

ANNUAL REPORT

2015-2016



THE PHOSPHATE COMPANY LIMITED

THE PHOSPHATE COMPANY LIMITED

BOARD OF DIRECTORS

Shri Binod Khaitan
Shri Hemant Bangur
Shri Dilip P Goculdas
Smt. Vijaya Mohan
Shri Suresh Kumar Bangur – Executive Director

PRESIDENT

Shri Ajay Bangur

SECRETARY

Shri M. D. Damani (upto 17.3.2016)
Shri Shankar Banerjee w.e.f. 10.08.2016

BANKERS

State Bank of India
State Bank of Mysore
Syndicate Bank

AUDITORS

Messers Batliboi, Purohit & Darbari
Chartered Accountants

REGISTERED OFFICE

14, Netaji Subhas Road, Kolkata - 700001
Tel : 033-2230 0771
Fax : 91-33-2243 6236
E.Mail : phosphate@vsnl.net
Website : www.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

Messers 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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THE PHOSPHATE COMPANY LIMITED

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting their Annual Report together with the Audited Accounts of the Company for the year ended on 31st March, 2016.

(Amount in ₹ lacs)

FINANCIAL RESULTS	Current year	Previous year
Turnover & Other Incomes	8,712	7,271
Operating Profit (EBITDA)	1,122	609
Finance Cost	665	608
Depreciation	104	99
Net Tax Provision	185	(196)
Share Issue Expenses	—	11
Profit after tax	169	87

BUSINESS PERFORMANCE & AFFAIRS

Your Company has earned a Revenue of Rs. 8712 lacs in the year 2015-16 compared to Rs. 7212 lacs in the previous year.

Production of Single Super Phosphate Fertiliser (Green) recorded a Growth of 8% at 63712 tons in current year up from 58803 tons in previous year.

Sales of Single Super Phosphate Fertiliser comprising of Powder & Granulated was also higher at 61574 tons in current year compared to 60379 tons in previous year.

Subsidy from Government of India was at Rs. 3173 per metric ton for every ton of SSP fertiliser sold in 2015-16. However, Government has reduced subsidy for the year 2016-17 to Rs. 2373 per metric ton. Delay in payment of Subsidy from Government is causing considerable stress on working capital.

Sale of other Farm Input like Pesticides, Growth Promoters etc. and Sulphuric Acid (in excess of consumption) was at Rs. 847 Lacs compared to Rs. 269 Lacs in last year.

Company is aggressively expanding its portfolio of other Agro Inputs. In this direction, Company has obtained registration from Central Insecticides Board for manufacturing 28 different varieties of Insecticides and 2 varieties each of Fungicides and Herbicides totalling 32 products. The Company is looking for technical / financial collaborator / partner who can offer knowhow for manufacturing pesticides / fungicides / herbicides.

SUBSIDIARY COMPANY

Your Company has acquired entire paid up equity share capital of M/s Abhinandan Goods Pvt. Ltd. making it wholly owned subsidiary company. As a strategic option, a part of the land and adjacent buildings and other infrastructure has been transferred to the Subsidiary Company at market rate to develop the agro-input business comprising pesticides/herbicides and plant nutrients. Execution of Conveyance Deed is pending for necessary compliance. Particulars of subsidiary company is presented in Form AOC-1 as per Annexure – D forming a part of the Board's Report.

DIVIDEND

Your Directors do not propose any dividend for financial year 2015-16 to conserve funds.

TRANSFER TO GENERAL RESERVES

Your Directors do not propose to transfer any amount to the General Reserve of the Company.

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MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion and analysis comprising details of the overview, industry structure and development and different product groups of the Company is appended and forms an integral part of the Boards Report.

CREDIT RATING

The Company bank loans have been rated by India Ratings, a Fitch Group Company, as under :

Fund Based Working Capital Limits : IND B/Stable

Non Fund Based Working Capital Limits : IND A4

SHARE CAPITAL

There has been no alteration of share capital during the year.

SEGMENT WISE PERFORMANCE

Your Company deals in single business segment of FARM inputs and all its business revolves around it.

DIRECTORS

There has been no change in the composition of the Board of Directors during the year under review.

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

Shri Bangur has been re-appointed by the Board on 10th August 2016 as Whole Time Director subject to confirmation in the ensuing Annual General Meeting. Approval of the shareholders is sought for the appointment of Shri Bangur to continue as Whole-Time Director designated as Executive Director on the terms and conditions as mentioned in the resolution which are placed before you as per explanatory statement attached to the notice.

Particulars of the Directors seeking appointment / re-appointment are appended in the notes forming part of the notice for the ensuing Annual General Meeting.

WOMAN DIRECTOR

In terms of Section 149 of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, the Company has appointed Ms. Vijaya Mohan (DIN: 02474421) who is serving on the Board of the Company, since 11th November 2014.

KEY MANAGERIAL PERSONNEL

Shri Suresh Kumar Bangur , Executive Director/CEO (DIN: 00040862) and Shri Ajay Bangur, President/CFO are the Key Managerial Personnel.

Shri M.D.Damani (FSC01769) retired as Secretary of the Company w.e.f. 18th March 2016.

NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS

Your Board of Directors met 5 times during the financial year 2016-17 on 19th May 2015, 11th August 2015, 4th November 2015, 9th February 2016 and 25th March 2016. Intervening gap between two meetings is within the limit prescribed under the Companies Act, 2013.

DIRECTORS RESPONSIBILITY STATEMENT

In terms of Section 134 (5) of the Companies Act, 2013, the directors would like to state that:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed.
- b) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 under review.
- c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in

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accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- d) The directors have prepared the annual accounts on a going concern basis.
- e) The directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and are operating effectively.
- f) The directors have devised proper system to ensure compliance with the provisions of all applicable laws and that such system are adequate and operating effectively.

DECLARATION BY INDEPENDENT DIRECTOR(S)

All independent Directors hold office for a fixed period of five years and are not liable to retire by rotation. The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 and Regulation 16 (1) (b) of the SEBI (LODR) Regulations. The terms of appointment of Independent Directors are available in the Company's web site www.phosphate.co.in.

APPOINTMENT AND REMUNERATION POLICY OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

In adherence of section 178(1) of the Companies Act, 2013, the Board of Directors of your Company in its Meeting held on 13th August, 2014, approved a policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided u/s 178(3), based on the recommendations of the Nomination and Remuneration Committee. The broad parameters covered under the Policy are –

Company Philosophy, Guiding Principles, Nomination of Directors, Remuneration of Directors, Nomination and Remuneration of the Key Managerial Personnel (other than Managing/ Whole-time Directors), Key-Executives and Senior Management and the Remuneration of Other Employees. The Company's Policy relating to appointment of Directors, payment of Managerial remuneration, Directors' qualifications, positive attributes, independence of Directors and other related matters as provided under Section 178(3) of the Companies Act, 2013 is furnished in ANNEXURE –C and forms part of this Report.

FORMAL ANNUAL EVALUATION

As the ultimate responsibility for sound governance and prudential management of the company lies with its Board, it is imperative that the Board remains continually energized, proactive and effective. An important way to achieve this is through an objective stock taking by the Board of its own performance. The Companies Act, 2013 as well as SEBI through Equity Listing Agreement are inclined on the requirements of evaluation. The Board of Directors, in its Meeting held on 25th March 2016, undertook the evaluation of its own performance, its Committees and all the individual Directors in FY 2015-16. The review concluded by affirming that the Board as a whole as well as all of its Members, individually and the Committees of the Board continued to display commitment to good governance, ensuring a constant improvement of processes and procedures. It was further acknowledged that every individual Member and Committee of the Board contributed its best to the organisation.

INTERNAL CONTROL SYSTEM & AUDIT

Your Company has an Internal Control System, commensurate with the size, scale and complexity of operations. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee. The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and recommendations along with corrective actions thereon are presented to the Audit Committee of the Board for its direction.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

Your Company has not entered into any transactions within the purview of Section 186 of the Companies Act 2013.

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FIXED DEPOSITS

Your Company has not accepted any deposit within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

HUMAN RESOURCES

As on March 31, 2016 your company had 47 permanent employees at its manufacturing plant and administrative office. The company acknowledges the importance of human value and ensures that proper encouragement both moral and financial is extended to employees to motivate them. The company maintained cordial relationship with workers and staff during the year. Particulars of employees required under section 197(12) of the Companies Act 2013 read with Rule 5(1) of Companies (Management and Administration) Rules 2014 is annexed in Annexure G and forms an integral part of this report.

RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business. There are no materially significant related party transactions made by the company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflicting interest with your company at large.

CONSOLIDATE FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiary, which forms a part of the Annual Financial Statements, have been prepared in accordance with the provisions of section 129(3) of the Companies Act 2013. The salient features of the Financial Statement including details of performance and financial position of the Subsidiary Company is presented in the prescribed format in Form AOC-1 as per Annexure-A forming a part of the Board's Report.

CODE OF CONDUCT

The Code of Conduct, adopted by your Board of Directors, is applicable to Directors, senior management and employees of the Company. The Code is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct in relation to the Company's business and reputation. The Code covers commitment to responsibility and sustainable development, concern for occupational health, safety and environment, a gender friendly workplace, transparency and auditability, legal compliance and the philosophy of leading by personal example.

VIGIL MECHANISM & WHISTLE BLOWER POLICY

Your Company has in place a robust vigil mechanism for reporting genuine concerns through the Company's whistle blower policy to deal with fraud or mismanagement, if any. The Policy ensures that strict confidentiality be maintained whilst dealing with concerns and that no discrimination will be meted out to any person for a genuinely raised concern.

PREVENTION OF INSIDER TRADING

Your Company's Code of Conduct for Prevention of Insider Trading 2015, approved by the Board of Directors, inter alia, prohibits purchase or sale of securities of the Company by Directors and employees while in possession of unpublished price sensitive information in relation to the Company.

CORPORATE SOCIAL RESPONSIBILITY

Section 135 of the Companies Act 2013 relating to Corporate Social Responsibility Committee and its obligations are not applicable to your Company as the paid up capital or turnover or net profit is below the threshold limit of Rs. 500 crores Rs. 1000 crores Rs. 5 crores respectively during a financial year. Your company admits that it is significant part of the society and discharges its obligations to the society at large.

INSURANCE

All the properties of your Company are adequately insured.

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STATUTORY AUDITOR & AUDIT REPORT

M/s Batliboi Purohit & Darbari, Chartered Accountants, (F.R.No.303086E), the Auditors of the Company are to hold office as statutory auditors to the conclusion of the Annual General Meeting for Financial Year 2016-17 subject to ratification of the appointment by the members at every Annual General Meeting. A certificate has been received to the effect that their re-appointment would be within the prescribed limit under section 141 of the Companies Act, 2013.

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

COST AUDITOR & COST AUDIT

Pursuant to the provisions of Section 141 read with Section 148 of the Companies Act, 2013 and Rules made thereunder, M/s. S Gupta & Co., Cost Accountants (F.R.No.000020) were appointed as the cost auditors of the Company for the year ending 31st March, 2016. The due date for filing the Cost Audit Reports for the Financial Year ended 31st March, 2015 was 30th September 2015 and was filed on that date. They have been reappointed for the Financial year ended 31st March, 2017 by the Board of Directors.

INTERNAL AUDITORS

Your Directors have reappointed m/s R.D.Daga & Co., Chartered Accountants (FRN:305158E) for the financial year ended 31st March, 2017.

SECRETARIAL AUDITOR & SECRETARIAL AUDIT REPORT

Pursuant to provisions of section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 the company has appointed CS Bajrang Lal Mundhra, Practicing Company Secretary, as the Secretarial Auditor of the Company. The Secretarial Audit report is given in Annexure-H and forms part of the Board's Report. Note on Secretarial Auditor Report is self explanatory.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company, comprises 3 (Three) Members, namely Smt. Vijaya Mohan, Shri Dilip P Goculdas and Shri Suresh Bangur, majority of them being Independent Directors except Shri Suresh Bangur, who is a Non-Independent Executive Director. The Committee met four times in the financial year 2015-16. The Board accepted all the recommendations of the Audit Committee during the year.

STAKEHOLDERS RELATIONSHIP COMMITTEE

Your Company has a duly constituted stakeholder's relationship committee. One meeting of the Committee has been held during the year.

EXTRACT OF ANNUAL RETURN

The extract of the Annual Return in Form No. MGT-9 forms part of the Board's Report and is annexed herewith as ANNEXURE - F.

BUSINESS RISK MANAGEMENT

Pursuant to section 134 (3) (n) of the Companies Act, 2013, the Board of Directors of the company regularly evaluates its associated business risks. It has an elaborate risk management procedure and in place systematic approach to mitigate risk associated with accomplishment of objectives and operations. At present it has not identified any element of risk threatening existence of the company in dealing with agro input products.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

There was no amount lying unclaimed/ unpaid with the Company for transfer to the Investor Education and Protection Fund pursuant to the provisions of 124(5) of the Companies Act 2013.

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

Energy Conservation

- a) Company ensures that the manufacturing operations are conducted in the manner whereby optimum utilisation of energy is achieved.
- b) No specific investment has been made in reduction in energy consumption apart from installing latest saving equipment.
- c) Impact of conservation and optimum utilisation of energy are not readily ascertainable and as such its impact on cost cannot be stated absolutely.

Technology Absorption

Company's products are manufactured by adopting the available contemporary technology. The Company constantly strives for maintenance in quality of its products and entire Research & Development activities are directed to achieve the aforesaid goal.

Foreign Exchange Earnings & Outgo

Particulars	2015-16	2014-15
Foreign Exchange Earnings	Nil	Nil
Foreign Exchange Outgo		
Purchase of Raw materials (CIF)	Rs. 25,89,30,967	Rs. 26,14,88,202

Particulars of Employees

The information required pursuant to Section 197 read with rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided by way of Annexure C.

SIGNIFICANT MATERIAL ORDERS PASSED BY THE REGULATORS / STATUTORY AUTHORITIES

The Company has filed a writ-petition with Honb'l High Court at Kolkata challenging the constitutional validity of West Bengal Tax on Entry of Goods into Local Areas Act 2012.

A writ petition before Honb'l High Court at Kolkata is pending for recovery of freight subsidy from Central Government.

CORPORATE GOVERNANCE

In terms of SEBI circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014, the revised Clause 49 of Listing Agreement and Reg. 15 of SEBI (Listing Obligation and Disclosure Requirement) Regulation 2015 Corporate Governance is not applicable to your Company.

MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY

There are no material changes or commitments occurring after 31st March 2016 affecting the financial position of the Company requiring disclosure.

ACKNOWLEDGEMENTS

The Board places on record its appreciation for the sustained co-operation and support bestowed to your Company by customers, vendors, regulators, banks, financial institutions, rating agencies, stock exchanges and depositories, auditors, advisors, consultants, associates and all the employees for their helping hand, cooperation and dedicated work. The Board deeply acknowledges the trust and confidence placed on the Company and all its shareholders.

On behalf of the Board of Directors
For The Phosphate Co. Ltd.

Kolkata
Dated: 10th August 2016

(Suresh Kumar Bangur)
Executive Director
DIN:00040682

(Binod Khaitan)
Director
DIN:00128502

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Annexure A

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development :

India is primarily an agrarian economy and in conjunction with the need to feed its increasing population makes agriculture as a primary sector of Indian economy. India also needs to be self reliant in food grains to conserve precious foreign exchange. Single Super Phosphate (SSP) Fertilizer industry is the ground-breaking fertilizer industry in the country. SSP fertilizer contains Sulphur and Calcium besides Phosphorus so it is an ideal manure to abolish sulphur deficiency in soil resulting into increase in yield of potato, rice tobacco, oilseeds etc. to a great extent.

Segment wise – Product wise performance:

The Company operates primarily in agro-input segment. During the year under review, your company achieved production of 52401 MT of Powdered Single Super Phosphate, 7842 MT of Granulated Single Super Phosphate (GSP) as against production of 50363 MT of Powdered Single Super Phosphate and 10528 MT of GSP in the previous year.

The Company reported an operating profit (EBITDA) of Rs.1122 lacs in current year including profit on sale of fixed assets of Rs.862 lacs against an operating profit of Rs.609 lacs including profit on sale of fixed assets Rs.113 lacs in previous year. After providing for finance cost, depreciation, Tax Adjustments and Share Issue Expenses, the Company reported a net profit of Rs.169 lacs against profit of Rs.87 lacs in the previous year.

Internal Control Systems 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 and all transactions are authorized, recorded and reported in conformity with generally accepted accounting principles. Internal Controls are also reviewed by the Internal Auditor.

Human Resources:

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 encouraging to take decisions supplemented with free flow of information and ideas, has helped in strengthening its human capital base of the Company.

Opportunities:

The Company's manufacturing unit situated at Rishra in the Hooghly district of West Bengal which put it in a good stead to effectively service demand. Location of the unit at the center of the market and proximity to seaport coupled with a dedicated multi-disciplinary work force has all along enabled the company to respond to spurts in demand. The Company's "LAKSHMI" brand of produce is well accepted in the market as premium quality product which has also created a benchmark in terms of reliability and output.

Threats:

Since the company's business is dependent upon policy of the Government and good monsoon, any change therein may likely to affect the projections and plans of the company. Any adverse movement in Rupee/Dollar parity can also effect Company's operation.

Future Outlook:

For an industry linked with food grain production to meet the requirement of ever-growing population, the outlook seems positive. Despite India being third largest producer of fertilizer in the world, is also 2nd largest importer and therefore there is a scope of increasing production of fertilizer to cater the demand of farmers and restrict import to conserve precious foreign exchange. Government of India has reduced subsidy for Fy 2016-17. However, this time price of raw materials is softening. Moreover, there is a forecast of Good Monsoon. All these factors will affect demand and should spell well being for the Company.