

The background image shows an industrial refinery or petrochemical plant. In the foreground, a large, silver, spherical storage tank is prominent. Behind it, several tall, vertical distillation columns are visible, equipped with ladders and various pipes. The sky is clear and blue. The entire image is overlaid with a faint, repeating pattern of interlocking gears.

# SPIC

**Southern Petrochemical Industries Corporation Limited**

41st Annual Report 2011-2012

## Southern Petrochemical Industries Corporation Limited

Dr A C Muthiah Chairman Emeritus

### Board of Directors

Ashwin C Muthiah	Chairman
M S Shanmugam, I.A.S.	Director
T K Arun	Director
B Elangovan	Director
M Jayasankar	Director
B Narendran	Director
K K Rajagopalan	Whole-time Director

### Company Secretary

N Rajeeva Prakash

### Auditors

Deloitte Haskins & Sells  
Chartered Accountants  
ASV N Ramana Tower  
52, Venkatnarayana Road  
Chennai - 600 017

### Address for communication

Secretarial Department  
SPIC House, 88, Mount Road  
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## DIRECTORS' REPORT

Your Directors present their 41<sup>st</sup> Annual Report together with the audited statement of accounts of the Company for the financial year ended 31 March 2012.

### OPERATING RESULTS

	(Rs. in Crore)	
	2011-12	2010-11
Income from Operations	3308.91	1743.39
Other income	13.79	14.46
Total income	3322.70	1757.85
Profit before interest, depreciation and tax	161.06	197.91
Finance Cost	80.24	26.98
Depreciation	61.21	88.95
Profit before tax	19.61	81.98
Provision for tax	25.92	-
Profit/(loss) after tax	(6.31)	81.98

### FINANCE

The Company recorded a revenue of Rs.3308.91 Crore and profit before tax of Rs.19.61 Crore as against previous year revenue of Rs.1743.39 Crore and profit before tax of Rs.81.98 Crore respectively. The Company's profit from ordinary activities before finance cost and exceptional items is Rs.71.59 Crore as against Rs.3.11 Crore in the previous year. The improvement in the profit is mainly due to Urea Plant operating at its full capacity coupled with energy efficiency measures undertaken by the Company. The Company incurred a loss of Rs.6.31 Crore in comparison to Profit after tax of Rs.81.98 Crore in the previous year. The loss is mainly due to provision for exchange currency fluctuation of Rs.61.75 Crore, Interest of Rs.34.46 Crore on delayed payment to secured lenders (included in the Finance Cost) and provision for MAT pertaining to earlier periods amounting Rs.25.92 Crore. The above results include both continuing and discontinuing operations.

The Company filed a Scheme of Compromise and Arrangement with certain creditors u/s 391 of the Companies Act, 1956 during December 2011 before the Hon'ble High Court, Madras and pursuant to the directions of the Hon'ble High Court, the meeting of the creditors of the Company was held on 24 February 2012 at Chennai. The Scheme was approved by the requisite majority of creditors and thereafter the Company has filed a Petition before the Hon'ble High Court, Madras for the sanction of the Scheme and the Order is awaited.

### OPERATIONS:

#### Fertilizer Division

The Nitrogenous Plants which recommenced its operations during October 2010 achieved a production of 6.204 Lac MT (recording 100% of its re-assessed capacity). The Fertilizer division achieved a turnover of Rs.3096.96 Crore.(including other income) earning an operational profit (before exceptional items) of Rs.137.96 Crore. The results of the Phosphatic division, till divestment during October 2011, are included in the above results.

The production and sales performance of the Fertilizer Division are as follows:

Product	Category	Qty in MT	
		2011-12	2010-11
Urea	Production	620407	#297650
	Sales	627442	290529
DAP	Production	106521*	**31116
	Sales	106579*	30974
Complex Fertilizer	Production	124377*	175566
	Sales	127903*	171294
SSP	Production	490*	14528
	Sales	8751*	5074
ALF <sub>3</sub>	Production	2248*	3388
	Sales	2228*	4656
Gypsum	Sales	85667*	205371

\*Until divestment # Production recommenced during October 2010

\*\* Production recommenced during November 2010

#### Fertilizer Policy

The Government is proposing to implement "Modified NPS III Policy" for Urea shortly and it is expected that all Naphtha and Fuel Oil based plants producing Urea will be granted time till March 2014 to convert to Natural Gas. Your Company has taken up with Department of Fertilizers (DoF) for firm allocation of gas to your Company and also for creating necessary gas transportation infrastructure in the State of Tamil Nadu to facilitate gas connectivity to your Company. The Company has engaged a leading Process Engineering Company to carryout basic engineering for gas conversion, to make your Company ready to receive the gas as and when the pipe line connectivity is established.

#### Pharmaceuticals Division

SPIC's Pharmaceuticals Division comprises of Penicillin-G (Pen-G), Active Pharmaceutical Ingredients (APIs), Formulations and Industrial Enzymes. **Pen-G:** The plant could not be restarted and the operations were discontinued due to competition from cheap Chinese imports, low market prices, high cost of inputs and non-imposition of anti-dumping duty. The assets of the division at Cuddalore were taken over by Asset Reconstruction Company (India) Limited (ARCIL) during the year. **API:** The operations have not been carried out during the year owing to environmental constraints and restrictions imposed by Pollution Control Board. **Formulations:** Due to low demand for its products and uncertain power situation, the operations have been discontinued. **Enzymes:** The operations are being discontinued in view of uneconomical business size and constraints of fund infusion for revival/restart-up of the operations.

#### Agri-business Division

The Division achieved higher turnover of Rs.15.21 Crore as against Rs.12.36 Crore in the previous year, due to increase in volume of high breed seed business.

## SUBSIDIARIES/JOINT VENTURES/INVESTMENTS

### SPEL Semiconductor Limited (SPEL)

SPEL had accounted sales of Rs.80 Crore (excluding other income) with a PAT of Rs.0.57 Crore for the financial year 2011-12. According to the Semiconductor Industry Association forecast, the year 2012 looks promising with a 10% growth. Global semiconductor revenues are expected to reach US\$323.2 Billion up from US\$302.2 Billion. SPEL is taking steps to enhance its sales for the financial year 2012-13 by exploiting the potential of the industry.

### Tamilnadu Petroproducts Limited (TPL)

During the year, the Company achieved a turnover and a net profit of Rs.1309 Crore and Rs.5.94 Crore as compared to Rs.1066 Crore and a profit of Rs.29.47 Crore respectively during the previous year. The Company declared a dividend of 5% during the year. **LAB** production was maintained at high levels due to the installation of new molecular sieves in 2010. Despite unstable crude prices and power shortage, the reduction in energy consumption (due to energy audit, advance process control, etc.) and optimal use of raw materials helped in controlling the cost of production. The first phase of Prefrac revamp was completed during March 2012 and the benefit will be realised from the second quarter of 2012-13. TPL continues to meet sizeable demand of the domestic market for LAB and supplies to major international detergent manufacturers. **Epichlorohydrin (ECH)** Unit performed reasonably well with a capacity utilisation of about 85%. The increase in the crude price was offset by increase in the sales realisation. TPL continues to supply a substantial portion of its production to the joint venture Company M/s Petro Araldite Private Limited. The imports of ECH and Epoxy Resin from European markets add to the competition in the market. **Chlor Alkali** Unit performed better with the capacity utilisation exceeding 90%. The power shortage, increase in power cost, high crude prices and fuel oil prices, adversely impacted the business.

### Tuticorin Alkali Chemicals and Fertilisers Limited (TAC)

Since the restart of the plants last year, TAC continued the production and fine tuned the operational parameters to bring down the production cost. The Company produced 86,855 MT of Soda Ash and 78,350 MT of Ammonium Chloride representing 75.7% capacity utilization. The Company recorded a total income of Rs.217.49 Crore with a net loss of Rs.12.79 Crore. Competition from import touching an all time high has affected the market. BIFR proceedings are in progress and a Draft Rehabilitation Scheme (DRS) is under process.

### SPIC Fertilizers And Chemicals FZE, Dubai (SFC FZE) and SPIC Fertilizers and Chemicals Ltd., Mauritius (SFCL, Mauritius)

During the first quarter of the Financial Year 2010-11, as part of recovery process, the Jebel Ali Free Zone Authority (JAFZA) in Dubai, had taken over the land, Plant & Machinery of SFC FZE and the Company did not have any other option in the matter. Simultaneously, the Plant & Machinery stored in the Ras Al Khaimah Port (RAK) were auctioned to realise the storage charges payable to the RAK Port Authorities. The Promoters viz., SPIC and the Emirates Trading Agency, Dubai have jointly decided to close the operations of SFC FZE, Dubai.

### SPIC PETROCHEMICALS LIMITED (SPIC Petro)

Consequent to the takeover of the assets and effects of SPIC Petro by the Official Liquidator (OL) during May 2010, the Company ceased to be a subsidiary of SPIC. On the basis of the Petition filed by ARCIL

u/s 13(4) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 (SARFAESI ACT), the Hon'ble High Court of Madras, vide its Order dated 20 December 2010 directed the OL to handover the possession of the assets and effects of SPIC Petro to ARCIL. ARCIL took possession of the same during January 2011. Meanwhile, Chennai Petroleum Corporation Limited (CPCL) has filed an application to set aside the above Order and in the meanwhile an interim stay has been granted by the Hon'ble High Court of Madras restraining ARCIL from selling the land belonging to SPIC Petro. ARCIL filed a Counter against the Order.

## PREFERENTIAL ALLOTMENT OF SECURITIES

During the year under review, at the request of Secured Lenders and in line with the rework package approved by Corporate Debt Restructuring Empowered Group, three Secured Lenders were cumulatively allotted 2,03,175 (14%) Secured Non-Convertible Debentures of the face value of Rs.100/- each, amounting to Rs.2.03 Crore by conversion of part of their secured debt. These debentures are redeemable in seven equal quarterly instalments commencing from 31 March 12.

## GOING CONCERN

The financial statements of the Company have been prepared on a going concern basis, despite the erosion of net worth due to the reasons as explained in Note 30 of Notes on Accounts.

## DIVIDEND

In view of the accumulated losses, the Board of Directors is not in a position to recommend dividend on the Preference and Equity Share capital of the Company.

## SUBSIDIARY COMPANIES

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not being attached with this Annual Report. However, the financial information of the subsidiary companies is disclosed in the Annual Report in compliance with the said Circular. The Company will make available the said documents to any member of the Company, who may be interested in obtaining the same. The said documents will also be kept open for inspection by any member of the Company / its Subsidiary(ies) at the Office of the Company, SPIC House, 88 Mount Road, Guindy, Chennai - 600 032. and that of the respective subsidiary Companies. The consolidated financial statements include the financial results of its Subsidiary Companies.

## DISCONTINUED OPERATIONS

The operations of Pen-G Unit was discontinued due to low sales realisation, increased cost of inputs, rejection of anti-dumping duty and the eventual take over of its assets at Cuddalore by ARCIL. The operations of Active Pharmaceutical Ingredients Unit have not been carried out due to reasons, *inter alia*, including environmental constraints, the restrictions imposed by Pollution Control Board and the uneconomical business size. Consequently, the operations of the connected Research & Development was also closed. The Formulations Unit discontinued its operations due to low demand in the market and uncertain power situation. The SMO Division and the Phosphatics Business of the Company were divested, pursuant to the approval of CDR-EG (Empowered Group) and the consent of the shareholders obtained through postal ballot.

## PUBLIC DEPOSITS

As on 31 March 2012, there were no outstanding public deposits and the overdue unclaimed deposits covering 15 depositors, amounted to Rs 3.33 lac.

## HUMAN RESOURCE DEVELOPMENT

The Company, as always, places great emphasis on its human capital, and the need to retain and develop talent in realising Corporate objectives. The Company provides a conducive and challenging work environment and opportunities for professional development of its employees.

## INDUSTRIAL RELATIONS

Industrial Relations in the Company has been cordial during the year under review. A memorandum of settlement u/s 12 (3) of the Industrial Disputes Act, 1947, has been entered into with SPIC Employees Union in September 2011.

## DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the requirements of Section 217(2AA) of the Companies Act, 1956, the Directors of the Company declare that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2012.
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts on a going concern basis for the reasons stated in Note 30 of the Notes on Accounts.

## DIRECTORS

Dr A C Muthiah resigned as Chairman and Managing Director of the Company with effect from 16 November 2011. The Board places on record the guidance, advice and valuable contribution made by Dr A C Muthiah during the long tenure of his association with the Company. The Board of Directors at its Meeting held on 16 November 2011, elected Thiru Ashwin C Muthiah as the Chairman of the Company.

Thiru M Jayasankar, Director who retires by rotation at this Annual General Meeting, being eligible, offers himself for reappointment. In accordance with Clause 49 of the Listing Agreement, particulars relating to the appointment of Thiru M Jayasankar, seeking re-election/appointment at the ensuing Annual General Meeting are furnished in the annexure to the Notice.

Thiru K K Rajagopalan was co-opted as Additional Director and designated as Whole-time Director of the Company with effect from 16 November 2011 and a resolution seeking his appointment as the Whole-time Director is being placed before the shareholders in this Annual General Meeting of the Company.

During April 2012, ARCIL withdrew the nomination of Thirumathi Neeta Mukerji from the Board and the Board places on record its appreciation for the contribution made by Thirumathi Neeta Mukerji during her tenure.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report for the year under review as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange is presented in a separate section forming part of the Annual Report.

## CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS21 on Consolidated financial statements read with Accounting Standard AS23 on Accounting for investments in associates in Consolidated Financial Statements and AS27 on Financial reporting of interests in Joint Ventures, the audited Consolidated Financial Statements are provided in the Annual Report. As Jebel Ali Free Zone Authorities (JAFZA) had taken over the assets of SFC FZE, Dubai, SFCL Mauritius lost control over its subsidiary SFC FZE Dubai. Therefore financial statements of SPIC's Subsidiary Company, SFCL, Mauritius have not been considered for consolidation. However, full provision has already been made in the earlier years.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

In terms of Section 217(1)(e) of the Companies Act, 1956, read with Rule-2 of the Companies (Disclosure of Particulars in the report of Board of Directors) Rules 1988, information relating to conservation of energy is set out in the annexure forming part of this Report. The Company has no information to provide in respect of technology absorption, foreign exchange earnings and outgo and research and development.

## PARTICULARS OF EMPLOYEES

None of the employees of the Company was in receipt of remuneration in excess of the amount prescribed by Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended.

## COST AUDITOR

Thiru P R Tantri, Cost Accountant, Bengaluru was appointed as the Cost Auditor of the Company for the financial year 2011-12 pursuant to Section 233B of the Companies Act, 1956 to carry out the audit of your Company's cost records. The Cost Audit report for the year ended 31 March 2011 certified by Thiru P R Tantri was filed on 29 September 2011 with the Ministry of Corporate Affairs.

## ACKNOWLEDGEMENT

Your Company is grateful for the co-operation and continued support extended by the Department of Fertilizers, Ministry of Chemicals and Fertilizers, Ministry of Petroleum and Natural Gas, Ministry of Agriculture, Ministry of Corporate Affairs and other departments in the Central Government, the Government of Tamilnadu, other State Governments, Tamilnadu Industrial Development Corporation Limited, Tamil Nadu Electricity Board, ARCIL, Financial Institutions and Banks. The Directors appreciate the dedicated and sincere services rendered by all employees of your Company.

Place: Chennai  
Date 30 May 2012

On behalf of the Board  
**ASHWIN C MUTHIAH**  
Chairman

**ANNEXURE TO DIRECTORS' REPORT**

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, for the year ended 31 March 2012.

energy auditors, is focusing on various energy saving measures. This group identifies potential areas for improvement, scans the environment for innovative and reliable solutions and consider proposals for implementation. Efforts are continuously being taken to reduce the energy consumption of the plants.

**Conservation of energy**

An Energy Audit group, consisting of senior executives and certified

**FORM A (See Rule 2)**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

			<b>Current Year 2011-12</b>	<b>Previous Year 2010-11</b>
A.	Power and Fuel Consumption			
1	Electricity			
	a) Purchased			
	Unit	MWH	81774.182	69177.673
	Total Amount	Rs. in lacs	4138.30	3640.33
	Rate per Unit	Rs/KWH	5.06	5.26
	b) Own Generation			
	i) through Diesel Generator			
	Unit	MWH	1041.1	243.1
	Unit per litre of Diesel oil	KWH/litre	3.96	2.32
	Diesel oil consumed Ltr.		263033	104692.92
	Cost per Unit	Rs/KWH	11.09	9.70
	ii) through Steam turbine/ generator			
	Unit	MWH	44504.477	23128
	Cost per Unit	Rs/KWH	12.17	8.98
2	Coal (Specify Quantity & where used)			
	Quantity	--	---	--
	Total cost	--	---	--
	Average Rate	--	---	--
3	Furnace oil/LSHS			
	Quantity	MT in lacs	1.41	0.78
	Total cost	Rs in lacs	63142.39	27543.18
	Average Rate	Rs per MT	44790	35311.77
B.	Consumption per MT of Production (Energy intensive products only)			
Ammonia	Production	MT	357291	175392
	Electricity	KWH	41	56
	Fuel oil	MT	0.257	0.297
Urea	Production	MT	620407	297650
	Electricity	KWH	111	113
	Fuel oil	MT	0.06	0.06
DAP	Production	MT	106521	31116
	Electricity	KWH	33.4	59.6
	Fuel oil	MT	0.001	0.001
Complex fertilizer	Production	MT	124377	175566
	Electricity	KWH	44	43
	Fuel oil	MT	0.008	0.009
Penicillin-G	Production	MMU	--	--
	Electricity	KWH	--	--
	Fuel oil	MT	--	--

FORM B (See Rule 2)

Nil

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### Agriculture Scenario

Agriculture production recorded a growth of 5.4% as against 4% in the previous year. India's food grain production clocked 252 Million M.T. during 2011-12 as against 244 Million M.T. during the previous year. The above achievement was possible due to favourable monsoon, optimum usage of Fertilizers, usage of hybrid seeds, monitoring of crops with timely technological interventions, implementation of integrated pest management modules, multiple cropping, diversification into horticultural crops and short duration crops.

The increase in private sector involvement in Indian agriculture is a recent development, which is evidenced by infusion of new technologies such as hybrid seed, crop and soil specific customised Fertilizers, extensive usage of drip irrigation combined with water soluble Fertilizers and growth in agro based industries.

The strategies adopted by the Government for rejuvenating agriculture sector are encouraging. Demand for food grains and fruits and vegetables is expected to grow in the ensuing years in line with the rise in per capita income. Despite demand for arable land and water, progressive fragmentation of land holdings, degrading natural resource base and emerging concerns of climate change, Government's intention of ensuring food and nutritional security has been achieved during the year.

### Fertilizer Industry Scenario

The Indian fertilizer industry has played a crucial role in the growth of agriculture, the backbone of Indian Economy by way of timely supply of plant nutrients and other support services like soil analysis, crop recommendations and imparting training on latest farm practices. Subsidies on Fertilizers is one of the main reasons for enhanced consumption rate of around 4 - 5% per annum. Nevertheless, the average per acre consumption of Fertilizer in our country is lower as compared to the global average. Lower consumption in India provides an opportunity for the industry to grow. The major constraint in enhancing domestic capacity is the availability of Natural Gas (NG) on long term basis at a reasonable price.

Cost of production of Fertilizers is high at your plant, owing to higher cost of inputs like naphtha and furnace oil vis-a-vis NG. Though India witnessed a rise in Fertilizer consumption over a period of time, domestic production of urea at 22 million tonnes is about 7 million tonnes short of the actual demand and has therefore to be bridged through imports. The proposed urea investment policy aims to provide incentives for domestic capacity additions.

### Urea consumption and production in the country during the last seven years

(Million MT)

Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	% increase in 2011-12 over 2005-06
Consumption	22.19	24.49	26.17	26.65	26.45	28.22	29.27	31.91%
Production	20.10	20.31	19.85	19.90	21.11	21.88	21.96	9.25%

### Challenges

Naphtha based units like SPIC are expected to be given time till March 2014 for switching over to Natural Gas and the policy is still under review. The proposed new investment policy recommended by Dr. Saumitra Chaudhuri Committee, envisages Nutrient Based Subsidy for Urea also. The Government has decided to disburse the subsidy directly to the farmers after the completion of distribution of Unique Identification Numbers, which is expected to make the industry globally competitive. As a prelude to that, the proposal of disbursing subsidy through dealers was contemplated and the same has been deferred due to difficulties anticipated in implementation.

### Company's Performance

During the year, the Company's Urea Plant achieved the maximum production of 6.20 lac M.T. as against 2.98 lac M.T. in the previous year. The Company's Urea Plant being part of the 1992 Naphtha group is an energy efficient unit amongst the Naphtha based plants of same vintage. The Company's strong brand image and its loyal dealer network have helped to regain the market leadership after a gap of three and a half years (2007 to 2010), during which period there was no production. Your Company achieved a turnover of Rs. 3322.70 Crore. as against Rs.1757.85 Crore. in the previous year.

### Fertilizer Policy

The existing New Pricing Scheme (NPS) (III) policy for Urea, which was implemented to be effective between April 2007 and March 2010, continues to be in vogue. The Government is contemplating to implement Modified NPS (III) policy providing for an increase in Fixed Cost reimbursement to neutralize the escalation to all Urea producers which would improve profitability of your Company. The policy also envisages incorporation of a provision for increasing the fixed cost on an annual basis linked to appropriate index. There is also a proposal to increase the selling price of Urea by 10% in the first year of the policy and for gradual increase in the selling price thereafter, to reduce the subsidy burden of the Government. Fertilizer Industry in India is going through a transition phase of migrating from price control regime to market driven pricing mechanism (Nutrient Based Subsidy-NBS Scheme).

### Internal Control Systems and their adequacy

The Company has appropriate internal control systems to effectively monitor safety and security of its assets, reliability of financial transactions, adherence to applicable statutes, accounting policies, approval procedures and to maximise the utilization of resources. The systems are periodically reviewed and upgraded under the overall supervision and superintendence of Audit Committee. Key audit observations along with recommendations and its implementation are reviewed by the Audit Committee and perused by the Board.

### Risk Management

The risk management frame work comprises risk assessment, evaluation, mitigation measures. The potential risks in operational, strategic and financial areas and its impact are assessed on a continual manner. Guidelines are framed for carrying out risk analysis regularly and reporting to Audit Committee, which provides strategic direction on important issues to the Executive Management.



### Segment-wise Financial Performance

The summarized segment-wise performance of the Company for the financial year 2011-12 is as follows:

(Rs. in Lac)				
Particulars	Urea Operations	Phosphatic Operations	Others	Total
Segment Revenue	242328.24	67367.72	21412.67	331108.63
Unallocated income				1161.40
Segment results	13673.08	4958.23	(2895.93)	15735.38
Unallocable expenditure net of unallocable income				5749.43
Profit before interest and tax				9985.95
Finance Cost				8024.28
Profit before taxation				1961.67
Tax relating to earlier years				2592.46
Profit / (Loss) after Taxation				(630.79)
Capital Employed	31412.57		1019.65	32432.22
Capital Employed (Unallocated )				(135672.79)

### Financial Performance

(Rs. In Lac)			
	2011 -12	2010 -11	Increase/ (Decrease)
Turnover	332270	175785	156485
EBIDTA	13280	9205	4075
Less: Interest, Depreciation, Exceptional Items & Tax	13911	1007	12904
Net Profit/(Loss)	(631)	8198	(8829)

The profit for 2010-11 was arrived at after taking into account the profit on sale of investments and losses from sale of properties amounting to Rs.14,049 lac and Rs.3463 lac respectively.

The 2011-12 results have been arrived at after considering the following:

Rs.2592 lac provision has been made towards income tax pertaining to earlier years

Rs.3446 lac Interest charges paid to lenders on account of delay in payments as specified in the package

Rs.6175 lac loss due to exchange rate fluctuation

Major exceptional items:

Rs.252 lac profit on sale of fixed assets

Rs.563 lac profit on sale of investments

Rs.421 lac profit on sale of Business Units, Rs.1179 lac compensation towards VRS.

### Corporate Social Responsibility

The Company, has been evincing interest in improving the living standards of farming community. In this regard, the Company has established an agri-clinic at Tuticorin to cater to the requirement of the farmers. In the current year, a mobile soil testing laboratory was commissioned to render free soil analysis and recommendation for the optimum usage of requisite agri inputs and crop combination. The Company is supporting the farming community by imparting training in modern farm practices and techniques and in the areas allied to agriculture, which has immensely benefited the farming community across the State. The Company has been publishing a Farm Journal (Pannai Cheidhi Malar) for the benefit of farmers for the past 25 years.

The Company is contributing to the development of education through sponsorship of programmes in schools, vocational training institutes and distribution of educational aids and kits etc. The Company is committed to improving the health and hygiene level of the community by conducting health camps, polio eradication programmes, eye camps, blood donation camps in association with NGOs and the Government Agencies. The Company is extending free medical services in the villages around the factory at Tuticorin by deploying a mobile health unit manned by qualified doctors and para-medical staff. The Company provides patronage to orphanages, old age homes, Spastics Society and Cheshire Home. With an objective to encourage students to participate in sports events, your Company has been conducting various tournaments at regular intervals at the regional and national level.

### Cautionary Statement

This report is based on the information available to the Company in its businesses and assumptions based on the experience in regard to domestic and global economic conditions and government and regulatory policies. The performance of the Company is dependant on these factors. It may be materially influenced by macro environment changes, which may be beyond the Company's control, affecting the views expressed or perceived in this report.

## CORPORATE GOVERNANCE REPORT

### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

As a responsible Corporate citizen, your Company is conscious that a business run on principles of fairness, transparency and accountability goes a long way in fostering a healthy relationship amongst all stakeholders. In its abiding commitment to adopt and follow the best practices of governance, your Company has been proactive to the changes introduced by SEBI for promoting a responsive and responsible business culture through the Corporate Governance Code. Your Company endeavours to constantly upgrade the management practices for ideal corporate governance.

### 2. BOARD OF DIRECTORS

On 31 March 2012, the Board of Directors of the Company had 8 members. During the financial year 2011-12 viz. from 1 April 2011 to 31 March 2012, 9 Board meetings were held on the following dates i.e. 26 April 2011, 26 July 2011, 11 August 2011, 14 September 2011, 14 November 2011, 16 November 2011, 28 November 2011, 9 February 2012 and 24 February 2012.

#### BOARD'S COMPOSITION, DIRECTORS' ATTENDANCE AND OTHER DIRECTORSHIPS HELD AS ON 31 MARCH 2012.

Name of the Director, designation and category Thiruvallur	Attendance at Board meetings (Held: 9)	Attendance at previous AGM on 16.11.2011	No. of other Director- ship(s) (*)	No. of membership in Board/ Committees' in other Companies (@)	
				As Chairman	As Member
Ashwin C Muthiah Chairman Non-Executive Non-Independent	9	Yes	3(2)	-	1
M S Shanmugam, I.A.S TIDCO Nominee Non-Executive Independent	1	Yes	7(1)	-	-
T K Arun TIDCO Nominee Non-Executive Independent	8	Yes	8	1	6
B Elangovan TIDCO Nominee Non-Executive Independent	5	Yes	6	-	2
M Jayasankar Non-Executive Independent	9	Yes	2	-	2
B Narendran Non-Executive Independent	9	Yes	2	2	1
Thirumathi Neeta Mukerji Asset Reconstruction Company (India) Ltd Nominee Non-Executive Independent	5	Yes	2	-	1
K K Rajagopalan Whole-time Director (From 16 11 2011)	3	Not Applicable	1	-	-
Dr (Thirumathi) S Revathi TIDCO Nominee Non-Executive Independent (up to 26 7 2011)	-	No	1(1)	-	-
Dr A C Muthiah Chairman (Managing Director) Executive (up to 16 11 2011)	4	Yes	4(3)	-	-

(\*) includes directorships held in public limited companies only. Directorships held in private companies, foreign companies and companies registered u/s 25 of the Companies Act, 1956 are excluded. Figures mentioned in brackets indicate the number of companies in which the Director is also the Chairman.

(@) includes only positions held in Audit Committee and Shareholders and Investors' Grievance Committee.