



Annual Report 1999-2000

MALANPUR STEEL LIMITED**DIRECTORS**

Shri P. K. Rateria
 Shri N. K. Jaipuria
 Shri M. S. Mehta, Executive Director

**CHIEF EXECUTIVE
(FINANCE) & SECRETARY**

Shri K. C. Jain

AUDITORS

M/s. Lodha & Co.

BANKER

Punjab National Bank

REGISTERED OFFICE

27 Sir R N Mukherjee Road
 Calcutta 700 001

SHARES LISTED AT

Calcutta
 National Stock Exchange, Mumbai

WORKS

Malanpur (Madhya Pradesh)

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NOTICE

NOTICE is hereby given that the adjourned Fiftyfifth Annual General Meeting of the Shareholders of MALANPUR STEEL LIMITED (formerly Hindusthan Development Corporation Ltd.) will be held on Saturday, the 2nd day of June 2001 at 11.30 A.M. at Vidya Mandir, 1 Moira Street, Calcutta-700 017 to transact the following business :

As Ordinary Business :

1. To consider and adopt the Audited Accounts of the Company for the Eighteen months period ended on 30th September 2000, the Balance Sheet of the Company as at 30th September 2000 and the Reports of the Board of Directors and Auditors.

Registered Office
27, Sir R. N. Mukherjee Road
Calcutta - 700 001
Dated, the 20th day of April 2001

By Order of the Board
K. C. Jain
Chief Executive (Finance)
& Secretary

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.
2. Members intending to require information about accounts to be explained at the meeting are requested to write to the Company at least 10 days in advance of the adjourned Annual General Meeting.
3. Due to prohibitive cost of paper and printing, additional copies of the Annual Report may not be available for distribution at the adjourned Annual General Meeting. Members are requested to bring their copies of the Annual Report for the meeting.
4. The name of the Company has been changed from Hindusthan Development Corporation Ltd. to Malanpur Steel Limited with effect from 17th April 2001.

Equity Shares and Debentures of the Company are listed at the following Stock Exchanges :

1. The Calcutta Stock Exchange Association Ltd.
7, Lyons Range, Kolkata - 700 001

- *2. The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001

- *3. The Stock Exchange, Ahmedabad
Kamdhenu Complex
Opp. Sahajanand College
Panjarapole, Ahmedabad - 380 015

- *4. The Delhi Stock Exchange Association Ltd.
West Plaza, Indira Gandhi Stadium
Indraprastha Estate, New Delhi - 110 002

* In terms of the resolution passed by the Shareholders at the Annual General Meeting held on 30.12.2000 the Company has informed these Stock Exchanges for de-listing of Shares.

Equity Shares are also listed at :
National Stock Exchange of India Ltd.
Trade World, Senapati Bapat Marg
Lower Parel, Mumbai - 400 013

The Global Depository Receipts (GDRs) issued by the Company are listed at the Luxembourg Stock Exchange.

Annual Listing Fees for the year 2000-2001 have been paid to the Calcutta Stock Exchange Association Ltd. and National Stock Exchange of India Ltd.

DIRECTORS' REPORT

To
The Shareholders,

The Directors present their Report and Audited Accounts of the Company for the period of eighteen months ended on 30th September 2000.

2. The operating results of the Company for the period are as follows :

(Rs. '000)

	1999-2000 (April 99 to Sept 2000)	1998-99 (April 98 to March 1999)
The profit / (Loss) for the period after meeting all expenses but before providing for Depreciation and Taxation is	(1 16 66 53)	39 84 98
From which have to be deducted :		
Depreciation for the current period	40 59 85	40 53 55
Expenditure incurred and related to subsequent to commissioning of Plant and Machinery which has been carried over (including interest, salaries and wages, stores and spares, consumables etc.) written off	2 45 80 64	—
Net Loss	(4 03 07 02)	(68 57)
To which have to be added :		
The balance brought forward from the previous year	—	24 11 17
Investment Allowance Utilised Reserve written back	—	1 21 98
Tax relating to earlier years written back	10	—
Making a total of	(4 03 06 92)	24 64 58
Deductions therefrom :		
Tax relating to earlier years	—	9 37
Debenture Redemption Reserve	—	3 34 08
Leaving a balance of	(4 03 06 92)	21 21 13
Transferred to General Reserve	—	21 21 13
Balance to be carried forward to next year's account	(4 03 06 92)	—

The Scheme of Arrangement between the Company and Hindusthan Engineering & Industries Ltd.(HEI) and their respective Shareholders was sanctioned by the Hon'ble Calcutta High Court vide their order dated 25th April 2000. The certified copy of the said order of Hon'ble Calcutta High Court was filed with the Registrar of Companies, West Bengal. Therefore, with effect from 1st April, 1999 all the other units of the Company except Madhya Pradesh Iron & Steel Company alongwith their respective assets and liabilities stand transferred and vested in HEI without any further act or deed for all the estate and interest of the Company therein. Consequently, the Hon'ble Calcutta High Court has also sanctioned the reduction of Share Capital of the Company vide their order dated 12th June, 2000.

DIRECTORS' REPORT (Contd.)

In View of inaccessibility of the books and records due to labour unrest prevailing at the Factory the Financial year 1999-2000 of the Company has been extended by six months which has ended on 30.9.2000 in place of 31.3.2000. Registrar of Companies has granted permission for the same.

In view of the aforesaid, the above operating results for 1999-2000 are not comparable with the results of previous year as the current period's results are relating to Madhya Pradesh Iron & Steel Company Unit only and consists the figures for eighteen months.

3. In view of losses your Directors do not recommend payment of any dividend for the period ended 30th September, 2000.

4. Madhya Pradesh Iron & Steel Company, the Company's Steel Division at Malanpur (Madhya Pradesh) remained out of operation during the period due to major fire in the electric sub-station in October, 1998. Keeping in view the continued recession in the steel industry and cost considerations, the management decided not to start production at the Plant for the time being.

To save the huge liability of salary and wages, the Company made an application before the Secretary, Labour Department, Govt. of Madhya Pradesh for closure of the Plant and necessary permission was received from the Govt. of Madhya Pradesh. The workers were under lay off since 28.10.1998 till December 1999 for which workers were paid off compensation as per law being 50% of the wages. However, the workers demanded full wages and the matter is subjudice and pending before the High Court in M.P.

Madhya Pradesh Electricity Board (MPEB) were raising tariff minimum charges and low power factor charges from time to time. In January 2000 MPEB issued a recovery certificate amounting to Rs.55.76 crores including interest and consequently the Tehsildar, Malanpur, Dist. Gohad issued an attachment order in respect of Plant and Machinery and Stock of the Company. The Company has challenged the demand of the MPEB and the operation of attachment order has been stayed by the High Court of M.P.

The Scheme of Arrangement sanctioned by the Hon'ble Court at Calcutta is already effective and necessary formalities are being complied with. Operations of the Company are being restructured. Efforts are being made to reduce the operational cost including interest for which discussions are in process. The Company is also in discussion with foreign parties for technology and investment.

The Board is of the opinion that in the context of modern costing elements in the production of steel, re-location of the plant for better economics, induction of modern technology by joining hands with a technical partner and other alternatives of a more value added product mix would considerably improve the operations.

5. The Company has become a sick industrial company within the meaning of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 on erosion of entire net worth of the Company. Accordingly, reference to Board for Industrial and Financial Reconstruction will be made under section 15(1) of the said Act.

6. It was desirable to change the name of the Company to reflect the present nature of business of the Company's steel plant. Accordingly the name of the Company is proposed to be changed as Malanpur Steel Ltd. It was also desirable to change the Registered Office of the Company from Calcutta, State of West Bengal to Gwalior, State of Madhya Pradesh in order to carry on the company's business more economically and efficiently. Accordingly the necessary resolutions have been passed in the Annual General Meeting (AGM) of the Shareholders held on 30.12.2000. As part of its cost reduction measure, the resolution regarding delisting of the Equity shares from Ahmedabad, Delhi and Mumbai Stock Exchanges has also been passed by the Shareholders at the said AGM. With the computerisation of National Stock Exchange and Calcutta Stock Exchange where the Company's shares continue to remain listed, the shareholders can easily access to on line dealing in the shares of the Company across the country.

7. Debentureholders of Series VII, VIII and IX in their separate meetings have passed inter alia, the resolutions for deferment of each of the remaining instalments of Series VII, VIII and IX for a period of eighteen months from their respective due dates. Draft Letter of Offer is being prepared by the Merchant bankers for filing with Securities & Exchange Board of India (SEBI), for their vetting and after the vetting the same will be sent to all the Debentureholders.

DIRECTORS' REPORT (Contd.)

8. Statement giving particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Rules thereunder and information as per Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as amended, are annexed.

9. Sri P K Rateria and Sri N K Jaipuria who were appointed as additional Directors and who hold office upto the date of Annual General Meeting have been appointed as Directors of the Company at the AGM held on 30.12.2000.

10. Sri A K Gutgutia and Sri Milan Sen have resigned from the Board of the Company w.e.f. 4.3.2000. Sri R P Mody, Sri V A Mody and Sri G K Bhagat have resigned from the Board of the Company w.e.f. 9.3.2000.

11. The Auditors, M/s. Lodha & Company, Chartered Accountants, retired and were eligible for re-appointment have been re-appointed at the last AGM on 30.12.2000 and the Board of Directors have been authorised to fix their remuneration for the current year. Notes referred to in the Auditor's Report are self explanatory.

12. In terms of the newly inserted Section 292A under the Companies Act, 1956 an Audit Committee has been constituted by the Board consisting of the three Directors of the Company.

13. Directors Responsibility Statement :

- a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- b) The Directors had selected such accounting policies and applied them consistently and made judgements 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.
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- d) The Directors had prepared the accounts for the period on a going concern basis.

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For and on behalf of the Board of Directors

Calcutta
The 11th day of April 2001

M. S. Mehta
Executive Director

P. K. Rateria
Director

INFORMATION AS PER SECTION 217(2A) READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) (AMENDMENT) RULES, 1999 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD ENDED 30TH SEPTEMBER 2000

Sl No.	Name & (Age)	Designation & Nature of Duties	Date of Commencement of employment	Remuneration Rs.	Qualification & (Experience in yrs.)	Particulars of last employment (Period in yrs.)
1	Mehta M S (55) **	Executive Director	02.08.65	19 95 917	B.M.E. (Hons.), M.I.E. (34)	-

NOTE : Remuneration includes salary, gratuity, allowances for house rent, Company's contribution to Provident Fund and expenditure on accommodation, medical, leave travel and other facilities.

None of the employees is a relative of any Director of the Company.

** Services are contractual.

For and on behalf of the Board of Directors

Calcutta the 11th day of April 2001

M S Mehta
Executive Director

P K Rateria
Director

AUDITORS' REPORT

TO THE MEMBERS,

We have audited the attached Balance Sheet of Hindusthan Development Corporation Limited as at 30th September 2000 and also the Profit and Loss Account for the period of eighteen months ended on that date and report as follows :

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Central Government under Section 227 (4A) of the Companies Act, 1956 and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, we state that :
 - (i) Proper records showing full particulars including quantitative details and situation of fixed assets were not available for our verification. Physical verification of fixed assets was taken up during the year 1997-98 so that to cover the entire fixed assets in phased manner during the period of 3 years. However, no such verification was carried out during the period and therefore the discrepancies, if any, in this respect have not been ascertained by the management.
 - (ii) The Company has not revalued any of its fixed assets during the period.
 - (iii) **The stock of finished goods, stores and spare parts and raw materials (alongwith materials in transit, lying with third parties and at branches) have not been physically verified by the management during the period and as such discrepancies, if any, with respect to book records have not been ascertained.** However, discrepancies noticed by the Excise Authorities during the year 1998-99 in respect of certain material on physical verification have been properly dealt with in the books of account.
 - (iv) **In our opinion and having regard to our comments in para (iii) above the procedures of physical verification of stocks followed by the management needs to be further strengthened in relation to the size of the Company and nature of its business.**
 - (v) On the basis of our examination of stocks and except as given in Note No.23 of Schedule 12, that the valuation of stock of stores and spares and raw materials are fair and proper and in accordance with the normally accepted accounting principles and it is on the same basis as in the preceding year.
 - (vi) As informed, the Company has not taken any loan from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. As explained, there is no Company under the same management as defined under section 370 (1-B) (not applicable) of the Companies Act, 1956.
 - (vii) The Company has not granted any loan to any companies, firms or other parties as listed in the Register maintained under section 301, of the Companies Act, 1956. As explained, there is no company under the same management as defined under section 370 (1-B) (not applicable) of the Companies Act, 1956.
 - (viii) Parties including employee to whom interest free loans or advances in the nature of loans have been given by the Company are generally repaying the principal amounts as per stipulation, wherever, such stipulations exist.
 - (ix) In our opinion and according to the information and explanations given to us, internal control procedures for the purchases of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods are generally commensurate with the size of the Company and nature of its business.
 - (x) As per the information and explanations given to us, there are no transactions of purchase of goods and materials and sale of goods, materials and services aggregating during the period to Rupees 50 000 or more in respect of each party in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956.
 - (xi) As explained to us, the Company has a procedure for determination of unserviceable or damaged stores, finished goods and raw materials. Necessary adjustments for the losses as and when determined are made in the accounts.
 - (xii) As explained the Company has not accepted any deposit from public in terms of provisions of section 58A of the Companies Act, 1956.
 - (xiii) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. There is no by-product of the Company.
 - (xiv) In our opinion, the Company has an internal audit system, which requires to be strengthened to be commensurate with the size and nature of its business.
 - (xv) In the absence of any production during the period and due to the suspension of production operation of the Steel Unit by the management cost records prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956 have not been made and maintained.
 - (xvi) According to the records of the Company, there were delays in depositing Provident Fund and Employees State Insurance dues during the period with the appropriate authorities. However, there are arrears of Provident Fund dues and Employees State Insurance dues as on 30.09.2000 amounting to Rupees 5 01 053 and Rupees 59 187 respectively, which have been since paid.
 - (xvii) **As per the records of the Company, excepting Rs.52 85 218 in respect of Sales Tax (including Rupees 49 95 514 of Entry Tax) and Rupees 2 470 in respect of Income Tax there are no undisputed amounts of Wealth Tax, Income Tax, Sales Tax, Custom Duty and Excise Duty outstanding as on 30th September 2000 for a period more than six months from the date they became payable.**

AUDITORS' REPORT (Contd.)

- (xviii) During the course of our audit of the books of account carried in accordance with generally accepted auditing practices and as per explanations furnished to us, we have not come across any personal expenses of employees or Directors which have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.
- (xix) The Company has become a sick industrial Company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985. The steps for making reference to Board for Industrial & Financial Reconstruction are required to be taken after the adoption of the accounts at Annual General Meeting and accordingly no comment in this respect has presently been offered.
2. The accounts of the Company have been prepared on the basis that it is a going concern. However, in view of its accumulated losses whereby the net worth of the Company has become negative at the period end and suspension of manufacturing and other operations of the Company, we are unable to express our opinion on its ability to continue as a going concern. In the event of the same not being held to be a going concern and various assets and liabilities being consequently adjusted with respect to their realisable value, the impact thereof has not been ascertained and therefore cannot be commented upon by us.
3. Attention is invited to Note No. 11 of Schedule 12 regarding writing off of interest and certain other expenses carried forward under capital work in progress and certain fixed assets aggregating to Rupees 245 80 64 thousands.
4. Further, attention is invited to :
- Note No. 14 and 25 of Schedule 12 regarding non-confirmation and/or non reconciliation of balances of certain debtors, creditors, loans and advances and financial institutions and banks and their impact on the profit and loss account and state of affairs not being ascertained :
 - Note No. 23 of Schedule 12 regarding change in policy of Valuation of Inventories as stated in the said note and provision on account of obsolescence / diminution / decrease in value of inventories and our inability to comment on adequacy of the provision so done and ascertainment of realisable value of inventories held by the Company.
 - Note No 9 of Schedule 12 regarding non-provision against demand of Rs. 56 75 96 thousands raised by MPEB. Consequently loss for the period and current liabilities and accumulated losses at the period end would have been higher to that extent.
 - Note No.20 of Schedule 12 regarding non-provision of certain balance of Sundry Debtors and Loans and Advances aggregating to Rupees 3 19 09 thousands. Consequently, loss for the period would have been higher and current assets at the period end would have been lower to that extent.
5. We further report that, without considering item mentioned in paragraph 2, 4(a) and 4(b) above the effect of which could not be determined, had the impact of notes referred to in paragraph 4(c) and 4(d) above been given effect to in these accounts, the loss for the period would have been Rupees 463 01 97 thousands (as against the reported figure of Rupees 403 06 92 thousands), accumulated losses at the period end would have been Rupees 463 01 97 thousands (as against the reported figure of Rupees 403 06 92 thousands), current liabilities would have been Rupees 102 02 11 thousands (as against the reported figure of Rupees 45 26 15 thousands), current assets would have been Rupees 43 47 15 thousands (as against the reported figure of Rupees 46 66 24 thousands).
6. Further to the above, we report that
- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - Proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - In our opinion the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 to the extent applicable.
 - On the basis of legal opinion received and written representations received from the directors, and taken on record by the Board of directors, we report that none of the directors is disqualified as on the Balance Sheet date from being appointed as director in terms of section 274(1)(g) of the Companies Act, 1956.
 - In our opinion and to the best of our information and according to the explanations given to us the said accounts subject to our comment with their resultant impact as given above under para 2 & 4, together with their overall impact (to the extent ascertainable) as given above under para 5 and read together with the other notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - in case of Balance Sheet, of the state of affairs of the Company as at 30th September, 2000 and
 - in case of the Profit and Loss Account, of the loss for the period ended on that date.

Place : Calcutta
Date : the 11th day of April 2001

For Lodha & Co.
Chartered Accountants
P.L. Vadera
Partner

BALANCE SHEET as at 30th September 2000

			(Rs. '000)
	Schedule	1999-2000	1998-99
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	86 71 36	1 11 90 59
Reserves and Surplus	2	76 94 47	7 40 40 92
LOAN FUNDS			
	3		
Secured Loans		3 21 21 85	3 91 69 64
Unsecured Loans		2 49 96 15	8 40 93
Total		<u>7 34 83 83</u>	<u>12 52 42 08</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
	4		
Gross Block		5 21 61 31	9 00 07 43
Less : Depreciation		<u>1 97 24 51</u>	<u>3 46 89 42</u>
Net Block		3 24 36 80	5 53 18 01
Capital Work-in-progress		97	3 00 89 35
		<u>3 24 37 77</u>	<u>8 54 07 36</u>
Assets held for Disposal		6 82 13	—
INVESTMENTS	5	5	13 71
CURRENT ASSETS, LOANS AND ADVANCES			
	6		
Inventories		29 79 87	2 28 16 80
Sundry Debtors		2 37 06	88 40 67
Cash and Bank Balances		5 00 48	23 46 07
Loans and Advances		<u>9 48 83</u>	<u>2 58 85 76</u>
		46 66 24	5 98 89 30
Less : CURRENT LIABILITIES AND PROVISIONS	7		
Current Liabilities		45 26 15	1 81 35 59
Provisions		<u>83 13</u>	<u>19 32 70</u>
NET CURRENT ASSETS		56 96	3 98 21 01
MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)			
Profit and Loss Account		4 03 06 92	—
Total		<u>7 34 83 83</u>	<u>12 52 42 08</u>
ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	11 and 12		

As per our Report of even date
For Lodha & Co.
Chartered Accountants
P L Vadera
Partner
14 Government Place East
Calcutta the 11th day of April 2001

K C Jain
Chief Executive (Finance) & Secretary

For and on behalf of the Board of Directors

M S Mehta
Executive Director

P K Rateria
Director