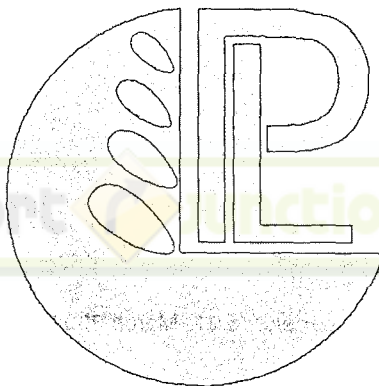


# LIBERTY PHOSPHATE LIMITED



**NINETEENTH ANNUAL REPORT 2006-2007**



# LIBERTY PHOSPHATE LIMITED

## ANNUAL REPORT 2006-07

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## BOARD OF DIRECTORS

- |    |                           |                                |
|----|---------------------------|--------------------------------|
| 1. | Shri R. R. Dhanani        | - Chairman & Managing Director |
| 2. | Shri Vinit J. Shah        | - Director                     |
| 3. | Shri Gagandeep Chadha     | - Director (upto 29.01.2007)   |
| 4. | Shri S. Z. Memon          | - Whole time Director          |
| 5. | Smt. Anisha R. Dhanani    | - Director (upto 18.10.2006)   |
| 6. | Shri Anil Kumar Sethia    | - Director (upto 18.10.2006)   |
| 7. | Shri Firoz Asgar Khambati | - Director                     |

## Company Secretary

Shri M. M. Mundhra

## Statutory Auditors

- V. Shah & Associates,  
Chartered Accountants,  
4, Raj Bhavan Colony,  
Behind Baroda High School,  
Near Pologround, Baroda- 390 001.
- K. L. Vyas & Company,  
Chartered Accountants,  
Shop No.2, 2<sup>nd</sup> Floor, Parshwanath Dava Bazar,  
6, Hazareshwar Colony,  
Udaipur- 313 001

## Banker

Canara Bank,  
Raopura (Main), Vadodara (Gujarat)

## Works

- F-227, Mewar Industrial Area, Madri,  
Udaipur 313 003 (Rajasthan)
- 74/75/83, G.I.D.C., Nandesari-391 340  
Dist. : Vadodara (Gujarat)
- 19, Bhimpura Industrial Area, Jagpura,  
Kota (Rajasthan)
- Survey No. 122 & 129, Rasal,  
Tal. Sudhagad,  
Distt. : Raigad ( Maharashtra)

## Registered Office

74/75, G.I.D.C., Nandesari-391 340  
Distt. : Vadodara (Gujarat)

**SUBSIDIARY :**

The documents to be annexed to this report pursuant to section 212 of the Companies Act, 1956 are annexed herewith.

**DIRECTORS :**

Smt. Anisha R. Dhanani and Shri Anil Kumar Sethia resigned from the office of the Director with effect from 18.10.2006 and Shri Gagandeep Chadha w.e.f. 29.01.2007. The directors place on record their appreciation for the services rendered by these directors during the tenure of their office as director.

In accordance with the provisions of the Articles of Association of the Company and the Companies Act, 1956, Shri Firoz Asgar Khambati, Director of the Company retires at the ensuing Annual General Meeting by rotation and is eligible for reappointment.

The Board recommends his reappointment.

**FIXED DEPOSITS :**

During the year under review the Company has not invited / received deposits from public under section 58A of the Companies Act, 1956.

**CONSOLIDATION OF ACCOUNTS :**

As required under Clause 32 of the Listing Agreement with the Stock Exchange, at which the Equity Shares of the Company are listed and traded, the Audited Consolidated Financial Statements form part of the Annual Report.

**AUDITORS :**

M/s. V. Shah & Associates, Chartered Accountants, Vadodara and M/s. K.L. Vyas & Co., Chartered Accountants, Udaipur, Joint Statutory Auditors retire at the conclusion of the ensuing Annual General Meeting and, being eligible for re-appointment. They have also submitted certificates required under section 224(1B) of the Companies Act, 1956. You are requested to appoint the auditors and fix their remuneration.

**AUDITORS' REPORT :**

The observations of the Auditors in their report are self-explanatory.

**DIRECTORS' RESPONSIBILITY STATEMENT :**

Pursuant to the provisions of sub-section (2AA) of Section 217 of the Companies Act, 1956, your Directors confirm:

- that in the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- that the Directors had 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 as on 31st March, 2007 and of the profit of the Company for that year;
- that the Directors had 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
- that the Directors had prepared the Annual Accounts on a going concern basis.

**CORPORATE GOVERNANCE**

In compliance with the listing agreement with the Stock Exchange, the Report on Corporate Governance is enclosed as Annexure 'A'

**MANAGEMENT DISCUSSIONS AND ANALYSIS**

In compliance with the listing agreement with the Stock Exchange, the Report on Management Discussions and Analysis is enclosed as Annexure 'B'.

**PARTICULARS OF EMPLOYEES**

During the year under review, no employee of the Company was in receipt of remuneration in excess of the limit specified under provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended.

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

In pursuance to Section 217(1) (e) of the Companies Act, 1956 read together with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 the relevant information is annexed as Annexure 'C'

**ACKNOWLEDGMENT**

The Directors acknowledge with gratitude the co-operation extended by Canara Bank, Railway Authorities, and the various Central and State Government authorities. The Directors also wish to place on record their appreciation to the team of executives, staff and workers who have shown devotion and efficiency in performing their jobs.

For and on behalf of the Board

**LIBERTY PHOSPHATE LTD.**

Place : Udaipur.

Date : 29<sup>th</sup> June, 2007

**R.R.DHANANI**

**Chairman & Managing Director**

**S. Z. MEMON**

**Director**



## ANNEXURE - A

## CORPORATE GOVERNANCE

## INTRODUCTION:

Your Company has complied in all material respects with features of Corporate Governance Code as per the Clause 49 of the Listing Agreement with the Stock Exchange.

A report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below.

## 1. COMPANY'S PHILOSOPHY

Your Company lays much emphasis on the transparent working and providing much of the information etc. to the stake holders such as Shareholders, Investors, Bankers, Institutions etc. so that the reader/user of the information is in a position to take considered decision.

## 2. BOARD OF DIRECTORS AND BOARD PROCEDURE:

(i) **Composition of Board:** The Company has Executive Chairman. At the end of the year under review, there were four directors including two independent directors.

The composition of the Board, the category of Directors, their attendance record during the F.Y. 2006-07 and the number of directorships.

Table 1 : Details about Board of Directors of the Company

| Name of Director  | Category of Director         | No. of meetings held | No. of meetings attended | Whether attended last AGM | No. of Directorships in other Limited Companies as on 31.03.07. |
|---|------------------------------|----------------------|--------------------------|---------------------------|---|
| Mr. R. R. Dhanani<br>Chairman and<br>Managing Director. | Promoter<br>Executive        | 13                   | 13                       | Yes                       | Four  |
| Mr. Vinit J. Shah                                       | Non-Executive<br>Independent | 13                   | 12                       | NO                        | Nil   |
| Mr. Gagandeep Chadha                                    | Non-Executive<br>Independent | 11                   | -                        | NO                        | N.A.  |
| Mrs. Anisha R. Dhanani                                  | Non-Executive                | 8                    | 6                        | NO                        | Nil   |
| Mr. S. Z. Memon   | Executive                    | 13                   | 13                       | Yes                       | Three   |
| Mr. Inderjeet Singh Chauhan                             | Non-Executive<br>Independent | 5                    | -                        | N.A.                      | N.A.  |
| Mr. Anil Kumar Sethia                                   | Non Executive                | 4                    | 1                        | NO                        | One   |
| Mr. Firoz Asgar Khambati                                | Non-Executive<br>Independent | 8                    | 8                        | NO                        | NIL   |



- (ii) None of the Directors is a member of more than ten Board level Committees of public limited companies in which they are Directors or a Chairman of more than five such Committees.
- (iii) During the period from April, 2006 to March, 2007, thirteen Board Meetings were held with at least one meeting in every quarter at the following dates : 06.04.2006, 24.04.2006, 29.04.2006, 05.06.2006, 31.07.2006, 02.09.2006, 14.09.2006, 18.10.2006, 31.10.2006, 01.01.2007, 29.01.2007, 28.02.2007, and 26.03.2007. The gap between two consecutive meetings was not more than four months.
- (iv) Information placed before the meeting:

The Board of the Company is presented with the notes in respect of the information covering matters listed below, as and when applicable, from time to time.

- i) Annual operating plans and budgets, capital budgets, updates.
- ii) Quarterly results for the Company and its operating divisions or business segments.
- iii) Minutes of the meetings of audit committee and other committees of the Board.
- iv) Information on recruitment and remuneration of senior officers just below the Board level.
- v) Materially important show cause, demand, prosecution and penalty notices.
- vi) Any material effluent or pollution problems, fatal or serious accidents, dangerous occurrences.
- vii) Any material significant default in financial obligations to and by the Company or substantial non payment for goods sold by the Company.
- viii) Any issue, which involves possible public or product liability claims of substantial nature.
- ix) Details of any joint venture or collaboration agreement.
- x) Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- xi) Significant labour problems and their proposed solutions.
- xii) Sale of material nature of investments, subsidiaries, assets that is not in normal course of business.
- xiii) Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement.
- xiv) Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend and delay in share transfer.

### 3. AUDIT COMMITTEE:

The Audit Committee of the Company is functioning under the Chairmanship of Mr. Vinit J. Shah. The other members of the Committee were Mr. Inderjeet Singh Chauhan till 31.07.2006 and Mr. Gagandeep Chadha till 29.01.2007. Since 31.07.2006 and 29.01.2007, due to resignation of Mr Inderjeet Singh Chauhan and Mr. Gagandeep Chadha respectively as Directors of the company, Mr Firoz Asgar Khambati and Mr. Shakil Z. Memon have been appointed as members of the Audit Committee with effect from the respective dates of resignation of Mr Inderjeet Singh Chauhan and Mr. Gagandeep Chadha. Two members of the Committee are Non-Executive Independent Directors and one is Whole-time Director.

The Company Secretary is Secretary to the Committee. The quorum for Committee meetings is two members or one third of total strength of the Committee, which ever is higher

Brief description of terms of reference:

- i) Oversight of the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ii) Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- iii) Reviewing with management the annual financial statements before submission to the board, focusing primarily on:
  - a. Any Changes in accounting policies and practices.
  - b. Major accounting entries based on exercise of judgement by management.
  - c. Qualification in draft audit report.
  - d. Significant adjustments arising out of audit.
  - e. The going concern assumption.
  - f. Compliance with accounting standards.
  - g. Compliance with stock exchanges and legal requirements concerning financial statements.





- iv) Any related party transaction i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
- v) Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- vi) Reviewing the adequacy of internal audit function, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- vii) Discussion with internal auditors about any significant findings and follow up thereon.
- viii) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- ix) Discussion with external auditors before the audit commences, nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- x) Reviewing the Company's financial and risk management policies.
- xi) To look into reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

Minutes of each Audit Committee are placed before and discussed in the Board.

There were five meetings of the Audit Committee during the year held on 29.04.2006, 31.07.2006, 02.09.2006, 31.10.2006 and 29.01.2007. The necessary quorum was present at the meetings. The attendance of each member of the Committee is given below :

| Name of Director           | Number of meetings held | Number of Meetings attended |
|----------------------------|-------------------------|-----------------------------|
| Mr Vinit J. Shah           | 5                       | 5                           |
| Mr Inderjeet Singh Chauhan | 2                       | 2                           |
| Mr Gagandeep Chadha        | 5                       | 1                           |
| Mr Firoz Asgar Khambati    | 3                       | 3                           |
| Mr Shakil Zakaria Memon    | 0                       | 0                           |

#### 4. REMUNERATION COMMITTEE:

- (i) Brief description of terms of reference:
  - a. Frame Company's policies on Board and Directors with the approval of the Board.
  - b. Make recommendation for the appointment on the Board.
  - c. Review and recommend compensation payable to the executive directors including revision.
  - d. Review re-election of members of the Board.
- (ii) The Remuneration Committee is functioning under the chairmanship of Mr.Vinit J.Shah. The other members of the Committee were Mr. Inderjeet Singh Chauhan till 31.07.2006 and Mr. Gagandeep Chadha till 29.01.2007. Since 31.07.2006, due to resignation of Mr Inderjeet Singh Chauhan as a Director of the company, Mr Firoz Asgar Khambati has been appointed as a member of the Remuneration Committee. On 29.01.2007, Mr. Gagandeep Chadha's resignation was accepted as a Director of the company. The vacancy in Remuneration Committee on account of this resignation is to be filled in. The members of the Committee are independent Non- executive Directors. The quorum for the meetings of the Committee requires presence of all of its members.
- (iii) During the year under review, the meeting of Remuneration Committee was held on 03.07.2006 to approve the terms and conditions of appointment of Mr. Shakil Z. Memon as Whole-time Director of the company w.e.f. 01.04.2006 and the Board of Directors approved the recommendation of Remuneration Committee in its meeting held on 31.07.2006. In the above meeting of Remuneration Committee, all the members of the Committee were present.



**5. MANAGEMENT:****(i) MANAGEMENT DISCUSSION AND ANALYSIS:**

Management Discussion and Analysis is attached herewith and forms part of this Annual Report.

**(ii) DISCLOSURES:**

- (a) Transactions with the related parties are disclosed in Note No.14 of Schedule-20 of Annual Report.
- (b) No transaction of material nature has been entered into by the Company with its Directors or Management and their relatives etc. that may have a potential conflict with the interest of the Company. The Register of Contracts containing transactions, in which directors are interested, is placed before the Board regularly.
- (c) No penalties or strictures have been imposed on the company by the Stock Exchange or SEBI or any statutory authority in any matter related to capital markets for non-compliance by the company.
- (d) That during the year under review, company has issued 19,93,800 Equity Shares of Rs. 10/- each at a premium of Rs.15/- per share on preferential basis, and also received share application money against 8% Non convertible Cumulative Redeemable Preference Shares amounting to Rs. 511.03 Lacs (allotted on 30.04.2007), proceeds of same have been utilized for the purpose of capital expenditure and augmentation of working capital and reimbursement of Sundry Creditors and/or Unsecured Loans, incurred/raised during the course of setting up of new units at Kota (Rajasthan) and Rasal(Pali) (Maharashtra) under expansion programme of the company.
- (e) The details of the remuneration paid/ payable to the Directors and relationship with other directors, if any, are as under:

| Name of the Director | Relationship with other directors | Sitting fees (Rs.) | Salaries and perquisites (Rs. in Lacs) | Total (Rs.in Lacs) |
|----------------------|-----------------------------------|--------------------|--|--------------------|
| Mr.R. R. Dhanani     | None                              | Nil                | 5.65                                   | 5.65               |
| Mr. S. Z. Memon      | None                              | Nil                | 3.24                                   | 3.24               |

| Name of the Director | Service Contract | Notice Period | Severance fees | Performance Linked Bonus | Stock options |
|----------------------|------------------|---------------|----------------|--------------------------|---------------|
| Mr.R. R. Dhanani     | 5 years          | 6 months      | Nil            | Nil                      | Nil           |
| Mr. S. Z. Memon      | 3 years          | 3 months      | Nil            | Nil                      | Nil           |

Non- Executive Directors of the Company are not paid any remuneration. No sitting fee is paid to the directors for attending the meeting of the Board and the Committees thereof.

As on 31.03.2007, 38995 shares of the company are held by Non-executive directors.

**6. SHAREHOLDERS :****(i) APPOINTMENT OR REAPPOINTMENT OF DIRECTORS:**

- (a) Mr. Firoz Asgar Khambati will retire by rotation and is eligible for re-appointment. Mr. Firoz Asgar Khambati is Graduate in Economics with wide experience in business and finance. His shareholding is 30995 of the company as on the date of AGM Notice. He is not director in any other company.  
The shareholding of Mr. Vinit J. Shah, an Independent Director is 8000 Shares of the company as on the date of report.

**(ii) SHAREHOLDERS /INVESTOR GRIEVANCES COMMITTEE:**

The Shareholders/Investors Grievance Committee of the company is functioning under the chairmanship of Mr. Vinit J. Shah. The other members of the Committee were Mr. Inderjeet Singh Chauhan till 31.07.2006 and Mr. Gagandeep Chadha till 29.01.2007. Since 31.07.2006 and 29.01.2007, due to resignation of Mr Inderjeet Singh Chauhan and Mr. Gagandeep Chadha respectively as Directors of the company, Mr Firoz Asgar Khambati and Mr. Shakil Z. Memon have been appointed as members of the Shareholders/Investor Grievances Committee with effect from the respective dates of resignation of Mr Inderjeet Singh Chauhan and Mr. Gagandeep Chadha. Two members of the Committee are Non-Executive Independent Directors and one is Whole-time Director. Mr. M. M. Mundhra, Company Secretary is Compliance Officer of the company w.e.f. 31.07.2006. The Committee met four times during the year on 29.04.2006, 31.07.2006, 31.10.2006 and 29.01.2007. The necessary quorum was present during all the meetings.

The attendance of each member of the Committee is given below :

| Name of Director           | Number of meetings held | Number of Meetings attended |
|----------------------------|-------------------------|-----------------------------|
| Mr Vinit J. Shah           | 4                       | 4                           |
| Mr Inderjeet Singh Chauhan | 2                       | 2                           |
| Mr Gagandeep Chadha        | 4                       | 1                           |
| Mr Firoz Asgar Khambati    | 2                       | 2                           |
| Mr Shakil Zakaria Memon    | 0                       | 0                           |

**(iii) SHARETRANSFER COMMITTEE:**

There is Share Transfer Committee of the Board, which meets regularly to look after share transfers, transmissions, consolidation, sub-division and issue of duplicate share certificates. The Committee met ten times during the year. The necessary quorum was present during all the meetings. On 31.03.2007, no application for share transfer was under process. On 31.03.2007, one Demat request was under process.

**7. GENERAL BODY MEETINGS:**

Particulars of Annual General Meetings (AGM) and Extraordinary General Meetings (EOGM) held in the last three years are given below:

| Date       | Time       | Nature of Meeting | Venue                            | No of Special Resolution Passed |
|------------|------------|-------------------|----------------------------------|---------------------------------|
| 30.07.2004 | 4.00 P.M.  | A.G.M.            | 74-75, G.I.D.C. Nandesari (Guj.) | Nil                             |
| 19.09.2005 | 4.00 P.M.  | A.G.M.            | 74-75, G.I.D.C. Nandesari (Guj.) | Five                            |
| 06.03.2006 | 4.00 P.M.  | E.O.G.M.          | 74-75, G.I.D.C. Nandesari (Guj.) | Three                           |
| 30.09.2006 | 10.00 A.M. | A.G.M.            | 74-75, G.I.D.C. Nandesari (Guj.) | Nil                             |
| 18.11.2006 | 11.00 A.M. | E.O.G.M.          | 74-75, G.I.D.C. Nandesari (Guj.) | Three                           |

No resolutions were put through postal ballot.

**8. CODE OF CONDUCT :**

The Board of Directors has laid down the Code of Conduct for all the Board Members and the members of the Senior Management of the company. Certificate from Managing Director of the company affirming compliance of the said Code by all the Board Members and Senior Management of the company to whom the Code is applicable, is annexed separately to this Report.