

ANNUAL REPORT 1998-99

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XII **XPRO INDIA LIMITED**

XPRO INDIA LIMITED

THE MANAGEMENT TEAM

Sri R.R. Bhansali
Managing Director

Sri C. Bhaskar
President & Chief Operating Officer

Sri H. Bakshi
Executive Vice President (Operations)
Biax Division

Sri W. Suryaprakasam
Executive Vice President
Cimmco Spinners Division

Sri Manmohan Krishan
Vice President (Works)
Coex Division

Sri A. D. Inamdar
Vice President
Thermosets Division

COMPANY SECRETARY

Sri S. C. Jain

THE BOARD OF DIRECTORS

Sri Sidharth Birla
Chairman

Sri Haigreve Khaitan
Sri P. Murari
Sri Utsav Parekh

Sri R.R. Bhansali
Managing Director

REGISTERED OFFICE

Barjora-Mejia Road, P.O. Ghutgoria,
Tehsil: Barjora, Dist.: Bankura,
West Bengal - 722 202

ADMINISTRATIVE OFFICE

1, Industrial Area, NIT,
Faridabad - 121 001

MAJOR BANKERS

Allahabad Bank, Bank of Baroda,
Central Bank of India, State Bank of India

AUDITORS

M/s Lodha & Co.,
New Delhi - 110 001

REGISTRARS & SHARE TRANSFER AGENTS

MCS Limited,
Sri Venkatesh Bhavan,
212 A, Shahpurjat, New Delhi - 110 049

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XPRO INDIA LIMITED

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

Dear Shareholders :

I am happy to write to you on behalf of the management of Xpro India Limited, and on my own behalf, to express our appreciation for the support that we have received from you, and other stakeholders. The Directors' Report contains their formal review, but this letter permits me to share wider thoughts with you.

The business of your Company has evolved from the demerger of Cimmco Birla Limited, whose shareholders will now become the shareholders of Xpro India Limited also. The overall restructuring should permit the unlocking of and some enhancement in shareholder value, compared to when your investment was wholly locked into a diverse set of businesses.

We have started our journey on a sound footing. The impact of improved focus on our set of businesses post-demerger is bound to become evident through yet improved performance. The sectors and segments that the Company services are growing rapidly in the consumer-market scenario that is evolving and this will have a positive impact on our future.

Nevertheless, we shall constantly evaluate and review our strategies so that they remain converged on our core businesses, and on **achieving higher levels of performance and enhancing shareholder value** which are our prime interests.

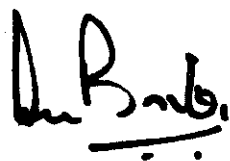
Success in any field now has to be sought in a fiercely competitive and conscious environment – one that demands transparency and accountability. Accordingly it is desirable that we bring about greater transparency and accountability besides contemporary ethos in business practices also.

The Board of Directors has particularly discussed the issue of good corporate governance and has put into effect measures to introduce greater transparency in line with best practices derived from various articulations on corporate governance. It has also updated a Code of Conduct for employees. We are also aiming that work be taken up on people-related processes so as to build up and enable the human resources in our organisation to realise their fullest potential.

Our aim is to create a robust and youthful organisation, which can achieve high levels in terms of value creation, corporate governance and business practices.

I look forward to your continued good wishes and support to the Company.

Yours Sincerely,



Sidharth Birla

XPRO INDIA LIMITED

NOTICE

TO THE SHAREHOLDERS

Notice is hereby given that the Second Annual General Meeting of Xpro India Limited will be held at the Registered Office of the Company at Barjora Mejia Road, P.O. Ghutgoria, Tehsil : Barjora, Distt. Bankura, West Bengal 722 202 on Saturday, the 11th day of December 1999 at 11.30 a.m. to transact the following business :

1. To consider and adopt the Directors' Report and audited Statement of Account for the Financial year ended March 31, 1999.
2. To appoint a Director in place of Sri Utsav Parekh who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification the following Resolutions :

4. AS AN ORDINARY RESOLUTION

"RESOLVED that Sri Sidharth Birla, a Director of the Company, who holds office upto the date of this Annual General Meeting under Article 137 of the Articles of Association of the Company, be and is hereby re-appointed a Director of the Company, liable to retire by rotation".

5. AS AN ORDINARY RESOLUTION

"RESOLVED that Sri Haigreave Khaitan, a Director of the Company, who holds office upto the date of this Annual General Meeting under Article 137 of the Articles of Association of the Company, be and is hereby re-appointed a Director of the Company, liable to retire by rotation".

6. AS AN ORDINARY RESOLUTION

"RESOLVED that pursuant to Article 160 of the Articles of Association of the Company and provisions of Sections 198, 269 and 309 read with

Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be necessary, the Company hereby approve the appointment of Sri R. R. Bhansali as the Managing Director of the Company, whose office shall not be liable to retirement by rotation under the Companies Act, for a period upto 31.10.2004 with effect from 5th November, 1999 without any remuneration from the Company upto 31st March, 2000 and thereafter the Board of Directors of the Company be and is hereby authorised to decide his remuneration subject to further approval by the Shareholders and other applicable provisions of the Companies Act, 1956, with liberty to either party to terminate the appointment on three months' notice in writing to the other".

7. AS AN ORDINARY RESOLUTION

"RESOLVED that the consent of the Company be and is hereby given, pursuant to Section 293(1)(e) of the Companies Act, 1956, to the Board of Directors of the Company to contribute and/or subscribe and/or otherwise to assist from time to time to any national, charitable, benevolent, public or general and other funds and to an Association or Institution, which has as its object the undertaking of any programme of rural development approved by the prescribed authority under Section 35CCA of the Income-tax Act, 1961, notwithstanding that such contributions and/or subscriptions do not directly relate to the business of the Company or the welfare of its employees upto a total sum of Rs.15,00,000/- (Rupees Fifteen lacs only) in any Financial Year, as may be considered proper by the Board, notwithstanding that such amounts in any Financial Year may exceed Rs.50,000/- or 5% of the Company's average net profits as determined in accordance with the provisions of Section 349 and 350 of the Companies Act, 1956, during the three Financial Years immediately preceding, whichever is greater."

By Order of the Board

Registered Office:
Barjora-Mejia Road,
P.O. Ghutgoria,
Tehsil : Barjora, Distt.: Bankura,
West Bengal 722 202
Dated 5th day of November, 1999

S. C. JAIN
Secretary

XPRO INDIA LIMITED

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Proxy Form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time of holding the meeting.
3. EXPLANATORY STATEMENT
(PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956)

Item No.4

Sri Sidharth Birla was co-opted as an Additional Director on the Board of the Company under Article 137 of the Articles of Association of the Company. He holds office upto the date of ensuing Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director and he is eligible for re-appointment. Hence, your approval is sought to the proposed Resolution.

Except Sri Sidharth Birla, no other Director is interested in the resolution.

Item No.5

Sri Haigreve Khaitan was co-opted as an Additional Director on the Board of the Company under Article 137 of the Articles of Association of the Company. He holds office upto the date of the ensuing Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director and he is eligible for re-appointment. Hence, your approval is sought to the proposed Resolution.

Except Sri Haigreve Khaitan, no other Director is interested in the resolution.

Item No.6

Keeping in view the complexity of the company's activities and future growth at a faster pace, it was considered necessary to create a strong management structure. Accordingly it was felt necessary in the interest of the Company to appoint Sri R. R. Bhansali as Managing Director who has long and vast experience in the field. Accordingly, pursuant to the provisions of Article 160 of the Articles of Association of the Company & U/s 198, 269 and 309 read with schedule XIII and other applicable provisions of the Companies Act, 1956 and subject to approval of the Shareholders in the forthcoming Annual General Meeting, the Board of Directors at its meeting held on 5th November, 1999 has appointed Sri R.R. Bhansali as Managing Director of the Company for a period upto 31.10.2004 with effect from 5th November, 1999 on the terms and conditions of appointment as set out

in the resolution. Sri Bhansali informed that he is also Managing Director of Cimco Birla Ltd. and drawing remuneration there, hence he shall not be drawing any remuneration from the Company till 31st March, 2000 and thereafter the Board of Directors of the Company is hereby authorised to decide his remuneration subject to further approval by the shareholders and other applicable provisions of the Companies Act, 1956.

The Board of Directors of the Company considers that the appointment of Sri R. R. Bhansali as Managing Director will prove beneficial to the Company and accordingly recommends the resolution as set out at item no.6 of the Notice convening this meeting.

The resolution with the explanatory statement may also be treated as an abstract of the terms of the appointment of Sri R. R. Bhansali as Managing Director as required U/S 302 of the Companies Act, 1956.

Except Sri R. R. Bhansali, no other Director is interested in the resolution.

Item No.7

As per provisions of Section 293(1)(e) of the Companies Act, 1956, the Directors of the Company may contribute to charitable and other institution in excess of Rs.50,000/- or 5% of the Company's average net profits, only if authorised by the Company in General Meeting by a resolution which specifies the limit for such contribution. The Company may be required to contribute amounts in excess of the limit to various bodies. Such bodies may be Associations, Institutions, having as their objects the undertaking of any programme of rural development (approved under Section 35CCA of the Income-tax Act, 1961) and/or Charitable Organisations or National Fund for rural development notified under Section 35CCA of the Income-tax Act, 1961, or any other National Fund; and this may amount to contribution to Charitable and other Funds not directly relating to the business of the Company or welfare of its employees and would therefore attract the provisions of Section 293(1)(e) of the Companies Act, 1956. The proposed resolution now seeks to authorise the Directors to make such contributions and/or subscriptions upto a limit of Rs.15,00,000/- (Rupees Fifteen lacs only) in any Financial Year.

None of the Directors have any interest in the aforesaid resolution.

By Order of the Board

Registered Office:

Barjora-Mejia Road, P.O. Ghutgoria,
Tehsil : Barjora, Distt.: Bankura,
West Bengal 722 202
Dated 5th day of November, 1999

S. C. JAIN
Secretary

XPRO INDIA LIMITED

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

We present herewith our Annual Report together with the audited accounts of your Company for the year ended March 31, 1999.

On receipt of due approvals, the Company's name was changed to **Xpro India Limited** with effect from September 22, 1998 and its Registered Office was shifted to its works at Barjora, West Bengal 722 202, during the year.

Final sanction for the Scheme of Arrangement, detailed below, was received only in October, 1999 though sanction of the Calcutta High Court was accorded in April 1999. The delay was beyond our control despite best efforts made by the Company, and led to the delayed finalisation of the accounts.

SCHEME OF ARRANGEMENT

Pursuant to the implementation of a Scheme of Arrangement u/s 391 & 394 of the Companies Act, 1956 ("the Scheme") between your Company & Cimmco Birla Limited ("CBL"), the latter's non-engineering businesses viz. Xpro India, Xpro India (Bombay), Biax and Cimmco Spinners divisions stood vested in Xpro India Limited effective from April 1, 1998. These businesses now form the core business of your Company.

On receipt of all due approvals, the Scheme received the sanction of the Hon'ble High Courts of Calcutta and Madhya Pradesh. In line with the Scheme, your Company shall issue Equity Shares at par, automatically and without payment, to all Equity Shareholders of CBL as on December 20, 1999 (the record date of CBL), in the ratio of 1 share for every 2 held in CBL.

In the interests of all shareholders, we are taking steps to apply for listing of the Company's equity shares on appropriate Stock Exchanges. At the time of this report details pertaining to all shareholders of the Company are not determinate. Thus, the Directors propose that steps will be taken that this Annual Report is sent to all concerned as soon as practical, after the details are determined as per the record date above. Our shareholder family is expected to number in excess of 70,000.

REVIEW OF KEY OPERATIONAL MATTERS

The economy remained sluggish throughout the year under review, impacting industry in general. As a result

the operating environment remained under pressure due to excess supply as well as a demand recession. Turnover during the year was Rs.162 Crores, of which about Rs.110 Crores was derived from polymers related activities.

The operations are structured into four divisions named **Biax Division, Coex Division, Thermosets Division** (for polymers processing) and **Cimmco Spinners Division** (100% EOU for cotton yarn).

The product ranges manufactured are respectively (i) Biaxially Oriented Polypropylene (BOPP) Films, (ii) Coextruded Thermoplastic Sheets/Cast Films, (iii) PF/MF moulding powders & synthetic resins and (iv) Cotton Yarn.

Your Company is among the large processors of polymers in the country. A net 11,455 MT of thermoplastic polymers were processed during the year. It enjoys the reputation of being the preferred source in its key market segments, being well recognised for the quality of its products and services. The Biax, Coex and Cimmco Spinners divisions are ISO 9002 certified.

Biax Division operated effectively at full capacity, made possible in large part through its efforts in the development of oriented films for specialised applications. This is significant in the backdrop of excess capacity for both BOPP and BO-PET films, resulting in a highly competitive market situation for oriented packaging films, further affected by imports particularly from South East Asia.

Coex Division continues to be the leading supplier of sheets to the white goods and automobile industry, and of cast/speciality coextruded films for hygiene products, medical disposables, tyres and packaging. It has achieved steady growth in volumes although the margins are under pressure. In the case of cast/speciality films, the existing capacity is insufficient to meet achievable volumes and capacity enhancement through addition of a new production line is in advanced stages.

The economic difficulties in the South East Asian region, which forms the primary market for the Cimmco Spinners division, led to cheerless market conditions and pressure on margins and volumes. Cotton prices are showing a downward trend this year and it is hoped that this trend will sustain.

There is no other significant matter to report.