

# ANNUAL REPORT 2002 - 2003

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**XII** **XPRO INDIA LIMITED**

**REGISTERED OFFICE &**

**BIAX DIVISION**

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

**CIMMCO SPINNERS DIVISION**

B-1, MIDC Chincholi-Kondi,  
Solapur 413 006, Maharashtra.

**COEX DIVISION**

3, Industrial Area, NIT,  
Faridabad 121 001, Haryana.

**CORPORATE OFFICE**

1, Industrial Area, NIT,  
Faridabad 121 001, Haryana.

**THERMOFORMING UNIT**

32, Udyog Vihar, Greater Noida,  
Gautam Budh Nagar 201 306, Uttar Pradesh.

**THERMOSETS DIVISION**

Poisar Bridge, Kandivili (West),  
Mumbai 400 067, Maharashtra.

**REGISTRARS &**

**SHARE TRANSFER AGENTS**

MCS Limited, Sri Venkatesh Bhavan,  
212 A, Shahpur Jat, New Delhi 110 049

**EQUITY SHARES LISTED ON**

Calcutta Stock Exchange  
Stock Code Number 10034003  
ISIN Number INE 445C01015

**AUDITORS**

M/s Lodha & Co.,  
New Delhi.

**BOARD OF DIRECTORS**

**Sri SIDHARTH BIRLA**

*Chairman*

**Sri AMITABHA GHOSH**

**Sri HAIGREVE KHAITAN**

**Sri DEBNEEL MUKHERJEE**

**Sri P. MURARI**

**Sri UTSAV PAREKH**

**Sri S. RAGOTHAMAN**

**Sri C. BHASKAR**

*Executive Director & Chief Operating Officer*

**COMPANY SECRETARY**

**S.C. JAIN**

**SENIOR EXECUTIVES**

**H. BAKSHI**

*Joint President,*

*Biax Division*

**D.P. GOENKA**

*Joint President,*

*Spinning Division*

**ANIL JAIN**

*Vice President,*

*Thermosets Division*

**MANMOHAN KRISHAN**

*Vice President,*

*Coex Division*

**U. K. SARAF**

*Vice President,*

*Thermoforming Unit*

**XPRO-INDIA LIMITED : ANNUAL REPORT 2002-03****NOTICE  
TO THE SHAREHOLDERS**

Notice is hereby given that the Sixth Annual General Meeting of the Members 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 Wednesday, July 23, 2003 at 10.30 a.m. to transact the following business:

1. To consider and adopt the Directors' Report and audited Balance Sheet and Profit & Loss Account as at and for the year ended March 31, 2003.
2. To declare Dividend on Equity Shares.
3. To appoint Directors in place of Sri P. Murari & Sri Utsav Parekh who retire by rotation and being eligible, offer themselves for reappointment.
4. 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 Resolution :

**5. AS AN ORDINARY RESOLUTION**

"RESOLVED that pursuant to sections 16 & 94 and all other applicable provisions, if any, of the Companies Act, 1956 the Authorised Share Capital of the Company be increased from Rs.20,00,00,000/- (Rupees Twenty Crores only) divided into 1,50,00,000 Equity Shares of Rs. 10/- each and 50,00,000 Unclassified Shares of Rs.10/- each to Rs.35,00,00,000/- (Rupees Thirty Five crores only) divided into 1,50,00,000 Equity Shares of Rs.10/- each and 2,00,00,000 Unclassified Shares of Rs.10/- each, by creation of 1,50,00,000 new Unclassified Shares of Rs.10/- each which shall rank pari-passu with existing Unclassified Shares and that consequently existing Clause V of the Memorandum of Association of the Company relating to the Authorised Share Capital be and is hereby altered by deleting the same and substituting in its place and stead the following as new Clause V."

"The Authorised Share Capital of the Company is Rs.35,00,00,000/- (Rupees Thirty Five Crores only) divided into 1,50,00,000 Equity Shares of Rs.10/- each; and 2,00,00,000 Unclassified Shares of Rs.10/- each with the rights, privileges and conditions attached thereto as per the relevant provisions contained in the Articles of Association of the Company for the time being or as may be fixed by the Board of Directors or Committee thereof from time to time with power to increase or reduce the Capital of the Company and to divide the Shares in the Capital for the time being into several classes and to classify the unclassified shares and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company or by the Board of Directors or Committee thereof from time to time and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company and consolidate or sub-divide the shares and issue the shares in higher or lower denominations."

**Registered Office :**

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

By Order of the Board

April 24, 2003

S.C. JAIN  
Company Secretary

**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. The Register of Members of the Company will remain closed from July 1, 2003 to July 23, 2003 (both days inclusive).
4. Dividend on Equity Shares declared at the Annual General Meeting will be paid to those Shareholders, whose names stand on the Register of Members of the Company on July 23, 2003 and the Dividend Warrants will be posted on or before August 21, 2003.
5. Members who continue to hold shares in physical form are requested to intimate any changes in their address immediately with postal pin code to the Company's Registrars & Share Transfer Agents, MCS Ltd., Sri Venkatesh Bhavan, 212-A, Shahpurjat, New Delhi - 110 049 quoting their folio numbers. Members holding shares in dematerialised form are required to get their change of address recorded with their Depository Participant.
6. Members holding shares in the same name(s) but under different Ledger Folios, are requested to apply for consolidation of such folios and send the relevant Share Certificates to the Company's Registrar and Share Transfer Agents at New Delhi as stated in Note No.5 above for endorsement of the consolidated folio number.

7. EXPLANATORY STATEMENT  
(PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956/ SEBI CODE FOR CORPORATE GOVERNANCE)

Item No. 3.

- i. Sri P. Murari, aged 69 years, holds a Masters Degree in Economics and has been a member of the Indian Administrative Service. He has vast administrative experience both at the Centre and in State and retired as a Secretary to the Government of India. His areas of specialisation are general industrial administration, formulation of industrial policies, administration of public sector and co-operative sector industrial undertakings including sick units, health and family planning sector management, energy sector, financial administration and food processing.

Presently he is an Adviser to President, FICCI and various other professional bodies. He has been Chairman of National Commission on Energy Conservation Awareness, National Commission on Media Strategy for Rural Employment Programmes and National Commission on Food Processing of Government of India. Sri Murari is presently a Director on the Boards of Daurala Organics Ltd., Indian Rayon and Industries Ltd., Mukand Ltd., Aban Lyod Chiles Offshore Ltd., Credit Capital Asset Management Co. Ltd., South Asia Petrochem Ltd., HEG Ltd., Bhorka Power Corporation Ltd., Glaxo SmithKline Beecham Consumer Healthcare Ltd. and Moving Picture Company (India) Ltd.

He is a member of Audit Committee of Moving Picture Company (India) Ltd., and SmithKline Beecham Consumer Healthcare Ltd., Audit Sub-committee of Daurala Organics Ltd., Indian Rayon and Industries Ltd., and Mukand Ltd., Remuneration Committee of Mukand Ltd. and Investment Committee of Credit Capital Asset Management Co. Ltd. He is Chairman of Share Transfer Committee & Investor Relations & Finance Committee of Indian Rayon & Industries Ltd. besides being Chairman of Remuneration & Nomination Committee and Member of Audit Committee of our Company.

Except Sri P. Murari, no other Director is interested in the resolution.

- ii. Sri Utsav Parekh, aged 47 years, holds a Bachelor's Degree in Commerce with honours. He has vast experience of about 22 years as Merchant Banker, and in Stock Broking and Financial Services. He is member of the Calcutta Stock Exchange Association. Sri Utsav Parekh is presently a Director on the Boards of SMIFS Capital Market Ltd., SMIFS Securities Ltd., The Sirpur Paper Mills Ltd., McNally Bharat Engineering Co. Ltd., Globeyn Technologies Ltd., Moving Picture Company (India) Ltd., SMIFS Capital Services Ltd. and Land Lease Company (India) Ltd.

He is a member of Audit Committee and Investment Committee of The Sirpur Paper Mills Ltd., member of Investor Grievance Committee, Investment Committee, Committee of Directors and Share Transfer Committee of SMIFS Capital Markets Ltd. He is member of Audit Committee, Remuneration & Nomination Committee and the Committee of Directors besides being the Chairman of Share Transfer & Shareholders/ Investors Grievance Committee of the Company.

Except Sri Utsav Parekh, no other Director is interested in the resolution.

Item No. 5.

As the business activities of the Company are expanding, it may become necessary to raise additional capital from time to time. In order to enable the Company to issue further shares in future, it is proposed that the Authorised Share Capital of the Company be increased from Rs.20,00,00,000/- (Rupees twenty crores only) divided into 1,50,00,000 Equity Shares of Rs. 10/- each and 50,00,000 unclassified shares of Rs.10/- each to Rs.35,00,00,000/- (Rupees thirty five crores only) divided into 1,50,00,000 equity shares of Rs.10/- each and 2,00,00,000 unclassified shares of Rs.10/- each, by creation of 1,50,00,000 new unclassified shares of Rs.10/- each. In compliance with the provisions of Sections 16 & 94 of the Companies Act, 1956, resolution as set out in item No.5 is recommended to the shareholders for their approval.

None of the Directors of the Company is, in any way concerned or interested in the resolution.

Registered Office :

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

April 24, 2003

By Order of the Board

S.C. JAIN  
Company Secretary

**XPRO INDIA LIMITED : ANNUAL REPORT 2002-03****REPORT OF THE DIRECTORS  
TO THE SHAREHOLDERS**

We have pleasure in presenting our Annual Report along with the Audited Accounts of your Company for the year ended March 31, 2003.

**FINANCIAL RESULTS**

	(Rs. lacs)
	<b>March 31, 2003</b>
Working for the year yielded a	
Profit before Depreciation and Tax of	1,370.78
Less : Depreciation	615.79
Profit Before Tax	754.99
Less: Provisions for	
- Tax	94.00
- Deferred Tax	140.00
Profit After Tax	520.99
Add : Surplus brought forward	1,205.48
Resulting in a Balance of	1,726.47
Which is being appropriated as:	
- General Reserve	50.00
- Proposed Dividend	110.06
- Dividend Tax	14.10
- Surplus carried forward	1,552.31
	1,726.47

With a view to further strengthen the long term resource base (including to meet working capital and capital expenditure needs), approval of the Shareholders was granted to issue Equity Capital on a preferential basis to persons other than the promoters. Pursuant to all due approvals and as per relevant SEBI guidelines 6,19,550 Equity Shares (Face value Rs.10 each) were issued and allotted at Rs.24 per share during the year; the proceeds have been utilised for the stated objectives. We recommend, for your approval, a Dividend of Rs.1.50 per Share (pro-rata from the date of allotment on the above shares). Dividend tax is provided as proposed in the Finance Bill, 2003 (yet to be passed by Parliament).

**REVIEW OF KEY OPERATIONAL MATTERS**

The operations of the Company were carried out satisfactorily during the year and yielded growth in profits over the previous year, as reflected in financial results. This was again achieved through consistent marketing, development efforts, productivity improvements, besides cost and financial discipline, notwithstanding the overall recessionary trends in the Indian and global markets. The uncertainties caused due to the Iraq situation had resulted in hardened input prices, particularly for polymer and petroleum products; a close watch is being kept on the dynamic market conditions. However, the situation appears to be stabilising and we look forward to favourable trends in the present year.

Gross sales value was higher by about 13.5% at Rs.174.20 Crores. Volumes were higher by around 9.5% in the polymers business area and

about 4% for cotton yarn. Exports at Rs.24.72 Crores were higher by 41%; yarn exports accounted for nearly 86%. In implementation of the plans approved by the Board, capital investments were made during the year for (a) a metalliser plant at Barjora; (b) a grass roots unit at Greater Noida for the vacuum forming of refrigerator liners, and (c) a Buss kneader at Thermosets Division, and all were satisfactorily commissioned. An area of concern is the failure of the foreign supplier of the new cast film line (installed at Coex Division) to fully live up to their guarantees on performance, and therefore, the line runs at less than its optimum output level. The future plans of the Management continue to build on the core strength area of the Company i.e. the polymers business area. The detailed Management Discussion & Analysis Report, as required by the corporate governance code, is annexed hereto and thus repetitions have been avoided here.

**STATUTORY INFORMATION AND OTHER MATTERS**

Information as per the requirements of the Companies Act and our report on Corporate Governance form a part of this Report and are annexed hereto Audited Accounts and Director's Report for the year ended March 31, 2003 for wholly owned subsidiaries Xpro Global Limited and Diamond Realty Limited (which become a subsidiary during the year), are annexed hereto. The consolidated accounts are also submitted herewith as required. Relations with employees were generally cordial and we record our appreciation of the contribution made by committed employees during the year. Directors Sri P. Murari and Sri Utsav Parekh retire by rotation and, being eligible, offer themselves for reappointment.

The observation of the Auditor's relates to practice consistently followed by the Company and, which when read together with the accounting policies and the relevant notes to the accounts, is self-explanatory.

As per our governance practices, the management's statement on the integrity and fair presentation of financial statements is provided to the Board as an integral part of the accounts approval process. However, as per Section 217(2AA) of the Companies Act the Directors indicate that they have taken reasonable and bonafide care (a) that in the preparation of the annual accounts the applicable accounting standards had been followed and proper explanations relating to material departures, if any, have been furnished; (b) that such accounting policies were selected and applied consistently and judgements and estimates that are reasonable and prudent made 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 of the Company for the period; (c) that proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with provisions of the Companies Act for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities; and (d) that these accounts have been prepared on a Going Concern basis.

M/s Lodha & Co., Chartered Accountants, retire as Auditors and, being eligible, offer themselves for reappointment.

We place on record our sincere appreciation of the valuable cooperation and support received by the Company from its Banks, and all concerned Government and other authorities.

For and on behalf of the Board

New Delhi  
April 24, 2003

Sidharth Birla  
Chairman

**XPRO INDIA LIMITED : ANNUAL REPORT 2002-03****MANAGEMENT DISCUSSION & ANALYSIS REPORT**

We have pleasure in submitting the Management Discussion & Analysis Report on the Company's businesses. We have attempted to include discussions on all specified matters to the extent relevant, or within such limits that in our opinion are imposed by the Company's own competitive position. The Company completed the year with improved operating and financial performance as a whole, despite the general recessionary trends and severe competitive pressures. During the year capital investments were made for (a) metalliser plant at Barjora; (b) a grass roots unit at Greater Noida for the vacuum forming of refrigerator liners, and (c) a Buss kneader at Thermosets Division, and all were satisfactorily commissioned. Production quantities in polymers businesses grew by 9.5% and in the yarn/textile business capacity utilisation was maintained at high levels while production grew by over 4%. Gross sales value at Rs.174.20 Crores was higher by about 13.5% and Export earnings, principally accounted for by cotton yarn, were higher by 41% at Rs. 24.72 Crores. Profits before depreciation and tax improved by about 7% to Rs.13.71 Crores, but increased depreciation provided due to new investments (which were operational only for a part of the year) limited growth in Profit before Tax to about 2% at Rs.7.55 Crores. After further providing Rs.1.40 Crores towards deferred tax for the year, Profit after Tax was Rs.5.21 Crores.

We believe that all our businesses are backed up by necessary skills and expertise; our core competency can be seen to lie in the extrusion field, particularly in the coextrusion process. Our financial performance is generally representative of competitiveness in our core operations and quality of products and services.

**COMPANY & INDUSTRY STRUCTURE**

Our operations are structured into 2 segments viz. Polymers Business and Yarn/Textile Business. All operating divisions are kept self-sufficient managerially to perform their own duties and functions, with support provided at a corporate level as and when required. Data on capacities, volumes and turnover are contained in the Notes to the Accounts and a summary of production and sales is given below.

Segment	FY 01 / 02		FY 02 / 03	
	Production MT	Sales Rs. lacs	Production MT	Sales Rs. lacs
<b>Polymers Business</b>				
Biax Division	3,659	5,131	3,483	5,062
Coex Division	7,833	4,239	9,302	5,665
Thermosets Division	3,092	2,250	3,257	2,353
	14,584	11,620	15,962	13,080
<b>Yarn/Textile Business</b>				
Spinning Division	2,539	3,723	2,647	4,340
<b>TOTAL</b>		15,343		17,420

(Coex Division's production includes on conversion basis, which cannot reflect fully in sales value. Thermoforming Unit is downstream to and a part of Coex Division)

The industry structure in the field of polymers processing is spread wide, from miniscule to fairly large capacities. There is no direct thumb-rule in terms of "size vs. profitability" and it is possible for players to work out their own viable economics depending upon various factors, mainly a combination of product mix and market segment or niche that the player focuses on. Supply chain linkages to clients can play an additional role for some. Since polymers are freely available at prices synchronized to global prices, market focus besides technical & service competence has been the key to success. It is fair to say that the Company is a mid-sized player, with significant strengths in its market segments and subject to the usual market pressures. The cotton yarn sector is an established one, where economies of scale can play a large role. The Company operates an essentially viable operation, however on the lower side of the capacity scale, and thus has chosen to operate within selected markets successfully. In the overall, the Company's operations are relatively capital intensive and raw material and power constitute the largest proportions of cost.

We believe that opportunities are substantial, both in terms of market growth and our product diversity and that threats from replacement products are not especially significant. The main raw materials used by the Company are Thermoplastic Resins (such as Polypropylene, Styrene Polymers and LD/LLD Polyethylene), Cotton, Phenol & Formaldehyde.

We firmly recognise that total customer satisfaction is the key to our success. Our aim is to build sound customer relationships through creation of value for them, and in the process to earn an equitable return for ourselves. Quality is built into products through appropriate manufacturing technology and work methods. Manufacturing at all units is carried out by suitably qualified personnel under strict quality standards. Continuous product development for specific applications has helped us in proactively developing technically sustainable solutions with clearly apparent customer benefits. Quality systems at the Coex Division's Faridabad unit (the first unit in the country to be certified under ISO 9002 standards for the manufacture Coextruded Multilayer Plastic Sheets and Cast Films) received certification under the ISO 9001:2000 standards - again, we understand, the first such Indian unit. The Thermoset Division has also been recently certified under ISO 9001:2000 standards for the development and manufacture of Phenolic Resins; Phenol Formaldehyde Moulding Compounds and Amino Moulding Compounds. As reported earlier, the Biax Division unit at Barjora and the Spinning Division's unit are also duly certified under ISO 9001:2000 and ISO: 9002:1984 standards respectively.

**Biax Division**

Biax Division manufactures a wide range of Biaxially Oriented Polypropylene ("BOPP") Films on a sophisticated, automated production line. It commenced operations with technical know-how from a leading global player; the technology was fully absorbed and supplemented by in-house development. The films produced by us are coextruded BOPP films have multipurpose use in various applications ranging from packaging of food items to sophisticated films for use in certain electronic components, besides being used for print lamination, adhesive tape and related sectors. With an expanding consumer based upon a large population, India has one of the most rapidly expanding flexible packaging industries in the world. With BOPP films constituting a major input into this industry and with the development of new applications, the oriented films market in India continues to grow at about 14% annually (almost twice the global growth rate). The industry in India continues to grow with the creation of fresh capacity as well as announcements of further capacity creation. Our capacity at 4,600 MT is essentially dedicated towards specialised products/markets which together with consistently quality and service standards enabled the unit achieve high capacity utilisation despite excess domestic capacity. Capacity enhancement plans are being actively pursued. A facility to metallise films and other substrates was commissioned successfully during the year. During the year total production was 3,403 MT (including metallised films).

**Coex Division**

Coex Division manufactures coextruded sheets & coextruded cast films. Our products are usually custom-made to customer needs and based on various polymers including Polystyrene, Polypropylene & Polyethylene. Applications for our product range are wide and our range includes a variety of sheets for refrigerator liners, disposable containers, automotive parts, etc. Cast films are high clarity films including stretch wrap and cling film, specially formulated films for medical disposables, hygiene films, polypropylene film & others for packaging applications. Guaranteed production has not yet been demonstrated on the new cast film line as certain technical issues have not been resolved by the suppliers Battenfeld Gloucester Europe / SMS Folientechnik. Total production of sheets (including as liners) and cast films at this division was 9,302 MT during the year, reflecting an increase in production of nearly 16% and 25% respectively. After a year of negative growth, the refrigerator sector registered a growth of about 6%. The company continues to hold its position as the leading supplier of sheets to the white goods industry through consistent focus on product quality, development and service, which have also been recognised by major customers. Growth in demand for sophisticated packaging materials continues to be driven by new product applications. A new unit ("Thermoforming unit") based on sophisticated imported equipment was commissioned (in a short time span of 3 months) at Greater Noida, U.P. as a downstream for vacuum forming of sheets into refrigerator liners. Products from this unit have been well accepted.



**XPRO INDIA LIMITED : ANNUAL REPORT 2002-03****Thermosets Division**

The unit of the Thermosets Division, originally established over 50 years ago, is a pioneer in the field of Thermosetting materials, including Phenol Formaldehyde & Melamine Formaldehyde besides Phenolic Resins. These products are widely used in electrical accessories and components, automotive parts, textile machinery, railway signalling parts, grinding wheels, friction materials, laminates, adhesives, inks & tyres/rubber industry. The unit is the largest producer in the country of Phenolic moulding compounds and Non-Foundry Phenolic resins. The ability to offer a comprehensive range of products, particularly specially developed custom-made specifications has helped the unit acquire market leadership and weather the extremely difficult market situation caused by the unprecedented increases in phenol prices over the year. Total production during the year grew by 5% to 3,257 MT. A Buss Kneader system has been just installed as part of the on-going technical upgradation and quality improvement initiatives.

**Spinning Division**

The Spinning Division (the unit continues being called Cimpco Spinners) comprises a 100% Export Oriented Unit producing cotton yarn, with a capacity of 26,208 spindles, conforming to high international standards of quality. The unit continued to operate at near full capacity utilisation. Despite finer count product-mix, the total production during the year at 2,647 MT was higher by over 4%. During the year our traditional markets in the Far East, such as Korea, were unstable in turn due to uncertain conditions in the US markets. However European markets were generally stable and we were able to derive benefits of our development activities to tap new markets and niche customers in Europe and the EEC. From time to time the unit sold yarn, to the extent permitted to EOU's, in the domestic markets. With some improvement in market conditions, trading activities were resumed during the year. The decrease in cotton crop this year by around 15% in the wake of scanty and erratic rainfall resulted in increases in input price coupled with constraints on availability of quality cotton. While comparative studies by SITRA have shown that this unit continues to achieve overall superior performance, a technological upgradation scheme is being undertaken.

**ENVIRONMENT & SAFETY**

We firmly believe that safe and healthy working conditions in factories and other premises are as necessary and important as production, productivity and quality. Our policy requires conduct of activities in such a way as to take foremost account of health and safety of all concerned, besides conservation of natural resources and protection of the environment to the extent possible.

**HUMAN RESOURCES**

We recognise that employees represent our greatest asset and potential. It is only through motivated, creative and business-minded employees that we can achieve our aims. Involvement, commitment, teamwork and continuous updating of skills and knowledge are integral to our objectives of advancing a highly professional, productive culture. Permanent employment totals 819, of which officers and staff account for 340, and workmen for the balance (last year 804 and 320 respectively).

**OTHER MATTERS**

There are no further or typical areas of risks or concerns outside the usual course of business foreseeable at this time. Internal control systems have been found to be adequate, but are continuously reviewed with a view to improvement. Our team is committed to the Board's dictates on standards of conduct as well as good governance and exercise of due diligence. We have taken all care to diligently comply with all applicable laws and regulations. The overall financial performance is in line with and reflective of operational performance. Liquidity constraints with customers still impose cash flow and interest burdens on the businesses. Our outlook continues to remain positive and we face challenges with sincerity. Our sincere thanks are due to all employees and team-mates whose dedicated and hard work allowed results to be achieved. We are grateful to all our Bankers and all concerned Authorities for their continued support, and to all our customers for their faith and confidence. We remain committed to fullest customer satisfaction.

**CAUTIONARY STATEMENT**

Statements in the Management's Discussion & Analysis Report which seek to describe the Company's objectives, projections, estimates, expectations or predictions may be considered to be "forward-looking statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from any expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand-supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's markets, changes in Government regulations, tax regimes, economic developments within India and countries with which the Company conducts business besides other factors, such as litigation and labour negotiations.

For and on behalf of the Management Team

New Delhi  
April 24, 2003

**C. BHASKAR**  
Executive Director & Chief Operating Officer

**REPORT OF THE DIRECTORS  
ON CORPORATE GOVERNANCE**

The Board has adopted the principles of good corporate governance and is committed to adopting, besides any obligations under relevant laws or regulations, best relevant practices for governance. We believe that good governance is voluntary and self-disciplining with the strongest impetus coming from Directors, and the management itself. The organisation at Xpro India Limited aims to be progressive, competent and trustworthy, creating and enhancing value for stakeholders and customers, while reflecting and respecting the best of Indian values in its conduct. The Board lays emphasis on integrity, transparency and accountability.

**THE BOARD OF DIRECTORS****Composition**

The Board consists of 8 Directors, of whom 7 are non-executive. As a policy the identities, positions, duties and responsibilities of the Chairman & Chief Executive are kept separate and suitably defined. Accordingly the Chairman's position, even where whole-time, is non-executive in essence and his role, which is specified by the Board, does not cover routine managerial responsibilities. The management of the Company is vested in executive Director(s) appointed for the purpose, subject to the general supervision, control and direction of the Board. Sri C. Bhaskar has been appointed Executive Director & Chief Operating Officer (currently also discharging the duties and responsibilities of the Chief Executive); he heads the management team, holds operational responsibility for day-to-day activities of the Company, has been entrusted with ensuring that all management functions are carried out professionally, and is accountable to the Board for actions and results.

With the clear demarcation of responsibilities at top levels in the Company, the SEBI code requires that 3 Directors or one-third of the Board, whichever is more, should be independent. Our Board has 5 (a majority) independent Directors viz. Sri Amitabha Ghosh (formerly a Banker and Deputy Governor of Reserve Bank of India), Sri Haigrahe Khaitan (Advocate), Sri P. Murari (IAS (retired), formerly Secretary to the Government of India), Sri Utsav Parekh (Merchant Banker) & Sri S. Ragothaman (self-employed professional, formerly a senior officer at ICICI). Sri Debnath Mukherjee (Executive Director & Chief Operating Officer, ICICI Infotech Pte. Limited) is the nominee of ICICI Bank Limited. Sri Sidharth Birla, Chairman (MBA, B.Sc.(Hons.)) represents promoters. Sri C. Bhaskar is the only executive Director. None of the Directors are related to each other or to promoters.

The independent Directors play an important role in deliberations at the Board level and bring to the Company their wide experience in fields of industry, banking, finance, law, administration and policy, and contribute significantly to Board committees. Their independent role vis-à-vis the Company implies that they have a distinct contribution to make by adding a broader perspective, by ensuring that the interests of all stakeholders are kept in acceptable balance and also in providing an objective view in any

**XPRO INDIA LIMITED : ANNUAL REPORT 2002-03****Share Transfer & Shareholder/Investor Grievance Committee**

This committee reviews, records and helps expedite transfer of shares and helps resolve and attend to any grievances of investors. The Company has about 80,000 shareholders and the committee meets frequently throughout the year to minimise any delays in the transfer process. Any investor grievance is referred to this committee in the first instance, for earliest resolution of any problem. Sri S.C. Jain, the Company Secretary, is the Compliance Officer under relevant regulations. This committee is chaired by Sri Utsav Parekh and includes Sri Halgreve Khaitan and Sri C. Bhaskar. 693 complaints/queries were received from shareholders and were all resolved; none are pending.

**Committee of Directors**

A Committee of Directors comprising of Sri Sidharth Birla, Chairman, Sri Utsav Parekh & Sri C. Bhaskar attends to matters specified and/or delegated appropriately by the Board from time to time. During the year the Committee met on June 12, and November 30, 2002, attended by Sri Sidharth Birla (1/2), Sri Utsav Parekh (1/2) and Sri C. Bhaskar (2/2).

**SHAREHOLDER INFORMATION & RELATIONS**

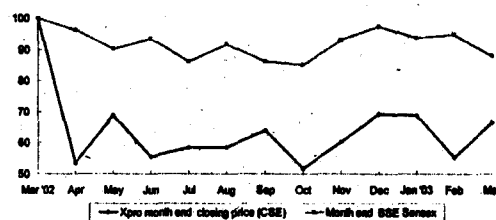
The main source of information for Shareholders is the Annual Report which includes, *inter-alia*, the reports of the Directors and the Auditors, Audited Accounts, besides this report and the Management's Discussion & Analysis Report on operations and outlook. The Management's statement on the integrity and fair presentation of financial statements is provided to the Board as part of the process of accounts approval. Shareholders are intimated through print media of quarterly financial results and performance besides significant matters, within time periods stipulated from time to time by Stock Exchanges. General Meetings of the Company are held at its Registered Office at Barjora-Mejia Road, P.O. Ghulgoria, Tehsil Barjora, District Bankura 722 202, West Bengal. The last 3 AGM's were held at the Registered Office on July 6, 2000, July 11, 2001 & July 12, 2002. The next AGM shall be held at the Registered Office as per the notice in this Annual Report. The Record Date will also be as per the notice. The last Annual General Meeting was attended by Sri S. Ragothaman and Sri C. Bhaskar. Dividend was paid last year and warrants were mailed by July 29, 2002 (17 days after the AGM). The Company keeps shareholders informed via advertisements in appropriate newspapers, of relevant dates and items requiring notice. M/s MCS Limited, New Delhi are the Registrars and Share Transfer Agents. The general address for correspondence for shareholders is (to the Secretary) 'Birla Building', 2<sup>nd</sup> Floor, 9/1, R. N. Mukherjee Road, Kolkata 700 001; shareholders may also write to the Registrars directly in matters relating to transfers etc. The Company had published and shall continue to publish quarterly results, etc. in English (*Business Standard* - all editions) and relevant vernacular print media (*Sambad Pratidin*), and hold Annual General Meetings, and pay dividends (if any) within the time limits prescribed by law or regulations. The Company's web-site where relevant information is displayed is at [www.xproindia.com](http://www.xproindia.com). No presentation has been made to institutional investors etc. The present financial year of the Company is April 1 to March 31. Subsequent to approval by shareholders and all concerned authorities, 6,19,550 equity shares were issued and allotted on preferential basis (to persons other than promoters) on November 30, 2002. The issue was made at price higher than the minimum price for such preferential issue as determined in accordance with the relevant SEBI guidelines. There are no GDR/ADR, warrants or other convertible instruments issued or outstanding. The Company's shares are listed at the Calcutta Stock Exchange; the Stock Code is 10034003. Equity Shares are compulsorily to be traded in dematerialised form; the ISIN number is INE 445C01015. The equity shares of the Company have also been admitted for trading on the Bombay Stock Exchange, with effect from January 8, 2003, under the category "Permitted Securities" and Stock code - 590013. Shareholding distribution, pattern and high/low market price data given below.

Nominal Value of Shareholding	Number of Shareholders	Shareholding in % by amount
Upto Rs. 1,000	58,429	14.16 %
Rs. 1,001 - Rs. 5,000	3,309	8.51 %
Rs. 5,001 - Rs. 20,000	285	3.35 %
Rs. 20,001 - Rs. 1,00,000	37	1.89 %
Rs. 1,00,001 and above	42	72.09 %
	<b>68,102</b>	<b>100.00 %</b>

Category of Shareholding	Number of Shareholders	Shareholding in % by amount
Resident individuals/others	58,621	34.28 %
Banks, FI's, Insurance Companies	35	18.38 %
Mutual Funds (including UTI)	12	0.97 %
FI's	1	7.74 %
Non-residents/OCBs	42	1.81 %
Domestic Companies	391	36.82 %
	<b>68,102</b>	<b>100.00 %</b>

Note: aggregate of non-promoter shareholding: 54.83 %

Equity Share Price by Month	CSE		BSE	
	High	Low	High	Low
April 2002	48.00	15.50		
May	21.50	14.00		
June	16.10	16.10		
July	19.30	16.00		
August				
September	18.60	18.50		
October	20.50	15.00		
November	20.40	17.50		
December	20.20	16.00		
January 2003	23.85	18.00	24.35	18.25
February	20.00	16.00	20.00	16.55
March	22.90	15.80	17.70	16.50
DURING THE FINANCIAL YEAR	48.00	14.00	24.35	16.50

**Equity Share Performance in comparison to BSE SENSEX (2002-2003)****MANDATORY & NON-MANDATORY PROVISIONS**

There have been no transactions of a material nature of the Company with its promoters, Directors, or the management, their subsidiaries or relatives etc., except for transactions of a routine nature as disclosed in the notes on accounts, and accordingly no potential conflict with the interests of the Company. There has been no instance of non-compliance by the Company, nor any strictures or penalties imposed by the Stock Exchange or SEBI or any statutory authority on any matter related to capital markets.

We have adopted all mandatory requirements (except where not relevant or applicable) of the SEBI Code. Of the non-mandatory suggestions, we have adopted those relating to a Chairman's Office and Remuneration Committee. We have not adopted suggestions relating to a postal ballot system (except where compulsory under the Companies Act) nor of sending six-monthly information to each shareholder household.

The above represents the Company's philosophy on corporate governance. Auditor's certification as required forms a part of this Annual Report.

For and on behalf of the Board

New Delhi  
April 24, 2003

**SIDHARTH BIRLA**  
Chairman



## XPRO INDIA LIMITED : ANNUAL REPORT 2002-03

potential conflict of interest between stakeholders. To review the functioning and effectiveness of the Board, the Chairman and non-executive Directors review the same, and the attendance record of all Directors, every year.

As required by law, the appointment(s) and remuneration(s) of any executive Directors, and remuneration of the Chairman (if whole-time) requires the approval of shareholders; such approvals are for a period of not more than 5 years and, when eligible, they can be re-appointed at the end of the term. One-third of other Directors retire every year and, when eligible, qualify for re-appointment. Nominees of Financial Institutions do not usually retire by rotation. The Board has chosen not to, in the usual course, propose appointment or re-appointment of a Director or Executive Director who has completed 75 & 65 years of age respectively. Specified details are provided in the notice for appointment or re-appointment of a Director. Details of Directors are given below by category, attendance and total directorships besides memberships/chairmanships of Board committees.

Category / Director	Board Attendance	B/C/Ch	Sitting Fees (Rs.)	Commission (Rs.)
<b>Promoter</b>				
Sidharth Birla	6/6	7/1/-	-	-
<b>Independent</b>				
Amitabha Ghosh	5/6	12/6/2	30,000	2,10,000
Haigrevé Khaitan	3/6	15/4/-	25,000	1,28,000
P. Murari	4/6	11/7/2	25,000	1,88,000
Utsav Parekh	4/6	9/4/1	40,000	1,68,000
S. Ragothaman	4/6	2/1/1	35,000	1,68,000
<b>Nominee</b>				
Debnel Mukherjee	2/6	2/1/-	10,000	-
<b>Executive</b>				
C. Bhaskar	6/6	2/1/-	-	-

1. Board Attendance relates to relevant meetings in year under review

2. B=Board Memberships, C/Ch=Membership/Chairmanship of SEBI specified committees (excluding Pvt. Ltd. Companies & alternate directorships)

\* Included in remuneration given in Notes on Accounts

#### Responsibilities

The Board's fundamental concentration is on strategic issues and approval, policy and control, and delegation of powers. The Board has specified a schedule of major matters (covering those required under law or the SEBI code) that are reserved for its consideration and decision, besides review of corporate performance and reporting to shareholders. The respective roles of the Board and management are clearly demarcated. The management is required to (a) provide necessary inputs and basis to support the Board in its decision making process in respect of the company's strategy, policies, targets and code of conduct; (b) manage day-to-day affairs of the company to best achieve targets and goals approved by the Board; (c) implement all policies and the code of conduct, as approved by the Board; (d) provide timely, accurate, substantive & material information, including on all financial matters & exceptions, if any, to the Board and/or its committees; (e) be responsible for ensuring faithful compliance with all applicable laws & regulations; and (f) implement sound, effective internal control systems. The Board requires the organisation to endeavour to conduct business and develop relationships in a responsible, dignified and honest way. To establish a policy framework to promote this spirit a Code of Conduct for employees has been instituted.

#### BOARD MEETINGS & COMMITTEES

Board meetings are normally held at Company offices, including at plants, and are typically scheduled about a month in advance. The Board meets at least once a quarter to, *inter-alia*, review all relevant matters and take on record quarterly financial results. Agenda for meetings are prepared by the Secretary, in consultation with the Chairman where necessary, and papers are circulated to all Directors in advance. Directors have access to the Secretary's support and all information of the Company and are free to suggest inclusion of any matter in the Agenda. Senior officers are called to provide clarifications and presentations whenever required. In the year under review the Board met 6

times on April 26, July 11, September 19, October 19, 2002 and January 3, January 16, 2003. To enable fuller attention to the affairs of the Company the Board delegates specified matters to its committees which, while preparing the groundwork for decision-making, report to the Board. However no matter which under law or the Articles may not be delegated by the Board or requires its explicit approval, is left to the final decision of any committee.

#### Audit Committee

The terms of reference of the Audit committee, as specified by the Board in writing, includes the whole as specified in the SEBI code and the Companies Act, 1956, including a review of audit procedures and techniques, financial reporting systems, internal control systems and procedures besides ensuring compliance with regulatory guidelines. The committee members are all independent Directors collectively having requisite knowledge of finance, accounts and company law. The committee recommends the appointment of external auditors and their fees and payments and also takes an overview of the financial reporting process to ensure that financial statements are correct, sufficient and credible. The reports of the statutory as well as the internal auditors are reviewed along with management's comments and action-taken reports. The committee has explicit authority to investigate any matter within its terms of reference and has full access to the information, resources and external professional advice which it may need. The committee comprises Sri S. Ragothaman (as its Chairman), Sri Utsav Parekh and Sri P. Murari (appointed during the year), and is mandated to meet at least four times in a year (three times in a year during the year under review); once to assess the final audited accounts, and to review each quarter the limited audit reports before they are put up to the Board. Sri Haigrevé Khaitan had stepped down from the Audit Committee with effect from October 19, 2002. The committee met on April 25 and October 19, 2002 and January 16, 2003, attended by Sri S. Ragothaman (3/3), Sri Utsav Parekh (3/3), and Sri Haigrevé Khaitan (2/2).

#### Remuneration & Nomination Committee

The Remuneration & Nomination Committee comprises of non-executive, and a majority of independent, Directors. The committee makes recommendations to the Board on filling up Board vacancies that may arise from time to time or on induction of further Directors to strengthen the Board, and also helps ensure that non-executive Directors make decisions on remuneration and progression of executive Directors and also assess the same for senior officers; any compensation of the Chairman and other non-executive Directors are a subject only for the whole Board. The committee comprises of a majority of independent Directors and presently includes Sri P. Murari, (as its Chairman), Sri Sidharth Birla, Sri Amitabha Ghosh, Sri Debnel Mukherjee and Sri Utsav Parekh. During the year the committee met once on October 19, 2002, attended by Sri P. Murari, Sri Sidharth Birla, Sri Amitabha Ghosh and Sri Utsav Parekh. Directors, other than the Chairman and any executive Director, are paid sitting fees for each meeting of the Board or its committees attended by them, presently amounting to Rs. 5,000 per meeting. Shareholders have approved the payments of (i) a commission for non-executive directors with effect from April 1, 2002 not exceeding 1% of the net profits of the Company determined in accordance with relevant provisions of the Companies Act; (ii) a remuneration to the Chairman by way of a salary, housing facility or allowance, and perquisites amounting respectively to Rs.1.50 lacs per month (with annual increments of Rs.0.15 lacs per month), upto 60% of salary and upto Rs.15.0 lacs per year (other than exempted items vide Schedule XII of the Companies Act), payable as minimum remuneration (with due approval where required) for 5 years commencing March 1, 2000; and (iii) a remuneration to the Executive Director & Chief Operating Officer, appointed with effect from January 1, 2001 for 5 years, by way of salary, special allowance, housing facility or allowance, and perquisites, amounting respectively to Rs.0.65 lacs per month (with annual increments to be decided by the Board), Rs.0.30 lacs per month (as approved by the shareholders with effect from April 1, 2002), Rs.0.30 lacs per month and perquisites (in aggregate, along with increment during the year, these are within minimum remuneration allowed as per the Companies Act). In case of the Chairman and the Executive Director & Chief Operating Officer, Shareholders have further approved payment of a commission with effect from April 1, 2002, not exceeding 2% of the net profits of the Company (within the overall aggregate limit of 5% of net profits each) determined as per relevant provisions of the Companies Act. There are no severance fees, other benefits, or stock options.

**XPRO INDIA LIMITED : ANNUAL REPORT 2002-03****AUDITORS' CERTIFICATE**

We have examined the compliance of conditions of Corporate Governance procedures implemented by Xpro India Limited for the year ended on March 31, 2003, as stipulated in Clause 49 of the listing agreement of the said Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with the Stock Exchange have been complied with in all material respect by the Company and that no investor grievance(s) is/are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

For LODHA & CO.  
Chartered Accountants

N.K. LODHA  
Partner

New Delhi  
April 24, 2003

**ANNEXURE TO THE DIRECTORS' REPORT**

(Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988)

**A. CONSERVATION OF ENERGY:**

- (a) Energy Conservation measures taken:
- Ensuring power factor and load factor by redistribution of loads. PF improved to 1 in some areas
  - Improved fuel efficiency through parallel operation between 500 KVA and 1000 KVA DG sets
  - Effective use of VVVF drives to improve heat energy requirements in process plants
  - Installation of new vacuum pump and moisture trap systems on all sheet lines
  - Regular cleaning of condensers and reaction vessels to ensure better heat transfer
  - Use of screw compressor in place of reciprocating type compressor
  - Optimisation in use of pneumatic suction fan of speed frame
  - Installation of energy saving unit in lighting systems
  - Reduction of weight and spindle taper conversion in Ring Frames
  - Use of appropriately treated water to ensure reduced scaling on heat transfer surfaces
- (b) Additional Investment and Proposals, if any, being implemented for reduction of consumption of energy:
- Synchronisation of Power Grid with DG sets
  - Installation of special pneumatic fans on Ring Frames
  - Installation of inverters on main suction motors of Autoconers and spray water pumps of humidification plant
- (c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:
- Quantified savings - : Rs. 35.00 lacs p.a.
- (d) Total Energy Consumption and Energy:
- Consumption per Unit of production as per prescribed Form A.
  - As per Annexure enclosed

**B. TECHNOLOGY ABSORPTION:****1. RESEARCH & DEVELOPMENT**

- (a) Specific areas in which R&D carried out by the Company:
- Development of thinner gauge special application films and tailor-made products to meet specific end-use/customer requirements
  - Development of metallised films for non-packaging applications
  - Development of special sheets for exposure to 141b as blowing agent
  - Development of special grade moulding powders and synthetic resins for export markets and as import substitutes
  - Optimisation of process parameters for superior yarn quality
  - Modifications on Unimix, and Ring Frames for quality improvement
  - Installation of colour sensor system for removal of contamination
- (b) Benefit derived as a result of above R&D:
- Development of new products to expand existing range offering a competitive edge in the market
  - Improved product quality, cost reduction and customer satisfaction
  - Removal of trash from raw cotton without damaging fibre during opening; detection and removal of contamination
  - Significant reduction in yarn imperfections and classimat faults
- (c) Future Plan of action:
- Continuous process improvement to increase yield and reduce wastage
  - Continuous product development for specialised applications particularly to face the challenges due to liberalisation
  - Assimilation of substantial engineering skills connected with process technology, process engineering & system engineering
  - Upgradation of select production and laboratory facilities