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# **HERDILLIA UNIMERS LIMITED**

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**12th Annual Report 1999-2000**



# HERDILLIA UNIMERS LIMITED

## BOARD OF DIRECTORS

G.P. Goenka	<i>Chairman</i>
V.C. Vaidya	
K.J. Tanna	
Lata Pillai	<i>Nominee - ICICI</i>
V.U. Eradi	<i>Nominee - IDBI</i>
Dr. E.L. Hagen	<i>Alternate - Mr. J.F. Sierakowski</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.

## 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.

CONTENTS	Page No.
Notice.....	1
Report of the Directors.....	5
Report of the Auditors.....	8
Balance Sheet.....	10
Profit & Loss Account .....	11
Schedules.....	12

The Company's equity shares will be compulsorily dematerialised by SEBI with effect from 25th September, 2000. As a Shareholder you have an option to avail this facility. Any Shareholder, desirous of dematerialisation of their Shares, is requested to approach any Depository Participant for opening of account or for any operational clarification. The Share certificates are required to be sent to the Company through Depository Participant.



# HERDILLIA UNIMERS LIMITED

## NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of the members of Herdillia Unimers Limited will be held on Monday, 25th September, 2000, at 10.00 AM 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 March 31, 2000 together with Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. V.C. Vaidya, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. R.M. Pandia, 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.

## SPECIAL BUSINESS :

5. To Consider and, if thought fit, to pass, with or without modifications the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 100 and other applicable provisions, if any, of the Companies Act, 1956 and subject to confirmation by the Hon'ble High Court at Mumbai, the issued, subscribed and paid up equity share capital of the Company as at 31-03-2000 be reduced as follows :

"One equity share of Rs. 10/- bearing distinctive number 0014994071 standing in the name of Duncans Industries Ltd., be and is hereby cancelled and accordingly the issued, subscribed and paid up share capital of the Company shall stand reduced from Rs. 42,34,55,730/- (Rupees Forty Two Crores Thirty Four Lacs Fifty Five Thousand Seven Hundred Thirty Only) divided into 42345573 equity shares of Rs. 10/- each fully paid up to Rs. 42,34,55,720/- (Rupees Forty Two Crores Thirty Four Lacs Fifty Five Thousand Seven Hundred Twenty Only) divided into 42345572 equity shares of Rs. 10/- each fully paid up."

"The issued, subscribed and paid up share capital of the Company being Rs. 42,34,55,720/- (Rupees Forty Two Crores Thirty Four Lacs Fifty Five Thousand Seven Hundred Twenty Only) divided into 42345572 equity shares of Rs. 10/- each fully paid be further reduced to Rs. 10,58,83,930/- (Rupees Ten Crores Fifty Eight Lacs Sixty Three Thousand Nine Hundred Thirty Only) and that such reduction be effected by reducing an amount of Rs. 7.50 from the paid up value of each equity share so that each equity share shall be paid up to the extent of Rs. 2.50 (Rupees Two and Paise Fifty Only)"

"RESOLVED FURTHER THAT if the said 42345572 equity shares paid up to the extent of Rs. 2.50 per equity share as a result of the aforesaid reduction be consolidated and converted into stock and immediately thereafter the stock be re-converted into 1858393 equity shares of Rs. 10/- each

fully paid, so that on such reduction and consolidation/conversion and re-conversion as aforesaid, the shareholders of the Company shall be entitled to hold one fully paid equity share of Rs. 10/- each for every four fully paid equity shares of Rs. 2.50 each."

"RESOLVED FURTHER THAT fractional entitlements, if any, resulting from the aforesaid exercise of reduction, and consolidation into whole equity shares wherever required, and vested in Trustees consisting of Directors / such other persons as the Board of Directors of the Company ("the Board") may determine in this respect and the said Trustees shall be authorised to sell and distribute the net proceeds of such consolidated equity shares amongst the persons entitled thereto, in proportion to their respective fractional entitlements."

"RESOLVED FURTHER THAT upon such reduction and consolidation having become operative and effective, each shareholder as on a record date to be decided by the Board, shall surrender to the Company the old equity share certificate(s) if not already surrendered for dematerialisation, in respect of the shares held by him for exchanging with new equity share certificate(s) and/or net sale proceeds for his fractional entitlements, if any, consequent upon the said process of reduction and consolidation."

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, desirable or appropriate to settle any question, difficulty or doubt that may arise in regard to the implementation of the aforesaid Resolution/s and to accept on behalf of the Company such conditions and modifications if any, which may be imposed, required or suggested by the High Court, Mumbai or any other authority and which the Board of Directors in its discretion think fit and proper."

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

"RESOLVED THAT the Memorandum of Association of the Company be and is hereby altered as follows : In clause (v) of the Memorandum of Association, the figures and words Rs. 45,00,00,000/- (Rupees Forty Five Crores Only) divided into 4,50,00,000 (Four Crores Fifty Lacs) Equity Shares of Rs. 10/- each be substituted by the figures and words Rs. 60,00,00,000/- (Rupees Sixty Crores Only) divided into 6,00,00,000 (Six Crores) Equity Shares of Rs. 10/- each."

7. To consider and if thought fit, to pass, with or without modifications the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956 and Article 3 and other relevant Articles of the Articles of Association of the Company, the Authorised Share Capital of the Company be and is hereby increased from Rs. 45,00,00,000 (Rupees Forty Five Crores Only) divided into 4,50,00,000 (Four Crores Fifty Lacs) Equity Shares of Rs. 10/- each to Rs. 60,00,00,000 (Rupees Sixty Crores Only) divided into 6,00,00,000 (Six Crores) Equity Shares of Rs. 10/- each."



**12TH ANNUAL REPORT 1999-2000**

- 8 To consider and, if thought fit, to pass, with or without modifications, the following Resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals, consents and compliances as may be required in terms of any other relevant legislations, rules, regulations & guidelines etc. from other competent authorities, the consent of the Company be and is hereby accorded to the Board of Directors of the Company or a Committee thereof hereinafter collectively called ("the Board") to preferentially issue and allot equity shares of Rs.10/- each at par fully paid up in the equity share capital of the Company, of such amount in one or more tranches, to the Financial Institutions (FIs) namely ICICI Ltd., (ICICI), The Industrial Finance Corporation of India Ltd. (IFCI), Industrial Development Bank of India (IDBI), Life Insurance Corporation of India (LIC) and Unit Trust of India (UTI), and Promoters of the Company or bodies owned or controlled by the Promoters by way of subscription to equity share capital by conversion into equity share capital of such of their dues pertaining to the principal amount of and interest on their loans as the Board may, in consultation with the said FIs, determine "

"RESOLVED FURTHER THAT the said fresh equity shares as and when issued shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Company and shall rank in all respects pari-passu with the then existing equity share capital of the Company duly consolidated upon reduction as provided for in the Special Resolution set out at item No.5 above, except that they shall rank for dividend, if any, for the proportionate period in which they are allotted."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, desirable or appropriate to settle any question, difficulty or doubt that may arise in regard to the implementation of the aforesaid Resolution and to accept on behalf of the Company such conditions and modifications if any, which may be imposed, required or suggested by any authority and which the Board of Directors in its discretion think fit and proper."

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

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging of all or any of the immovable and/or movable properties of the Company wheresoever situate, present and future and the whole of the undertaking of the Company to or in favour of ICICI Ltd., Industrial Finance Corporation of India Ltd.(IFCI), Industrial Development Bank of India (IDBI), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI) for securing the advance against equity upto Rs.180 million received from respective FIs for subscription to equity shares of Rs.10/-

each of the company and for securing Zero Coupon Non Convertible Debentures (ZCNCs) upto Rs. 220 million. Such equity shares to be issued and allotted to the financial institutions are after effecting the reduction of equity capital of the Company."

"FURTHER RESOLVED THAT the consent of the Company be and is also hereby accorded in terms of section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and or charging of all or any of the movable and immovable properties of the Company present and future and the whole of the undertaking of the Company to or in favour of State Bank of India and Consortium of Banks for securing the enhanced Working Capital facilities upto Rs. 1770 lacs granted by the respective Banks".

By Order of the Board  
For HERDILLIA UNIMERS LIMITED

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

NAVI MUMBAI

Dated : 23rd June, 2000

**Registered Office :**

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

#### NOTES :

- 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.
- The Register of Members and Share Transfer Books of the company will be closed from 15th September, 2000 (Friday) to 25th September, 2000 (Monday) both days inclusive.
- The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the business under item Nos. 5, 6, 7, 8 & 9 set out above is annexed hereto.
- 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.
- 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.



## HERDILLIA UNIMERS LIMITED

### ANNEXURE TO NOTICE

**Explanatory statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956.**

#### Item Nos. 5, 6, 7 & 8

As members are aware that as a result of the liberalisation of the Indian economy which rendered the Company's products uncompetitive, the Company has been making substantial losses.

Members are further aware, the Company has taken loans, both rupee and foreign currency, from All India Financial Institutions (herein after referred to for the sake of brevity as "FIs"). In order to restore the viability of the Company, the FIs have evolved a comprehensive Financial Assistance Package that involves :

1. Cut off date is November 30, 1998.
2. The existing equity capital of the Company will be reduced by 75%.
3. Of the total overdue interest of Rs. 153.0 million :
  - a. an amount of Rs. 42.9 million has been settled through payments from promoters.
  - b. an amount of Rs. 46.9 million would be converted into equity.
  - c. an amount of Rs. 28.9 million would be converted into Zero Coupon Non Convertible Debentures (ZCNCDs) to be subscribed at face value. The ZCNCDs will be redeemed at face value in 28 quarterly installments commencing from 2000-2001.
  - d. the balance amount of Rs. 34.3 million would be settled through promoters' funds brought in the form of equity.
4. Of the amount of Rs. 103.1 million of deferred interest loans:
  - a. an amount of Rs. 14.8 million has been settled through Promoters' funds.
  - b. an amount of Rs. 85.1 million would be converted into Zero Coupon Non Convertible Debentures (ZCNCDs) to be subscribed at face value. The ZCNCDs will be redeemed at face value in 28 quarterly installments commencing from 2000-2001.
  - c. the balance Rs. 3.2 million would be settled through Promoters funds brought in the form of equity.
5. Out of the Rupee Term Loans aggregating to Rs. 271.1 million:
  - a. an amount of Rs. 54.0 million has been settled through Promoters funds.
  - b. an amount of Rs. 126.3 million will be converted in to Equity.
  - c. an amount of Rs. 90.8 million will be converted into Zero Coupon Non Convertible Debentures (ZCNCDs) at face value. The ZCNCDs would be redeemed in 28 equal quarterly installments at a premium to the face value commencing from 2000-2001 at an effective yield of 15.35% p.a.
6. Of the foreign currency loans of Rs. 27.5 million under ERAS, an amount of Rs. 20.6 million will be repaid through Promoters' funds brought in the form of equity, and the balance Rs. 6.9 million shall be repaid as per existing schedule.
7. FIs would waive entire compound interest, penal interest and liquidated damages from first date of default to date of implementation of scheme.

8. Out of the unsecured loan of Rs. 218.5 million from the Promoters, Rs. 109.2 million will be converted into equity after capital reduction. The balance amount will carry interest at 15.35% p.a. and will be subordinated to the dues of the FIs.
9. Interest accrued on unsecured loans from the Promoters upto November 30, 1998 amounting to Rs. 109.3 million to be converted into equity after capital reduction.

Members will observe that the proposed scheme first envisages reduction of the existing share capital of the Company by 75% and thereafter shares will be issued to the FIs and promoters against conversion of their outstanding dues from the Company and for fresh subscription to equity capital. The latest Audited Accounts of the Company are upto 31.3.2000. The issued, subscribed and paid up equity share capital as per the said accounts is Rs. 42,34,55,730/-. Since the number of shares issued by the Company is 42345573 equity shares of Rs. 10/- each fully paid up which is a figure that is not divisible by four to facilitate the consolidation of shares as hereinafter explained it is necessary to cancel 1(one) equity share of Rs. 10/- fully paid up. The share to be cancelled stands in the name of Duncans Industries Ltd. have by their letter dated 28/12/1999 given their consent to such cancellation.

Under the Companies Act, 1956 reduction of issued, subscribed and paid up Share Capital needs approval of the Members of the Company by a Special Resolution and confirmation of such Resolution by the High Court. Accordingly, the Resolution at item 5 is placed before the Members for obtaining their approval for the proposed reduction and consolidation of share capital. The Resolutions at item Nos. 6, 7 and 8 relate to the issue of fresh capital as envisaged in Resolutions.

Viewed as a whole, Members will observe, the Resolutions placed before the Members envisage the following :

- a) First, a cancellation of one share standing in the name of Duncans Industries Ltd.
- b) Then reduction of the share capital of the Company by 75% by reducing the paid up amount of the equity shares from Rs. 10/- to Rs. 2.50 each.
- c) After such reduction of capital, issue of fresh equity share capital to the FIs and Promoters on fresh subscription and/or conversion of the dues owed to them by the Company. Accordingly, the resolution at item No. 5 is proposed for cancellation, reduction and consolidation of the share capital and the resolution at item No. 8 is for the proposed issue of fresh equity share capital. It is clarified that the reduction of share as contemplated by the Resolution at item No. 5 does not and will not affect the issue of fresh capital as envisaged by the Resolution at item No. 8. In other words the reduction of capital and the issue of fresh capital are two independent actions.

As of date, the documentation of ICICI's assistance is completed and the amounts due to ICICI are already converted into advance against equity and ZCNCDs. The actual effects of conversion are being given in the books as and when the documentation with different Financial Institutions is completed.

The exercise of reduction of the share capital on the one hand and thereafter issue of share capital to the FIs on the other hand will

**12TH ANNUAL REPORT 1999-2000**

result in the Company's share capital being increased to nearly Rs. 54,00,00,000/-. Since the present Authorised Share Capital is Rs.45,00,00,000/- (Rupees Forty Five Crores only) it is necessary that the same is increased so as to enable the Company to issue shares to the Financial Institutions and Promoters as stated above. It is, therefore, proposed to increase the Authorised Share Capital to Rs.60,00,00,000/- (Rupees Sixty Crores Only) and accordingly the resolution at item Nos. 6&7 are placed before the members for their approval.

The Board of Directors of the Company have carefully evaluated the scheme of restructuring evolved by the FIs and felt that the same is in the overall interest of the Company and hence accepted the same. Accordingly, the proposed resolutions are placed before the members for their approval.

The following Directors are Directors / Nominees of the Companies/ FIs mentioned below and they may be deemed to be interested in the above said Resolutions.

Name of the Company	Names of the Directors concerned or interested
1. Herdillia Chemicals Ltd.	Mr.G.P.Goenka, Mr.V.C. Vaidya & Mr. R.M. Pandia
2. Duncans Industries Ltd.	Mr. G.P.Goenka
3. ICICI Ltd.	Mrs. Lata Pillai (Nominee of ICICI)
4. Industrial Development Bank of India (IDBI)	Mr. V.U. Eradi (Nominee of IDBI)

The Companies under Sr. No. 1&2 are shareholders of your Company. Therefore the Directors being Directors of such Companies are interested to the extent of the shareholdings of the Companies in your Company.

Companies in respect of Sr. No. 3 & 4 are Financial Institutions. The Nominee Directors are interested to the extent of the shareholdings of the FIs in your Company as well as to the extent that the loans of Financial Institutions to be converted into equity shares of your Company.

No other Director of the Company is concerned or interested in the Resolutions.

A copy of each of the following documents shall be opened to inspection by the Members at the Registered Office of the Company between 10.30A.M. and 1 P.M. on all working days of the Company upto and including the day of this Meeting.

- 1) Memorandum and Articles of Association of the Company.
- 2) The letter dated 28.12.1999 issued by Duncans Industries Ltd. consenting to the cancellation of one share bearing distinctive No.0014994071.
- 3) The following consent letters received from ICICI Ltd., The Industrial Development Bank of India, The Industrial Finance Corporation of India Ltd., Unit Trust of India & Life Insurance Corporation of India.

ICICI	- SBD - 11/2288 dated 4/5/1999
IDBI	- HO CFD III.22B.18 (HUL)/791 dated 3/9/1999
IFCI	- MURO/Chem. 923/99-110018 dated 21/9/1999
UTI	- UT/DOIM/H-123/2720/99-00 Dated 2.5.2000
LIC	- INV:RS:KAJ DATED 15/12/1999

**Item No. 9**

In view of the financial assistance package agreed to by the FIs, the Company has to issue and allot equity shares (after reduction of capital of the company) upto Rs.180 million and has to allot Zero Coupon Non Convertible Debentures (ZCNCDs) aggregating upto Rs.220 million to the respective financial institutions. The equity shares and Zero Coupon Non-Convertible Debentures (ZCNCDs) are being issued against the rupee term loans, deferred interest loans and overdue interest due to them. The said advance against equity shares and subscriptions to ZCNCDs are being secured by the mortgage/charge on the immovable and movable properties of the Company till share allotment and for repayment and redemption of ZCNCDs, issued on private placement basis together with all interest, liquidated damages, commitment charges, costs, charges, expenses and other moneys payable under their respective facility agreement/letters of sanction as amended from time to time.

Further, State Bank of India and Consortium of Banks have enhanced Working Capital facilities upto Rs. 1770 lacs. The said enhanced Working Capital facilities are being secured by the mortgage / charge on the immovable and movable properties of the Company.

Section 293(1) (a) of the Companies Act, 1956 calls for the consent of the Company at a General Meeting, for the sale, lease or disposal in any manner, of the whole or substantially the whole of the undertaking(s) of the Company. Since the mortgage/charge by the Company on its immovable/movable properties, in accordance with the FIs and Consortium of Banks requirements, may be regarded as disposal of the property, it is necessary for the members to pass the resolution as per Section 293(1) (a) of the Companies Act, 1956 as set out in the notice, to authorise the Directors to create the said mortgage / charge.

Mrs. Lata Pillai, Nominee Director of ICICI Ltd. and Mr. V.U.Eradi, Nominee Director of IDBI may be deemed to be concerned or interested in the above resolution.

No other Director of the Company is concerned or interested in the resolution.

By Order of the Board  
For HERDILLIA UNIMERS LIMITED

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

NAVI MUMBAI

Dated : 23rd June, 2000

**Registered Office :**  
2/2, TTC Indl. Area, (D Block),  
MIDC, Thane-Belapur Road,  
Turbhe, Navi Mumbai - 400 705.





# HERDILLIA UNIMERS LIMITED

## REPORT OF THE DIRECTORS

Your Directors present the Twelfth Annual Report together with the Audited Accounts of the Company for the 13 months period ended March 31, 2000.

### 1. FINANCIAL RESULTS

	Present Period (March'99-March 2000) 13 Months (Rs. in lacs)	Previous Period (Sept.' 97- Feb'99) 18 Months (Rs. in lacs)
Sales (including Excise Duty) and other Income	5,900.79	6,178.17
Gross Profit/(Loss) before Interest and Depreciation	412.80	653.75
Profit/(Loss) for the period	(261.87)	(2,075.88)
Prior Period adjustments (interest/other charges written back)	812.03	--
Profit/(Loss) carried forward	(2,996.90)	(3,547.06)

### 2. OPERATIONS

During the period under review, the Company has produced 5333MT of EPDM Rubber, achieving a 49% capacity utilisation on an annualised basis, as compared to 42% in the previous financial year.

The Company could have achieved a capacity utilisation of about 70%, but for the major constraint faced by the Company in terms of shortage of ethylene, a major raw material supplied only by IPCL. During the period under review, IPCL has also substantially hiked the ethylene and propylene prices by nearly 75%, inflicting a heavy cost burden on the operations of the Company.

IPCL has attributed these price increases to the then prevailing high international prices which have dropped significantly since April, 2000. The Company has accordingly been pursuing with IPCL for a reduction in the prices as also for the establishment of a transparent pricing formula linked to the international prices.

During the period under review, the Company has sold 5395 MT (annualised 4980 MT) of EPDM Rubber, as against previous annualised sales of 4055 MT. The Company could achieve the higher sales in the domestic market as the Auto Industry has done significantly well and majority of the EPDM Rubbers find usage in Auto Components. Your Company had a large export order of 3000 MT from their collaborators M/s. Uniroyal Chemical Company Inc., USA. However, due to the shortages and high prices of raw materials as also the working capital constraints, this order could only be partly met. Annualised total exports during the year were 813 MT to USA, Egypt, Iran, Dubai etc. as against 1318.70 MT in the previous period.

The Company had approached Government of India for imposing Anti-Dumping Duty on imports of EPDM Rubber from Japan and Korea. During the period under review, US\$ denominated anti-dumping duties on imports of EPDM from Japan and South Korea have been put in place. This legitimate protection granted by Government of India against the dumping of Japanese and Korean EPDM has provided your Company with a level playing field and would help the

Company to obtain remunerative prices and gain due domestic market share. These anti-dumping duties levied on landed price basis and denominated in US\$ terms, would provide insulation from reduction in the rate of Customs Duty and any exchange rate fluctuation in the Indian rupee vis a vis the US\$.

The Company's term lending financial institutions viz. ICICI, IDBI, IFCI, LIC and UTI have approved a financial relief package for the Company and the written sanction letters have been received from all these financial institutions. The said package, inter alia, includes reduction of the present equity capital by 75%, conversion of loans and simple interests into equity and Zero Coupon Non Convertible Debentures (ZCNCDs), waiver of compound interest and liquidated damages (CI & LD) and infusion of further equity funds by Promoters.

The overall impact of this package would be substantial reduction in the interest burden of the Company.

In September'99, the Company's consortium of Banks has sanctioned enhancement of fund based credit limits from Rs.790 lacs to Rs.1200 lacs and non fund based limits from Rs.475 lacs to Rs.570 lacs. These enhanced limits are however awaiting final release pending completion of formalities at some of the Banks. The continued support from the Bankers viz. State Bank of India, State Bank of Travancore, State Bank of Bikaner & Jaipur and Bank of India has greatly assisted the Company in improving its performance.

The Company has revalued its assets of Land, Buildings and Plant & Machinery as on 31.03.97 and based on legal opinion, has set off its accumulated losses as on 31.08.97 to the extent of Rs. 4,253.71 lacs against the capital reserve arising out of the above revaluation as disclosed in Note 2(a) of Schedule 18 of the Accounts.

The Company with effect from 01.04.96, has been providing depreciation on Plant and Machinery on capacity utilisation basis. This has resulted in short provision of depreciation of Rs.245.43 lacs for the 13 months period ended 31st March, 2000 as disclosed in note 8 of Schedule 18 of the Accounts.

The Company with effect from 01.04.98 has been booking interest on unsecured loans on cash basis and this has resulted in short provision of interest of Rs. 201.23 lacs for the 13 months period ended 31st March, 2000 as disclosed in note 5 of Schedule 18 of the Accounts.

### FUTURE PROSPECTS AND PLANS

The Company is continuously growing. EPDM Rubber consumption is mainly linked to the growth of the Auto Industry. Auto Industry has seen a phenomenal growth of 50% in the period under review. EPDM consumption growth rate has accordingly gone up and the trend is expected to continue providing the Company an opportunity to improve and achieve fuller utilisation of its plant capacity. The Company has successfully exported quality products to developed countries like USA/Europe and expects this business to expand affording the Company further avenue of growth by improving the capacity utilisation and thehce, the economy of operations.

The Company has also been exploring additional sources for procuring Ethylene. The Company has identified the Finolex Jetty at Ratnagiri as a feasible option. An MOU is under finalisation with Finolex. This will not only provide an alternate source of procuring raw material ethylene at international