SEBI ICDR Regulations, the Listing Agreement with the National Stock Exchange of India Limited and the Memorandum and Articles of Association of the Company.

Pursuant to the SEBI ICDR Regulations, the following disclosures are made:

(a) Objects of the Issue:

The object of the issue of the Equity Shares to IIBI is for reduction of the Company's debt to the secured lenders, who have the option to convert a portion of their debt into equity.

(b) The proposal of the promoters, directors or key management personnel of the issuer to subscribe to the offer:

The issue is being made to IIBI, one of the Secured Lenders of the Company in terms of the relevant provisions including CDR package, by conversion of secured debt into equity and therefore, the promoters, directors or key management personnel of the issuer are not eligible to subscribe to the offer.

(c) Shareholding Pattern of the Issuer, before and after the preferential issue:

Sl. No	Category of shareholder	Before Preferential Issue		Post Preferential Issue	
		Equity shares held	% to capital	Equity shares held	% to capital
A	PROMOTERS:				
	(i) Tamilnadu Industrial Development Corp. Ltd	8840000	5.32	8840000	5.32
	(ii) Dr M A Chidambaram Group	61294510	36.86	61294510	36.86
	Sub-Total	70134510	42.18	70134510	42.18
B	NON PROMOTERS				
	1. The Bank of New York Mellon (as Depository for Global Depository Receipts)	17194550	10.34	17194550	10.34
	2. Financial Institutions	4740587	2.85	4740587	2.85
	3. Nationalised Banks	2821099	1.70	2821099	1.69
	4. Mutual Funds	2201906	1.32	2201906	1.32
	5. Foreign Institutional Investors	508150	0.31	508150	0.31
	6. Acquirer Industrial Investment Bank of India Limited			12631	0.01 *
	Sub-Total	27466292	16.52	27478923	16.52
C	OTHERS:				
	7. Foreign Companies	39800	0.02	39800	0.02
	8. Non-resident Individuals	951101	0.57	951101	0.57
	9. Public and others	67686671	40.71	67686671	40.71
	Sub-Total	68677572	41.30	68677572	41.30
	Grand Total	166278374	100.00	166291005	100.00

* Since only 12,631 equity shares are proposed to be allotted to IIBI, there is only negligible change in the %.

(d) Time within which the preferential issue shall be completed:

The allotment of Equity Shares to IIBI will be completed within 15 days of the passing of the resolution under Item no.6 forming part of the Notice for the Annual General Meeting or within 15 days of the date of approval or permission from any regulatory authority, as may be required, whichever is later and subject to the time limits, if any, prescribed in this regard.

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- (e) The identity of the proposed allottee, the percentage of post-preferential issue capital that may be held by them.

The proposed allottee of the Equity Shares is a Bank. The post-preferential issue capital to be held by the said allottee would be:

Name of the proposed allottee	No. of Equity Shares of face value of Rs.10/- each fully paid-up	% of post-preferential issue paid-up capital
Industrial Investment Bank of India Limited	12,631

- (f) Change in control/Board of Directors:

There will be no change in control or in the Board of Directors of the Company. The existing Promoter/Board of Directors will continue to be in control of the management.

- (g) Issuer's undertaking(s):

The undertaking(s) required to be furnished/disclosed in the Explanatory Statement to the Notice, under the SEBI ICDR Regulations, relating to re-computation of price and lock-in of securities till the re-computed price is paid by the allottee will not be applicable to the Issuer as the Issuer's Equity Shares are listed on the National Stock Exchange of India Limited viz., recognized Stock Exchange for more than the minimum period specified under the said Regulations.

The Issuer shall place a copy of the certificate of the Statutory Auditors before the Annual General Meeting of the Members on 16 November 2011, certifying that the aforesaid issue is being made in accordance with the requirements of the SEBI ICDR Regulations.

In terms of the resolution, the Board is being empowered to issue and allot the Equity Shares as aforementioned, subject to necessary approvals, to IIBI as aforesaid. Consent of Members in General Meeting is necessary, for the above, pursuant to Section 81(1A) of the Companies Act, 1956 and the SEBI ICDR Regulations.

The proposed issue of Equity Shares, on preferential basis, to IIBI as aforesaid, is in accordance with the stipulation of the CDR Cell and is in the interest of the Company.

The Board commends the resolution for the approval of Members.

Memorandum of Interest

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

(By Order of the Board)

For SOUTHERN PETROCHEMICAL INDUSTRIES CORPORATION LTD.

Place: Chennai
Date : 26 July 2011

N RAJEEVA PRAKASH
Secretary

NOTICE

NOTICE is hereby given that the Company has received a Special Notice from a Member signifying his intention to move in respect of item no.4 of the Notice of the 40th Annual General Meeting in regard to appointment of Statutory Auditors, the following resolution as an Ordinary Resolution for approval of the Members at the 40th Annual General Meeting.

"RESOLVED THAT pursuant to Section 224 of the Companies Act, 1956, M/s Deloitte Haskins & Sells (DHS), Chartered Accountants, ASV N Ramanas Tower, 52, Venkatnarayana Road, Chennai 600 017 (Firm Registration no.008072S) be and are hereby appointed as Statutory Auditors of the Company in the place of M/s Fraser & Ross, the retiring Auditors of the Company, to hold Office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration to be fixed by the Board of Directors of the Company in connection with the Company's Audit."

Note:

M/s Fraser & Ross, Chartered Accountants, Chennai, the retiring Auditors of the Company, were recommended for re-appointment as Statutory Auditors for the financial year 2011-12 at the Board Meeting held on 26 July 2011. The Company has now received a Special Notice from a Member proposing the appointment of M/s Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditors, in the place of M/s Fraser & Ross. Meanwhile, M/s Fraser & Ross, Chartered Accountants, the retiring Auditors, have informed the Company that they are not seeking re-appointment at the ensuing 40th Annual General Meeting. M/s Deloitte Haskins & Sells have expressed their consent for the appointment as Statutory Auditors of the Company for the Financial Year 2011-12 and have also confirmed that the appointment, if made, will be in accordance with the limits specified u/s 224(1-B) of the Companies Act, 1956. The Board of Directors of the Company, on 10 October 2011, have also recommended the appointment M/s Deloitte Haskins & Sells as Statutory Auditors of the Company for the financial year 2011-12.

For SOUTHERN PETROCHEMICAL INDUSTRIES CORPORATION LTD.

Place: Chennai
Date: 10 October 2011

N RAJEEVA PRAKASH
SECRETARY

DIRECTORS' REPORT

Your Directors present their 40th Annual Report together with the audited statement of accounts of the Company for the financial year ended 31 March 2011.

OPERATING RESULTS

(Rupees in crore)

	2010-11	2009-10
Sales and services	1729.02	417.07
Other income	33.45	105.76
Total income	1762.47	522.83
Profit/(loss) before interest, depreciation and tax	196.44	(7.40)
Interest	25.51	20.50
Depreciation	88.95	96.67
Profit/(loss) before tax	81.98	(124.57)
Provision for tax	-	-
Profit/(loss) after tax	81.98	(124.57)

SPIC operates its business in four divisions:

- The Fertilizer Division manufactures fertilizer intermediates used for the production of fertilizers and nitrogenous and phosphatic fertilizers.
- The Pharmaceuticals Division manufactures Penicillin-G, Potassium (fermentation-based), Active Pharmaceutical Ingredients, finished dosage products, industrial enzymes and plant-based nutraceuticals.
- The Engineering/Construction Services Division offers specialized and extra high voltage transmission line construction, railway electrification, operation and maintenance and related engineering services.
- The Agri-business Division offers products for sustainable agricultural development with a global footprint tissue culture plants and hybrid seeds.

OPERATIONS

Fertilizer Division

Fertilizer Division's Urea plant was started after a gap of three and a half years and stabilized; production was suspended due to constraints in working capital and also the anomaly in the fertilizer policy. Since the Ammonia and Urea plants were idle for a long time, elaborate pre-commissioning activities, tests and

trials were carried out in all equipments before starting the plants during October 2010 and the plants are operating well since then. Phosphatic Plants and DAP production were also resumed from November 2010. The Company has made necessary arrangements for working capital. During August 2010, the Company has commissioned Single Super Phosphate Plant with a capacity of 350 MT per day. Further, trading of Micro Nutrients / Plant Growth Promoters were commenced which achieved a turnover of over Rs.1,100 lakhs.

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

Qty in MT

Product	Category	2008-09	2009-10	2010-11
Urea	Production	-	-	*297650
	Sales	-	-	290529
DAP	Production	-	-	**31116
	Sales	-	-	30974
Complex Fertilizer	Production	6225	174605	175566
	Sales	6225	174603	171294
SSP	Production	-	-	14528
	Sales	-	-	5074
ALF3	Production	2463	3234	3388
	Sales	2394	2058	4656
Gypsum	Sales	148531	166305	205371

* Production commenced during October 2010

** Production commenced during November 2010

Fertilizer Policy

The Government of India introduced 'Nutrient Based Subsidy' (NBS) for Phosphatics effective 1 April 2010. NBS is a welcome move for Fertilizer Industry and Indian Agriculture. The rise in production of food grains is partly attributed to the introduction of the NBS, which encourages farmers to use micronutrients depending on deficiency, unlike the earlier rampant use of nitrogenous fertilizers.

In order to minimize the cost of production of Urea from Naphtha-based plants, the Government has announced that all Naphtha / Fuel Oil based plants producing high cost Urea have to necessarily convert to gas by March 2013 and stated that the subsidy on Urea would be computed on the basis of the gas prices after the said period. This policy would render the Naphtha-based Urea plants unviable. Though, presently, the Company is producing Urea