

32nd Annual Report 2003 - 2004

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MSL INDUSTRIES LIMITED

MSL Industries Ltd.



BOARD OF DIRECTORS

H.K.Modi (Mech.)

Chairman & Managing Director (Since Resigned)

S.K. Modi

Managing Director

A.K. Chatterjee

V.K.Singhania

S. Mukherjee *(Since Resigned)*

COMPANY SECRETARY

R.N. Dutta

AUDITORS

Taparia & Co.

Chartered Accountants

28, Black Burn Lane,

Kolkata - 700 012

BRANCH AUDITORS

K.N.Gutgutia & Co.

Chartered Accountants

11K, Gopala Towers,

Rajendra Place,

New Delhi - 110 008

A. Mitra & Associates

Chartered Accountants

514, 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 Adjourned Annual General Meeting of the Members of MSL Industries Limited will be held on Friday, the 30th June, 2006 at 11.00 a.m. at 100, Patliputra Colony, Patna - 800 013 to transact the following business which were included under item nos 1 and 3 of the notice date 24th November 2004 convening 32nd Annual General Meeting of the Members of the company, which was adjourned without dealing with the below mentioned business:

AS AN ORDINARY BUSINESS

1. To receive and to adopt the Profit & Loss account of the Company for the year ended 31st March 2004 and its Balance Sheet as at that date along with Schedules annexed thereto and the Report of the Directors and the Auditors thereon.
2. To appoint Auditors and Branch Auditors to hold office from the date of this adjourned Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board

Regd. Office
E-2 Industrial Area
Patna - 800 013

S. K. MODI
Director

Date : 29th day of May, 2006.

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. Shareholders, who hold share in dematerialised form, are requested to bring their Client ID and DPID Nos. for easier identification of attendance at the Meeting.
2. Shareholders desiring any information on the Accounts are requested to write to the company at P-22, Swallow Lane, Kolkata - 700001 at least 48 hours in advance before the date of Meeting to enable the Company to keep the information ready.
3. Shareholders are requested to bring their copy of the Annual Report at the Meeting.

**DIRECTORS' REPORT
TO THE MEMBERS**

The Directors have pleasure in presenting the 32nd Annual Report on the operation of the Company together with the Audited Accounts for year ending 31st March, 2004.

1. THE FINANCIAL RESULTS. (RS IN LACS)

	Year ending 31st March 2004	Year ending 31st March 2003
Turnover	817	1656
Gross Profit/(Loss) before Depreciation Interest & Tax and after other exceptional items	(925)	(576)
Depreciation	225	225
Interest (Net) (see notes no ii in below)	445	44
Profit/(Loss) before Tax	(1595)	(845)
Profit/(Loss) after Tax	(1595)	(845)
Investment in Jersey India Ltd(in liquidation) W/O	----	265
Transfer from Special Reserve	----	265
Balance carried to Balance Sheet	(1595)	(845)

Note :

- i. Figures of the previous year have been regrouped wherever necessary.
- (ii) The Company has not provided interest liability in respect of its loans from IDBI and its cash credit/working capital loan from SBI in 2002-03 & 2003-04 in view of the fact that the company has been referred to BIFR and the said IDBI and SBI having filed recovery suit before the DRTs against the company and not intimated any debit of interest on the said loans. And also on the basis of the company's contention that interest provided during the last years is in excess of the expected interest payable at the time of restructuring, if any, under rehabilitation scheme, which may be framed by the operating Agent. However, in case the company provided interest on those loans on existing term the unprovided interest liabilities for the year ending 31st March 2004 and the loss for the said year would have increased by Rs. 1267 lacs. After considering

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unprovided Interest up to 31-03-04 for Rs. 2304 lacs, the accumulated loss as at 31st March 2004 would be Rs. 11588 lacs for the year 2003-04 including interest payable to ICICI Bank Ltd and other Secured Creditors.

2. PERFORMANCE.

During the year the Company suffered a net loss of Rs. 1595 lacs (previous year Rs. 1110 lacs) Networth of the Company was eroded more than 100%. The operation of Steel Unit at Patna was suspended from 1st April 2001 due to severe liquidity crunch. The abnormal loss of Polymers unit recorded during the year is due to the following reasons as stated earlier also which has not been changed: -

- i. Severely reduced production/Sales due to market recession and shortage of working Capital.
- ii. Sharp fall in the market price of the company's finished products because of market conditions, and change in technology from cable link telephone to cord less and mobile telephone.
- iii. Making adjustment on the value of the Inventory for Rs. 567 lacs as per note no 20 in Schedule 17.

3. MATERIAL EVENTS SINCE AFTER THE DATE OF BALANCE SHEET: -

- a) As reported earlier since the suit filed by State Bank of India, Patna for recovery of their dues from the Company is still pending before the Hon'ble DRT, Patna no action by SBI under Securitisation and Re-construction of Financial Asset and Enforcement of Security Interest Act, 2002 as was intimated by SBI, Patna vide its letter dated 15th March 2004 could be initiated against the Company. Meanwhile, State Bank of India has assigned their rights to Assets Reconstruction Company (India) Ltd (ARCIL) and the company's Fixed Assets which was charged in favour of State Bank of India has now been modified and charged in favour of said ARCIL.
- b) ICICI Bank Ltd formerly known as ICICI Ltd intimated the company vide its letter no CM/54 dated 08th April 2005 that various facilities granted to the company by ICICI Ltd has been assigned to "Asset Re-construction Company (India) Ltd" (ARCIL) with effect from 30th March 2005. On

the basis of instruction given by said ARCIL the charges on the Fixed Assets of the Company, which were created in favour of ICICI Ltd, along with other secured creditors and were assigned in favour of said ARCIL have since been modified and registered with the Registrar of Companies, Bihar, Patna on 27th May 2005 creating charges in favour of ARCIL in place ICICI Ltd.

- (c) ICICI Bank Ltd has since filed a suit for specific performance before the Hon'ble High Court, Kolkata against the company. As intimated by the Advocate and Solicitor of ICICI Bank Ltd vide its letter dated 21st March 2005, Hon'ble High Court was pleased to pass an order of Status-quo as of date which is still continuing. The suit is being contested by the Company.
- (d) As intimated by Industrial Development Bank of India (IDBI) vide their letter dated 27th October 2005, various facilities extended to the company has been transferred to one "Stressed Assets Stabilization Fund" as provided under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SRFAESI) Act".
- (e) The said ARCIL took possession of the immovable and movable assets of the company's units at Patna on 15th May 2006 as intimated by ARCIL vide their letter no ARG/111/FY07/0552 dated 15th May 2006.
- (f) Your Directors are pleased to inform you that the Hon'ble members of BIFR at their meeting held on 06th October 2005 has declared this company as Sick Industrial Company in terms of the provision of section 3 (1)(o) of SICA as on 31st March 2002 and appointed Industrial Development Bank of India Ltd (IDBI) as an Operating Agent with a direction to conduct a Techno-economic Viability Study (TEVS) along with other directions.

4. FUTURE PROSPECTS.

STEEL DIVISION

Steel Division is lying closed since April 2001. This division was manufacturing GST & catering to the Jelly Filled telephone cable (JFTC) manufactures. However, with new technology in the telecom sector the demand for JFTC has declined sharply. In fact a number of JFTC manufacturers have also closed down

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& most of them have gone to BIFR.

Under the circumstances it was not possible to sustain the unit on manufacture of single product GST & unless other avenues of production come up the outlook is bleak.

HIGH TENSILE STEEL STRAPPINGS & GALVANISED STEEL TAPE.

The largest buyer for this product namely M/s SAIL (Bakaro Steel plant) has started in-house production & hence the unit is no longer viable.

HIND POLYMERS.

The years 2002-03 and 2003-04 have seen a sharp fall in demand as well as prices of Jelly Filled Cables and OFC. This has adversely affected the order position of Hind Polymers from these sectors.

The unit over the years had developed other products like metal pipe coating compound, aerial bunched cables insulating compound. The unit has also developed some specialty master batches besides the white and black master batch.

The unit's plant and equipment are in good condition & capable to perform to highest standard. There is a growing demand for metal pipe coating compounds both in the domestic as well as the international market. There is also scope for making this compound on job work basis. The company is exploring this area of compounding.

Since the main market for Hind Polymers i.e. telecom compounds having become very small & not leaving any working margin, the immediate outlook in this area is not bright. However, the other areas as stated here above can be developed with the financial in flow from outside source.

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 has remained unfavourable and the scheme has become abundant.

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 is Rs. 128.26 lacs (previous year Rs. 136.29 lacs).

8. AUDITORS.

8.1 M/s Taparia & Co., Chartered Accountants, retire at the conclusion of the ensuing Adjourned 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. Your Directors recommend for their re-appointment.

8.2 BRANCH AUDITORS.

- a) M/s. K.N. Gutgutia & Company, Chartered Accountants, retire at the conclusion of the ensuing Adjourned Annual General Meeting and are eligible for re-appointment as Branch Auditors. Your Directors recommend for their re-appointment.
- b) M/s A. Mitra & Associates, Chartered Accountants, retire at the conclusion of the ensuing Adjourned Annual General Meeting and are eligible for re-appointment as Branch Auditors. Your Directors recommend for their re-appointment.

9. QUALIFICATION ON AUDITORS' REPORT.

i. Recoverability of loans and advances.

Auditor's remarks about recoverability of certificate on account of deduction of Income Tax at Source (TDS) from the different person/Company. Although an amount of Rs. 1,00,68,299 on account of TDS has been stated to be Doubtful in note no 6 in Schedule 17, provisions for such doubtful debts will be made after completion of steps which are being taken by the company for recovery of the certificates on deduction of tax at source from the respective persons/companies. However, tax deduction certificates aggregating Rs. 6,92,548 has since been received from a company, but benefit for such certificates from Income Tax department is pending due to late submission of such Income Tax certificates to the Income Tax Dept. The provision

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on account others debts and advances will be made after conclusion of the recovery proceedings.

ii. Non-provision of shortfall in the market value of shares.

Auditor's remark regarding non-provision of shortfall in the market value of certain investments has been explained in note no 15(b) in Schedule 17. Further as reported by the Auditor necessary steps are being taken for recovery of Income Tax deduction certificates from the persons/companies.

iii. Non-provision of Interest Payable.

Regarding non-provision interest payable on Terms Loans and Working Capital Loan during the year 2003-04 estimated to be Rs. 1266.88 lakhs, the matter has been explained in note no 8 in Schedule 17.

iv. Provision for depreciation on Plant & Machinery at Steel and Hi-tech Steel unit at Patna.

The matter has been explained in note on the Schedule 5.

v. Non-deposit of unclaimed dividend.

The matter has been explained in note no 12 in Schedule 17.

vi. Non-estimation of actual liabilities of the company in respect of matters stated in note no 3 in Schedule 17 under the head of Contingent Liabilities not provided for.

The matter has been explained against each of items in the note 3 in Schedule 17. Provisions, if any, will be made after determination of actual liabilities.

vii. Recoverability of amount of Loans & Advances.

As reported by the Auditor in note no. 9 in the Annexure to their Report, the matter has been explained in notes no 17 and 18 in Schedule 17.

viii. Auditor's Remarks in para 15 of the Annexure to their report about Internal Audit System.

It is clarified that there is no Internal Audit System at the units at Patna as they are closed since 01st April 2001 and at also Hind Polymers unit due to reduction of production and Kolkata Office as the transactions are decreased.

ix. About matter regarding default in repayment of dues to the Financial Institutions and Bank as reported by the Auditor in para 22 of the Annexure to their Report.

This has been clarified in note no 7 in Schedule 17. Further, it is clarified that the said re-payment of loans could not be made as the company became a sick company and subsequently declared as such by BIFR.

10. DIRECTORS.

- (1) Reappointment of Shri S. K. Modi as Managing Director of the Company as approved by the Shareholders at their meeting held on 11th October 2004 has been approved by the Central Govt. on Terms and Conditions (the amount of remuneration as approved by the shareholders has been slightly reduced by the Central Govt.) as mentioned in their letter no 1/9/2005-CL.VII dated 09th March 2005. As per said approval Shri S. K. Modi will not be a retiring director.
- (2) The Board of Directors at their meeting held on 10th November 2003 appointed Shri Saibal Mukherjee as additional Director. The appointment was approved by the shareholders on 11th October 2004, Shri Mukherjee however resigned from his office with effect from 26th March 2005.
- (3) Shri Ajay Kumar Chakroborty has been appointed as a Director in casual vacancy with effect from 26th March 2005 and resigned from the Board with effect from 30th March 2006.

11. 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

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state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;

- iii. The Directors had taken proper and sufficient care as far as practicable under the prevailing circumstances 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, subject, however to note no 20 & 21 in schedule 17 annexed to the Balance Sheet as at 31st March 2004.
- iv. The Directors had prepared the annual accounts on a going concern basis on the assumption that the company shall continue its operation or otherwise in foreseeable future after the expected revival of the company as per the scheme to be framed by the Operating Agency. Directors are not having any intention nor there is any necessity of Liquidation of the Company as on date.

12. CORPORATE GOVERNANCE:-

Pursuant to clause 49 of the Listing Agreements with the Stock Exchanges, report on Corporate Governance along with certificate from the Practicing Company Secretary are attached hereto and form part of this report.

13. DEPOSITS.

The Company has not accepted any deposits from the public.

14. 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 2004-2005.

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 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 24,00,000/- per year 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. 2,00,000 per month thereafter.

17. BALANCE SHEET ABSTRACT AND CASH FLOW STATEMENT.

The Balance Sheet Abstract as at 31st March 2004 as required under Schedule VI of the Companies Act 1956 and the Cash Flow statement as required under the Listing Agreement with the Stock Exchanges, for the period ending 31st March 2004 are attached with this Annual Report.

18. 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.

19. 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.

Kolkata
Dated : the 29th day of May, 2006.

By order of the Board
Sd/- S. K. Modi
Managing Director

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ANNEXURE TO THE DIRECTORS' REPORT

Annexure - 1

Information under section 217(1)(e) of the Companies Act 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors' Report.

1. CONSERVATION OF ENERGY

Energy conservation continues to be given great emphasis and continuous efforts are being made to identify the prospective areas for energy saving and maximise the use of energy through various efficient methods like monitoring of performance of furnace at regular intervals, frequent review of energy generating and energy consuming equipments, monitoring of Power Factor indicators and implementation of effective maintenance of electrical motors, equipment etc.

FORM A

Form for disclosure of Particulars with respect to conservation of energy.

A. Power & Fuel Consumption

	2003-2004		2002-2003	
	Steel Divn.*	Polymer Divn.	Steel Divn.	Polymer Divn.
1. ELECTRICITY				
a. Purchased Units (KWH) (in lacs)	0	8.14	0.00	12.19
Total amount (Rs.in lacs)	0	41.83	0.00	59.09
Rate/Unit (Rs.)	0	5.14	0.00	4.85
b. Own generation through Diesel generator				
Units Consumed (in lacs)	0	0.54	0.00	2.03
HSD Consumed (Kltrs)	0	0.17	0.00	0.63
Total amount (Rs.in lacs)	0	3.66	0.00	12.80
Cost/Unit(Rs.)	0	6.85	0.00	6.29
2. COAL	-	-	-	-
3. FURNACE OIL/LDO (Kltrs.)	0	-	0.00	-
Total amount (Rs.in lacs)	0	-	0.00	-
Average Rate/Kltr (In Rs.)	0	-	0.00	-

B. CONSUMPTION PER UNIT OF PRODUCTION

Since the Company manufactures several products having regard to the records and the books maintained by the Company, it is impracticable to apportion the utilities.

* The Company's production unit at Steel Division, Patna did not work throughout the year and no electricity either by way of purchase or by own generation has been consumed during the year.

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**ANNEXURE TO THE DIRECTORS' REPORT****Annexure - 1 (CONTD.)****TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION****FORM B**

Form for disclosure of particulars with respect to Technology Absorption : 2003-2004.

A. Research and Development (R & D)

Specific Areas in which R & D carried out by the Company.

1. Reducing cost of product through minimising losses due to wastage, damage and pilherage etc.
2. Achieving optimum quality of materials through better designing.
3. Reducing down time through process implementation.

B. Benefits derived as a result of above R&D

1. Production of higher value added products as per Global standards.
2. Prolonging life expectancy of consumer products through better packaging.
3. Achieving of economies of scales through Plant upgradation.

C. Future Plan of Action

1. Development of Niche products
2. Updating process facilities in development to derive cost effective benefits.
3. Development of indigenous substitution of products which were earlier imported.

D. Expenditure on R&D

1. Expenditure on in house research and development has been shown under respective heads of expenditure.

E. Technology Absorption, Adaptation and Innovation

1. Technology is being constantly updated in conjunction with situation and is adopted in various manufacturing facilities for improvement in product quality, reduction of idle time, reduction in consumption of scarce inputs and optimising energy consumption.

F. Pollution Control

The Company has adopted adequate Pollution Control measures commensurate with discharge of effluents to the full satisfaction of the competent Pollution Control Authorities.

G. Foreign Exchange Earnings and Outgo

		(Rs. in lacs)	
		2003-2004	2002-2003
Total Foreign Exchange use and earned :			
Foreign Exchange used :			
Import		000	155.68
Expenditure		000	1.85
		0000	157.53
Foreign Exchange Receipt	Total	128.26	136.29

For & on behalf of the Board

Sd/- S. K. Modi

Managing Director

Kolkata.

Dated : the 29th day of May, 2006

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ANNEXURE TO THE DIRECTORS' REPORT

Annexure - 2

CORPORATE GOVERNANCE.

A. MANAGEMENT DISCUSSION AND ANALYSIS REPORT.

I. INDUSTRIES STRUCTURE & DEVELOPMENT.

the Company's two units namely Steel Division at Patna and Polymers division at Noida were catering to the Jelly filled telephone cable industries (JFTC).

However, with the advent of new technology in the telecom sector the demand for JFTC declined sharply resulting in closure of a number of JFTC manufacturers. This had affected the order position of both the units. In fact the Steel division are closed since 1st April 2001.

In the case of Hi-Tensile strapping the largest buyer for the product namely Bakaro Steel Plant of SAIL has started its own in-house production. Hence the unit is no longer viable.

II. OPPORTUNITIES & THREATS.

Earlier the JFTC manufacturers were having good demands. A large number of manufacturers of our products had mushroomed in the country. These operating mostly in the unorganized sector had created a situation of over supply & coupled with the subsequent sharp fall in JFTC demand, the situation for the company has become bleak. The company has been trying to develop new products in its polymer division. But that can only be processed if the outside finance are available.

III. INTERNAL CONTROL SYSTEM & THEIR ADEQUACY.

Only the polymers unit is currently functioning. This being a process industries, the unit has in place well documented production controls at the plant level. These ensure proper monitoring as also quality control over the end products. However, since factories at the Steel units at Patna were closed since 1st April 2001, there were no internal control system in the said unit.

B. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE.

The object of the "Corporate Governance" & its compliance as required under clause 49 of the Listing Agreement is towards the achievement of high level of transparency & accountability to protect the interest of the shareholders. With this object the company has constituted Audit Committee, Remuneration Committee, Shareholders/Investors Grievance Committee etc to fulfill such objectives.

As required under SEBI rules, trading of the company's share have been made compulsory for dematerialisation from 26th February 2001 with an option to the shareholders to hold the same in physical form also. Further, in compliance with the directions of the SEBI for appointment of common Agent in respect of share transfer & other related matters, both in physical & demat form, the company has appointed M/s MCS Ltd., Kolkata as its transfer agent with all authorities to serve the Shareholders/Investors to their satisfaction and to comply with the other requirements under SEBI Rules, Listing Agreement and other related Acts and Rules thereunder.

C. Composition of Board of Directors as at 31-03-04.

- (1) Shri H. K. Modi, Chairman & Managing Director -Resignation accepted by Board on 20th August 2004.
- (2) Shri S. K. Modi, Managing Director. Terms of office expired on 30-11-03 Re-appointed as Managing Director w.e.f. 01st December 2003 for three years.
- (3) Shri A. K. Chatterjee, Independent and Non-executive Director
- (4) Shri V. K. Singhania, Independent and Non-executive Director.
- (5) Shri Saibal Mukherjee, Independent Director from 10th November 2003 - since resigned with effect from 26th March 2005.

D. Attendance of the Directors in the Meeting held during the year 2003-04.

Name of the Director	No of Meeting held	No of Meeting attended	Attendance in last AGM on 10-10-2004	No of Directors in other public Co.
Shri H. K. Modi	5	Nil	Not Attended	2
Shri S. K. Modi	5	4	Not attended	Nil
Shri A. K. Chatterjee	5	5	Attended	2
Shri V. K. Singhania	5	4	Attended	1