

40th **ANNUAL REPORT**



REGISTERED OFFICE
225-C, A.J.C BOSE ROAD
KOLKATA - 700 020

2004 - 2005

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MSTC LIMITED NOTICE

NOTICE is hereby given that the FORTIETH Annual General Meeting of the members of MSTC Ltd. will be held on 20th day of September, 2005 (Tuesday) at the Registered Office of the Company located at 225-C, Acharva Jagadish Chandra Bose Road, (5th floor) Kolkata-700 020 at 11 AM to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2005 and the Balance Sheet as on the date together with Directors' Report, Auditors' Report and comments of Comptroller and Auditor General of India, thereon.
2. To declare dividend for the financial year 2004-2005.
3. To fix remuneration of Statutory Auditors, M/s. A.N. Chatterjee & Co. Chartered Accountants, 41A, Townshend Road, Kolkata-700 025, for the year 2004-2005 and to pass the following resolution: -

"RESOLVED THAT the Audit Fees of the Statutory Auditor M/s. A.N. Chatterjee & Co., Chartered Accountants, 41A, Townshend Road, 1st Floor, Kolkata, as appointed by CAG, be fixed at Rs.60,000/- (Rupees Sixty thousand only) for the audit of the Accounts for the Financial Year 2004-05, excluding out of pocket expenses."

SPECIAL BUSINESS

Item no. 4: Alteration of object clause of Memorandum of Association

To pass the following resolution as special resolution

"RESOLVED that, the object clause of Memorandum of Association of MSTC LIMITED be altered as follows: -

- (i) To substitute Clause-1 hereunder:

To procure, purchase, stock, process, convert, sell, distribute, transport, market, import, export and facilitate above function facilitator in all types of industrial raw materials/finished goods, agricultural commodities *and any other job incidental thereto*

- (ii) To substitute clause 1A hereunder: -

To act as selling or purchasing and / or handling agents, *recovery agent*, commission agents, canalizing agency, brokers, intermediaries for any Government, Semi Government or autonomous body or any organization in the private or public sector in India or any part(s) of the world, for export, import, purchase, distribute, stock, sell, processing, conversion, transportation, marketing, and function facilitation in all types of industrial raw materials / finished goods and agricultural commodities *and any other job incidental thereto*.

(iii) To incorporate Clause 1B after Clause 1A as under:-

To import capital equipments, technology, semi finished goods, spares and consumables, metals including precious metals and chemicals/petrochemicals for Indian companies on cash or deferred payment basis.

(iv) To substitute Clause 9 as hereunder:

To undertake, manage, provide transfer technology and/or be associated with any manufacturing activities in production *including mining activity* and/or selling activities of all types of finished and semi – finished iron and steel products, billets, stainless steel, ferro alloys, sponge iron and allied products, graphite, electrodes and refractories of all types and descriptions, raw material for industries, processing of coke – breeze and wastes/rejects/by – products from washeries, mines, fertiliser plants and by – product plants, foundries and all types of products out of non – ferrous scrap in India or anywhere else in the world.

Item 5: To appoint Shri Navin Soi, Deputy Secretary, MOS, as director

Item no. 6: Enhancement of Borrowing Power


To pass the following resolution as ordinary resolution

“RESOLVED that pursuant to Section 293(1)(b) of the Companies Act, 1956, and in modification to the resolution passed by shareholders in 37th AGM on 26.09.02 approval is accorded for borrowing upto Rs.1000 crore (one thousand crore) in the form of cash credit, bill discounting, temporary loans for business and / or any other loan for business.”

RESOLVED FURTHER that Board of Directors may be delegated to decide the nature and form of loan/borrowing, sources of loan etc. within the approve limit.”

FURTHER RESOLVED THAT Board of directors be empowered to sub delegate the power to Chairman – cum – Managing Director.

By Order of the Board of Directors


(Subrata Kumar Ray)
Company Secretary

Registered Office:

225-C, Acharya Jagadish Bose Road,
Kolkata – 700 020

Dated the 19th August, 2005

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

ITEM NO. 4: Alteration of object clause of Memorandum of Association

Company is getting request from various industries to import capital equipments in addition to various other types of deals. These items are to be sold to Indian companies either on cash basis or on deferred payment basis. The areas of business are lucrative and can be a sustained source of income.

The alteration in Memorandum of Association is proposed to make the company capable of doing specified jobs. The resolution has been recommended by Board of Directors for approval of shareholders in Annual General Meeting vide Item No. 214/11 of 214th Board Meeting held on 30th April, 2005.

None of the Directors is concerned or interested in the resolution

Item 5: To appoint Shri Navin Soi, Deputy Secretary, MOS, as director

Shri Navain Soi has been nominated as director of the company by MOS, as Govt. Director in place of Shri A. Baranwal. As per article 71(32), he has been appointed as additional director. He is proposed to be appointed as director and liable to retire by rotation.

None of the Directors is concerned or interested in the resolution except Shri Navin Soi.

ITEM NO 6: Enhancement of Borrowing Power

At present share holders delegated power of borrowing limit to the extent of Rs 700 crore to the Board of Directors vide Item No 5 of 37th AGM held 26.9.2002 out of which Board of Directors delegated Rs 600 crore to CMD vide item No 210/10 of 210th Board Meeting held on 29.03.2004.

During the last completed FY 2004-05 our main customer Haldia Petro-chemicals Ltd used to lift materials on "cash & carry" basis where entire lifting was completed within 45/60 days against usance import LC of 90 days resulting cash surplus. But from the current financial year Haldia Petrochemicals lifts the materials by assigning the export LC in favour of MSTC as well as by opening inland usance LC resulting lesser liquidity of cash surplus. In addition to that other big customers like Essar Steels, Ispat Industries Ltd etc., are also used to take longer credit period. Though it contributes to the profitability of MSTC in the form of interest but it requires larger volume of working capital.

At present MSTC is getting short term unsecured demand loan from different banks at a very competitive rates. The present cap of Rs 700 crore is considered to be inadequate considering the time gap between payment liability date and realisation date. Board recommends enhancement of fund based borrowing power from Rs.700 crore to 1000 crore for approval of share holders. The Board is also empowered to sub-delegate CMD to borrow upto the abovementioned limit.

None of the Directors is concerned or interested in the resolution.


(SUBRATA KUMAR RAY)
COMPANY SECRETARY

NOTES:

- (1) A member/authorized representative of a member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the company. Proxies in order to be effective, must be received at the registered office not less than 48 hours before the time fixed for the meeting, duly filled in and complete in all respect. Proxy form is attached to the notice.
- (2) If dividend on shares as recommended by the directors is declared at the meeting, payment of such dividend will be made to those members whose names appear on the company's register of members as on 20th day of September, 2005.
- (3) Shareholders are requested to notify immediately any change in their addresses to the company.
- (4) Register of shareholders and other statutory books shall be open for inspection, for members during the course of Annual General Meeting.
- (5) Shareholders may please refer "Shareholders' Information" annexed to the notice as Annexure-A.

MSTC LIMITED
225-C, A.J.C. Bose Road
Calcutta - 700 020

PROXY

Folio No.....

Number of Shares held.....

I/We..... of in the
 District of Being a member/ members of the above named
 company hereby appoint Shri resident of
 in the district of or failing him
 Shri..... resident of
 as my /our proxy to vote for me/us on my/ our behalf at the annual general
 meeting/extraordinary general meeting (not being the annual general meeting) of
 the company to be held on day of and at any adjournment thereof.

Signed this day of 2005.

Rupee one
 Revenue
 Stamp

Signature-----

Note: The Proxy and the Power of Attorney (if any) under which it is signed or notarised certified copy of that power must be deposited at the Registered Office of the Company at 225-C, Acharya Jagadish Chandra Bose Road, Calcutta 700 020 not less than 48 hours before the time for holding the meeting.

SHAREHOLDER'S INFORMATION:

Annexure - A

1. Unclaimed Dividend:

Pursuant to Section 205A of the Companies Act, 1956, unclaimed dividend for the years prior to and including the financial year 1994-95 has been transferred to the General Revenue Account of the Central Government and the unclaimed dividend for the financial year 1995-96 & 96-97 has been transferred to the Investor Education and Protection Fund established by the Central Government (IEPF) pursuant to Section 205C of the Companies Act, 1956.

Shareholders who have not encashed their dividend warrant(s) relating to financial year(s) up to and including 1993-94 are requested to claim such dividend from the Registrar of Companies, West Bengal, Govt. of India, Nizam Palace, M.S. Office Building, 234/4, A.J.C. Bose Road, Kolkata 700 020, in the prescribed form. However, no claim shall lie either with IEPF or the Company, in terms of Section 205C of the Companies Act, 1956, in respect of the unclaimed dividend transferred to IEPF from the financial year 1995-96, 96-97.

The dividend for the following years is remaining unclaimed. Shareholders may claim the same from the company. If the dividends remain unclaimed for 7 years the same will be transferred by the Company to IEPF. Once the unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof.

MSTC Limited:

Financial Year	Total Unclaimed Dividend (Rs.)
1996-97	32600
1997-98	24800
1998-99	37000
1999-00	32670
2000-01	49000
2001-02	54548

2. Nomination

Company has sent nomination form to individual shareholders twice. However few shareholders have till not furnished the same. This may please be done. Shareholders may request to the company for nomination form.

3. Bank details & PAN

Company has asked for PAN and Bank details, which have been submitted by some of the shareholders. The individual shareholders, who have not submitted the same earlier are requested to submit their PAN and Bank Details to the Company

- Company being unlisted and not widely held, do not have any Share Transfer Committee. Shares transfers, issue of duplicate shares etc. are approved in the next Board Meeting held after receipt of such request.

DIRECTORS' REPORT

To,
The Shareholders,
MSTC LIMITED

Your Directors are pleased to present the 40th Annual Report on the business and operation of the company together with Audited Accounts and Auditor's Report thereon for the year ended 31.03.2005. Your Directors are happy to report that in 2004-05 also the company has more than doubled its profit (after tax) to Rs.38.30 Crore. This comes on top of 100% growth in profit in both the previous years, namely, 2002-03 and 2003-04. Based on such strong growth the company has been making new records of profit earned for last three years. Based on the Post Tax Profit of Rs.38.30 Crore, your Directors recommend a dividend of 349% in accordance with its long-standing practice of distributing 20% of the profit earned as dividend.

For seven years in a row now the profits have grown in every year, rising from Rs.1.83 Crore in 1997-98 to Rs.38.30 Crore in 2004-05. The volume of business has also increased during this period from about Rs.500 Crore to Rs.6454 Crore. One may thus see that while the volume of business has grown by about 13 times in the last seven years, the profit has increased by 21 times during the same period. As a result there has been a tremendous growth in the shareholders value in the past seven years rising from around Rs.51 Crore in 1997-98 to around Rs.113 Crore in 2004-05.

MARKETING

The growth that has been achieved has come largely on the peak of renewed marketing efforts initiated in 1998-99 to expand the basket of imports based on back-to-back contracts. Thus the volume of business achieved through our Marketing Division, which stood at zero in 1997-98, has increased to Rs.5381.92 Crore in 2004-05, of which Rs.685.26 Crore was done on a facilitator mode. This appears quite favourably with the volume of business achieved by Marketing Division in previous year, which stood at Rs.3410.35 Crore, there has thus been a 57% growth in this sector. However, this growth has been basically price driven and not volume driven. The abnormal rise in price of commodities and industrial raw materials has registered in this growth in the value. As the market stabilizes or comes back to more normal price, this volume will reduce.

come down and the company shall have to chase volumes, to compensate for the reduction in the per-tonne value. Nevertheless, the performance of the Marketing Division would appear to be reaching a Plato. Your company is also facing intense competition from other trading companies and there is virtually a price war with the mark-up coming down to less than 1% and even to 0.75% in certain cases. The outlook for the coming year is therefore not very bright as far as the activities of Marketing Division is concerned.

SELLING AGENCY

In the Selling Agency your Directors are happy to inform that the concept of e-auction has caught on and has proved to be a success. The value of disposals, which was around Rs.20 Crore in 2002-03, grew to around Rs.80 Crore in 2003-04 and further grew to Rs.476 Crore in the year 2004-05. The number of customers registered for e-auction of scrap has grown to normally 3000.

E-AUCTION OF COAL

The greatest success of the e-auction portal however has been a breakthrough in a completely new area. Your company has been engaged by Coal India to auction prime coal for non-core sector throughout India through e-auction. This hopefully will result in almost doubling of the volume of sales achieved by the Selling Agency Division. However, naturally the remuneration for such auction is not very high, but still your company expects a reasonable growth in the income from the Selling Agency in the coming year.

FUTURE

Your Directors feel that in view of the rapidly changing market scenario and the success already achieved by your company fresh thinking needs to be made and fresh strategies drawn up both to sustain the existing level of business as well as to achieve further growth. The direction of such growth will be to promote e-commerce, but a detailed strategy needs to be drawn up by your company at this juncture.