



HERDILLIA UNIMERS LIMITED

11th Annual Report 1997-99



HERDILLIA UNIMERS LIMITED

BOARD OF DIRECTORS

G.P. Goenka	<i>Chairman</i>
S.R. Vakil	
V.C. Vaidya	
K.J. Tanna	
S. Ramesh	<i>Nominee - ICICI</i>
V.U. Eradi	<i>Nominee - IDBI</i>
Dr. E.L. Hagen	<i>Alternate - Mr. J.F. Sierakowaski</i>
R.M. Pandia	
G.G. Gogate	<i>Managing Director</i>

COMPANY SECRETARY

S. Srinivas

BANKERS :

State Bank of India
State Bank of Travancore
State Bank of Bikaner & Jaipur
Bank of India

AUDITORS :

Price Waterhouse

REGISTERED OFFICE & FACTORY

2/2 TTC Industrial Area, (D Block)
MIDC, Thane - Belapur Road,
Turbhe, Navi Mumbai - 400 705.

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SHARE DEPARTMENT

2/2 TTC Industrial Area, (D Block)
MIDC, Thane - Belapur Road,
Turbhe, Navi Mumbai - 400 705.

INVESTORS SERVICE CELL

13th floor, Earnest House
NCPA Marg, Nariman Point
Mumbai - 400 021.



HERDILLIA UNIMERS LIMITED

NOTICE:

NOTICE is hereby given that the Eleventh Annual General Meeting of the members of Herdillia Unimers Limited will be held on Thursday, 24th June, 1999, at 3.00 PM at Rotary Club of Navi Mumbai, Rotary Centre, next to Sacred Heart Convent School, Sector 6, Vashi, Navi Mumbai 400 703 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the period ended February 28, 1999, together with Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. G.P. Goenka, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. S.R. Vakil, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board
For HERDILLIA UNIMERS LIMITED

S. SRINIVAS
*Deputy General Manager (Legal)
& Company Secretary*

NAVI MUMBAI

Dated : 29th April, 1999.

Registered Office :

2/2 TTC Indl. Area, (D Block)

MIDC, Thane-Belapur Road,

Turbhe, Navi Mumbai - 400 705.

NOTES :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE 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 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.
- (b) The Register of Members and Share Transfer Books of the Company will be closed from 9th June, 1999 (Wednesday) to 24th June, 1999 (Thursday), both days inclusive.
- (c) Members/proxies are requested to bring the attendance slip duly filled in for attending the meeting. No duplicate will be issued at the venue of the meeting.
- (d) Members are requested to bring their copies of the Annual Report at the time of attending the Meeting.
- (e) The Members are requested to send all their future correspondence, in respect of shares etc. to the Share Department at 2/2 TTC Industrial Area (D Block), MIDC, Thane-Belapur Road, Turbhe, Navi Mumbai - 400 705.

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REPORT OF THE DIRECTORS

Your Directors present the Eleventh Annual Report together with the Audited Accounts of the Company for the 18 months period ended February 28, 1999.

1. FINANCIAL RESULTS

	Present Period (Sept.97-Feb. 99) 18 Months (Rs. in lacs)	Previous Period (Apr. 96- Aug. 97) 17 Months (Rs. in lacs)
Sales (including Excise Duty) and other Income	6178.17	5081.01
Gross Profit (Loss) before Interest and Depreciation	653.75	356.42
Profit (Loss) for the period	(2075.88)	(2268.04)
Profit (Loss) carried forward	(3547.06)	(1471.18)

2. OPERATIONS

The total sales of your Company during the period were 6082 MT (annualised 4055 MT) of EPDM as against previous period annualised figure of 3325 MT, which accounts for an increase of 22% in sales volume. Domestic Market growth has been short of expectation on account of the continuing recession in the automobile industry. However, your Company has been successful in opening-up exports to the USA and Europe through a marketing arrangement with the Company's Collaborator M/s. Uniroyal Chemicals Company and, during this period, has exported 1024 MT of EPDM valued at US\$ 1.6 million. The export prospects are good and it is anticipated that an export business of around US\$ 5 million can be achieved in the current year.

Your Company's R & D /Technical Sales Service Centre has developed two new grades of EPDM i.e. H-700 and H-573 during the period under review. These grades were custom made to replace the imported grades. Efforts are continuing for development of more such custom made grades substituting imports.

Frequent failures in the MSEB power supply are adversely affecting the manufacturing operations. During the period under review, 176 power dips/ power failures in MSEB power supply were experienced. To ensure availability of stable and sustained power, efforts are on with MSEB to draw supply from a dedicated feeder. Simultaneously, techno-economic feasibility studies are being conducted for setting up of a captive power plant.

The Company's petition for imposing Anti Dumping Duty on EPDM imports from Japan has received a favourable response from the Govt. of India and a provisional Anti Dumping Duty has been notified on 12/04/1999. This should provide some price protection to the Company's EPDM and improve its marketability.

In view of more than 50% erosion of peak network, (during the immediately preceding four financial years) the Company will report such erosion to Board for Industrial and Financial Reconstruction and also hold an Extra Ordinary General Meeting of its members

The Financial Institutions have approved a Financial Restructuring Package for the Company involving conversion of loans and simple interest into equity and zero coupon non convertible debentures, waiver of compound and penal interest, reduction of the equity capital by 75%, infusion of further equity funds by Promoters etc. This Restructuring Package is expected to provide the Company with a new thrust towards improving its financial viability and future prospects.

Your Company continues to avail of cash credit/export credit facilities of Rs. 965 lacs granted by a Consortium of banks led by State Bank of India including additional export credit facilities for exports of Rs. 185 lacs granted by State Bank of India during the period. Continued support from the banks would assist in improving the prospects of the Company.

FUTURE PROSPECTS AND PLANS

(1) Your Company's products have received a good response in the USA/Europe. Uniroyal Chemicals Co. is expected to continue sourcing large quantities of EPDM from your Company for servicing their USA and Europe markets.

Exports to other countries like Iran, Egypt, South Africa, and Dubai are also expected to pickup from the current year.

(2) The capacity utilisation of the Company's plant is expected to improve significantly from the current year on account of increased volumes of export and domestic supplies.

3. Y2K COMPLIANCE

The Company has adequately addressed the issues of Y2K compliance and a special task force has been formed under the Managing Director to monitor progress of implementation. Necessary expenditure has been budgeted and is being incurred as required to make the Company's hardware, software and operating systems Y2K compliant by July/Aug. 1999.

4. EMPLOYEE RELATIONS

Employee relations have been cordial during the period. A three year wage agreement valid till 31/03/2000 has been signed with the Employees' Union.



HERDILLIA UNIMERS LIMITED

5. PARTICULARS OF EMPLOYEES

Particulars of employees as required in terms of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and forming part of this report are given in Annexure "A".

6. THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

Information required under the Companies Act (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is set out in Annexure "B" and forms part of this report.

7. DIRECTORS

The nomination of Mr. C.B. Gokhale, who was a Nominee Director of ICICI, has been withdrawn and ICICI has now nominated Mr. S. Ramesh, Assistant Vice President, in his place. The Board of Directors wish to place on record their sincere appreciation of the valuable contribution made by Mr. Gokhale during his tenure as Director of the Company.

Mr. G.P. Goenka and Mr. S.R. Vakil retire by rotation and are being eligible offer themselves for re-appointment.

8. AUDITORS

M/s. Price Waterhouse, Chartered Accountants, the present Auditors, will cease to hold office as the Auditors of the Company at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

9. ACKNOWLEDGMENT

The Board of Directors would like to place on record their appreciation for the co-operation, assistance and support received from the Financial Institutions, Banks, its Collaborator, M/s. Uniroyal Chemicals Company Inc., USA, its Promoters, M/s. Herdillia Chemicals Ltd., Customers and Suppliers. Special mention is due for the dedication and commitment shown by all the employees of the Company in performing their duties and keeping up their morale during this challenging period.

For and on behalf of the Board
G.P. Goenka
(Chairman)

Registered Office:

2/2 TTC Industrial Area,
(D Block), MIDC,
Thane-Belapur Road,
Turbhe, Navi Mumbai - 400 703.
Dated: 29th April, 1999

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE 'A'

Particulars of Employees

Name	Designation & Nature of Duties	Remuneration Rupees	Qualification & Experience (Years)	Age (years)	Date of commencement of employment	Last employment held before joining the company	Designation in previous company
Mr. G.G. Gogate*	Managing Director	979,902/-	B.Sc (TECH) 32 Years	55 Yrs.	01/11/97	Deepak Fertilisers & Petrochemicals Corporation Ltd.	President-Corporate Affairs
Mr. R.A. Kotwal*	Ex Managing Director	83,189/-	B.Tech (Hons-Chem) A.M.I.I.Ch.E. 29 Years	53 Yrs.	01/09/95	Deepak Fertilisers & Petrochemicals Corporation Ltd.	Sr. V.P. (Operations)
Mr. R.V. Chirwatkar	G.M.Mktg. & Commercial	454,435/-	B.Tech (Chem) DMS 21 Years	45 Yrs.	01/02/91	Hindustan Petroleum Corpn. Ltd.	Dy. Manager (Prod.)
Mr. V.V. Naik	Chief Internal Auditor	495,428/-	B.E. (Mech.) M.S. Engg. (Mech.) 25 Years	58 Yrs.	16/10/95	Morarji Mills	G.M. (Works)

Notes:

1. Remuneration includes expenditure incurred by the Company on salary and for provision of benefits to the above employees.
2. The nature of employment in the above cases is contractual.
3. The above employees are not relatives of any Director of the Company.
4. * Employed for part of the period.

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ANNEXURE 'B'

Information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

(I) CONSERVATION OF ENERGY

The design of the plant incorporates the latest technology for the conservation of energy. The total energy consumption and energy consumption per unit of production as per Form 'A' is annexed herewith.

(II) TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R & D)

(a) Specific areas in which Research and Development is carried out by the Company.

Research and Development efforts were mainly made in the areas of new grade development and Product Application Development (PAD). PAD efforts involved formulation, development and testing, using besides ERDM, indigenously available compounding ingredients and actual field trials at customers' sites, for example Tyre flaps, TPE/TPOs and Impact modifiers for plastics, etc.

(b) Benefits derived as a result of the above R & D :

New areas of business have been identified and pursued.

(c) Future Plan of action :

The Company proposes to strengthen the Technical Services and Business Development Departments to enable the Company to run the plant more efficiently, implement debottlenecking of the plant and improve scope of product application in new areas like roof sheeting, belting tyre flaps and TPE/TPO.

(d) Expenditure on R & D /Technical Sales Service Centre is Rs. 19 Lacs.

(b) Benefits derived as a result of the above efforts :

New avenues of business are being explored through these efforts and the consumption of EPM/EPDM rubber in Indian industry is being stepped up. This will lead to progressive import substitution by development of new grades to match imported grades of foreign manufacturers.

(c) Information in case of technology imported during the last five years reckoned from the beginning of the financial year :

(1) Technology Imported

Technology for manufacture of EPM/EPDM rubber was imported from the collaborator - Uniroyal Chemicals Co. Inc. USA

(2) Year of Import

The agreement for EPM/EPDM rubber was signed on November 1, 1988. The document was filed with Reserve Bank of India on November 16, 1988.

(3) Has the Technology been fully absorbed

Yes.

(4) If not fully absorbed, the areas where this has not taken place, reasons thereof and future plans of action.

Not Applicable.

(III) FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars regarding foreign exchange earnings and outgo appear in Schedule 18 items from 22 to 23 to the Notes to accounts.

For and on behalf of the Board

G.P.GOENKA
(Chairman)

Mumbai

Dated : 29th April, 1999

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

(a) Efforts, in brief, made towards technology absorption :

The Company had received the knowhow package from the collaborators and absorbed the technology through training of personnel, visits to the foreign collaborator's plants and the visit of technical personnel from the collaborators.

ANNEXURE TO THE DIRECTORS' REPORT
FORM AFORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT
TO CONSERVATION OF ENERGY

A. Power and fuel consumption

	Current Period (18 months)	Previous Period (17 months)
1. Electricity		
(a) Units Purchased	19,889,666 Kwh	14,404,647Kwh
Total amount	Rs. 846.05 Lacs	Rs.568.79Lacs
Rate /Unit	Rs. 4.25/Kwh	Rs. 3.95/Kwh
(b) Own generation		
(i) Through diesel generator unit	NIL	NIL
Unit Per ltr., of diesel oil	N.A.	N.A.
Cost/Unit	N.A.	N.A.
(ii) Through steam turbine/generator	NIL	NIL

2. Coal	NIL	NIL
3. Furnace Oil		
Quantify	5126.32 K.Ltrs	3339.16 K.Ltrs.
Total amount	Rs. 285.49 Lacs	Rs.216.02 Lacs
Average rate	Rs. 5569.00/K.Ltrs	Rs. 6469.41K.Ltrs
4. Others	NIL	NIL
B. Consumption per unit of production		
Products	EPM/EPDM	EPM/EPDM
Rubber		
Electricity	3.150mwh/MT	3.150mwh/MT
Furnace Oil	0.8127 K.Ltrs/MT	0.7302 K.Ltrs/MT
Coal	NIL	NIL
Diesel	NIL	NIL

For and on behalf of the Board

G.P. GOENKA
Chairman

Mumbai

Dated: 29th April, 1999



HERDILLIA UNIMERS LIMITED

REPORT OF THE AUDITORS' TO THE MEMBERS OF HERDILLIA UNIMERS LIMITED

We have audited the attached Balance Sheet of Herdillia Unimers Limited as at 28th February, 1999 and the relative Profit and Loss Account for the period 1st September, 1997 to 28th February, 1999 on that date, both of which we have signed under reference to this report.

We report as follows:

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 dated 7th September, 1988 and issued by the Central Government and on the basis of such checks, as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further, to our comments in the Annexure referred to in paragraph 1 above:
In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes thereon and attached thereto, give in the prescribed manner, the information required by the Companies Act, 1956 and also give respectively, and read in particular with note 8 of Schedule 18, subject to paragraph 2.1 to 2.4 below and the related note to accounts referred to therein with consequential effects on the Company's loss for the period, a true and fair view of the state of the Company's affairs as at 28th February, 1999 and its loss for the period ended on that date.
- 2.1 Note 5 regarding non provision of interest payable for the period 1st April 1998 to 28th February, 1999 on certain inter corporate deposits from Herdillia Chemicals Limited and others amounting to Rs. 40,711,911.
- 2.2 Note 2(a) Schedule 18 regarding the set off of accumulated losses as at 31st August, 1997 to the extent of the balance of Rs. 425,371,110 available under Capital Reserve on revaluation of certain fixed assets. This treatment is not in accordance with the views of The Institute of Chartered Accountants of India on treatment of reserves created on revaluation of assets.
- 2.3 Note 2(b) Schedule 18, regarding preparation of accounts on the basis of a going concern.
- 2.4 Note 9 Schedule 18, regarding short provision of depreciation of Rs. 38,581,829 on Plant and Machinery arising due to providing depreciation on the basis of capacity utilisation of the Plant and Machinery with respect to the installed capacity and aggregating the shortfall of depreciation to Rs. 137,789,555 with the consequential effect thereof on the loss for the period and the relevant item of the Balance Sheet.
3. In our opinion, and to the best of our information, the Balance Sheet and the Profit and Loss Account comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.
4. We draw attention to Note 13 Schedule 18 in the accounts. It may be noted in this connection that an audit is not intended, designed, nor performed to and, accordingly, does not provide any assurance that, Company's internal systems or those of its external dependencies are/or will be Y2K compliant and we are therefore unable to comment on the Management's opinion in this regard.
5. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books and the above mentioned accounts are in agreement therewith.

P.N.GHATALIA

Partner

For and on behalf of
PRICE WATER HOUSE
Chartered Accountants

Mumbai, Dated: 29th April, 1999

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph (1) of our report of even date:

- (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situations of its fixed assets.
- (b) The fixed assets of the Company have been physically verified by the management according to a phased programme designed to cover all the items over a period of 3 years which we consider reasonable. Pursuant to the programme, a physical verification was carried out during the period and this revealed no material discrepancies.
- (ii) The fixed assets of the Company have not been revalued during the year.
- (iii) The stocks of finished goods, raw material, packing materials, work-in-process and stores and spares have been physically verified by the management during the period.
- (iv) In our opinion, the procedure of physical verification of the stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (v) The discrepancies between physical stocks and the book stocks which have been properly dealt with were not material.
- (vi) In our opinion, the valuation of stocks of finished goods, raw materials, packing materials and stores and spares has been fair and proper in accordance with the normally accepted accounting principles except as indicated in Note 7 of Schedule 18 of the accounts regarding valuation of finished goods lying in bonded warehouse and is on the same basis as in the previous year.
- (vii) In our opinion the rates of interest and the terms and conditions of loans, secured or unsecured, taken by the Company during the period, from the Companies, Firms, and other parties listed in the register maintained under Section 301 of the Companies Act, 1956, and / or Companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956, are not *prima facie* prejudicial to the interest of the company.
- (viii) The Company has not granted any loans secured or unsecured, to Companies, Firms or other parties listed in the register maintained under Section 301 and / or to the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
- (ix) The parties (including employees) to whom loans and advances in the nature of loans have been given by the Company are repaying the principal amount as stipulated, and are also regular in payment of interest, wherever applicable.
- (x) In our opinion, and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of a special nature and suitable alternative sources do not exist for obtaining comparable quotation, the internal control procedures of the Company relating to purchases of raw materials, finished goods, plant and machinery, equipment and other similar assets and sale of goods are commensurate with the size and nature of business of the Company.
- (xi) In our opinion, purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating Rs. 50,000 or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services where such market prices are available or the prices at which the transactions for similar goods or services have been made with other parties.