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MSL INDUSTRIES LIMITED

28th
Annual Report
1999-2000



MSL Industries Ltd.

BOARD OF DIRECTORS

H.K. Modi B.E. (Mech.)
Chairman & Managing Director

S.K. Modi
Joint Managing Director

P.L. Agarwal
A.K. Chatterjee
R. M. Desai, *Nominee of ICICI Ltd.*

COMPANY SECRETARY

R.N. Dutta

AUDITORS

Taparia & Co.
Chartered Accountants
28, Black Burn Lane,
Calcutta - 700 012

BRANCH AUDITORS

K.N. Gutgutia & Co.
Chartered Accountants
11K, Gopala Towers,
Rajendra Place,
New Delhi - 110 008

A. Mitra & Associates

Ashiana Towers,
Exhibition Road,
Patna - 800 001

BANKERS

State Bank of India
Indian Overseas Bank
Citi Bank N.A.

REGD. OFFICE & WORKS (STEEL)

E-2 Industrial Area, Patliputra,
Patna - 800 013


Polymer Unit

Hind Polymers

Noida-Dadri Road, Surajpur,
Dist. Ghaziabad (U.P.)

Head Office & Share Department

P-22 Swallow Lane, Calcutta - 700 001

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MSL Industries Ltd.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the 28th Annual General Meeting of the Members of MSL Industries Limited will be held on Saturday, the 30th December, 2000 at 4.00 p.m. at E-2, Industrial Area, Patliputra, Patna - 800 013 to transact the following business :

Ordinary Business

1. To consider and adopt the Profit and Loss Account for the financial year ended 31st March, 2000 and the Balance Sheet as at that date and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri S.K. Modi who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri A.K. Chatterjee who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and Branch Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business

5. Amendments of Articles of Association

To consider and, if thought fit to pass, with or without modification (s), the following resolution as a **Special Resolution** :

"RESOLVED that pursuant to Section 31 and other applicable provisions, of the Companies Act, 1956, if any, the Articles of Association of the Company be and are hereby altered and / or substituted and / or inserted in the manner and to the extent as are set out herein below :

A. Definition : In Article 1 for the definition of 'Member' the following definition shall be substituted :

'Member' means the duly registered holder of the shares of the Company from time to time including the subscribers to the Memorandum and Articles of Association of the Company and will also include the "beneficial owners" as defined hereinafter.

After the end of Article 1 the following new Articles and headings shall be inserted :

'Beneficial Owner' means a person or persons whose name is / are recorded as such with a depository ;

'SEBI' means the Securities & Exchange Board of India;

'Depository' means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under Sec. 12(1A) of the Securities & Exchange Board of India Act, 1992 ; and 'Security' means such security as may be specified by SEBI from time to time'.

'Record' means and includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by Regulations.

Register and Index of Beneficial owners

'Register and Index of beneficial owners' maintained by a depository under Section 11 of the Depositories Act, 1996 shall be deemed to be the Register and Index of Members for the purposes of the Act and these Articles.

Participant

'Participant' means a person registered as such under Sub-Section (1A) of Section 12 of the Securities & Exchange Board of India Act, 1992 (15 of 1992).

B) After Article 49B the following new Articles and heading shall be inserted.

49C Dematerialisation of Securities

"Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996 and rules framed thereunder.

49D Options for Investors

- a) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities.
- b) If a person opts to hold his Security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of that security.

49E Securities in depositories to be in fungible form

All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Section 153, 153A, 153B, 187B & 187C of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

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49F Rights of depositories and beneficial owners

- a) Notwithstanding anything to the contrary contained in any other Law for the time being in force or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

49G Service of documents

Notwithstanding anything contained in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.

49H Transfer of Securities

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferer and transferee both of whom are entered as beneficial owner in the records of a depository.

49I Allotment of securities dealt with in a depository

Notwithstanding anything contained in the Act, or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

49J Distinctive number of Securities held in a depository

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository".

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Regd. Office :
E-2 Industrial Area
Patliputra, Patna - 800 013
Dated : 13th November, 2000.

By Order of the Board

S. K. MODI
Director

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company. The proxy Form in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. **The Register of Members and Share Transfer books of the Company will remain closed from 27th December, 2000 to 30th December, 2000 (both days inclusive).**
3. **Shareholders who have multiple folios in identical names or joint names in the same order are requested to intimate to the Company their folio numbers to enable the Company to consolidate all such shareholdings into one folio. Shares need not be sent to the Company for this purpose.**
4. The unclaimed dividends paid in respect of the Company's financial year ended 31st March 1995 have been transferred by the Company to the General Revenue Account of the Central Government. Shareholders who have not claimed or received any dividend of the said period or earlier years transferred by the Company to General Revenue Account of the Central Government may prefer an application in the prescribed form to the Registrar of Companies, Bihar, Maurya Lok Complex, A Block, 4th floor, Dak Bunglow Road, Patna - 800 001, for the payment of the dividend due to them.
5. Shareholders are hereby further informed that pursuant to a recent amendment to the Companies Act, 1956 the Company is obliged to transfer any money lying in the unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the Unpaid Dividend Account, to the credit of "Investor Education and Protection Fund" 'the Fund' to be established by the Central Government. In accordance with the provisions of Section 205B of the Act, as amended, no claim shall lie against the Company or 'the Fund' in respect of individual amounts of dividends remaining unclaimed and unpaid for a period of seven years from the dates they first become due for payment and no payment shall be made in respect of any such claims out of the said 'Fund'.



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6. As per the amended provisions of the Companies Act, 1956, facility for making nominations is now available for shareholders/debenture holders in respect of the shares/debentures held by them. Nomination forms can be obtained from the Share Department of the Company at P-22 Swallow Lane, Calcutta - 700 001 on requisition.
7. Pursuant to the provisions of the Depositories Act, 1996, Securities and Exchange Board of India decided that the trading of the Company's Securities would be compulsory in a dematerialised form with effect from 26th February, 2001. The members are, however, entitled to opt for holding the Securities either in dematerialised form or in physical form. However, the trading of the shares would be compulsory in dematerialised form with effect from 26th February, 2001. The Company has appointed M/s MCS Limited, 24/26, Hemanta Bose Sarani, Calcutta-700 001 as Registrar and Transfer Agent only for the purpose of those securities which are opted by the shareholders for dealing in dematerialised form. Shareholders are requested to act accordingly.
8. Shareholders desiring any information as regards accounts are requested to write to the Company to reach the Company at P-22, Swallow Lane, Calcutta - 700 001, 48 hours before the meeting so as to enable the management to keep the information ready.
9. Shareholders are requested to bring their copies of the Annual Reports to the meeting.
10. The Company's shares are listed on Magadh Stock Exchange at Patna, Stock Exchanges at Mumbai and Calcutta. The Company has already paid the Annual Listing Fees to them for the year 2000-2001.
11. **Shareholders are requested to intimate to the share department of the Company any change in their address promptly including Pincode quoting the correct folio numbers and also to notify mistakes if any, in the respective addresses to ensure proper delivery of mail.**
12. The Company has taken appropriate and effective steps to be Y2K compliant. The expenditure to ensure such Y2K compliance did not have any material financial impact.
13. **All correspondence regarding shareholding should be addressed to :**

MSL INDUSTRIES LTD. (Share Department)
P-22 Swallow Lane, Calcutta - 700 001

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Explanatory Statement

PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

As required by Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the business mentioned under item 5 of the accompanying Notice dated 13.11.2000.

Item Nos. 5

Consequent to the passing of the Depositories Act, 1996, a facility has been provided to the investors - shareholders for holding securities in the form of electronic entries instead of paper scrips. The Company is signing agreements with National Securities Depository Ltd. and Central Depository Services (India) Ltd. for joining the said Depositories.

The new automated system of holding and trading in the scripless securities of the Company alongwith the physical form system has necessitated certain alterations in the Articles of Association of the Company, especially in matters such as the Register of Members to cover the Beneficial Owners as per the records of the Depository, fungibility of the shares held in depository, transfer of shares held in depository etc.

Appropriate alterations as set out in the Special Resolution in the above Notice are accordingly proposed for approval of the shareholders. None of the Directors of the Company is in any way concerned or interested in the said Special resolution, except to the extent of his shareholding.

A Copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the Members of the Company at its Registered Office between 11.00 A.M. and 1.30 P.M. on any working day of the Company.



MSL Industries Ltd.

Directors' Report

To the Members

The Directors present the 28th Annual Report on the operations of the Company together with the Audited Accounts for the year ended 31st March 2000.

1. THE FINANCIAL RESULTS

| | (Rs. in lacs) | |
|--|---------------|---------|
| | 1999-2000 | 1998-99 |
| Turnover | 12,586 | 10,196 |
| Gross Profit before Depreciation, Interest & Tax | 578 | 733 |
| Depreciation | 394 | 370 |
| Interest (Net) | 1,123 | 1,074 |
| Profit/(Loss) before tax | (939) | (711) |
| Provision for taxation for the year | — | — |
| Profit/(Loss) after tax | (939) | (711) |
| Balance brought forward from previous year | — | 32 |
| Transfer from Debenture Redemption Reserve | — | 105 |
| Transfer to General Reserve | (939) | (574) |

Note : Figures of the previous year have been regrouped wherever necessary.

2. PERFORMANCE

(A) POLYMER DIVISION

Although there has been all round depression in the Polymer Industry throughout India, the physical performance of the Company's Polymer Division has improved considerably. The production of the Polymers Division increased from 6963 MT to 8920 MT i.e. by about 28%. Likewise, the sales also increased from 7038 MT to 8934 MT i.e. by about 27%. However, since the operating cost remained higher having a lesser margin to cover the fixed cost including interest, the financial performance of the polymer Division could not achieve a positive result during this year although the net loss after depreciation and interest has decreased from Rs. 297 lacs in 1998-99 to Rs. 160 lacs in 1999-2000. To add to this problem, the Foreign Companies have started exporting their products to India at much lower prices forcing indigenous suppliers to cut down their prices in the competition. In addition a giant industry has also joined in the competition for marketing Compounds, leading to reduced sales realisation.

(B) STEEL DIVISION

The main products are Galvanized Steel Tape used in the manufacture of Jelly Filled Cables and High Tensile Steel Strappings used for packaging in various industries. The total production of Steel Division (including production of Steel Strappings) has increased from 16459 MT in 1998-99 to 19861 MT in 1999-2000 i.e. by 21% with a corresponding increase in Sales from 16386 MT in 1998-99 to 19881 MT in 1999-2000 also by approx 21%.

However, inspite of the sharp increase in production and turnover the results of the Steel Division have been disappointing mainly because of extremely competitive pricing of finished products, high finance charges and increased cost of raw materials. The sales of higher value added products e.g. High Tensile Steel Strappings could not also be increased substantially because of the severe recession in the Steel Industry which is the main consumer for this product.

FUTURE PROSPECTS

Steel Industry, as a whole has become extremely competitive. The Company therefore, has to concentrate on higher levels of production and sharp reduction in cost. Over the last 2/3 years the Company has developed a wide base of customers for its Steel Strappings. The Company targets to increase its production and sales targeting this market. The Company is also taking steps to expand its activities in value added services e.g. complete Packing Contracts as against only supply of materials. The Company is also actively pursuing development of export of its products.

It is expected that with the implementation of the above measures as also with the improvement in the industrial scenario the performance of the Steel Division and the Company as a whole will improve in the future.

Similarly, it is expected that with the renewed emphasis on communication by the Cental Government increased requirement of telephones in the country, the demand in the Telecom Sector the production of your Company is expected to increase.



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Directors' Report

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3. NEW PROJECT

As reported earlier, the circumstances for installation of a plant to manufacture Hi-Tech polymer compound for power cable industry at Calcutta have not become favourable.

4. PROJECT & PERFORMANCE

Pursuant to SEBI Guidelines, a comparison between Projections given in the Letter of Offer dated 1st February, 1996 and the results for the year 1999-2000 is stated below :-

| PARTICULARS | Projections | Rs. in Lacs Performance |
|----------------------------|-------------|----------------------------|
| Total Income | 20,068 | 12,586 |
| PBIDT | 3,869 | 578 |
| Profit/(Loss) before Tax | 2,693 | (939) |
| Profit/(Loss) after Tax | 1,902 | (939) |
| Equity Share Capital | 878 | 869 |
| Free Reserves | 12,777 | 6,054 |
| Dividend (%) | 32% | — |
| Earning per share (Rs.) | 21.66 | — |
| Book value per share (Rs.) | 155.52 | 84.81 |

Projection of profitability for 1999-2000 as stated in the Letter of Offer for Rights Issue dated 1.2.96 could not be achieved due to the following circumstances which were beyond the control of the Management.

- As reported earlier, the new project for manufacturing Hi-Tech Power Cable Compounds at Calcutta could not be implemented after considering severe uncertainties on the feasibility - both marketing and financial, of the project. As unfavourable situations are still continuing, the proposed project has been kept in abeyance.
- Most of the Steel Industries, who are the main customers of the products of the steel unit, are suffering heavy losses. As a result, the Hi-Tech unit's production although increased during the year, had to be sold at a competitive price resulting in very low margin of profit.
- As reported earlier, the adverse condition arising out of the global recession and the unfavourable economic conditions prevailing in the country continued during this year also. Prices of the products of your Company have fallen down due to cheaper Import price. In spite of a significant increase in production/sales in Hi-Tech unit and Polymer Division, due to intense competition, and disproportionately high operating cost, profit margins were severally strained.

5. DIVIDEND

In view of the poor results your Directors regret not being able to recommend any Dividend for the year.

6. EXPORTS

The exports of the Company during the year have increased from Rs. 56.15 lacs to Rs. 68.68 lacs. However, the Company is exploring the possibility of exporting to some other countries in the current year. The response is quite satisfactory.

7. INDUSTRIAL RELATIONS

The Management and Employee relations remained cordial and the Directors place on record their appreciation of the dedication shown by the Officers and Employees at all levels.

8. AUDITORS

M/s. Taparia & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The retiring auditors have furnished certificate of their eligibility for re-appointment as required under the Companies Act, 1956.

8.1 BRANCH AUDITORS

- M/s K. N. Gutgutia & Company, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Branch Auditors.
- M/s Mitra & Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Branch Auditors.



MSL Industries Ltd.

Directors' Report

(Contd..)

9. AUDITOR'S REPORT

Notes referred by the Auditors in their report have been explained, wherever necessary, in the respective Notes on Accounts.

10. DIRECTORS

Mr. S.K. Modi and Mr. A. K. Chatterjee retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

11. DEPOSITS

The Company has not accepted any deposits from the public.

12. DEMATERIALISATION OF SHARES

Under the provisions of the Depository Act, 1996 and as per directions of the Securities and Exchange Board of India (SEBI), the Equity Shares of your Company will be made available for dematerialisation under the Depository system operated by the Central Depository Services (India) Ltd. (CDSL) and National Securities Depository Ltd. (NSDL) with effect from 26th February, 2001. The shares of your Company will be under the compulsory Demat settlement mode and can be traded only in Demat Form with effect from that date. **Members are, therefore, advised to get their shares converted into Demat Mode by sending Dematerialisation Request Form (DRF) along with the share certificate(s) to the Company through their Depository Participants (DP).**

13. LIST OF THE STOCK EXCHANGES

The Company's shares are listed on Magadh Stock Exchange at Patna, Stock Exchanges at Mumbai and Calcutta. The Company has already paid the Annual Listing Fees to them for the year 2000-2001.

14. THE YEAR 2000 COMPLIANCE (Y2K)

Considering the nature and the extent of the uses of the computers installed and the type of systems prevailing in the Company, appropriate and effective steps including replacement, additions/alteration of the existing computers have since been taken to make the computers for correctly reckoning the dates in the 20th century, 21st century and thereafter and also the leap years. Effective steps have also been taken to meet the future contingency, if any. The expenditure to ensure such Y2K compliance did not have any material financial impact on the performance of the Company.

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

As required under Section 217 (1) (e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, the particulars relating to Conservation of Energy, Technology absorption and Foreign Exchange Earnings and Outgo are annexed with Balance Sheet & Profit and Loss Account.

16. PARTICULARS OF EMPLOYEES

Pursuant to Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the Directors have to report to you that there was no such employees employed for the whole year and were in receipt of remuneration in aggregate of not less than 6,00,000/- throughout the financial year. There was also no employees employed for part of the year and were in receipt of remuneration of not less than Rs. 50,000 per month.

17. BALANCE SHEET ABSTRACT AND CASH FLOW STATEMENT

The Balance Sheet Abstract as at 31st March, 2000 as required under Schedule VI of the Companies Act 1956 and the Cash Flow statement as required under the Listing Agreement with the Stock Exchange for the year ending 31st March 2000 are attached with this Annual Report.

18. ACKNOWLEDGEMENT

Your Directors place on record their gratitude and appreciation to the Investors, Financial Institutions, Banks, Securities and Exchange Board of India, Reserve Bank of India, Stock Exchanges, State and Central Governments and other Government Agencies for the recognition given and the trust reposed by them in your Company.

By order of the Board

H. K. Modi

Chairman & Managing Director,

The 13th day of November, 2000