



UNIMERS INDIA LIMITED

19th Annual Report 2006 - 2007



UNIMERS INDIA LIMITED

BOARD OF DIRECTORS

Mr. G. P. Goenka
Mr. Sukhendu Ray
Mr. Shrivardhan Goenka
Mr. Tan Chean Liang Kelvin
Mr. R. S. Agarwal
Mr. V. B. Dalal
Mr. M. K. Mittal
Mr. S. P. Gupta

Chairman
Director
Director
Director (Appointed w.e.f. 30.06.2007)
Director
Director
Nominee – IFCI Limited (Appointed w.e.f. 25.01.2007)
Whole Time Director (Appointed w.e.f. 28.06.2007)

AUDIT COMMITTEE

Mr. R. S. Agarwal
Mr. Sukhendu Ray
Mr. Shrivardhan Goenka

Chairman of Committee
Member
Member

INVESTORS GRIEVANCE COMMITTEE

Mr. V. B. Dalal
Mr. S. P. Gupta

Chairman of Committee (Appointed w.e.f. 25.01.2007)
Member (Appointed w.e.f. 28.06.2007)

SHARE / DEBENTURE TRANSFER COMMITTEE

Mr. S. P. Gupta
Mr. Deepak Bhandari

Chairman of Committee (Appointed w.e.f. 28.06.2007)
Member

REMUNERATION COMMITTEE

Mr. R. S. Agarwal
Mr. V. B. Dalal
Mr. Sukhendu Ray

Chairman of Committee
Member
Member

COMPANY SECRETARY

Ms. M. K. Mehta

BANKERS

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

AUDITORS

Lodha & Co.
Chartered Accountants

REGISTERED OFFICE & FACTORY

2/2, TTC Industrial Area (D Block)
MIDC, Thane-Belapur Road,
Turbhe, Navi Mumbai 400 705
email: secretarial@unimers.com
Internet: www.unimers.com

REGISTRAR & TRANSFER AGENT

Adroit Corporate Services Pvt. Ltd.,
19, Jaferbhoy Industrial Estate,
1st Floor, Makhwana Road,
Marol Naka, Mumbai 400 059
Tel. Nos.: 2859 6060 / 4060 Fax: 2850 3748

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UNIMERS INDIA LIMITED

NOTICE:

NOTICE is hereby given that the Nineteenth Annual General Meeting of the members of **UNIMERS INDIA LIMITED** will be held on Friday, September 7, 2007 at 11:00 a.m. 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, 2007 together with Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. V. B. Dalal, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. R. S. Agarwal who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT M/s. Lodha & Co., Chartered Accountants, be and are hereby appointed as Auditors of the Company, from the conclusion of this Annual General Meeting upto the conclusion of next Annual General Meeting at such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors, plus reimbursement of out-of-pocket expenses."

SPECIAL BUSINESS :

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT as per the recommendation of Remuneration Committee and pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be necessary, the consent of the Company be and is hereby accorded for the appointment of Mr. L. K. Guglani as Managing Director of the Company for a period from October 18, 2006 to June 28, 2007 on the terms and conditions as set out in the Draft Agreement to be entered into between the Company and the said Managing Director initialled by the Chairman for the purpose of identification which agreement be and is hereby specifically approved with liberty to the Board of Directors of the Company to alter or vary and modify the terms and conditions of the said appointment and/or agreement in such a manner as may be agreed between the Board and Mr. L. K. Guglani."

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

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

"RESOLVED THAT Mr. S. P. Gupta, who was appointed as an Additional Director of the Company with effect from June 28, 2007 pursuant to the provisions of Section 260 of the Companies Act, 1956 and in accordance with the Articles of Association of the Company and who would hold his office till the date of the ensuing Annual General Meeting of the Company and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, along with necessary deposit from Shareholder proposing the candidature of Mr. S. P. Gupta for the office of the Director, be and is hereby appointed as a Director of the Company whose office shall be liable to retirement by rotation."

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

"RESOLVED THAT as per the recommendation of Remuneration Committee and pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be necessary, the consent of the Company hereby accorded for the

appointment of Mr. S. P. Gupta as Whole Time Director of the Company for a period of three years with effect from June 28, 2007 on the terms and conditions as set out in the Draft Agreement to be entered into between the Company and the said Whole Time Director initialled by the Chairman for the purpose of identification which agreement be and is hereby specifically approved with liberty to the Board of Directors of the Company to alter or vary and modify the terms and conditions of the said appointment and / or agreement in such a manner as may be agreed between the Board and Mr. S. P. Gupta."

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

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Tan Chean Liang Kelvin, who was appointed as an Additional Director of the Company with effect from June 30, 2007 pursuant to the provisions of Section 260 of the Companies Act, 1956 and in accordance with the Articles of Association of the Company and who would hold his office till the date of the ensuing Annual General Meeting of the Company and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, along with necessary deposit from Shareholder proposing the candidature of Mr. Tan Chean Liang Kelvin for the office of the Director, be and is hereby appointed as a Director of the Company whose office shall be liable to retirement by rotation."

By Order of the Board
For **UNIMERS INDIA LIMITED**

Place: Mumbai
Dated: June 28, 2007

M. K. Mehta
Company Secretary

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 ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF / HERSELF 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 relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No. 5 to 8 is annexed hereto.
- c) The Resolution in respect of Item No. 4 is proposed as a Special Resolution as the combined holding of Financial Institutions/ Nationalised Banks/ Insurance Companies, etc. exceeds the limits prescribed by in Section 224A of the Companies Act, 1956.
- d) The Register of Members and Share Transfer Books of the Company will be closed on Friday, September 7, 2007.
- e) 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.
- f) Members are requested to bring their copies of the Annual Report at the time of attending the meeting.
- g) The Shareholders are requested to send all their correspondence, in respect of shares etc. to Adroit Corporate Services Private Limited 19, Jaferbhoy Industrial Estate, 1st Floor, Makhwana Road, Marol Naka, Mumbai 400 059.
- h) As required under the Listing Agreement with the Stock Exchanges, the particulars of Directors who are proposed to be appointed/ re-appointed are given hereunder.

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BRIEF RESUME OF PERSONS PROPOSED TO BE APPOINTED / RE-APPOINTED AS DIRECTORS OF THE COMPANY AT THE ANNUAL GENERAL MEETING:

- I. (i) **Name:** Mr. V. B. Dalal
 (ii) **Age:** 62 years
 (iii) **Qualification:** B. Com, FCA
 (iv) **Experience:** He has a post qualification experience of more than 33 years in the field of Audit and Direct Taxation. He has handled international assignments on internal and operation audits in U. K., Portugal, Kenya and Indonesia. He has also an academic experience of more than 11 years as a part time lecturer in Accountancy, having worked with the M. L. Dahanukar College of Commerce and Economics affiliated to the University of Mumbai.
 (v) **Director of the Company since:** April 12, 2006
 (vi) **Other Directorships:**
 1. Maharashtra Polybutenes Limited
 2. Oxides and Specialities Limited
- II. (i) **Name:** Mr. R. S. Agarwal
 (ii) **Age:** 65 years
 (iii) **Qualification:** B.Sc., B.E. (Chemical Engg.), Diploma in Industrial Engineering, Proficiency in Boiler Operation Engineering
 (iv) **Experience:** He has 9½ years Industrial experience as Process Engineer in a leading paper mill of Northern India (1965-1974). Thereafter Mr. R. S. Agarwal was working with Industrial Development Bank of India (IDBI) for a period of 28 years and retired as Executive Director of IDBI.
 (v) **Director of the Company since:** April 12, 2006
 (vi) **Other Directorships:**
 1. Deccan Cements Limited
 2. Elegant Marbles & Granite Industries Limited
 3. GVK Jaipur Kishangarh Express Way Limited
 4. Madras Cements Limited
 5. Suryalakshmi Cotton Mills Limited
 6. Suryalata Spinning Mills Limited
 7. Tamilnadu News Print & Papers Limited
 8. Torrent Cables Limited
- III. (i) **Name:** Mr. L. K. Guglani
 (ii) **Age:** 52 years
 (iii) **Qualification:** B. Tech (Chemical Engineer) and MBA
 (iv) **Experience:** Mr. L. K. Guglani has over 31 years of experience in Chemical and Petrochemical Industry. He has experience of working with various industries in technical as well as commercial assignments. He has served as Director on the Board of a number of Companies like Maharashtra Polybutenes Limited and Gujarat Carbon & Industries Limited.
 (v) **Director of the Company since:** October 18, 2006
 (vi) **Other Directorships:**
 1. Duncans Tea Limited
 2. Gujarat Carbon & Industries Limited

- IV. (i) **Name:** Mr. S. P. Gupta
 (ii) **Age:** 53 years
 (iii) **Qualification:** B. Tech (Chemical Engineer) and MBA
 (iv) **Experience:** 31 years experience in reputed Chemical Industries like J. K. Synthetics Ltd., Vardhman Acrylics Ltd., Parupati Acrylon Ltd., Consolidated Fibres & Chemicals Limited., Duncans Industries Limited. He has handled various technical and commercial assignments. He has expertise in turn around of companies through innovative ways of productivity enhancement and cost reduction.
 (v) **Director of the Company since:** June 28, 2007
 (vi) **Other Directorships:**
 Duncans Industries Limited
- V. (i) **Name:** Mr. Tan Chean Liang Kelvin
 (ii) **Age:** 34 years
 (iii) **Qualification:** LLB (Honours) at National University of Singapore
 (iv) **Experience:** Mr. Tan Chean Liang Kelvin has an experience of more than 7 years in the Legal field. He has experience of working with various Companies like Starwood Asia Pacific Hotels & Resorts Pte Ltd. Fujitsu Asia Pte Ltd, StarHub Ltd and also in various Partnership Firms for counselling and providing his valuable advice and opinions in the legal matters.
 (v) **Director of the Company since:** June 30, 2007
 (vi) **Other Directorships:** Nil

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

Item No. 5

The Board of Directors at its meeting held on October 18, 2006 had appointed Mr. L. K. Guglani as Managing Director of the Company for a period of three years from October 18, 2006 on the following terms and conditions including the terms as to remuneration as approved by the remuneration committee subject to the approval of the members of the Company at the Annual General Meeting and approval of such Authorities as may be required. However, Mr. L. K. Guglani has resigned from Directorship w.e.f. June 28, 2007. The approval of the members is required for the appointment and remuneration paid to Mr. L. K. Guglani during his tenure as Managing Director from October 18, 2006 to June 28, 2007

- Salary** : Rs.1,00,000/- per month
- Special Allowance** : Rs. 41,000/- per month
- Performance Pay** : Rs.10,00,000/- per annum payable six monthly based on performance.
- Perquisites:** The following perquisites are allowed in addition to salary, special allowance and performance pay. These shall be restricted to an amount such that the total remuneration paid to Mr. L. K. Guglani does not exceed the limits prescribed under Schedule XIII and other applicable provisions of the Companies Act, 1956. Perquisites are classified into three categories "A", "B" and "C" as follows:

Category "A"

(I) Housing

Housing I: The Company shall provide furnished accommodation

OR



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Housing. II: In case no accommodation is provided or availed, Mr. L. K. Guglani shall be entitled to house rent allowance of 50% of the salary.

(II) Gas, Electricity, Water and Furnishings:

The actual expenditure incurred on gas, electricity, water and furnishings will be borne by the Company.

(III) Medical Reimbursement:

Expenses actually incurred for the Managing Director and his family including dependent parents.

(IV) Leave and Leave Travel Concession / Allowance:

Leave Travel Allowance of Rs. 2,00,000/- once in a year.

(V) Club Fees: Fees of club.

(VI) Personal Accident Insurance: Personal Accident Insurance premium.

Category "B"

(I) Contribution to Superannuation Fund and towards Provident Fund:

Contribution towards Provident Fund will be subject to current ceiling of 12% of the salary. Contribution to Pension Superannuation Fund together with Provident Fund shall not exceed current ceiling of 27% of the salary as laid down in the Income Tax Rules. Contribution to Provident Fund, Superannuation Fund and Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.

(II) Gratuity:

Gratuity shall be payable at the rate of one half month's salary for each completed year of service.

(III) Encashment of Leave:

Encashment of unavailed Leave at the end of the aforesaid tenure will not be included in the computation of the ceiling on perquisites

Category "C"

(i) Car: Provision of two cars one with driver for official and other for official and private use.

(ii) Telephone: Provision of telephone at residence and Mobile phone for official use.

(iii) Credit Card: Provision of Credit Card.

Other terms:

1. If the tenure of the office of the Managing Director is determined before the expiration of the Agreement, then the Managing Director will be entitled to compensation in accordance with the provisions contained in Section 318 of the Companies Act, 1956 and to the extent provided in the said section.
2. (a) The Agreement may be terminated by either party by giving to the other party three months' notice in writing.
(b) The Managing Director may be removed from office for breach of duty or breach of trust.
3. The re-appointment of the Managing Director may be made for a further period not exceeding three years provided such re-appointment shall not be sanctioned earlier than two years from the date on which it is to come into force.
4. The Managing Director shall be entitled to reimbursement of all expenses which may be incurred by him on behalf of the Company or in connection with the business of the Company including entertainment and travel expenses.

5. The Managing Director so long as he functions as such shall not be paid any sitting fees for attending meetings of the Board of Directors or Committee thereof.

6. The Managing Director shall not as long as he continues to be Managing Director of the Company, be liable to retire by rotation and he shall not be reckoned as a Director for the purpose of determining the number of Directors liable to retire by rotation.

7. The Board of Directors of the Company is authorised to alter and vary the above terms of appointment in such manner as may be agreed between the Company and acceptable to Mr. L. K. Guglani.

Mr. L. K. Guglani, aged 52 years is a B. Tech (Chemical Engineer) and MBA with over 31 years in Chemical and Petrochemical Industry. He has experience of working with varied industries in technical as well as commercial assignments. He is on the Board of a number of Companies like Duncans Tea Limited and Gujarat Carbon & Industries Limited. With the background of Mr. Guglani, the Board of Directors of the Company thought it fit to appoint him as the Managing Director of the Company. Taking into consideration his qualification and experience in the relevant field, Mr. L. K. Guglani is suited for the responsibilities assigned to him by the Board of Directors. The Board, therefore, commends the resolution for approval of shareholders subject to the approval of such other Authorities as may be deemed necessary.

The explanation together with accompanying notice may also be considered as an abstract of the terms of appointment of the Managing Director and Memorandum as to nature of concern or interest of Directors in the said appointment as required under Section 302 of the Companies Act, 1956.

The draft agreement proposed to be entered into between the Company and Mr. L. K. Guglani shall be available for inspection at the Registered Office of the Company on any working day between 10.30 a.m. and 1.00 p.m. upto the date of ensuing AGM.

None of the Directors other than Mr. L. K. Guglani, may be deemed to be concerned or interested in this resolution.

In accordance with Section II of Part II of Schedule XIII to the Companies Act, 1956 the following details are provided:

I. GENERAL INFORMATION :

- (1) **Nature of Industry:** The Company is engaged in the manufacturing of EPM/EPDM Rubber.
- (2) **Date or expected date of commencement of activities as per project approved by financial institutions appearing in the Prospectus:** Commercial Production of manufacturing of EPM/EPDM Rubber was started in August, 1993.
- (3) **In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the Prospectus:** Not Applicable
- (4) **Financial performance based on the given indicators:**

As per audited Accounts for the year ended March 31, 2007:

Particulars	Rupees in lacs
Turnover and other Income	4748.48
Net Loss for the year	1389.30
Accumulated losses	6251.58

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II. INFORMATION ABOUT THE APPOINTEE:

- (1) **Background details:** As per the explanatory statement
- (2) **Past remuneration:** As Managing Director of Gujarat Carbon and Industries Limited for the financial year 2005-06

(Rs. In lacs)

Salary	Perquisites	Contribution to PF & other funds	Total
10.32	10.20	2.56	23.08

- (3) **Recognition or Awards:** Not Applicable
- (4) **Job Profile and his suitability:** Mr. L. K. Guglani, Managing Director of the Company will be in charge of overall affairs of the Company under the superintendence and guidance of the Board of Directors of the Company.

Taking into consideration his qualification and experience in the relevant fields, Mr. L. K. Guglani, Managing Director of the Company is best suited for the responsibilities assigned to him by the Board of Directors.
- (5) **Remuneration Proposed:** As per the explanatory statement
- (6) **Comparative Remuneration Profile with respect to Industry, size of the Company, Profile of the position and person (in case of expatriates the relevant details w.r.t. the country of his origin):** Taking into consideration the size of the Company, the profile of the appointee, the responsibility shouldered, and the nature of work, the proposed remuneration to be paid to Mr. L. K. Guglani, Managing Director is commensurate with the Company and other Managerial Personnel.
- (7) **Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:** Not applicable except for the remuneration proposed.

III. OTHER INFORMATION:

- (1) **Reasons for loss or inadequacy:**

The performance of the unit has been affected since inception due to the following reasons:

1. The Project Cost increased from Rs. 82 crores to Rs. 98 crores due to time over run.
2. When UIL set up its Plant in 1993, the domestic demand for EPDM was estimated 3700 MT in 1992-93, which was expected to grow rapidly to 11,000 MT within 2-3 years. However, the market especially the automobile industry, did not grow as expected resulting in low capacity utilization.
3. UIL has been operating at around 50% capacity since its inception. The Company has always posted profits at the operating levels (Gross Profit/ EBITDA), except in 2004-05. However, the contribution was not sufficient to meet the fixed costs. The heavy financial burden and large depreciation charges led to losses at the net level.
4. UIL had to rely on a single source supplier for their major raw material resulting in irregular supply of raw material and intermittent operations for UIL. After privatization of IPCL, the supplies have become more or less regular.
5. UIL's Plant is a stand-alone unit. The main raw material for manufacture of EPDM is Ethylene and Propylene which constitute 97-98% of the final product. While Ethylene is procured from IPCL at Nagothane, Propylene is procured

from IOC, Mathura in bullet tankers. The production and profitability had been affected due to uncertainty of raw material supply, transportation and storage cost.

6. Because of continuous losses, the Company defaulted in its repayment obligations to the FIs. The first financial restructuring package was sanctioned by financial institutions (ICICI, IDBI, IFCI, LIC & UTI) in 1998. Despite restructuring of dues, the performance of the Company did not show any improvement due to various reasons discussed in the preceding paragraphs.
7. The EPDM Market globally has undergone a demand-supply gap correction after a surplus prevailing through years 2004 and 2005. Because of the tighter availability situation, as well as healthy demand growth, realizations are expected to be stable. However, despite the improvement, at the current levels of debt, the Company would be unable to meet its debt service requirements completely.
8. In order to further improve the performance of the Company and ensure complete debt service, SBI had referred the proposal for restructuring of Company's debts under the Corporate Debt Restructuring (CDR) Mechanism. Accordingly, the CDR Empowered Group has approved the restructuring proposal which inter alia contains terms for restructuring of dues of the financial institutions/banks by way of change in repayment schedule, reduction in interest rates, conversion of loans into equity, reduction of equity share capital by way of setting off accumulated losses, etc. The Company is in the process of implementation of the said CDR Scheme.
9. A major fire broke out in the Finishing Section and Warehouse area of the Company's plant at Navi Mumbai in the early hours of October 24, 2006. Due to the same the Warehouse and Finishing section has suffered extensive damage. There was loss of stocks also. The finishing section become totally inoperative. As a consequence thereof company could not be restarted till the end of the financial year under review.

- (2) **Steps taken or proposed to be taken for improvement:**

Some of the important steps taken by the Company are as under:

1. With a view to restore the financial viability of the Company, the CDR Empowered Group ("CDR" A mechanism set up by Banks and Financial Institutions under Reserve Bank of India for restructuring and revival of loss making units) vide letter dated January 3, 2006 and April 3, 2006 approved the proposal for restructuring the debts of the Company. The Restructuring proposal as approved by the CDR Cell inter alia provides for the following:
 - a) Reduction of the existing equity share capital by 70% .
 - b) Issue of further equity shares to Financial Institutions towards conversion of outstanding loans with interest thereon.
 - c) Restructuring of Promoters loans which inter alia involves infusion of additional funds with option to convert into equity as per SEBI formula, conversion of part loans into equity at par (post capital reduction 70%), etc.
 - d) Restructuring of the terms of repayment and/or rate of interest payable on the debts.



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With the Implementation of the CDR Scheme, the Company was supposed to be able to achieve optimal levels of production and bag profits.

2. Consequent to sanction of CDR package in January, 2006 our company was on recovery path and had substantially implemented the CDR package but the Fire Incident in our plant on October 24, 2006 led to complete stoppage of the manufacturing by almost six months disturbing the whole recovery process of the company. In view of the above facts the re-structuring of CDR package sanctioned in January, 2006 has become imminent. The Company has submitted a proposal for re-structuring of CDR package which is being considered and the Company is hopeful that the same will be sanctioned in due course.

3. The demand for EPDM has grown substantially due to boom in the automotive industry during the past few years. Two major EPDM plants of DSM have closed and this has resulted in demand exceeding supply worldwide resulting in favorable demand-supply position for the Company. The current indigenous demand of EPDM is estimated at 15000 MT with 5% growth estimated in subsequent years. Anti-dumping duty has also been imposed by the Government of India. It is perceived that the Company will be able to turn around.

4. The Company has proposed a few efficiency improvement projects in the existing plant.

5. New avenues of business growth are being explored through in-house development of new grades and products of EPDM rubber meeting customer's specific requirement. This has resulted higher market share for the Company's product and consequent increase in business volume and margin. Products based on low hardness (soft) EPDM rubber covered roller formulations, acid and alkali resistant EPDM based special tiles compounds, high temperature insulation compounds for defense application, low hardness and medium tensile strength EPDM compounds, EPDM based tyre flaps, etc are giving very good return to our business.

Our Technical Services Laboratory has developed following applications for rubber and plastic industry using HERLENE EPDM in last few years: Tyre Flaps, TPO for Automotive Mud Flaps, TPO for Electrical Applications, Food & Medical Applications, NBR/ EPDM blend for selected Molded Applications, EPDM compound for very high hardness Molded and Extruded products, EPDM for Coated Fabrics, Very low density sponge.

None of the Directors other than Mr. L. K. Guglani, may be deemed to be concerned or interested in this resolution.

Item No. 6

Mr. S. P. Gupta was appointed as an Additional Director of the Company on June 28, 2007. In accordance with the provision of Section 260 of the Companies Act, 1956 read with Article 160 of the Articles of Association of the Company, the said Additional Director shall hold office only up to the date of ensuing Annual General Meeting of the Company, and is eligible for appointment as a Director.

The Company has received a notice in writing alongwith the requisite deposit from a member pursuant to Section 257 of the Companies Act, 1956, proposing the candidature of Mr. S. P. Gupta as a Director of the Company at the ensuing Annual General Meeting.

Item No. 7

The Board of Directors at its meeting held on June 28, 2007 had appointed Mr. S. P. Gupta as Whole Time Director of the Company for a period of three years from June 28, 2007 on the following terms and conditions including the terms as to remuneration as approved by the remuneration committee subject to the approval of the members of the Company at the ensuing Annual General Meeting and approval of such Authorities as may be required.

1) Basic Salary	- Rs. 1,00,000/- per month
2) Special Allowance	- Rs. 36,000/- per month
3) Performance Pay	- Rs. 12 lacs Per annum (payable quarterly based on performance review)
4) Superannuation Allowance	- Rs. 15,000/- per month
5) Gas & Electricity	- Reimbursement at actual per month
6) Leave Travel Assistance	- Rs. 1,00,000/- per annum
7) Flat maintenance & Flat Decoration	- At actuals
8) Entertainment Expenses	- Rs. 3,000/- per month
9) Books and periodicals	- Rs. 500/- per month
10) Medical	- At actuals for self and family (including dependent parents)
11) Personal Accident Insurance	- As per Company rule
12) Accommodation	- Furnished Company accommodation or House Rent Allowance of Rs. 12,000/- per month
13) Company Car with petrol & maintenance	- At Actuals
14) Driver's and Cleaner's wages	- Rs. 5,000/- per month
15) Driver's and Cleaner's bonus	- Rs. 5,000/- per annum
16) Driver's and Cleaner's uniform	- Rs. 5,000/- per annum
17) Residential Telephone Expenses	- At actual for rental, local calls and long distance official calls only
18) Membership Subscription	- One club
19) Leave	- As per Company rules
20) Reimbursement of annual membership fee of one Professional Institute	
21) Reimbursement of one Credit Card annual fees	
22) Provident Fund/ Gratuity / Leave Encashment	- as per the rules of the respective Funds / Company

Perquisites mentioned in Items 5,6,7,10,11,12,13,14,15,16,17,18,20 and 21 above will stand restricted to an amount equivalent to annual basic salary

Other terms:

1. If the tenure of the office of the Whole Time Director is determined before the expiration of the Agreement, then the Whole Time Director will be entitled to compensation in accordance with the provisions contained in Section 318 of the Companies Act, 1956 and to the extent provided in the said section.
2. The Agreement may be terminated by either party by giving to the other party three months' notice in writing.

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3. The Whole Time Director may be removed from office for breach of duty or breach of trust.
4. The re-appointment of the Whole Time Director may be made for a further period not exceeding three years provided such reappointment shall not be sanctioned earlier than two years from the date on which it is to come into force.
5. The Whole Time Director shall be entitled to reimbursement of all expenses which may be incurred by him on behalf of the Company or in connection with the business of the Company including entertainment and travel expenses.
6. The Whole Time Director so long as he functions as such shall not be paid any sitting fees for attending meetings of the Board of Directors or Committee thereof.
7. The Whole Time Director shall not as long as he continues to be Whole Time Director of the Company, be liable to retire by rotation and he shall not be reckoned as a Director for the purpose of determining the number of Directors liable to retire by rotation.

In accordance with Section II of Part II of Schedule XIII to the Companies Act, 1956 the following details are provided:

I. GENERAL INFORMATION :

- (1) **Nature of Industry:** The Company is engaged in the manufacturing of EPM/EPDM Rubber.
- (2) **Date or expected date of commencement of activities as per project approved by financial institutions appearing in the Prospectus:** Commercial Production of manufacturing of EPM/EPDM Rubber was started in August 1993.
- (3) **In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the Prospectus:** Not Applicable
- (4) **Financial performance based on the given indicators:**

As per audited Accounts for the year ended March 31, 2007:

Particulars	Rupees in lacs
Turnover and other Income	4748.48
Net Loss for the year	1389.30
Accumulated losses	6251.58

II. INFORMATION ABOUT THE APPOINTEE:

- (1) **Background details:** As per the explanatory statement
- (2) **Past remuneration:** As Managing Director of Duncans Industries Limited for the financial year 2006-07

(Rs. In lacs)

Salary	Perquisites	Contribution to PF & other funds	Total
10.50	6.96	-	17.46

- (3) **Recognition or awards:** Not Applicable
- (4) **Job Profile and his suitability:** Mr. S. P. Gupta, Whole Time Director of the Company will be in charge of overall affairs of the Company under the superintendence and guidance of the Board of Directors of the Company.

Taking into consideration his qualification and experience in the relevant fields, Mr. S. P. Gupta, Whole Time Director of the Company is best suited for the responsibilities assigned to him by the Board of Directors.

- (5) **Remuneration Proposed:** As per the explanatory statement
- (6) **Comparative Remuneration Profile with respect to Industry, Size of the Company, Profile of the position and person (in case of expatriates the relevant details w.r.t. the country of his origin):** Taking into consideration the size of the Company, the profile of the appointee, the responsibility shouldered, and the nature of work, the proposed remuneration to be paid to Mr. S. P. Gupta, Whole Time Director is commensurate with the Company and other Managerial Personnel.
- (7) **Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any:** Not applicable except for the remuneration proposed.

III. OTHER INFORMATION:

- (1) **Reasons for loss or inadequacy:**

The performance of the unit has been affected since inception due to the following reasons:

1. The Project Cost increased from Rs. 82 crores to Rs. 98 crores due to time over run.
2. When UIL set up its Plant in 1993, the domestic demand for EPDM was estimated 3700 MT in 1992-93, which was expected to grow rapidly to 11,000 MT within 2-3 years. However, the market especially the automobile industry, did not grow as expected resulting in low capacity utilization.
3. UIL has been operating at around 50% capacity since its inception. The Company has always posted profits at the operating levels (Gross Profit/ EBITDA), except in 2004-05. However, the contribution was not sufficient to meet the fixed costs. The heavy financial burden and large depreciation charges led to losses at the net level.
4. UIL had to rely on a single source supplier for their major raw material resulting in irregular supply of raw material and intermittent operations for UIL. After privatization of IPCL, the supplies have become more or less regular.
5. UIL's Plant is a stand-alone unit. The main raw material for manufacture of EPDM is Ethylene and Propylene which constitute 97-98% of the final product. While Ethylene is procured from IPCL at Nagothane, Propylene is procured from IOC, Mathura in bullet tankers. The production and profitability had been affected due to uncertainty of raw material supply, transportation and storage cost.
6. Because of continuous losses, the Company defaulted in its repayment obligations to the FIs. The first financial restructuring package was sanctioned by financial institutions (ICICI, IDBI, IFCI, LIC & UTI) in 1998. Despite restructuring of dues, the performance of the Company did not show any improvement due to various reasons discussed in the preceding paragraphs.
7. The EPDM Market globally has undergone a demand-supply gap correction after a surplus prevailing through years 2004 and 2005. Because of the tighter availability situation, as well as healthy demand growth, realizations are expected to be stable. However, despite the improvement, at the current levels of debt, the Company would be unable to meet its debt service requirements completely.



UNIMERS INDIA LIMITED

8. In order to further improve the performance of the Company and ensure complete debt service, SBI had referred the proposal for restructuring of Company's debts under the Corporate Debt Restructuring (CDR) Mechanism. Accordingly, the CDR Empowered Group has approved the restructuring proposal which inter alia contains terms for restructuring of dues of the financial institutions/banks by way of change in repayment schedule, reduction in interest rates, conversion of loans into equity, reduction of equity share capital by way of setting off accumulated losses, etc. The Company is in the process of implementation of the said CDR Scheme.
9. A major fire broke out in the Finishing Section and Warehouse area of the Company's plant at Navi Mumbai in the early hours of October 24, 2006. Due to the same the Warehouse and Finishing section has suffered extensive damage. There was loss of stocks also. The finishing section become totally inoperative. As a consequence thereof company's could not be restarted till the end of the financial year under review.

(2) Steps taken or proposed to be taken for improvement:

Some of the important steps taken by the Company are as under:

1. With a view to restore the financial viability of the Company, the CDR Empowered Group ("CDR" A mechanism set up by Banks and Financial Institutions under Reserve Bank of India for restructuring and revival of loss making units) vide letter dated January 3, 2006 and April 3, 2006 approved the proposal for restructuring the debts of the Company. The Restructuring proposal as approved by the CDR Cell inter alia provides for the following:
 - a) Reduction of the existing equity share capital by 70% .
 - b) Issue of further equity shares to Financial Institutions towards conversion of outstanding loans with interest thereon.
 - c) Restructuring of Promoters loans which inter alia involves infusion of additional funds with option to convert into equity as per SEBI formula, conversion of part loans into equity at par ("post capital reduction 70%") etc.
 - d) Restructuring of the terms of repayment and/or rate of interest payable on the debts.

With the Implementation of the CDR Scheme, the Company was supposed to be able to achieve optimal levels of production and bag profits.

2. Consequent to sanction of CDR package in January, 2006 our company was on recovery path and had substantially implemented the CDR package but the Fire Incident in our plant on October 24, 2006 led to complete stoppage of the manufacturing for more than six months disturbing the whole recovery process of the company. In view of the above facts the working of CDR package sanctioned in January, 2006 has become imminent. The Company has submitted a proposal for working of CDR package which is being considered and the Company is hopeful that the same will be sanctioned in due course.
3. The demand for EPDM has grown substantially due to boom in the automotive industry during the past few years. Two major EPDM plants of DSM have closed and this has

resulted in demand exceeding supply worldwide resulting in favourable demand-supply position for the Company. The current indigenous demand of EPDM is estimated at 15000 MT with 5% growth estimated in subsequent years. Anti-dumping duty has also been imposed by the Government of India. It is perceived that the Company will be able to turn around.

4. The Company has proposed a few efficiency improvement projects in the existing plant.
5. New avenues of business growth are being explored through in-house development of new grades and products of EPDM rubber meeting customer's specific requirements. This has resulted in higher market share for the Company's product and consequent increase in business volume and margin. Products based on low hardness (soft) EPDM rubber covered roller formulations, acid and alkali resistant EPDM based special tiles compounds, high temperature insulation compounds for defense application, low hardness and medium tensile strength EPDM compounds, EPDM based tyre flaps, etc are giving very good return to our business.

Our Technical Services Laboratory has developed following applications for rubber and plastic industry using HERLENE EPDM in last few years: Tyre Flaps, TPO for Automotive Mud Flaps, TPO for Electrical Applications, Food & Medical Applications, NBR/ EPDM blend for selected Molded Applications, EPDM compound for very high hardness Moulded and Extruded products, EPDM for Coated Fabrics, Very low density sponge.

None of the Directors other than Mr. S. P. Gupta, may be deemed to be concerned or interested in this resolution.

Item No. 8

Mr. Tan Chean Liang Kelvin was appointed as an Additional Director of the Company w.e.f. June 30, 2007. In accordance with the provision of Section 260 of the Companies Act, 1956 read with Article 160 of the Articles of Association of the Company, the said Additional Director shall hold office only up to the date of ensuing Annual General Meeting of the Company, and is eligible for appointment as a Director.

The Company has received a notice in writing alongwith the requisite deposit from a member pursuant to Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Tan Chean Liang Kelvin as a Director of the Company at the ensuing Annual General Meeting.

None of the Directors other than Mr. Tan Chean Liang Kelvin, may be deemed to be concerned or interested in this resolution.

By Order of the Board
For UNIMERS INDIA LIMITED

Place: Mumbai
Dated: June 28, 2007

M. K. Mehta
Company Secretary

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

19TH ANNUAL REPORT 2006 - 2007



REPORT OF THE DIRECTORS

Your Directors present the Nineteenth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2007

1. FINANCIAL HIGHLIGHTS

	Year ended 31.03.2007 (Rs. in lacs)	Year ended 31.03.2006 (Rs. in lacs)
Sales (Net of Excise Duty)	4276.08	5470.67
Gross profit/(loss) before interest and depreciation	(454.09)	460.53
Profit/(loss) before tax and exceptional items	(1343.92)	(437.35)
Exceptional Items	(39.45)	65.40
Provision for Fringe Benefit Tax	(5.93)	(4.74)
Profit/(Loss) carried to Balance Sheet	(1389.30)	(376.69)

2. OPERATIONS

A major fire broke out in the Finishing Section and Warehouse area of the Company's plant at Navi Mumbai in the early hours of October 24, 2006. The same was controlled in around five hours. The Warehouse and Finishing section has suffered extensive damage. There was a substantial loss of stocks also. Four persons suffered injuries and there were two casualties. Due to the same, the operations of the Company came to a complete halt and no production activity took place thereafter until the end of the financial year. The Company has filed timely claims with the insurers for losses on account of stocks and Fixed Assets. The damaged sections have been restored and plant operations have restarted from June, 2007.

During the year under review, Company produced 3657 MT of EPDM as against previous period quantity of 4914 MT. This represents about 26% decrease in production over previous year.

During the financial year 2006-07, the Company sold 3091 MT in the domestic market against the previous year sale of 4133 MT. During the year 550 MT was exported as against 715 MT in the previous year.

In terms of sales realisations, though there was some improvement over the previous year, but the margins were adversely affected due to high input costs. The profits were further affected adversely on account of cessation of production activity.

3. FINANCE

Consequent to sanction of CDR package in January, 2006 our company was on recovery path and had substantially implemented the CDR package but the Fire Incident in our plant on October 24, 2006 led to complete stoppage of the manufacturing by almost eight months disturbing the whole recovery process of the company.

In view of the above facts, the re-structuring of CDR package sanctioned in January, 2006 has become imminent. The Company has submitted a proposal for restructuring of CDR package which is being considered and the Company is hopeful that the same will be sanctioned in due course.

As per the condition for approval of CDR package, the Company was required to reduce the paid up capital by 70%. A resolution was passed unanimously at the Extraordinary General Meeting held on June 14, 2006. The Company has obtained the necessary

confirmation from High Court Bombay for the said Resolution in April 7, 2007 and the Order of High Court, Bombay has been filed with the Registrar of Companies on April 25, 2007. The Company is in the process of determining a record date for the purpose of cancellation of the equity share capital as discussed herein before.

Availability of adequate working capital continues to be a cause of concern for achieving higher production levels.

4. FUTURE OUTLOOK:

The EPDM market globally has undergone a demand-supply gap correction after a surplus situation prevailing through years 2004 and 2005. Because of the tighter availability situation, as well as healthy demand growth, realisations are expected to be stable but due to strengthening of rupee, margins may be affected adversely.

5. EMPLOYEE RELATIONS:

Employee relations continued to be cordial during the year 2006-2007.

6. 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 a part of this report are given in Annexure 'A'.

7. SAFETY, HEALTH & ENVIRONMENT POLICY

The Company declares that its operations are conducted with utmost regard to safety and health of personnel, plant, machinery and the environment. It is the best endeavour of the management to follow and sustain standards and procedures related to Safety, Health and Environment.

The Management endeavours to support and commit the resources necessary for ensuring adherence / compliance to various standards under the relevant statutes.

The management also strive to achieve a conducive working environment to active participation of its employee's in practicably maintaining safe and pollution free condition in its manufacturing operations and to extend required organisational support and provide facilities for imparting relevant information, instruction, training, motivation, and encourage involvement of its' employees in the implementation of this Safety, Health and Environment Policy.

8. DEMATERIALISATION OF COMPANY'S EQUITY SHARES

The Company's 73.28% Equity Shares have been dematerialised.

9. 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.

10. DIRECTORS

Mr. P. S. Sharma resigned as Managing Director of the Company and was relieved of his responsibilities as Managing Director w.e.f. September 20, 2006 and as Director w.e.f. February 20, 2007.

During the year under review, Mr. L. K. Guglani was appointed as Additional Director and Managing Director of the Company w.e.f. October 18, 2006 subject to necessary approvals and resigned w.e.f. June 28, 2007 as Director and Managing Director of the Company.