

ANNUAL REPORT

2013-2014



THE PHOSPHATE COMPANY LIMITED

THE PHOSPHATE COMPANY LIMITED

BOARD OF DIRECTORS

Shri Binod Khaitan
Shri Hemant Bangur
Shri Dilip P Goculdas
Shri P. K. Bhanjachaudhury
Shri Suresh Kumar Bangur – Executive Director

PRESIDENT

Shri Ajay Bangur

SECRETARY

Shri M. D. Damani

BANKERS

State Bank of India
State Bank of Mysore
Syndicate Bank

AUDITORS

Messrs Batliboi, Purohit & Darbari
Chartered Accountants

REGISTERED OFFICE

14, Netaji Subhas Road, Kolkata-700001
Tel.033-2230 0771(3 lines)
Fax.91-33-2243 6236
E.Mail-phosphate@vsnl.net
Website <http://phosphate.co.in>

WORKS

45, Ramkrishna Road, Rishra,
Hooghly (W.Bengal)-712248
Tel.033-2672 1448/1497
Fax.91-33-2672 2270
E.Mail-pclsuper@vsnl.net

REGISTRARS & TRANSFER AGENTS

Messrs Maheshwari Datamatics Pvt. Ltd.
6, Mangoe Lane, Kolkata-700001
E-mail : mdpl@cal.vsnl.net.in
Tel. : 033-2243 5029/5809

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DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Annual Report together with the Audited Accounts of the Company for the year ended on 31st March, 2014

	Rs. in lacs	
	Current year	Previous year
FINANCIAL RESULTS		
Turnover & Other Incomes	7,028	6,234
Operating Profit (EBITDA)	468	259
Finance Cost	504	442
Depreciation	76	57
Net Profit (Loss)	(113)	(240)
M2M Provision	22	—
Tax Provision Net	(39)	(80)
Share Issue Expenses	—	3
Profit (Loss) after tax	(96)	(163)

OPERATION

Turnover and other Income is higher by 13% from Rs. 62.34 crore in previous year Rs. 70.28 crores in current year. Government of India maintained subsidy at the same level of previous year Rs. 3173 per metric ton of Single Super Phosphate Fertiliser sold.

Operating Profit (EBITDA) was significantly higher at Rs. 468 lacs compared to Rs. 259 lacs in previous year.

Production of Single Super Phosphate Fertiliser (Green) recorded a Growth of 8% from 56321 tons in 2012-13 to 60613 tons in 2013-14. Sales of Single Super Phosphate fertiliser in Powder form was at 48130 tons compared to 48646 tons in previous year. Sales of value added Single Super Phosphate Fertiliser in Granulated Form was more than doubled from last year at 10644 tons from 4405 tons.

The Company continues to keep on hold the production of Sulphuric Acid as the overall business dynamics do not warrant resumption of production.

CREDIT RATING

As per BASEL II norms, Company's working capital facilities has been rated by INDIA RATINGS & RESEARCH PRIVATE LIMITED, a FITCH Group Company, wherein Fund Based Working Facility and Corporate Term Loan has been rated as IND B and Non Fund Based Working Capital Facilities has been rated as IND A4.

RISK & CONCERN

Your Company's product is agro input, the demand of which is dependent on good monsoons and fair climatic conditions besides Government policy.

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

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given in Annexure A and forms a part of this Report.

FIXED DEPOSITS

Your Company has not accepted any deposit from the public during the year under review.

INDUSTRIAL RELATIONS

The relation with the employees remained cordial.

PARTICULARS OF EMPLOYEES

As per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975

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are given as per Annexure B and forms a part of this Report.

CHANGES IN COMPANY LAW

The Companies Act, 2013 ('the Act') has been passed replacing the age old Companies Act, 1956. Rules and procedures thereunder are being notified and your Company is taking necessary steps to comply with the requirements of the new Act. The Company has already formed, reconstituted and renamed various Committees in terms of the requirements of the Act and adopted the Terms of Reference for the said Committees as prescribed in the Act. Steps are in hand to implement various other provisions of the Act to ensure compliance at the appropriate time.

DIRECTORS

Shri Hemant Bangur retires by rotation and being eligible, offers himself for re-appointment.

Shri M.D.Damani resigned from the Board w.e.f. 24-07-2014. The Board put on record the dedicated services rendered by Shri Damani during the long tenure of his directorship and vacancy caused not filled up.

In accordance with the provisions of the Section 149 of the Companies Act, 2013 your Board of Directors recommends the appointment of **Shri Dilip Pratapsingh Goculdas** and **Shri Pranab Kumar Bhanjachoudhury** as Independent Directors to hold office from the date of this annual general meeting for 5 (five) consecutive years. The Company has received notices under Section 160 of the Companies Act, 2013 from members signifying their intention to propose their candidatures for the office of Independent Directors at the ensuing Annual General Meeting.

The Company has received declarations from all the independent directors confirming that they meet the criteria of independence as prescribed under the Companies Act 2013 and Listing Agreement with Stock Exchange.

Your Board recommends their re-appointment.

Particulars of Director seeking appointment/re-appointment are appended in the notes forming a part of the notice calling the ensuing annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Board of Directors hereby state:

1. that in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. that 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 at the end of the financial year and of the Profit or Loss of the Company for the year;
3. that 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;
4. that the Directors had prepared the Annual Accounts on a going concern basis.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Policies and Code of Conduct which set out the principle of running the Company with fairness, transparency and accountability. A report on the Corporate Governance forming a part of the Directors Report is attached. A certificate from the Auditors of the Company regarding compliance of the Corporate Governance is given in the Annexure.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion & Analysis Report as required under Listing Agreement is annexed and forms part of this report.

COST AUDIT

As per the requirement of Central Government and pursuant to Section 148(3) of the Companies Act 2013 and on the recommendation of the Audit Committee, the Board of Directors of the Company has appointed M/s S. Gupta &

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Co., Cost Accountants for conducting audit of cost records of the company in respect of Fertiliser and Sulphuric Acid of the Company for the financial year ending 31st March 2015 at a remuneration of Rs.13,500/- and Rs.7,500/- respectively plus out of pocket expenses and applicable taxes, subject to approval of the shareholder.

Central Government has approved the appointment of M/s S.Gupta & Co., Cost Accountants for conducting Cost Audit of Fertiliser and Sulphuric Acid for the year 2013-14. Since there was no production of Sulphuric Acid in 2013-14, an application is being moved to the Ministry of Corporate Affairs, New Delhi, requesting them to keep Cost Audit Order for Sulphuric Acid in abeyance till the production of Sulphuric Acid re-commences.

The due date for filing Cost Audit Report for FY.2012-13 was 30-09-2013 and the report was filed within due date on 15-09-2013, by M/s S.Gupta & Co., Cost Accountants, who have conducted Cost Audit of Fertiliser.

INSURANCE

All the properties of the Company are adequately insured.

AUDITORS & AUDITORS REPORT

M/s Batliboi, Purohit & Darbari, Chartered Accountants, the Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received letter from the Auditors that their re-appointment, if made, would be within the prescribed limits under Section 149(3) (g) of the Companies Act, 2013 and that they are not disqualified for re-appointment.

The Audit Committee and the Board recommends the re-appointment of M/s Batliboi, Purohit & Darbari, Chartered Accountants, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the Annual General Meeting for Financial Year 2016-17.

The Notes on financial statements referred to in Auditors Report are self explanatory and do not call for any further comments.

ADEQUACY OF INTERNAL CONTROLS

The Company has adequate Internal control system commensurate to its size and business. M/s R.D.Daga & Co., Chartered Accountants, has been appointed Internal Auditors to conduct internal audit on the company's activities.

ACKNOWLEDGEMENT

The Directors wish to record their appreciation of dedication and commitments of the employees and the teamwork displayed by them. Your Directors are also thankful to State Bank of India, State Bank of Mysore, Syndicate Bank, Central Government, State Government, Shareholders, Customers, Dealers, Vendors & Auditors for the continuous support and assistance.

Kolkata
Dated: 13th August 2014

On behalf of the Board of Directors
For The Phosphate Co. Ltd.
Hemant Bangur Binod Khaitan
Director Director

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ANNEXURE TO DIRECTORS' REPORT

A. Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming a part of the Directors' Report.

I. CONSERVATION OF ENERGY

Disclosure of Particulars with respect to conservation of energy

A. Power and Fuel Consumption		This Year		Previous Year
1. Electricity:				
(a) Purchased:				
Units	'000KWH	1743980		1695504
Total	Rs./Lacs	146.50		139.18
Rate/Unit	Rs./KWH	8.40		8.21
(b) Own generation : Nil				
2. Coal (Specify & Where Used):				
Quantity	Tonnes	349.320		163.610
Total Cost	Rs./Lacs	38.08		17.30
Average Rate	Rs./Tonne	10900		10574
3. Furnace Oil : Nil				
4. Others/Internal Generation :	'000KWH	—		—
B. Consumption per unit of Production				
	Electricity (KWH/MT)	Coal (MT/MT)	Electricity (KWH/MT)	Coal (MT/MT)
Superphosphate	26.59	—	28.82	—
Sulphuric Acid	—	—	—	—
Granulated Fertiliser	11.14	0.300	12.80	0.337
Sodium Silico Fluoride	35.00	—	35.64	—
II. FOREIGN EXCHANGE EARNINGS & OUTGO				
Earnings	Rs./Lacs	Nil		Nil
Outgo	Rs./Lacs	3433.96		2910.96
B. Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975				

Name	Age	Designation/ Nature of Duty	Remuneration (Rs.)	Qualification & Experience	Date of Commencement of Employment	Previous Employment held with	% of Equity held
Shri Suresh Kumar Bangur	61	Executive Director	20,01,427/-	B. Com 41 yrs.	15th October 1982	M/s. Raj Luxmi Associates	4.33

NOTES :

1. Remuneration includes Salary, House rent Allowance, Contribution to Provident fund, Superannuation Annuity policy, Leave Travel Assistance, Club Membership fee, Reimbursement of medical expenses and other perquisites evaluated on the basis of Income Tax Act, 1961 & Rules framed thereunder.
2. Gratuity has not been included in remuneration.
3. Nature of Employment : Contractual.

Kolkata
Dated: 13th August 2014

*On behalf of the Board of Directors
For The Phosphate Co. Ltd.*
Hemant Bangur Binod Khaitan
Director Director

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MANAGEMENT DISCUSSION AND ANALYSIS

Agriculture & Fertilizer:

Current Agriculture productivity in India, on a per hectare basis is low compared to global benchmark and will need to significantly improve to meet the ever increasing demand for food.

Better farming practices, mechanization, balanced soil nutrition including addressing micro-nutrient deficiencies and subsidy recalibration are required to catapult the agricultural sector to the next level and bring it on par with global benchmarks. The industry believes that the Government will embrace and implement the policies required to achieve this goal.

All India SSP Performance:

On All India Basis capacity utilization of SSP Industry reduced from 58.4% to 49.2% in 2013-14. Resulted decline in production from 44.35 Lac tons to 41.68 Lac tons in 2013-14. Likewise dispatch was down by 3.5% from 42 Lac tons to 40.7 Lac tons in 2013-14.

Company's Performance

Production and Sale of Company Product-wise as under (in M.T.)

Item	Production			Sales		
	2013-14	2012-13	Growth	2013-14	2012-13	Growth
Green Super	60,613	56,321	+7.62	—	—	—
Single Super Phosphate+	57,123	56,371	+1.33	58,774	53,384	+10.09
Sodium Silico Fluoride	168	294	-42.86	165	274	-39.78

+ including Powder & Granulated

The Company reported an operating profit (EBITDA) of Rs. 468 Lacs in current year against an operating profit of Rs. 259 Lacs in previous year. After providing for finance cost, depreciation, tax Adjustments and Share Issue Expenses, the Company reported a net loss of Rs. 96 Lacs against of Rs. 163 Lacs in the previous year.

Internal Control System and their adequacy

The Company has proper and adequate system of internal controls commensurate with its size and scale of operation to protect all its assets against loss from unauthorized use or disposition. All transactions are authorized, recorded and reported in conformity with generally accepted accounting principles. Internal Controls are also reviewed by the Internal Auditor.

Human Resource

Human Capital forms the critical part of an enterprises privileged assets. The company continued its commitment to acquire, develop and enhance its human potential. With a dedicated strategy of empowering people at all levels and encourage taking decisions supplemented with free flow of information and ideas, has helped in strengthening its human capital base.

Opportunities

Though SSP is in the category of Direct Fertilizer, it contains multi nutrients and still cheapest Fertilizer available to farmers. Therefore demand of SSP is assumed to grow in years to come.

Threats

Poor weather conditions or any adverse government policy may affect company's operation.

Future Outlook

Government of India has maintained the subsidy for the year 2014-15 at Rs. 3,173/- pmt. New Central Government has said that a new fertilizer policy conducive of all stakeholders will be announced shortly. It is hoped that high use of Urea fertilizer due to disruptive NBS policy will be rectified, which should augur well for company.

Cautionary Statement

Statement in this management discussion and analysis describing the Company's objective, Projection, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied as many factors like, availability of raw materials, changes in political and economic environment in India, applicable Statues, Labor Relations and Interest Costs etc., may affect the Company's Operations.

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REPORT ON CORPORATE GOVERNANCE

Company's Philosophy

The Company's Philosophy on governance is founded upon and structured on a rich legacy of ethical and transparent business conduct at building trust amongst diverse stakeholders on fairness, transparency and ethical behavior.

Board of Directors

The Company's Board of Directors comprises of an optimal complement of independent professionals experienced promoters as-well-as Company Executives having in-depth knowledge of the business and the industry. It represents a mix of professionalism, experience and knowledge. The size and composition of the Board conform to the requirements of the Corporate Governance Code under the Listing Agreement with the Stock Exchange.

i) Composition & Category

The Board of Directors of your Company as on 31st March, 2014 consisted of six directors as under :

NAME OF DIRECTORS	CATEGORY
Shri Binod Kumar Khaitan	Promoter/Non Executive Director
Shri Hemant Bangur	Promoter/Non Executive Director
Shri Suresh Kumar Bangur	Promoter/ Executive Director
Shri Dilip Pratapsingh Goculdas	Independent/ Non Executive Director
Shri Pranab Kumar Bhanjachaudhury	Independent / Non Executive Director
Shri Murali Dhar Damani	Non Promoter/Executive Director

None of the Directors on the Board holds the office of director in more than 20 companies or memberships in committees of the Board in more than 10 committees or Chairmanship of more than 5 committees.

ii) Board Proceedings

In terms of the Company's Corporate Governance Policy, all statutory and other significant material information are placed before the Board to enable it to discharge its responsibilities of strategic supervision of the Company as trustees of the Shareholders.

iii) Attendance at the Board Meetings/last AGM etc.

Five Board Meetings were held on the following dates:

28.05.2013	15.07.2013	12.08.2013	14.11.2013	14.02.2014
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The attendance of the directors at the Board Meetings held during the year is given in the chart below which also shows details of the number of Directorships, Committee Chairmanships/ memberships held by them in other companies excluding private limited companies, foreign companies, membership of managing committees of various chambers/bodies and alternate directorships during the Financial Year under review,

Name of the Director	No of Board Meetings Attended	Attendance at last AGM held on 12.08.2013	Directorship/Committee Chairman/Membership in other Companies
Shri Binod Khaitan	5	Yes	2 Companies & 1 committee
Shri Hemant Bangur	4	Yes	10 Companies & 4 committees
Shri Suresh Kumar Bangur	5	Yes	3 Companies
Shri Dilip Pratapsingh Goculdas	4	Yes	3 Companies
Shri Pranab Kumar Bhanjachowdhury	5	Yes	1 Company
Shri Murali Dhar Damani	5	Yes	Nil

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Board Committees

There are three committees of the Board viz., Audit Committee, Nomination & Remuneration Committee and Shareholder's Relationship Committee.

Matters requiring the Board's attention/approval will be placed before the Board along with Minutes of the respective Committees. The terms of reference, role and composition of these Committees are provided below:

Audit Committee

Composition

Audit Committee consists of three Directors namely Shri Pranab Kumar Bhanjachaudhury. Non Executive Independent Directors as Chairman, Shri Dilip Pratapsingh Goculdas - Non Executive Independent Director as Member and Shri Suresh Kumar Bangur - Executive Promoter Director as Member with Shri M. D. Damani as Secretary of the Committee.

The Committee's composition meets with the requirements of Section 177 of the Companies Act, 2013 and Revised Clause 49 of the Listing Agreement. Members of the Audit Committee possess financial / accounting expertise / exposure.

Power of the Audit Committee

- To investigate any activity within its terms of reference.
- To seek information of any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it consider necessary.

Role of the Audit Committee inter alia, includes the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of statutory auditors, including cost auditors, and fixation of audit fees and other terms of appointment.
- Approving payment to statutory auditors, including cost auditors for any other services rendered by them.
- Reviewing with the management, annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the director's Report in the terms of sub-section (2AA) of Section 217 of the Companies act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by the management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to the financial statements.
 - Disclosure of related party transactions.
 - Qualification in draft audit report.
- Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, the statements of uses / application of funds raised through an issue (public issue, right issue preferential issue, etc.), the statement of funds utilized for purpose other than those

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stated in the offer document/prospectus/notice, and the report submitted by the monitoring agency, monitoring the utilization of proceeds of a public issue, and making appropriate recommendation to the Board to take up steps in this matter.

- Reviewing and monitoring the auditors independence and performance and effectiveness of audit process.
- Approval or any subsequent modification of transaction of the Company with related parties.
- Scrutiny of inter-corporate loans and investments.
- Valuation of undertakings or assets of the Company, wherever it is necessary.
- Evaluation of internal financial controls and risk management systems.
- Reviewing with the management, the performance of statutory auditors, including cost auditors and internal auditors, adequacy of internal control systems
- Reviewing the adequacy of internal audit function, if any, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors, any significant findings and follow-up thereon.
- Reviewing the finding of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature, and reporting the matter to the Boards.
- Discussion with statutory auditors, before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults, if any, in the payment to depositors, debenture holders, shareholders (in case non-payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism.
- Approve the appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance or discharging that function) after assessing qualifications, experience and background of the candidate.
- Carrying out such other functions as may be specifically referred to the Committee by the Company's Board of Directors and/ or other Committees of Directors.
- Reviewing financial statements, in particular the investments made by the Company's unlisted subsidiaries.
- Reviewing the following information:
 - o The Management Discussion and Analysis of financial condition and results of operations;
 - o Statements of significant related party transactions (as defined by the Audit Committee), submitted by managements;
 - o Management letter/ letters of internal control weakness issued by the statutory auditors;
 - o Internal audit reports relating to internal control weakness; and
 - o The appointment, removal and terms of remuneration of internal auditors.
- To call for comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statements before their submission to the Board and to discuss any related issue with the internal and statutory auditors and the management of the Company.