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# UNIMERS INDIA LIMITED

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**20th Annual Report 2007 - 2008**



# UNIMERS INDIA LIMITED

## BOARD OF DIRECTORS

Mr. G. P. Goenka	Chairman
Mr. Sukhendu Ray	Director
Mr. Shrivardhan Goenka	Director
Mr. Tan Chean Liang Kelvin	Director
Mr. R. S. Agarwal	Director
Mr. V. B. Dalal	Director (resigned w.e.f. Oct 22, 2008)
Mr. M. K. Mittal	Director (IFCI Nominee Withdrawn w.e.f. March 24, 2008)
Mr. S. P. Gupta	Whole Time Director

## BANKERS

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

## AUDITORS

Lodha & Co.

## 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 0942/ 2850 3758

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# UNIMERS INDIA LIMITED

## NOTICE:

NOTICE is hereby given that the Twentieth Annual General Meeting of the members of UNIMERS INDIA LIMITED will be held on Wednesday, the 31st day of December, 2008 at 10:00 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, 2008 together with Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. Shrivardhan Goenka 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. Sukhendu Ray 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."

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

**S. P. Gupta**  
Wholtime Director

Place: Mumbai  
Dated: November 28, 2008

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 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 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.
- c) The Register of Members and Share Transfer Books of the Company will be closed from 30th December, 2008 to 31st December, 2008 (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.
- f) 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.
- g) 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:

Particulars	Mr. Shrivardhan Goenka	Mr. Sukhendu Ray
Date of Birth	09.08.1975	29.11.1922
Date of Appointment	24.07.2002	05.03.2002
Qualifications	B. Com, Master of Business Administration from Kellogg School of Management, Northwestern University, USA.	B. Sc, CA (UK)
Experience	Mr. S. Goenka is on the Board of number of group companies.	Mr. Ray worked with Kettlewell Bullen & Co. Ltd. and thereafter with Guest Keen Williams Ltd., then a subsidiary of Guest Keen & Nestlefold Ltd. He retired from Guest Keen Williams Limited as Managing Director and Chief Executive of the Company.
Directorships held in other Public companies	<ol style="list-style-type: none"> <li>1. Andhra Cements Ltd.</li> <li>2. Continous Forms (Calcutta) Ltd.</li> <li>3. Duncans Tea Ltd.</li> <li>4. Odyssey Travels Ltd</li> <li>5. Shubh Shanti Services Ltd</li> <li>6. Star Paper Mills Ltd.</li> <li>7. Stone India Ltd.</li> </ol>	<ol style="list-style-type: none"> <li>1. Asiatic Oxygen Ltd.</li> <li>2. Henkel India Ltd.</li> <li>3. Henkel Marketing India Limited</li> <li>4. International Combustion (India) Ltd.</li> <li>5. Nagarjuna Agrichem Ltd.</li> <li>6. Stone India Ltd.</li> </ol>
Chairmanship/Membership of Board Committees of other public Companies	<ol style="list-style-type: none"> <li>1. Star Paper Mills Limited - Audit Committee - Member</li> <li>2. Andhra Cements Limited - Project Monitoring Committee - Member</li> </ol>	<ol style="list-style-type: none"> <li>1. Stone India Limited - Audit committee - Chairman Investor Grievance-Chairman</li> <li>2. Asiatic Oxygen Ltd Audit committee - Chairman.</li> <li>3. Henkel India Ltd. - Audit committee - Member</li> <li>4. International Combustion (India) Ltd Audit committee - Chairman Investor Grievance - Member</li> <li>5. Nagarjuna Agrichem Ltd. Audit committee - Chairman.</li> </ol>
Number of shares held	7	-



# UNIMERS INDIA LIMITED

## DIRECTORS' REPORT

To the Members of the Company for the year ended 31st March 2008

The Board of Directors present the Twentieth Annual Report together with the Audited Accounts of the Company for the year ended March 31, 2008.

### 1. FINANCIAL HIGHLIGHTS

	Year ended 31.03.2008 (Rs. in lacs)	Year ended 31.03.2007 (Rs. in lacs)
Sales (Net of Excise duty)	520.13	4276.08
Gross Profit/(Loss) before interest and depreciation	(958.01)	(454.09)
Profit/(Loss) before tax and extra-ordinary items	(1837.12)	(1343.92)
Extra-ordinary items	-	(39.45)
Fringe benefit tax	3.18	5.93
Deferred tax	2935.50	-
Profit/(Loss)	1095.19	(1389.30)
Loss brought forward from previous year	(6251.58)	(4862.27)
Less: Adjustment for reduction of Share Capital	3710.47	-
Balance carried to Balance Sheet	(1445.92)	(6251.58)

### 2. OPERATIONS

During the year under review, the Company produced 586 MT of EPDM as against 3657 MT in the previous year. The production decreased by about 84% as the plant operations could not be stabilised after fire incident.

The Company sold 431 MT in the domestic market against the 3091 MT in the previous year and exported 6 MT only. Though the sales realisations improved over the previous year, the margins were adversely affected due to abnormal increase in the input costs. The problem was further aggravated due to requirement of additional working capital, which could not be arranged. Consequently, the production was suspended in October, 2007.

### 3. RESTRUCTURING:

Pursuant to the terms of Restructuring Package approved under Corporate Debt Restructuring Mechanism (CDR) by the CDR Empowered Group, the Company had filed a Petition with Hon'ble High Court of Judicature at Bombay for reduction of the issued and paid up equity capital of the Company by 70% from Rs.53,00,66,650 Equity Shares of Rs.10/- each fully paid up to Rs.15,90,19,990/- divided into 1,59,01,999 Equity Shares of Rs.10/- each fully paid up. The said Scheme has been approved by the Hon'ble High Court of Bombay and accordingly, fresh shares were issued in the ratio of Three (3) Equity Shares of Rs.10/- each against every Ten (10) Equity Shares of Rs.10/- each held.

The Company had approached its lenders with a proposal to rework the CDR package in the light of the changed circumstances following the fire accident and cessation of plant operation. At the instance of the lenders, a Techno-Economic Viability study was carried out by a reputed international consulting firm which concluded that under the subsisting circumstances of volatile raw material costs and downward pressure on the product prices, the operations of the Company are not viable and are not very encouraging. The Company is now in the process to work out alternate restructuring proposals, including reduction of debt, unlocking of asset values and diversification.

In order to restrict its recurring liabilities, the Company has declared closure under the relevant provisions of The Industrial Disputes Act, 1947 effective from June 26, 2008. The Employees' Union has approached the Industrial Court and the matter is pending. The management has been advised that the closure is in line with the legal provisions.

### 4. EMPLOYEE RELATIONS:

Employee relations continued to be cordial during the year under review.

### 5. PARTICULARS OF EMPLOYEES

As per provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (particulars of Employees Rules, 1975, as amended the name and other particulars of the employee as on 31.3.2008 is given below:-

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Sr. No.	Name	Age	Designation	Nature of duties	Remuneration (In Rs.)	Qualification	Date of commencement of employment	Experience	Last Employment held	
									Organisation	Designation
1	Mr. S.P.Gupta	54	Whole Time Director	General Management	26,23,657	B.Tech (Chemical Engineering) and MBA	June 28,2007	31	Consolidated Fibres & Chemicals Limited	Executive Director

**6. SAFETY, HEALTH & ENVIRONMENT POLICY**

The Company's 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.

**7. DEMATERIALISATION OF COMPANY'S EQUITY SHARES**

The Company's 82.62 % equity shares have been dematerialised.

**8. 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.

**9. DIRECTORS**

Mr. M. K. Mittal, who was appointed as a Nominee Director of IFCL Limited w.e.f. January 25, 2007 ceased to be director w.e.f. March 24, 2008, consequent to withdrawal of nomination by IFCL. Mr. V.B.Dalal resigned from the Board with effect from 22nd October, 2008.

M/s. S. V. Goenka and Sukhendu Ray retire by rotation and, being eligible, offer themselves for reappointment.

**10. CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance is annexed hereto and form part of this Report.

**11. DIRECTORS' RESPONSIBILITY STATEMENT**

As required under section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to major departures;
- such accounting policies as were reasonable and prudent were selected in preparation of the Accounts and applied consistently. Further judgements and estimates that were reasonable and prudent were also made in the course of preparation of Accounts so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for the year ended 31st March, 2008;
- proper and sufficient care was taken 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;
- the Accounts have been prepared on a going concern basis.

**12. AUDITORS**

M/s. Lodha & Co., Chartered Accountants, the Auditors of the Company, retire at the ensuing Annual General Meeting. They have expressed their willingness to continue in office if appointed.

**13. AUDITOR'S REPORT:**

Observations of the Auditors in their Report are self explanatory. As regard the observation relating to preparation of accounts as a 'going concern' and recognition of deferred tax asset, the same have been adequately explained in the Notes to the Accounts.

**14. ACKNOWLEDGMENT**

The Board of Directors take this opportunity to thank the Financial Institutions, Bankers, Customers and suppliers for their continued support and co-operation. The Board of Directors of the Company wish to place on record its appreciation to all the employees of the Company for their support.

For and on behalf of the Board

Place : Mumbai  
Dated: November 28, 2008

R. S. Agarwal  
Director

S. P. Gupta  
Wholetime Director



# UNIMERS INDIA LIMITED

## ANNEXURE TO THE DIRECTORS' REPORT

### 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:

As the production operations could be carried out for only a few months during the year, no new development activities could be carried out

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

No new development activities having been carried out, no additional benefits were derived during the year.

##### (c) Expenditure on R & D Technical Sales Service Centre is Rs. 32.97 lacs.

##### (d) Future plan of action:

The future courses of action relating to R&D would be drawn out after finalisation and implementation of the business restructuring plans.

#### (III) FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars regarding foreign exchange earnings and outgo appears in Schedule 16 to the Notes to Accounts.

For and on behalf of Board

Place : Mumbai

Dated: November 28, 2008

R. S. Agarwal  
Director

S. P. Gupta  
Wholetime Director

## 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	Previous year
1.	<b>Electricity</b>		
a.	Purchase Unit	3283880 kwh	9851622 kwh
	Total amount	Rs. 232.25 lacs	Rs. 495.78 lacs
	Rate / Unit	Rs. 7.07	Rs. 5.03
b.	Own generation	NIL	NIL
(I)	Through diesel generator unit		
	Unit per ltr. of diesel oil	N.A.	N.A.
	Cost/Unit		
(II)	Through stream turbine generator	N.A.	N.A.
2	Coal	NIL	NIL
3.	Furnace oil		
	Quantity	742.00 K.Ltrs	2677.00 K.Ltrs
	Total amount	Rs. 125.06 lacs	Rs. 477.41 lacs
	Average rate	Rs. 16855/K.Ltrs	Rs. 17721/K.Ltrs
4.	Others	NIL	NIL
B.	Consumption per unit of production		
	Products		
	Electricity	EPDM RUBBER 5.599 Mwh/MT	EPDM RUBBER 2.694 Mwh/MT
	Furnace oil	1.2653 K.ltrs / MT	0.7231 K.ltrs / MT
	Coal	NIL	NIL
	Diesel	NIL	NIL

\* Jan. 2008 to Mar. 2008 only minimum Demand Charges.

For and on behalf of the Board

Place : Mumbai

Dated: November 28, 2008

R. S. Agarwal  
Director

S. P. Gupta  
Wholetime Director



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### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

#### **a. Industry Structure and Developments**

Unimers India Ltd. is the only manufacturer of EPDM in India. The technology has been received from the world renowned erstwhile M/s. Uniroyal Chemical Co. of U.S.A. The EPDM grades (Trade name 'Herelene') manufactured by UNIMERS INDIA LIMITED are suitable for a wide range of applications.

#### **b. Opportunities and Threats**

The Company used to command a significant share of the domestic market. However, the suspension of operations for nearly nine months after the fire accident in October 2006, coupled with competition from EPDM manufactures located in US, Europe, Brazil, steep increase in raw material prices and consequent erosion of working capital, resulted in low capacity utilization in 2007-08. The volatile crude prices scenario, which has a direct impact on the prices of the Company's raw materials, coupled with the global downturn and liquidity crisis, does not augur well for the Company's business in the near term.

#### **c. Risks and concerns**

Hardening prices for refinery products like Ethylene, Propylene and Furnace Oil would influence EPDM production cost. The high debt portfolio and shortage of working capital is another cause for concern.

#### **d. Internal Control Systems and their adequacy**

The Management has ensured that necessary internal control systems are created and maintained in all departments. These internal control procedures are adequate and commensurate with the size of the Company and nature of its business. The statutory and internal audits carried out by professional and reputed external agencies have not highlighted any major discrepancies, omissions and the like.

#### **e. Financial and Operational Performance**

After the fire accident of October 2006, there was severe stress on the working capital availability. With the help of some working capital limits released by banks and advances received from distributors, production operations were resumed from June 2007. However, because of unfavourable input price situation as well as lower than desirable sales realizations as a consequence of availability of cheaper imported materials, operations had to be suspended from October 2007.

#### **f. Outlook**

The Company was forced to suspend production activity from October 2007 because of non-availability of adequate working capital, steep increase in input costs and availability of cheaper imported EPDM. The Company had approached its lending banks and institutions for a reworking of the CDR Package, but in view of the volatile crude price scenario and other market uncertainties, the lenders were unable to accept the Company's proposals. As the business outlook for EPDM Rubber in the immediate future is not very positive, the management is actively exploring various restructuring alternatives.

#### **g. Material Developments in Human Resources / Industrial Relations fronts**

Employee relations continue to be cordial. Training and Development activities are identified, organized and progress monitored as part of Human Resource Development activities.





# UNIMERS INDIA LIMITED

## REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with Stock Exchange, the following is a report on Corporate Governance code as implemented by your Company.

### 1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance envisages attainment of (i) market Leadership with: "First Choice" status in the domestic market (ii) significant export business (iii) development of appropriate competencies across the organization and (iv) strive to obtain a fair return on invested capital.

### 2. Board of Directors

#### Composition and Status of Directors:

##### Name of the Director

##### Status

(Executive, Non-Executive and Independent)

Mr. G. P. Goenka (Chairman)

Non Executive

Mr. Sukhendu Ray

Non - Executive & Independent

Mr. Shrivardhan Goenka

Non Executive

Mr. Tan Chean Liang Kelvin

Non Executive

Mr. R. S. Agarwal

Non-Executive & Independent

Mr. S.P.Gupta (Appointed as Additional & Wholetime Director w.e.f. 28/06/2007)

Executive

Attendance at the Board Meetings, at the last AGM, outside Directorships and other Board Committees:

Name of Director	Held During the Year	Board Meetings Attended during the Year	Attendance at Last AGM	Other Directorships (other than Pvt. Ltd. Companies)	No of Memberships/ Chairmanships of other committees	
					Member	Chairman
Mr. G. P. Goenka	6	5	No	8	-	-
Mr. Sukhendu Ray	6	3	No	6	-	-
Mr. Shrivardhan Goenka	6	5	No	6	1	-
Mr. Tan Chean Liang Kelvin	6	Nil	No	-	-	-
Mr. R. S. Agarwal	6	5	Yes	7	6	1
Mr. V. B. Dalal *	6	6	Yes	3	1	2
Mr. M. K. Mittal **	6	5	N.A.	-	-	-
Mr. L. K. Guglani ***	6	2	N.A.	2	-	-
Mr. S.P.Gupta ****	6	4	Yes	1	-	-

\* Resigned with effect from 22nd October, 2008.

\*\* Nomination withdrawn by IFCI and hence has ceased to be a director

\*\*\* Resigned as Managing Director w.e.f. 28th June, 2007.

\*\*\*\* Appointed as Additional Director & Wholetime Director w.e.f. 28th June, 2007

#### Number of Board of Directors Meeting held and the dated on which held:

During the year 2007-08, six Board Meetings were held on 30th May, 2007; 28th June, 2007; 24th July, 2007; 24th October, 2007; 25th January, 2008 and 31st March, 2008.

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### 3. Board Committees

Currently, the Board has four Committees - Audit Committee, Investor Grievances Committee, Remuneration Committee and Share / Debenture Transfer Committee. As on date, the Audit Committee comprises of three members of which two Members are Non-Executive Independent Directors and one member is a Non-Executive Director. The Investor Grievances Committee comprises of two Members. The Chairman of the said Committee is Non-Executive Director. The Remuneration Committee comprises of three members of which two Members are Non-Executive Independent Directors and one member is a Non-Executive Director. The Share/ Debenture Transfer Committee of Executives comprises of Wholtime Director and Sr. Manager (Finance & Accounts) of the Company.

The Board is responsible for the constitution, co-opting and fixing the terms of reference for Committee members of the said Committees.

#### i. Audit Committee

##### Terms of reference

##### (a) **Primary objectives of the Audit Committee:**

The Audit Committee acts as a link between the Statutory Auditors and the Board of Directors. It addresses itself to matters pertaining to adequacy of internal controls, reliability of financial statements and other management information and adequacy of provisions of liabilities. The primary objective of the Audit Committee (the "Committee") is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting.

The Committee oversees the work carried out in the financial reporting process by the management and the independent auditor and notes the process and safeguards employed by each.

##### (b) **Scope of the Audit Committee:**

1. Provide an open avenue of communication between the independent auditor and the Board of Directors ("BOD")
2. Recommending the appointment and removal of statutory auditors, fixation of audit fees and also to approve the payment for other services
3. Meet four times a year or more frequently as circumstances require. The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.
4. Confirm and assure the independence of the external auditor.
5. Review with independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts and the effective use of all audit resources.
6. Consider and review with the independent auditor the adequacy of internal controls including the computerised information system controls and security;
7. Reviewing with the management, the quarterly financial statements before submission to the Board for approval
8. Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
  - (a) Any changes in the accounting policies and practices
  - (b) The going concern assumption
  - (c) Compliance with accounting standards
  - (d) Compliance with stock exchange and legal requirements concerning financial statements
  - (e) Significant adjustment arising out of audit
9. Consider and review with the management and the independent auditor;
  - (a) Significant findings during the year, including the status of previous audit recommendations,
  - (b) Any difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information.
10. Review of the following information:
  - (a) Management discussion and analysis of financial condition and results of operations;
  - (b) Statement of significant related party transactions submitted by the management;
  - (c) Management letters/letters of internal control weaknesses issued by the Statutory Auditors

##### (c) **Composition of the Audit Committee as on March 31, 2008**