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Rama Phosphates Limited

21ST ANNUAL REPORT

2005 - 2006

Rama Phosphates Ltd.

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR

D.J. Ramsinghani

DIRECTORS

D. N. Singh

C. R. Malaviya

V. T. Khardekar

Yashpal Gupta – Nominee Director of IDBI

Silpita Guha – Nominee Director of UTI

R. C. Khurana – Nominee Director of BOI

CHIEF EXECUTIVE OFFICER

A. N. Manudhane

COMPANY SECRETARY

J. K. Parakh

BANKERS

Bank of India

State Bank of Indore

Central Bank of India

Syndicate Bank

State Bank of Hyderabad

AUDITORS

M/s. Dayal & Lohia

Chartered Accountants

Mumbai

REGISTERED OFFICE

812, Raheja Chambers, Nariman Point,
Mumbai-400 021

REGISTRARS & TRANSFER AGENTS

INTIME SPECTRUM REGISTRY LTD.

C-13, Pannalal Silk Mills Compound,

L.B.S. Marg, Bhandup West,

Mumbai 400078

Tel.No. 25963838 Fax No.:25946969

Email : isrl@intimespectrum.com

ADMINISTRATIVE OFFICES

Indore

100, Chetak Centre,

R. N. T. Marg,

Indore 452001, M.P.

Pune

P.O. Loni Kalbhor, Tal. Haveli,

Dist. Pune – 412 201

Udaipur

204-B, Circle View Sukhadia Circle,

Dist. Udaipur 313 001 (Rajasthan)

WORKS

Indore

20/4 KM Stone, Indore – Ujjain Road

(Dharampuri), Dist. Indore,

Madhya Pradesh – 453 557.

Pune

P.O. Loni, Kalbhor, Tal. Haveli,

Dist. Pune 412 201

Udaipur

4807/11, Umra Village,

Jamarkotra Road, Teh. Girwa,

Dist. Udaipur (Rajasthan) 313 001

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NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the Members of the Company will be held on Friday the 29th day of September 2006 at 10.00 a.m. at Ashoka Hall, Arcadia, Nariman Point, Mumbai 400021 to transact the following business :-

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March 2006 and the Balance Sheet as on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. D N Singh who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. V T Khardekar who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT M/s Dayal and Lohia, Chartered Accountants be and they are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors of the Company."

NOTES

1. The Explanatory Statement pursuant to the provisions of section 173 of the Companies Act, 1956 in respect of Special Business specified in the Notice is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY DULY COMPLETED NOT LESS THAN FORTYEIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday the 22nd day of September 2006 to Friday the 29th day of September 2006 (both days inclusive).
4. Information required to be furnished as per the Listing Agreement about Directors proposed to be reappointed at the forthcoming Annual General Meeting is annexed hereto.
5. Pursuant to the provisions of Section 205(A) of the Companies Act, 1956, unclaimed Dividend upto the year ended December 31, 1997 has been transferred to the Credit of the Investor Education and Protection Fund ("the Fund"). The Unclaimed Dividend for the period ended December 31, 1998 will be transferred to the said Fund after a period of seven years from the date of transfer of such dividend to the unclaimed/unpaid Dividend Account. No claim shall lie against the Fund or the Company in respect of the unclaimed Dividend after the same is transferred to the Fund.

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6. Members desirous of seeking any information concerning the Accounts are requested to address their queries in writing to the Managing Director at least seven days before the date of the Meeting so that the requested information can be made available at the time of the Meeting.
7. Members are requested to bring their copies of the Annual Report to the Meeting since copies of the Annual Report will not be distributed at the Meeting.

Registered Office
812, Raheja Chambers,
Nariman Point
Mumbai : 400 021

By Order of the Board
For RAMA PHOSPHATES LIMITED
J K PARAKH
COMPANY SECRETARY

Place : Mumbai
Date : August 16, 2006

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EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 WITH REFERENCE TO THE SPECIAL BUSINESS SPECIFIED IN THE NOTICE CONVENING THE TWENTY FIRST ANNUAL GENERAL MEETING OF THE COMPANY.

ITEM NO 4

Section 224A of the Companies Act, 1956 requires that in case of such companies where the shareholding of Financial Institutions/Banks is more than 25% of the paid up share capital of the company, the appointment of Auditors should be made by a Special Resolution. As the shareholding of Financial Institutions and Banks exceeds the aforesaid limit, Special Resolution is proposed for the appointment of M/s Dayal and Lohia, Chartered Accountants as the Auditors of the Company.

None of the Directors are in any way concerned or interested in the said Resolution.

Place : Mumbai

Date : August 16, 2006

By Order of the Board
For RAMA PHOSPHATES LIMITED
J K PARAKH
COMPANY SECRETARY

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Rama Phosphates Ltd.

INFORMATION REQUIRED TO BE FURNISHED AS PER THE LISTING AGREEMENT

As required under the Listing Agreement, the particulars of Directors who are proposed to be reappointed at the forthcoming Annual General Meeting are given below :

- (A) Mr D N Singh is a Chemical Engineer from Banaras Hindu University and has over 40 years experience in the field of Chemicals and Petrochemicals. He has held senior positions in several companies viz. Synthetics and Chemicals Ltd., Cyanides and Chemicals Co., Alkyl Amines Chemicals Ltd. etc. Mr D N Singh does not hold any Equity Shares of the Company.

He is a Director of the following companies :

- (1) Rama Petrochemicals Limited (2) Rainbow Denim Limited
(3) Rama Industries Limited (4) Rama Capital and Fiscal Services Pvt Ltd.

He is a Committee Member / Chairman in the following companies :

Rama Petrochemicals Limited	Rama Industries Limited
Audit Committee	Share Transfer Committee
Shareholders Committee	
Share Transfer Committee - Chairman	

Rainbow Denim Limited
Audit Committee
Remuneration Committee
Shareholders Committee – Chairman
Share Transfer Committee

- (B) Mr Khardekar is M.Sc (Agri - Plant Pathology) from Pune Vidyapeeth. For more than 39 years, Mr Khardekar has been actively involved in all aspects relating to marketing and distribution of Fertilizers and has held senior positions in several public limited companies viz. Dewas Chemicals & Fertilizers Co. Ltd., GSFC Ltd., Udaipur Phosphates and Fertilizers Ltd., Khaitan Chemicals and Fertilizers Ltd. Since March 1997 to March 2002, Mr Khardekar was the Director – Marketing of the Company. Mr V T Khardekar does not hold any Equity Shares of the Company.

Mr V T Khardekar is a Director and member of the Audit Committee of Rama Industries Ltd.

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DIRECTORS' REPORT

Your Directors present the Twenty First Annual Report together with Audited Accounts for the year ended March 31, 2006.

Financial Results	(Rs. in lacs)	
	2005 - 06 (12 months)	2004-05 (9 months)
Sales & Other Income	17103.10	12083.20
Profit before financial charges & Depreciation	680.55	453.73
Less: Financial Charges	1143.10	770.85
Profit/(Loss) before Depreciation and amortization	(462.55)	(317.12)
Less : Depreciation and other amortization	567.72	422.35
Net Profit/(Loss) for the year/period	(1030.27)	(739.47)
Prior year Adjustment (Net)	12.58	(69.07)
Reversal of interest as per CDR	—	1185.08
Fringe Benefit Tax	(14.58)	—
Profit/(Loss) after adjustments	(1032.27)	376.54
Profit & Loss balance brought forward from the previous period	(9265.88)	(9642.42)
Appropriation on account of Reduction in Equity Share Capital	833.55	—
Balance carried to Balance Sheet	(9464.60)	(9265.88)

1. DIVIDEND

In view of accumulated losses, your Directors regret their inability to recommend any dividend.

2. REVIEW OF OPERATIONS

Performance:

The current year figures are for twelve month whereas previous year figure were for nine months., hence figures are not strictly comparable.

Whilst the capacity utilization of fertilizer division of the company has improved during the year, it is still below from satisfaction level. During the year much awaited hike in subsidy has taken place from Rs. 650 Per tonne to Rs. 975 Per tonne with effect from 1st October 2005. However impact of the same has been partially offset by consequent increase in transportation and input cost.

Despite of all these odds, the company is optimistic that performance will improve in near future due to its strong brand image, consistent improvement in operating efficiency and reduction in fixed overheads. During the year under review, the company has also effected exports of fertilizers and your directors are pleased to inform you that products of the company are well accepted in the international market.

During the year under review, the company has also started trading activities of other complex fertilizer resulted into improvement in its marketing base being a multi product company.

During the year under review, the company continued its operation of oil division and has crushed 44998 M T of soya seeds. The price of oil continued to be under pressure due to cheap import of substitute edible oil and entry of multinational.

3. FUTURE PROSPECTS

With sincere efforts made by the Company in Consolidating its operations, reduction of operating costs and optimization in logistics costs by marketing its products in Economic zone, the company

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is regaining its market share and reaping fruits slowly as it is evident from the results. Continuous efforts made by the company will help to reap the fruit in the year to come. The recent upwards revision in subsidy coupled with increase in capacity utilization will improve in margins of the company. The thrust on the exports of fertilizers would also enable the company to improve its realization and also increase in its sales volume. The company is also exploring options of tie up with other big corporates for marketing its products to spread its wings in the states where the marketing infrastructure of the company is not in existence.

4. DERATING (REDUCTION) OF EQUITY CAPITAL

In accordance with the terms of restructuring under the CDR mechanism, the Equity Share Capital of the Company has been derated (reduced) by 60% i.e. six Equity Shares of Rs. 10/- each out of every ten Equity Shares of Rs. 10/- each have been cancelled. Accordingly the paid up Equity Capital of the Company stands reduced from Rs. 13,89,25,660/- divided in to 1,38,92,566 Equity Shares of Rs. 10/- each to Rs. 5,55,70,260/- divided in to 55,57,026 Equity Shares of Rs. 10/- each.

5. REFERENCE TO BIFR

As the members are aware the Company has become a Sick Industrial company within the meaning of the Sick Industrial companies (Special Provisions) Act, 1985 (SICA)

In response to the reference filed by the Company with the Board for Industrial and Financial Reconstruction (BIFR), the first hearing before the Hon'ble BIFR was held on November 29, 2005 wherein the Company was declared a Sick Company under the provisions of SICA and Industrial Development Bank of India Limited was appointed as the Operating Agency of the Company.

6. CORPORATE DEBT RESTRUCTURING (CDR)

Your Directors are pleased to inform you that restructuring of company's debts under Corporate Debt Restructuring mechanism has been approved by CDR Empowered Group with retrospective effect from 1st July, 2003. As per the CDR restructuring package approved, the CDR members have sanctioned various relief/concession viz conversion of part of overdue interest in to Equity / Preference shares, reduction in the rate of interest, re-schedulement of loans, funding of interest, waiver of penal interest and liquidated damages etc. This has brought down the interest burden of the company to certain extent. Majority of terms and conditions stipulated by CDR Empowered Group has been complied.

7. CORPORATE GOVERNANCE

A Report on Corporate Governance along with the Auditor's Certificate regarding Compliance of the conditions of Corporate Governance as also a Management Discussion and Analysis Report pursuant to clause 49 of the Listing Agreement are annexed hereto.

8. DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed.
2. Appropriate policies have been selected and applied consistently and have made judgements 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 March 31, 2006 and of the Loss of the Company for the year ended March 31, 2006.
3. Proper and sufficient care has been taken 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. The financial accounts have been prepared on a going concern basis.

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9. AUDIT COMMITTEE

In accordance with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, the Company has constituted an Audit Committee comprising of the following Directors viz. Mr. C R Malaviya (Chairman), Mr. Yashpal Gupta and Ms Silpita Guha. Audit Committee acts in accordance with the terms of reference specified from time to time by the Board.

10. SAFETY, ENVIRONMENTAL CONTROL & PROTECTION

The Company has taken all the necessary steps for safety and environmental control & protection at its plants at Indore, Udaipur and Pune.

11. DISCLOSURE OF PARTICULARS

Information as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 relating to the conservation of energy, technology absorption, foreign exchange earning and outgo is annexed hereto and forms a part of this Report.

12. PERSONNEL

There were no employees who were employed during the year under review or part thereof and who were in receipt of remuneration in excess of the limits specified under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended to date.

13. DIRECTORS

Mr. D N Singh and Mr. V T Khardekar retire from the Board of Directors by rotation and are eligible for reappointment.

14. AUDITORS REPORT

Your Directors refer to the observations made by the Auditors in their Report and wish to state as follows:

- a) Company has informed all the parties concerned to confirm the balance.
- b) The Company is in the process of compilation in respect of the status of parties.
- c) In view of the strong asset base of the sick company to which the company has given the loan, the said amount is considered to be fully recoverable and hence no provision has been made for the same.

15. AUDITORS

M/s. Dayal & Lohia, the Auditors of the Company retire at the conclusion of the Forthcoming Annual General Meeting and being eligible offer themselves for reappointment. The Company has received a certificate from them certifying that their appointment, if made, would be within the limits specified under Section 224(1-B) of the Companies Act, 1956.

16. INDUSTRIAL RELATIONS

The Industrial Relations remained cordial at all the units of the Company during the year under review.

17. ACKNOWLEDGEMENT

Your Directors sincerely record their appreciation with gratitude for the continued support and assistance extended to the Company by the Financial Institutions, Banks and various Government Departments and Agencies. The Directors also wish to place on record the 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

Place : Mumbai
Dated : August 16, 2006

D J RAMSINGHANI
CHAIRMAN & MANAGING DIRECTOR

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ANNEXURE TO DIRECTORS' REPORT

PARTICULARS PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2006.

I. CONSERVATION OF ENERGY :

A. Energy conservation measures taken:

Over the year Company has taken several measures for energy conservation viz. installation of Steam Turbine and Coal Fired Boiler, regular monitoring of Consumption of Power through managers, installation of energy saving fans, installation of capacitors, modification of steam traps, conversion of heaters, revamping of Turbine cooling tower, operating ball mill with the Turbine etc.

B. Additional investment proposals, if any, being implemented for reduction of consumption of energy :

The Company has already invested substantial amount in the Steam Turbine and Coal Fired Boiler during the previous year, which are in operation. During the year, the Company has successfully installed Coal Fired Furnaces to change feedstock from Furnace oil to Coal in respect of GSSP and NPK plant. The Company has several investment proposal such as installation of variable frequency drives, additional economizer in Sulphuric Acid plant which will increase steam generation resulting in power generation. Accordingly, the Company is actively considering various investment proposals for further reduction in consumption of energy.

C. Impact of measures at (A) and (B) above for reduction of Energy Consumption and consequent impact on the cost of production of goods :

As a result of continuous effort, the Company has been able to achieve substantial saving in energy cost.

D. Particulars with respect to energy consumption per unit of production

a) POWER AND FUEL CONSUMPTION:

	12 months ended 31.03.2006	9 months ended 31.03.2005
i) Electricity		
a) Purchased:		
Units (in thousands)	4276	2645
Total amount (Rs. in lacs)	209.73	126.45
Rate / Unit (Rs.)	4.90	4.79
b) Own Generation:		
i) Through diesel generator:		
Units (in thousand)	129.86	428.42
Units per litre of diesel oil	2.91	3.02
Cost / Unit (Rs.)	9.50	7.66
ii) Through steam turbine/generator :		
Units (in thousand)	12499	8234.32
Units per M.T of Steam	130.36	126.37
Cost / Unit (Rs.)	1.41	1.38
ii) Coal (Rs. in lacs)	150.76	113.19
iii) Furnace Oil (Rs. in lacs)	115.82	52.54