



XPRO INDIA LIMITED

ANNUAL REPORT 2007/08

XPRO INDIA LIMITED : ANNUAL REPORT 2007/08**Board of Directors****Sri Sidharth Birla***Chairman***Smt. Madhushree Birla****Sri Amitabha Ghosh****Sri Haigreva Khaitan****Sri P. Murari****Sri Utsav Parekh****Sri S. Ragothaman****Sri C. Bhaskar***Managing Director & Chief Executive Officer***Company Secretary****Sri S.C. Jain****Senior Executives****Sri H. Bakshi***President & Chief Operating Officer***Sri V K Agarwal***Executive Vice President & Chief Financial Officer***Sri Anil Jain***Executive Vice President, Thermosets Division***Sri Manmohan Krishan***Executive Vice President, Coex Division (FBD)***Sri N Ravindran***Executive Vice President (Marketing)***Sri U. K. Saraf***Executive Vice President, Coex Division (GRN & RJN)***Sri B. R. Bhattacharya***Vice President, Biax Division***Registered Office & Biax Division**

Barjora-Mejia Road,

P.O. Ghutgoria, Tehsil : Barjora,

Distt : Bankura 722 202, West Bengal

Coex Division

3, Industrial Area, NIT,

Faridabad 121 001, Haryana

32, Udyog Vihar, Greater Noida,
Gautam Budh Nagar 201 306, Uttar PradeshPlot E-89, MIDC Industrial Area,
Ranjangaon, Distt. Pune 412 209, Maharashtra**Corporate Office**1, Industrial Area, NIT,
Faridabad 121 001, Haryana**Thermosets Division**Plot E-89, MIDC Industrial Area,
Ranjangaon, Distt. Pune 412 209, Maharashtra**Registrars & Share Transfer Agents**MCS Limited, Sri Venkatesh Bhavan,
W-40, Okhla Industrial Area Phase II, New Delhi 110 020**Auditors**M/s Deloitte Haskins & Sells
Ahmedabad

XPRO INDIA LIMITED : ANNUAL REPORT 2007/08**NOTICE****TO THE SHAREHOLDERS**

Notice is hereby given that the Eleventh Annual General Meeting of the Members of Xpro India Limited will be held on Tuesday, July 29, 2008 at 10.30 a.m. at the Registered Office of the Company at Barjora-Mejia Road, P.O. Ghutgoria, Tehsil: Barjora, Distt: Bankura, West Bengal 722 202 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, 2008.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Sri P. Murari who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri Haigreve Khaitan who retires by rotation and being eligible, offers himself for reappointment.
5. 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 :

6. AS A SPECIAL RESOLUTION

"RESOLVED that pursuant to the Articles of Association of the Company and provisions of Sections 198, 269, 309 & 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 as amended from time to time, the Company hereby approves the re-appointment of Sri Sidharth Birla, Chairman in the whole time employment of the Company whose office shall not be liable to retirement by rotation under the Companies Act, 1956 for a period of three years with effect from March 1, 2008 to February 28, 2011 subject generally to the Rules as laid down by the Board, at remuneration by way of salary, commission, perquisites and other allowances as detailed herein below:

- | | | | |
|------|----------------------|---|---|
| i. | Salary | : | Rs. 4,00,000/- (Rupees Four Lacs only) per month. |
| ii. | Commission | : | At a rate not exceeding 2% of the net profits of the Company within the overall limit of 5% of net profits as may be decided by the Board from time to time. |
| iii. | Housing | : | Fully furnished leased/Company owned housing, or a house rent allowance in lieu thereof as per Company Rules (not exceeding 60% of salary). |
| iv. | Perquisites/Benefits | : | <ol style="list-style-type: none"> a) Reimbursement of medical/ hospitalization expenses for self and family b) Personal Accident Insurance c) Reimbursement of fare for self and family anywhere once in a year while on leave, including boarding and lodging expenses d) Expenditure incurred by the Company on Gas, Electricity & Water e) Club fees: Subject to a maximum of two clubs. This will not include Admission and Life Membership Fee f) Free use of Car(s) with Chauffeur and telephone(s) at residence g) Contribution to Provident Fund, Superannuation or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961 h) Gratuity at the rate of 15 days' salary for each completed year of service at the end of the tenure and i) Encashment of unavailed leave at the end of the tenure. |
| v. | Minimum Remuneration | : | Where in any financial year, the Company has no profits or its profits are inadequate, the foregoing amount of remuneration and benefits shall be paid to Sri Sidharth Birla, as minimum remuneration within the limits specified in Part II Section II Para 1(B) of Schedule XIII (as amended from time to time) to the Companies Act, 1956." |

XPRO INDIA LIMITED : ANNUAL REPORT 2007/08**7. AS A SPECIAL RESOLUTION**

"RESOLVED that in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (the 'Act'), the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the 'Guidelines'), including any amendment of the Act and / or the Guidelines or re-enactment of the Act, and the provisions of the Articles of Association of the Company, and subject to such other approvals and sanctions as may be necessary, the Board of Directors of the Company (the 'Board', which term shall be deemed to include the Remuneration & Nomination Committee thereof discharging the functions of the Compensation Committee) be and is hereby authorized to grant, offer and issue to such present and future permanent employees and Directors of the Company (collectively referred to as the 'employees'), as may be decided by the Board, Options exercisable by the employees to subscribe to such number of Equity Shares of the Company under an 'Employee Stock Option Scheme' (the 'Scheme'), not exceeding five per cent of the issued and subscribed Share Capital of the Company as on March 31, 2008 i.e. up to 5,00,000 Equity Shares of Rs.10/- each (as adjusted for any bonus, consolidation or other re-organization of the capital structure of the Company from time to time), at such price, in such manner, during such period, in one or more tranches, as set out in the Explanatory Statement annexed to this Resolution, and on such other terms and conditions as the Board may decide.

RESOLVED FURTHER that the Board, including any duly authorized Committee thereof, be and is hereby authorized to issue and allot such number of Equity Shares as may be required in pursuance of the Scheme, and that the Equity Shares so issued and allotted shall rank pari passu with the then existing Equity Shares of the Company.

RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board be and is hereby authorized on behalf of the Company to evolve, decide upon and bring into effect the Scheme and make any modifications, variations or revisions thereto or to suspend, withdraw, terminate or revive the Scheme from time to time and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable, and to settle all questions, difficulties or doubts that may arise, without the Board being required to seek any further consent / approval of the Members to the end and intent that the Members shall be deemed to have given such consent / approval expressly by the authority of this Resolution."

8. AS A SPECIAL RESOLUTION

"RESOLVED that the benefits of the Employee Stock Option Scheme proposed under Resolution No.7 of this Notice dated April 28, 2008, and duly approved by the Members, be extended to such present and future permanent employees including Managing / Wholetime Directors of such subsidiary companies of the Company, as may be decided by the Board of Directors of the Company (the 'Board', which term shall be deemed to include the Remuneration & Nomination Committee thereof)."

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

April 28, 2008

By Order of the Board

S.C. JAIN
Company Secretary

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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 19, 2008 to July 29, 2008 (both days inclusive).
4. Dividend on Equity Shares declared at the Annual General Meeting will be paid to those Shareholders, whose names appear on the Register of Members of the Company or whose names appear as the beneficial owner(s) of the Equity Shares of the Company at the close of working hours on July 18, 2008 and the Dividend Warrants will be posted on or before August 18, 2008.
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, W-40, Okhla Industrial Area, Phase - II, New Delhi - 110 020 quoting their folio numbers. Further, please note that in the case of dematerialized shares any change(s) required in Address, Bank details, Bank Mandate, ECS Mandate, Power of Attorney and also requests for registration of Nomination, Transmission, etc., are to be intimated to your DP and not to the Company or our Registrars.
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. Members are hereby informed that the Company would transfer unpaid/unclaimed dividends, which remains unclaimed over a period of 7 years, to the Investor Education and Protection Fund (IEP Fund) constituted by the Central Government under section 205C of the Companies Act, 1956. Details of dividends paid by the Company and respective due dates for transfer of unclaimed dividend to such IEP Fund of the Central Government are as under :

Financial Year	Date of Declaration	Due date for transfer to IEP Fund
2000-01	July 11, 2001	August 16, 2008
2001-02	July 12, 2002	August 12, 2009
2002-03	July 23, 2003	August 23, 2010
2003-04	July 23, 2004	August 23, 2011
2004-05	June 24, 2005	July 30, 2012
2005-06	July 27, 2006	September 2, 2013
2006-07	July 26, 2007	September 1, 2014

It may be noted that no claim shall lie against the Company or the Fund in respect of individual amounts which were unclaimed and unpaid for a period of 7 years and transferred to the Fund on respective due dates indicated hereinabove. Members are advised to claim/encash dividend warrants before due dates for transfer of unclaimed dividend to the IEP Fund.

8. EXPLANATORY STATEMENT
(Pursuant to Section 173 of the Companies Act, 1956/SEBI Regulations)

Item No.3

Sri P. Murari, aged 74 years, holds a Masters Degree in Economics and has been a member of the Indian Administrative Services. 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 experience 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 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 Programs, and National Commission on Food Processing of Government of India. Sri Murari is presently a Director on the Boards of Aban Offshore Ltd., Adayar Gate Hotel Ltd., Aditya Birla Nuvo Ltd., Bajaj Auto Ltd., Glaxo SmithKline Consumer Healthcare Ltd., Great Eastern Energy Corporation Ltd., HEG Ltd., Nuziveedu Seeds Ltd., South Asian Petrochem Ltd., Strategic Weighing Systems Ltd. & Taurus Asset Management Co. Ltd.

He is a member of Audit Committee of Aban Offshore Ltd., Adayar Gate Hotel Ltd., Aditya Birla Nuvo Ltd, Great Eastern Energy Corporation Ltd., Member of Remuneration Committee of Glaxo SmithKline Consumer Healthcare Ltd. and Great Eastern Energy Corporation Ltd., Member of Investment Committee of Taurus Asset Management Co. Ltd., Chairman of Investor Relations & Finance Committee of Aditya Birla Nuvo Ltd., besides being Chairman of Remuneration & Nomination Committee and member of Audit Committee of our Company.

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Sri P. Murari does not hold any shares of the Company.

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

Item No.4

Sri Haigreave Khaitan, aged 38 years, is a Law Graduate. Being an Advocate he has vast experience in Commercial & Corporate Laws, Tax Laws, Mergers & Acquisitions, Restructuring, Foreign Collaboration, Licensing etc.

Sri Haigreave Khaitan is presently Director on the Boards of AVTEC Ltd., Bennett, Coleman & Co. Ltd. BTS Investment Advisors Pvt. Ltd., Ceat Ltd., Dhunseri Tea & Industries Ltd., Great Eastern Energy Corporation Ltd., Gujarat Borosil Ltd., Harrisons Malayalam Ltd., Hindustan Composites Ltd., I.G.E. (India) Ltd., Inox Leisure Ltd., Khaitan Consultants Ltd., National Engineering Industries Ltd., Rama News Print & Papers Ltd., Sterlite Optical Technologies Ltd., The Madras Aluminium Co. Ltd., The Oudh Sugar Mills Ltd., Twenty-First Century Printers Ltd. & Vinar Systems Pvt. Ltd. and Partner of Khaitan & Co.

He is a member of Audit Committee of AVTEC Ltd., Bennett, Coleman & Co. Ltd., Harrisons Malayalam Ltd., Inox Leisure Ltd., National Engineering Industries Ltd., Sterlite Optical Technologies Ltd. and Share Transfer & Shareholders/Investors Grievance Committee of National Engineering Industries Ltd. & Rama News Print & Papers Ltd. Remuneration Committee of Harrisons Malayalam Ltd. & Sterlite Optical Technologies Ltd besides being member of Share Transfer & Shareholders/Investors Grievance Committee of our Company.

Sri Haigreave Khaitan does not hold any shares of the Company.

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

Item No. 6

Sri Sidharth Birla was appointed as a Whole-time Director of the Company designated as Chairman since March 1, 2000. Sri Birla's last appointed term as Whole-time Director expired on February 29, 2008. The Remuneration & Nomination Committee as well as the Board of Directors at their meetings held on January 23, 2008 have unanimously approved the re-appointment of Sri Sidharth Birla in the whole time employment of the Company for a period of 3 years with effect from March 1, 2008 upto February 28, 2011 on the payment of remuneration as proposed in the resolution, subject to the approval of the Shareholders of the Company in General Meeting.

During Sri Sidharth Birla's long association with the Company as the Chairman, he has contributed greatly, in the Company achieving its present position and particularly on matters relating to corporate governance, communicating with stakeholders, holding of high level reviews of strategy/plans and on matters relating to expansion, development and diversification of the Company's businesses.

Except, Sri Sidharth Birla and Smt. Madhushree Birla, who are related, none of the other Directors of the Company is, in any way concerned or interested in the resolution.

In accordance with the requirements of Schedule XIII to the Companies Act, 1956, as amended, a statement providing the required information for the re-appointment and payment of remuneration to Sri Sidharth Birla is given below :-

I. General Information :

- | | |
|--|--|
| 1 Nature of Industry | Polymer Business (diversified) |
| 2 Date or Expected date of commencement of commercial production | The company has Manufacturing units at different locations where commercial production first commenced as per details below:
a) Biax Division, Barjora - 1991
b) Coex Division, Faridabad - 1984
c) Thermoforming Unit, Gr. Noida - 2003
d) Thermosets Division, Pune - 2005(earlier located at Mumbai - since 1945) |
| 3 In case of new companies, expected date of commencement of activities as per projects approved by financial institutions appearing in the prospectus | Not Applicable |
| 4 Financial performance based on given indicators | The net profit after tax for last three years was as follows : |

Year	Net Profits (In Crores Rs.)
2004-05	9.61
2005-06	2.40
2006-07	5.86

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5	Export performance and net foreign exchange collaborations	<u>Exports</u> (FOB Value)	
		<u>Year</u>	<u>Amount</u> (In Crores Rs.)
		2004-05	7.79
		2005-06	7.48
		2006-07	7.70
6	Foreign Investments or Collaborators, if any.	Nil	

II. Information about appointee:

- 1 **Background details**
Sri Sidharth Birla an Industrialist aged 51 years with experience in industry and business of over 30 years, is a Science Honors Graduate and holds a Master's Degree in Business Administration from IMEDE (now called IMD), Lausanne, Switzerland. He has also attended various management programs at the Harvard Business School, Boston, USA, including the Owner/President Management Program.
- 2 **Past remuneration**
For the year 2007-08
Salary : Rs.48.00 lacs
Housing : Nil
Other Perquisites: Rs.7.60 lacs. (leave encashment)
Contribution to PF & Superannuation: Rs.12.96 lacs.
- 3 **Recognition or Awards**
- Member, Executive Committee, FICCI, New Delhi
- Was a member of the 19th Council of the Institute of Chartered Accountants of India (Nominee of Central Government).
- 4 **Job Profile and its Suitability**
He has been appointed in a wholtime capacity to provide inputs on matters relating to corporate governance, communicating with stakeholders, holding of high level reviews of strategy/plans, besides his valuable advice and guidance to the senior management in setting the Company's strategic direction in a dynamic, economic environment including providing necessary assistance and suggestions in matters relating to expansion, development and diversification of the Company's businesses. He has been associated with the businesses of the Company since 1984. Considering his background, he is eminently suitable to hold the position of Chairman in the Company.
- 5 **Remuneration proposed**
As per details contained in the Notice for the Annual General Meeting.
- 6 **Comparative remuneration with respect to Industry Standards**
The proposed remuneration is in line with remuneration payable to the Directorial personnel holding similar stature/position in the Industry.
- 7 **Any Pecuniary Relationship.**
Besides remuneration, Sri Sidharth Birla is promoter director of the Company where he and his family members hold 4.28% of the Equity Shares of the Company.

III. Other Information:

- 1 **Reasons for loss or inadequate profit**
The Company has been consistently earning profits since inception. Profit before tax for the year ended March 31, 2008 was Rs.95.57 lacs. However, profit at Rs.204.43 lacs as computed in accordance with Sec.349 was inadequate. This is a temporary phenomenon largely due to market forces which resulted in lower selling prices for certain types of films and steep increases in raw material prices due to global volatility in petro product prices.
- 2 **Steps taken/ proposed to be taken for improvement**
With stabilization in the petroleum prices and correspondingly in our product selling prices profitability is expected to be restored to adequate levels. Your approval is sought by special resolution as stipulated under Part II Section II Para 1(B) of Schedule XIII to the Act as a matter of abundant caution in case such an eventuality arises.
- 3 **Projected Increase in productivity /profit**

IV. Disclosures:

The Remuneration details are given in the proposed resolution and Corporate Governance Report.

Item No. 7 & 8

Your Company appreciates the critical role its employees play in its growth. Your Company strongly feels that the value created by its employees should be shared with them. To promote the culture of employee ownership in your Company, the Board of Directors of your Company at its meeting held on January 23, 2008 resolved to introduce the "Employees Stock Option Scheme-2008" (hereinafter referred to as the "Scheme") subject to the approval of the shareholders and the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended (the "SEBI Guidelines"). The Board of Directors of your Company has also constituted a Remuneration & Nomination Committee comprising of a majority of independent directors which shall perform the functions of the Compensation Committee as envisaged in the SEBI Guidelines to formulate the detailed terms and conditions of the

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Scheme and shall have the absolute authority and discretion to administer and implement the Scheme in accordance with the SEBI Guidelines.

The approval of the shareholders is, therefore being sought for issue of stock options to the employees of your Company by introduction of the Employees Stock Option Scheme-2008 (the "Scheme").

The salient features of the Scheme are as under:-

1. Total number of options to be granted

Options to be granted under the Scheme shall not result in issue of Equity Shares exceeding 5 per cent of the issued and subscribed Share Capital of the Company as on March 31, 2008 i.e. 5,00,000 Equity Shares of Rs.10/- each (as adjusted for any bonus, consolidation or other re-organization of the capital structure of the Company from time to time).

2. Employees entitled to participate in the Scheme

- i) Such present and future permanent employees in the management cadre and Directors of the Company, as may be determined by the Board, but excluding the promoters or persons belonging to the promoter group of the Company, as may be decided by the Remuneration & Nomination Committee from time to time, would be entitled to be granted stock options under the Scheme.
- ii) Such present and future permanent employees in the management cadre including Managing/Whole-time Directors of such subsidiary companies, as may be determined by the Board.

Options granted to an employee will not be transferable and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner whatsoever.

3. Requirement of Vesting, Period of Vesting and maximum period within which an option shall be vested:

Vesting to commence after a minimum period of 1 year from the date of grant of Options and it may extend upto 3 years from the date of grant. Vesting may occur in one or more tranches, subject to the terms and conditions of vesting, as may be determined by the Remuneration & Nomination Committee.

4. Exercise Price or Pricing Formula

The exercise price shall be the average closing price of the Company's shares on the National Stock Exchange of India (the 'NSE') in the immediate preceding seven day period (as determined by the Compensation Committee) on the date prior to the date on which the Compensation Committee finalizes the specific number of Options to be granted to the Employees discounted by such percentage not exceeding 75% (seventy five per cent) to be determined by the Compensation Committee in the best interest of the various stake holders in the then prevailing market conditions, subject to a minimum exercise price of Rs.10 per share (i.e. at par).

5. Exercise Period and Process of Exercise

The Exercise Period shall commence from the date of vesting and will expire not later than 5 years from the respective date(s) of vesting of Options. Options will be exercisable by employees by making application(s) to the Company in such manner as may be prescribed under the Scheme.

Options will lapse if not exercised within the Exercise Period.

6. Appraisal Process for determining eligibility of employees under the Scheme

The appraisal process for determining the eligibility of employees and the quantum of Options to be issued to them will include the Company's performance, the level / grade of the employee and such other criteria as may be determined by the Board.

Notwithstanding anything contained in Resolution Nos. 7 & 8 or the Explanatory Statement thereto, the Remuneration & Nomination Committee will have the absolute discretion to determine the eligibility of an employee for grant of Options under the Scheme and the quantum of Options to be granted.

XPRO INDIA LIMITED : ANNUAL REPORT 2007/08**7. Maximum number of Options to be issued per employee and in aggregate**

The number of Options to be issued to an employee under the Scheme would be determined by the Remuneration & Nomination Committee. However, no single employee shall be granted, in any financial year, Options exceeding 0.5% of the issued and subscribed Share Capital of the Company as on March 31, 2008 i.e. upto 52,500 Equity Shares of Rs.10/- each (as adjusted for any bonus, consolidation or other re-organization of the capital structure of the Company from time to time). The aggregate of all such grants under the Scheme shall not exceed 5% of the issued and subscribed Share Capital of the Company as on March 31, 2008.

8. Method of Valuation of Options

The Company will adopt the intrinsic value method of valuation of Options. Notwithstanding the above, the Company may adopt any other method as may be determined by the Remuneration & Nomination Committee and as permitted under the SEBI Guidelines.

In case the Company calculates the employee compensation cost using the intrinsic value of the Stock Options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the Options, will be disclosed in the Directors' Report as also the impact of this difference on profits and on EPS of the Company.

9. Disclosure and Accounting Policies

The Company shall comply with the accounting policies prescribed under Clause 13.1 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and all other disclosure requirements and accounting policies prescribed from time to time under applicable laws and regulations.

10. The Options to be granted under the Scheme shall not be treated as an offer or invitation made to the public for subscription in the securities of the Company.

As the Scheme provides for issue of shares to be offered to persons other than existing shareholders of the Company, consent of the members is being sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Act and as per Clause 6 of the SEBI Guidelines.

Accordingly, the Board recommends the resolutions as set out above, for your approval as Special Resolutions.

None of the Directors of the Company is, in any way, concerned or interested in the resolutions except to the extent of the stock options or securities that may be offered to them under the Scheme.

Registered Office :

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

By Order of the Board

S.C. JAIN
Company Secretary

April 28, 2008

XPRO INDIA LIMITED : ANNUAL REPORT 2007/08**REPORT OF THE DIRECTORS
TO THE SHAREHOLDERS**

We present herewith the Annual Report of your Company along with the Audited Accounts for the year ended March 31, 2008.

FINANCIAL RESULTS

	2008	(Rs. Lacs)- 2007
Operations yielded a		
Profit before Depreciation and Tax of	817.40	769.17
less : Depreciation	<u>721.83</u>	<u>656.21</u>
	95.57	114.34
Add : Exceptional Items (net)	<u>-</u>	<u>423.73</u>
Profit Before Tax	95.57	538.07
Add : Excess provision for Income Tax in earlier years	-	130.58
less : Provisions for		
• Income & Wealth Tax	102.00	60.00
• Deferred Tax	(56.24)	4.49
• Fringe Benefit Tax	<u>18.00</u>	<u>18.00</u>
Profit after Tax	31.81	586.16
add : Surplus brought forward	<u>3,287.16</u>	<u>3,047.80</u>
Balance available for appropriation	3,318.97	3,633.96
Which is appropriated as :		
• General Reserve	10.00	170.00
• Proposed Dividend	165.00	151.12
• Dividend Tax	28.04	25.68
• Surplus carried forward	<u>3,115.93</u>	<u>3,287.16</u>

Earnings from core operations improved over the previous year to Rs.817.40 lacs before depreciation and taxes (against Rs.566.07 lacs excluding income due to sale of assets, and exceptional items during the previous year). But profit after tax for the year is not reflective of this improvement in light of (a) higher depreciation during the year and (b) a higher income tax, disproportionate to gross earnings, (and a partial reversal of deferred tax) consequent to a lower available depreciation for tax purposes. This anomaly is expected to be addressed following fresh investments undertaken and planned. However keeping in view the adequate surpluses earned and retained we recommend, for your approval, a Dividend of Rs.1.50 per Share.

REVIEW OF KEY BUSINESS MATTERS

The operations of the company for the year under review can be considered generally satisfactory with overall growth in the Company's business segments, although results have been below the expectations of the Board including due to the price volatility for petro products, and competitive conditions. Aggregate volume at 19,197 MT and Gross Sales at Rs.146.73 Crores were higher by about 10% over the previous year. We continue to view the future with optimism, though mindful of uncertainties arising from hardened crude prices (with resultant impact on prices of petroleum/polymer products), instability in financial markets globally and the economic trends being presently forecast.

Our strategic intent for BOPP and Cast films is towards specialization in certain types of films (including thin, capacitor, hygiene and metalized films). As a result the Company was able to operate its plants at high utilization levels particularly for BOPP Films; however at present capacity, the Company does not have the benefits of scale as available to competing companies. BOPP Films have seen consistent growth in keeping with the rapid growth in the flexible packaging materials industry world-wide. The present low per capita consumption level in India, and the growth being seen inter-alia in the retail sector and the packaged foods industry, both point to sustainable opportunities for BOPP films. Accordingly, the expansion of BOPP films capacity has been progressed, with preparatory engineering and site work in progress, while detailed financial structuring is being worked out.

Following continued healthy growth rates of around 16% of the domestic white goods industry (mainly refrigerators), the off-take of sheets and formed liners, and sheet production, was higher by about 16% over the previous year with continuing growth prospects. With a long term view and to better serve customers in the Western region, new facilities were commissioned at Ranjangaon to manufacture Co-extruded Sheets and thermoformed Refrigerator Liners. Proactive steps continue to be taken by the management to preserve market standing and competitive edge, including through development, productivity improvement and cost/financial discipline.

Subsequent to relocation, the Thermosets plant at Ranjangaon (near Pune) is progressing well; production during the year was nearly 22% higher than the previous year. The conventional products have been well accepted by the market and several new products have been developed for domestic and international markets.