



HERDILLIA UNIMERS LIMITED

13th Annual Report 2000-2001



HERDILLIA UNIMERS LIMITED

BOARD OF DIRECTORS

G.P. Goenka	<i>Chairman</i>
V.C. Vaidya	
K.J. Tanna	
Lata Pillai	<i>Nominee -ICICI</i>
A.K. De	<i>Nominee - IDBI</i>
Mark Harakal	<i>Alternate - Mr. J.F. Sierakowaski</i>
R.M. Pandia	
G.G. Gogate	<i>Managing Director</i>

AUDIT COMMITTEE

R.M. Pandia	<i>Chairman</i>
V.C. Vaidya	
Lata Pillai	
K.J. Tanna	

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 & SHARE DEPARTMENT

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

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The Company's equity shares has been compulsorily dematerialised by SEBI with effect from 25th September, 2000. The special resolution passed by the Shareholders for 75% reduction of capital at the 12th AGM held on 25th September, 2000 has been confirmed by the High Court of Bombay Judicature and registered with the Registrar of Companies, Maharashtra on 26.04.2001. The book closure date has been fixed from 14.09.2001 to 20.09.2001(both days inclusive) for the purpose of arriving at the list of members whose share holding will be reduced.

The Shareholders are requested to send the form annexed here to, duly filled in and with relevant enclosures.



HERDILLIA UNIMERS LIMITED

NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the members of Herdillia Unimers Limited will be held on Thursday, 20th September, 2001, 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 year ended March 31, 2001 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. K.J.Tanna, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors of the company and 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 in accordance with the Provisions of Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the name of the Company be changed from "Herdillia Unimers Limited" to "Unimers India Limited" and accordingly the name Herdillia Unimers Limited wherever it occurs in the Memorandum and Articles of Association of the Company be substituted by the name Unimers India Limited."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps and to do all such acts, deeds, matters and things as may be necessary, expedient or desirable to give effect to the aforesaid resolution."

By Order of the Board
For HERDILLIA UNIMERS LIMITED

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

NAVI MUMBAI

Dated : 26th July, 2001.

Registered Office :

2/2, TTC Indl. Area, (D Block),
MIDC, Thane-Belapur Road,
Turbo, 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 relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business under item No. 5 set out above is annexed hereto.
- c) The Register of Members and Share Transfer Books of the Company will be closed from 14th September, 2001 (Friday) to 20th September, 2001 (Thursday) both days inclusive.
- d) 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.
- e) Members are requested to bring their copies of the Annual Report at the time of attending the Meeting.

ANNEXURE TO NOTICE

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

Item No. 5

The status of Herdillia Chemicals Limited, which is the promoter of the Company, is undergoing a change and as a consequence of this, the Company has to delete the name 'Herdillia' and change the name of the Company. Keeping in view the products manufactured and to retain the goodwill of the name, the Board of Directors have approved the new name of the Company as "Unimers India Limited".

13TH ANNUAL REPORT 2000-2001**REPORT OF THE DIRECTORS**

Your Directors present the Thirteenth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2001.

1. FINANCIAL RESULTS

	Year ended 31.3.2001 (Rs. in lacs)	13 months Period ended 31.3.2000 (Rs. in lacs)
Sales (including Excise duty and other Income)	5510.23	5900.79
Gross Profit/ (Loss) before Interest and Depreciation	446.48	411.58
Profit/ (Loss) for the year before adjustment	(194.41)	(261.87)
Prior period items (net)	(5.40)	812.04
Profit/(Loss) for the year	(199.81)	550.17
Profit/(Loss) carried forward	(3196.71)	(2996.90)

2. RESPONSIBILITY STATEMENT

The Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- that they have 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;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that they have prepared the annual accounts on a going concern basis.

3. OPERATIONS

During the year under review, the Company has produced 4398 MT of EPDM Rubber as against previous period's annualised quantity of 4923 MT. This lower production, as compared to previous period, was mainly due to inadequate availability of a key raw material namely, ethylene from its single source viz IPCL and working capital constraints with consequent impact on procurement of raw materials. Both these issues are being resolved and should not restrict operations in future.

The Company has, however, been successful in convincing IPCL for pricing ethylene linked with international price, which has given some cost advantage during the year.

During the year under review, the Company sold 4376 MT of EPDM Rubber as against the previous annualised sales of 4980 MT. Sales performance could not be attained to its full potential due to lower production, though the market could have absorbed higher volumes.

Moreover, such lower production of EPDM has resulted in prioritization of sales to the domestic market in

preference to exports. The export potential has thus, remained unutilised during the year.

4. FINANCIAL RESTRUCTURING PACKAGE

The Company's proposal for the Financial Restructuring Package has been sanctioned by all the term lending Financial Institutions namely, ICICI, IDBI, IFCI, LIC & UTI which is yet to implement as agreed by the Financial Institutions and is in the process of being implemented except UTI.

As per the condition for approval of Restructuring Package by the term lending Financial Institutions of the Company, the Company is required to reduce the paid up capital by 75%. A resolution was passed unanimously at the 12th Annual General Meeting of the Company held in September 2000. The Company has obtained the necessary confirmation from High Court Bombay for the said Resolution in February 2001 and the Order of High Court, Bombay has been filed with the Registrar of Companies on 26.04.2001. The capital of the Company would thus stand reduced by 75% reducing the present capital of Rs. 42.34 crore to Rs.10.58 crore which, after issue of further capital to the Financial Institutions as well as Promoters on conversion of their loans, interest on loans etc. will get enhanced to Rs. 55.23 crore.

5. FINANCE

The working capital requirement of the Company was recommended for enhancement by the consortium of banks from Rs. 1265 lacs to Rs. 1770 lacs in September 1999. The formalities relating to such enhancement of working capital have been completed by the bankers namely, SBI & SBBJ except for SBT who are yet to give their sanction.

With the finalisation of enhancement of working capital limits by all the banks, with the sole exception of SBT, the operations of Company are expected to improve.

QUALIFICATIONS IN THE AUDITORS' REPORT

The Audit qualifications contained in paras 3.1, 3.2 and 3.3 of Auditors' Report read together with the Notes to the Accounts are self-explanatory.

The Board is of the view that taking into account the Financial Restructuring Package approved by the majority of Financial Institutions and the legal advice obtained by the company, the Company is not considered to be a sick industrial Company within the provisions of SICA and the Accounts have been prepared on the concept of a going concern. Based on the on-going process of implementation of the aforesaid Financial Package, which the Board is confident of being implemented fully during the current year barring unforeseen circumstances, coupled with the business strategy/ plans put in place by the Management as also the future outlook, the Company expects to achieve improved performance.

6. FUTURE OUTLOOK

With continuous availability of raw material and funding of working capital requirement, the Company can produce and sell in the domestic market itself about 6500 MT of EPDM Rubber giving reasonably good contribution and profitability.



HERDILLIA UNIMERS LIMITED

The Company is exploring the possibility of sourcing ethylene from IPCL's Gandhar complex in Gujarat which could be a steady and constant source at a competitive price since IPCL's ethylene price is already linked with international price. In this arrangement, though a net extra transportation cost of about Rs. 1000/- PMT of ethylene would be incurred, it would be offset by the benefits achieved from optimization of operations.

The Company has the capability of achieving better results on the domestic as well as export fronts with the improved capacity utilisation thereby achieving economy of operations and improved margins.

Eradi as its Nominee Director w.e.f. January 1, 2001.

Uniroyal Chemical Co. Inc. U.S.A. has appointed Mr. Mark Harakal as its Nominee Director in place of Dr. E.L. Hagen w.e.f. April 1, 2001.

Mr. G.P. Goenka and Mr. K.J. Tanna retire by rotation and being eligible offer themselves for re-appointment.

The Board of Directors in view of the good corporate governance have formed an Audit Committee comprising of Mr. R.M. Pandia, Mr. V.C. Vaidya, Mr. K.J. Tanna and Ms. Lata Pillai all non wholetime directors of the Company with Mr. R.M. Pandia as its Chairman.

7. EMPLOYEE RELATIONS

Employee relations have been cordial during the year.

8. PARTICULARS OF EMPLOYEES

No employee of the Company is drawing above the prescribed limit as provided under Section 217 (2A) of the Companies Act, 1956 and therefore, the requirement is not applicable.

9. DEMATERIALISATION OF COMPANY'S EQUITY SHARES

The Company's equity shares are to be traded compulsorily in dematerialised form. In view of the numerous advantages offered by the Depository System, members are requested to avail of the facility of dematerialisation of Company's shares. The Company is in the process of allotting and issuing new equity shares (consequent to reduction in equity by 75%) in cancellation of old equity shares. Members are being separately notified to exercise their option to receive their new equity shares in demat form or in physical form.

10. 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 "A" and forms part of this report.

11. DIRECTORS

IDBI Ltd. has appointed Mr. A.K. De in place of Mr. V.U.

12. 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.

13. ACKNOWLEDGMENT

The Board of Directors take this opportunity to thank the Financial Institutions for the co-operation, assistance and trust reposed in the management of the Company. Your directors are also thankful to the Company's bankers for their co-operation in the day to day business of the Company and its collaborators, M/s Uniroyal Chemical Company Inc., USA, its promoters, M/s Herdillia Chemicals Ltd., M/s Duncans Industries Ltd. customers and suppliers. Your directors also place on record their appreciation to all the employees of the Company for their performance and for keeping up their morale during this challenging period.

For and on behalf of the Board

V.C. Vaidya
(Chairman)

Registered Office:

2/2, TTC Industrial Area,
Thane Belapur Road,
Turbhe, Navi Mumbai - 400 705.

Dated : 30.06.2001

13TH ANNUAL REPORT 2000-2001



ANNEXURE 'A'

Information required under the Companies (Disclosure of Particulars in the Report of 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 focussed in the areas of development of new grades and Product Application Development (PAD). The Company has received approval for new grade of Herlene EPDM from India's leading manufacturers of tyres namely, MRF Ltd and Bridgestone. Application Development efforts involve formulation, development and testing of products made for using Herlene EPDM, with indigenously available compounding ingredients and conducting field trials at customers' premises e.g. tyre flaps, heat resistant conveyor beltings, ultra high heat resistant EPDM moulded products used in new generation automobiles, very low density fire retardant sponge EPDM for insulation are examples of such developmental work. EPDM membrane manufacturers were identified and good quality water proofing membranes were produced. Different types of building structures have been water proofed with EPDM membrane, in different parts of the country, using the services of trained applicators.

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

As a result of these R & D efforts, new areas of business have been identified and are being actively pursued for commercial application such as heat resistant and fire resistant products etc. Leading industrial building consultants have included EPDM in their specification for

water proofing membranes, which will eventually result in increased usage of this water proofing technique in India.

- (c) Expenditure on R & D / Technical Sales Service Centre is Rs. 27.98 lacs.
- (d) Future plan of action :
 - 1) To focus on the manufacture of customer specific quality for the auto profile sector.
 - 2) To propagate usage of water proofing membranes in the construction industry.
 - 3) To promote usage of very low density fire retardant sponge EPDM for air-conditioning insulation etc.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

The Company has fully absorbed the technology received from the collaborators - M/s. Uniroyal Chemical Co. Inc. USA

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

New avenues of business growth are being explored through in-house development of new/modified grades of EPDM meeting customer specific quality requirements. This will result in higher market share for the Company's product and consequently increase in business volume and margin.

(c) Information in case of technology imported during the last six years reckoned from the beginning of the financial year : N.A.

(III) Foreign Exchange Earnings and Outgo

Particulars regarding foreign exchange earnings and outgo appear in items from 21 to 23 of Schedule 17 to the Notes to Accounts.

For and on behalf of the Board
V. C. Vadiya
(Chairman)

Mumbai
Dated : 30th June, 2001

ANNEXURE TO THE DIRECTORS' REPORT FORM A

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. Power and fuel consumption

	Current Year (12 months)	Previous Period (13 months)
1. Electricity		
(a) Purchase Unit	12,835,237 Kwh	17,130,254 Kwh
Total amount	Rs. 578.15 Lacs	Rs. 757.50 Lacs
Rate /Unit	Rs. 4.50 / Kwh	Rs. 4.42 / 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		
Quantity	3398.96 K.Ltrs.	4545.19 K.Ltrs.
Total amount	Rs. 319.14 Lacs	Rs. 355.69 Lacs
Average rate	Rs. 9,397.00/K.Ltrs	Rs. 7,826.0/K.Ltrs
4. Others	NIL	NIL
B. Consumption per unit of production		
Products	EPM / EPDM	EPM / EPDM
Rubber		
Electricity	2.918 Mwh/MT	3.212 Mwh/MT
Furnace Oil	0.7728 K.Ltrs/MT	0.8522 K.Ltrs/MT
Coal	NIL	NIL
Diesel	NIL	NIL

For and on behalf of the Board
V. C. Vaidya
(Chairman)

Mumbai
Dated : 30th June, 2001.



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 31st March, 2001 and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report and the above mentioned accounts are in agreement with the books of account.

We report as follows:

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 dated 7th September, 1988 and issued by the Central Government of India 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 paragraphs 4 and 5 of the said Order.
2. *We draw your attention to Note (B)2 of the Schedule 17 regarding the appropriateness of the going concern basis used for the preparation of the accounts though the net worth of the Company after considering the qualifications in the report is fully eroded as at 31st March, 2001 the going concern concept would depend upon the implementation of the restructuring package accepted by the Financial Institutions.*
3. Further, to our comments in the Annexure referred to in paragraph 1 and 2 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 Schedules attached thereto and notes thereon and Statement on accounting policies, give in the prescribed manner (read in particular with Note(B)10 of Schedule 17), the information required by the Companies Act, 1956 of India (the 'Act'), and after considering qualifications contained in paragraph 3.1 to 3.3 below with consequential effect thereof, the accounts *do not give a true and fair view* of the state of the Company's affairs as at 31st March, 2001 and its accumulated loss.
- 3.1 *Note(B)1 of Schedule 17, regarding the set off of accumulated losses as at 31st August, 1997 to the extent of the balance of Rs. 425,371,110/- available on that date 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.*
- 3.2 *Note (B)7 of Schedule 17, regarding non provision of interest of Rs. 41,721,998 for the year ended 31st March, 2001 and for earlier years Rs. 60,835,088/- aggregating to Rs. 102,557,086/- payable on certain inter corporate deposits / debentures from Herdillia Chemicals Limited and others.*
- 3.3 *Notes (B)8 of Schedule 17, regarding short provision of depreciation of Rs. 25,012,024/- for the year ended 31st March, 2001 and for earlier years Rs. 162,333,075/- aggregating to Rs. 187,345,099/- on Plant and Machinery restricted to proportion of capacity utilised to the installed capacity.*
4. We further report that had the observations made by us in paragraphs 3.2 and 3.3 been considered the loss for the year would have been Rs. 86,715,085/- (as against reported loss-figure of Rs.19,981,063/-), accumulated losses would have been Rs. 609,572,805/- (as against reported figure of Rs. 319,670,620/-), Fixed Assets would have been Rs. 914,481,447/- (as against reported figure of Rs. 1,101,826,546/-) and Unsecured Loans would have been Rs. 539,184,512/- (as against reported figure of Rs. 436,627,426/-). In case of observation made by us in

paragraph 3.1 the accumulated losses at the year end would have been higher by Rs. 425,371,110/- and Capital Reserve Rs. 425,371,110/- arising on revaluation of fixed assets as at April 1, 1996 un-recouped as at 31st August, 1997.

5. 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 Act.
6. 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.
7. Based on the representation made by all the Directors of the Company and the information and the explanation as made available, Directors of the Company do not prima facie have any disqualification as referred to in Clause (g) of sub-section (1) of Section 274 of the Act.

P.N.GHATALIA
Partner

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Mumbai, Dated : 30th June, 2001

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 situation 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 materials, packing materials, work-in-process and stores have been physically verified by the management during the year.
- (iv) In our opinion, the procedure of physical verification of the stocks followed by the management is 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 has been fair and proper in accordance with the normally accepted accounting principles in India and is on the same basis as in the preceding year. *However, for stores, from the current year, the Company has considered refinement by including items of stores with unit value of less than Rs 1,000/- and accordingly valued at year-end, the impact of which is Rs. 3,052,313/-.*