

MSL Industries Ltd.

Annul Report

2000-2001

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MSL Industries Ltd.



BOARD OF DIRECTORS

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

S. K. Modi
Joint Managing Director

G. Bhattacharya, Nominee of ICICI Ltd.

P. K. Kundu, Nominee of IDBI

A. K. Chatterjee

V. K. Singhania

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) & HI-TECH

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, Kolkata - 700 001



MSL Industries Ltd.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 29th Annual General Meeting of the Members of MSL Industries Limited will be held on Wednesday the 26th December 2001 at 9.30 a.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, 2001 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 A.K. Chatterjee who retires by rotation and being eligible, offers himself for reappointment.
3. 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

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

"RESOLVED THAT Shri Vijay Kumar Singhania be and is hereby appointed as a Director of the Company and that he shall be liable to retire by rotation."

By Order of the Board

Regd. Office :
E-2 Industrial Area
Patna - 800 013
Dated : 29th day of October, 2001.

H. 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 22nd December 2001 to 26th December 2001 (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 years ended upto 31st March 1995 have been transferred by 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 provision to Section 205B of the Act, as amended, no claim shall be against the Company or "the Fund" in respect of individual amounts of dividends declared for and upto the financial year ended 31st March 1996 and thereafter 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".
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 Depository Act 1996, Securities and Exchange Board of India decided that the trading of the Company's Securities have been made 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 are compulsory in dematerialised form with effect from 26th February 2001. The Company has appointed M/S MCS Limited as Registrar and Transfer Agent

MSL Industries Ltd.



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, Kolkata - 700001, 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 2001-2002.

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. All correspondence regarding shareholding should be addressed to :

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

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 4 of the accompanying Notice dated 29th October, 2001.

Item No. 4.

Shri Vijay Kumar Singhania has been appointed as a Director, in the casual vacancy caused by resignation of Shri P. L. Agarwal, by the Board of Directors at their meeting held on 28th September, 2001. He will cease to be a Director on the date of this Annual General Meeting. A notice under Section 257 of the Companies

Act, 1956 has been received from a member proposing his candidature for the Directorship of the Company along with a deposit of Rs. 500/-.

The Board recommends the resolution for your approval.

Except Shri Singhania, no other Director of the Company is concerned or interested in the said resolution.

By Order of the Board

Regd. Office :
E-2 Industrial Area
Patna - 800 013
Dated :29th day of October,2001.

H. K. MODI
Director



MSL Industries Ltd.

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the 29th Annual Report on the operation of the Company together with the Audited Accounts for the year ended 31st March 2001.

1. THE FINANCIAL RESULTS (RS IN LACS)

	2000-2001	1999-2000
Turnover	7789	12586
Gross Profit/(Loss) before Depreciation, Interest & Tax	(3440)	578
Depreciation	398	394
Interest (Net)	1156	1123
Profit/(Loss) before Tax	(4994)	(939)
Payment of Income Tax for earlier years	42	—
Profit/(Loss) after Tax	(5036)	(939)
Transfer to General Reserve	1587	939
Balance carried to Balance Sheet	3449	—

(See Note No. 17 in schedule 17)

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

2. PERFORMANCE

During the year company suffered a net loss of Rs. 4993.70 lacs (previous year Rs. 939.35 lacs) resulting in erosion of more than 50% of the Net Worth. The net loss has mainly been incurred by the Steel Division at Patna. The abnormal loss recorded during the financial year is due to the following reasons :-

- Severely reduced production/Sales due to market recession and shortage of working Capital.

- Sharp fall in the market price of the company's finished products e.g. Galvanized Steel Tape, High Tensile Steel Strappings etc.
- Under provisioning of Scrap in the previous years which was done on estimation basis, now corrected.
- Low yield of High Tensile Steel Strapping Unit.
- Damage to Finished Stocks due to water logging and long storage and inventory obsolescence.

Material Events after the Balance Sheet Date:-

- In view of the difficult market situation and severe liquidity crunch, production activity at the Steel Unit at Patna has been suspended totally with effect from 1st April 2001.
- The company has submitted an application to State Bank of India, Patna to consider and sanction Rehabilitation package, which is under their active consideration.
- In response to the company's request to the Financial Institution for Restructuring/Re-alignment of debts, ICICI, which is the lead Financial Institution has already re-scheduled the Debts as also granted moratorium on repayment of installments and Interest as part of the revival package. Similar response against the company's application is expected from IDBI.
- The company's Net Worth as on 31.03.2001 has been eroded substantially and necessary action as provided in the law is being taken by the company.
- Subsequent to the suspension of production the workmen and most of the Technical and Office staff members of the Steel Unit have been paid their final dues.

3. FUTURE PROSPECTS :

Two important products of the company namely Polymer Compound and Galvanized Steel Tape (GST) are being supplied to the Telecom Industry for application in manufacture of Jelly Filled Cables and Optic Fiber Cables (Polymer Compounds). MSL is

MSL Industries Ltd.



the largest integrated supplier of these materials to the Telecom Industry in India. Its link with this industry is almost from the nascent stage of the Telecom Cable Industry in India and has been instrumental for achieving total import substitution for this Industry. The Company, not only has strong links with the customers because of quality, but also because it is the only company which is meeting the needs of two important products of the Company namely Polymer Compounds and Galvanized Steel Tape, are being supplied to the Telecom Industry for manufacture of Jelly Filled Cables and Optic Fiber Cables. This particular segment of Telecommunication industry has been on a high growth path for the last 10/12 years and even future demand projections are indicative of a sustained growth rate.

In particular the Polymer Compounds produced by the Company are the first preference by the Industry. Also because of the state-of-the art plant for producing polymer compounds the company has been a forerunner in the field of development of newer value added products for Jelly Filled Cable Industry as also Optic Fiber Cables.

In addition to this there is a strong overseas demand which the company is considering to cater.

Steel Division is currently suffering from the general recession in this sector in the country. However, here also this Division has not only been the largest supplier of GST to the Telecom Industry but also the leader in technological development. Since the Jelly Filled Cable Industry is poised for sustained growth rate of 16-20% the Steel Division is assured of growing and sustained market.

The combined strength of the Polymer Division as also the Steel Division to cater to the Telecom Cable Industry makes the company a first choice for this sector.

High Tensile Steel Strapping (HTSS). The Steel Division has always been taking the lead to develop value added products. Apart from being pioneer in GST it has also successfully developed HTSS, which is a high value added product. This product, till now was the sole monopoly of a few multi Nationals around the world. Break through in technology and market Seeding has been achieved by MSL. It is now poised for substantial growth in this area. MSL is also focussing itself aggressively in long term packaging contract with bulk & quality customers and is confident of garnering substantial market share in this area of activity having successfully completed major contracts with integrated Steel Plant for nearly three years.

4. REDUCTION IN REALISABLE VALUE OF STOCKS

Over the last few years MSL Steel Division has been providing for Scrap generation on an estimation basis mainly because of the working of the Steel Division being spread over multi locations as also a wide range of products as is being manufactured. On actual analysis it has been found that this provisioning was both inaccurate and inadequate. The general norm for Scrap is approx. 16% and that too for production of CR Strips from HR Coils. In fact the Company produces Value Added Products from CR Strips such as Galvanized Steel Tape and High Tensile Steel Strapping where there is a further incidence of arising in the shape of slag, scraps and waste. Thus there has been substantial under-provisioning for Scrap, unseen losses and irretrievable loss over the last several years.

5. 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.



MSL Industries Ltd.

6. DIVIDEND

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

7. EXPORTS

The exports of the Company during the year have increased from Rs.68.68 lacs to Rs. 272.03 lacs. However the Company is exploring the possibility of exporting to other countries in the current year. The response is quite satisfactory.

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 certificates of their eligibility for reappointment as required under the Companies Act, 1956.

8.1 BRANCH AUDITORS

- a) 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.
- b) M/s A. 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.

9. QUALIFICATION ON AUDITORS' REPORT

a) Realisable value of investments in Jersey India Ltd.

As reported in Note No. 3 in schedule 17, Jersey India Ltd. has been referred to BIFR under sick Industrial Companies (special provision) Act, 1985. Necessary provision will be made in subsequent year after review of the recoverable position.

b) Recoverable value of Sundry Debtors

As reported in Note No. 14 in Schedule 17, out of Rs. 6410.80 lacs, about 54.49% of the total outstanding relates to debts under litigation, debts due from the companies which have been referred to BIFR and interest charged on sundry debtors for delay in payment of their outstanding dues. It will also be observed that the outstanding dues for more than three years which has been shown doubtful debts during this year has been reduced from Rs. 3016.84 lacs as in previous year to Rs. 2638.94 lacs at the end of this year. This will reflect that a substantial amount of old outstanding specially from the Government Company like Hindustan Cable Ltd has been recovered during the year under review. However, necessary provision will be made in subsequent year after proper review of the recoverable position.

c) Loans & Advances

Recoverability of loan under litigation will be ascertained after receipt of the order of the Hon'ble High Court, Calcutta where the suit is pending.

d) Physical verification of Stock

This has already been explained in Note No. 16 in Schedule 17.

e) Consumption of raw material etc at the units of Steel & Hi-Tech Division

Over the last few years the scrap generation provided in the book has been on estimation of 14% on an average, whereas the Industrial norm is 16% to 18%. Similar companies like this company, who even after using the most sophisticated plant and equipment and modern production facilities are having significant unforeseen losses through out the years and have to adjust substantially after few years. Further, unlike those companies, MSL has been operating under condition of erratic power

MSL Industries Ltd.



supply coupled with hefty power cut, frequent tripping which have contributed to the higher levels of scrap and unseen losses than actually provided in the books of accounts in several years. The aforesaid facts resulted erosion of realisable value of stock by about Rs. 2183.47 lacs as reported in note no. 17 in Schedule 17.

10. DIRECTORS

Shri A. K. Chatterjee will be retiring by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

Shri P. L. Agarwal has resigned from the Board of Directors of the Company w.e.f. 25th January, 2001. The Board of Directors place on record their appreciation for the valuable guidance and advice extended by him during the course of his association with the Company.

Shri V. K. Singhania has been appointed as a Director in the casual vacancy caused by resignation of Shri P. L. Agarwal and offer himself for re-appointment.

Shri P. K. Kundu has been appointed as nominee Director by Industrial Development Bank of India with effect from 24th May, 2001.

Shri G. Bhattacharya has been appointed as nominee Director in place of Shri R. M. Desai by ICICI Ltd with effect from 8th October, 2001.

11. AUDIT COMMITTEE

As per section 292 A of the Companies (Amendment) Act, 2000, your Company has formed Audit Committee consisting of three Directors viz. Shri A. K. Chatterjee, Shri H. K. Modi and Shri V. K. Singhania.

12. DIRECTORS RESPONSIBILITY STATEMENT - PURSUANT TO SECTION 217(2AA).

Your Directors confirm that :

- i. in the preparation of the Annual accounts, the

applicable accounting Standards had been followed along with proper explanation relating to material departures;

- ii. 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 and of the profit or loss of the Company for that period;
- iii. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the Directors had prepared the annual accounts on a going concern basis.

13. DEPOSITS

The Company has not accepted any deposits from the public.

14. 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 were 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 are 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).