

ANNUAL REPORT
2000 - 2001



XIL XPRO INDIA LIMITED

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.

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 34003
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

Executive Vice President (Operations),

Biax Division

W. SURYAPRAKASAM

Executive Vice President,

Cimmco Spinners Division

MANMOHAN KRISHAN

Vice President (Works),

Coex Division

A.D. INAMDAR

Vice President,

Thermosets Division

XPRO INDIA LIMITED

NOTICE
TO THE SHAREHOLDERS

Notice is hereby given that the Fourth 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 Wednesday, July 11, 2001 at 11.00 a.m. to transact the following business:

1. To consider and adopt the Directors' Report and audited Balance Sheet & Profit & Loss Account as at and for the Financial year ended March 31, 2001.
2. To declare Dividend on Equity Shares.
3. To appoint Directors in place of Shri Utsav Parekh & Shri Haigreve Khaitan who retire by rotation and being eligible, offer themselves for reappointment.
4. To appoint Auditors of the Company and to fix their remuneration.

By Order of the Board

S.C. JAIN
Company Secretary

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

April 26, 2001

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. Members are requested to notify the change in their registered address, if any, alongwith the Pin Code number immediately to the Company's Registrars & Share Transfer Agents, MCS Ltd., Sri Venkatesh Bhavan, 212-A, Shahpurjat, New Delhi 110 049 quoting their folio numbers.
4. The Register of Members of the Company will remain closed from July 1, 2001 to July 11, 2001 (both days inclusive).
5. Dividend on Equity Shares declared at the Annual General Meeting will be paid to those Shareholders, whose names stand on Register of Members of the Company on July 11, 2001 and the Dividend Warrants will be posted on or before August 10, 2001.
6. EXPLANATORY STATEMENT
(PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956/SEBI CODE FOR CORPORATE GOVERNANCE)

- i. Shri Utsav Parekh, aged about 45 years, holds a Bachelor's Degree in Commerce with honours. He has rich and varied business experience of about 20 years as Merchant Banker, Stock Broking and Financial Services. He is member of the Calcutta Stock Exchange Association. Shri Utsav Parekh is presently Director on the Boards of Birla Century Finance Ltd., Fort Gloster Industries Ltd., Globosyn Technologies Ltd., Investment Research & Information Services Ltd., ITW Signode (India) Ltd., McNally Bharat Engg. Co. Ltd., Ontrack Systems Ltd., Patriot Automation Projects P. Ltd., S & M Advisory & Broking Services P. Ltd., SMIFS Capital Markets Ltd., SMIFS Securities Ltd., SMIFS Venture Capital Ltd., Solutions Integrated Marketing Services Pvt. Ltd., Teamasia Lakhii Semiconductors Ltd., The Sirpur Paper Mills Ltd., & Velocient Technologies Ltd. He is a member of the Audit and Remuneration & Nomination Committees, and the Committee of Directors besides being the Chairman of Share Transfer & Shareholders/Investors Grievance Committee of the Company. Except Shri Utsav Parekh, no other Director is interested in the resolution.
- ii. Shri Haigreve Khaitan, aged about 31 years, is a Law Graduate. Being an Advocate he has rich and varied experience in Commercial & Corporate Laws, Tax Laws, Mergers & Acquisitions, Restructuring, Foreign Collaboration, Licensing etc. Shri Haigreve Khaitan is presently Director on the Boards of ABC Consolidated Pvt. Ltd., Aekta Limited, Bengal Tea & Fabrics Ltd., Cheviot Company Ltd., Ceat Ltd., Dormeuil-Birla VXL Ltd., Harrisons Malayalam Ltd., Hiltop Holdings India Ltd., Indiaart.com Pvt. Ltd., Jubilee Investments & Industries Ltd., Khaitan Consultants Ltd., Kilburn Chemicals Ltd., Kothari Plantations & Industries Ltd., National Engineering Industries Ltd., Polylink Polymers (India) Ltd., Rasoi Ltd., Ritspin Synthetics Ltd., Ritssfibra Pte Ltd., RPG Cables Limited, RPG Cellular Services Ltd., and Vinar Systems Ltd. He is a member of the Audit and Share Transfer & Shareholders/Investors Grievance Committees of the Company. Except Shri Haigreve Khaitan, no other Director is interested in the resolution.

By Order of the Board

S.C. JAIN
Company Secretary

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

April 26, 2001

XPRO INDIA LIMITED**REPORT OF THE DIRECTORS
TO THE SHAREHOLDERS**

We have pleasure in presenting herewith our Annual Report together with the Audited Accounts of your Company for the year ended March 31, 2001.

FINANCIAL RESULTS

	(Rs. lacs) March 31, 2001
Working for the year yielded a	
Profit before Depreciation and Tax of	1,079.39
Less : Depreciation	431.11

Profit Before Tax	348.28
Less: Provision for Tax	57.00

PROFIT AFTER TAX	591.28
Add :	
Surplus brought forward	582.24
Debenture Redemption Reserve no longer required	50.00

Leaving a Balance of	1,223.52
Which is being appropriated as:	
General Reserve	50.00
Proposed Dividend	89.13
Dividend Tax	9.09
Surplus carried forward	1,075.30

	1,223.52

We recommend, for your approval, a dividend of Rs.1.25 per Share, on which tax has been provided as proposed in the union budget for 2001-2002, which is yet to be passed by Parliament.

REVIEW OF KEY OPERATIONAL MATTERS

The Board continues to push for enhanced creation of value through superior products, governance and healthy business practices. The Management Discussion & Analysis Report, as required by the corporate governance code, is annexed hereto and repetition is being avoided here. Operations were generally satisfactory during the year and the Company achieved Sales of Rs.163.11 Crores, a fall of about 5% over the previous year. In the net the reduction accounts for reduced output (in line with market conditions), competitive pressure on selling prices and any price adjustments consequent to fall in input prices of some polymers. Under the present economic scenario profit performance may be considered satisfactory, having been largely achieved through lower interest cost, better efficiencies & cost management.

Biax Division maintained a high capacity utilisation. In the face of additional capacity being created for BOPP films, considering market growth, options for the Division's capacity enhancement to consolidate its market share are being assessed. Coex Division witnessed a slow-down in the white goods industry, its significant client base. This led to curtailed output, which however is seen as temporary given the forecasts being made for sustained growth in the sector, particularly for refrigerators. The new, state-of-the-art cast film line at the Coex Division declared commercial production in March 2001. There are no particularly significant matters to report for Spinning and Thermoset Divisions, where operations are satisfactory under the circumstances.

STATUTORY INFORMATION & OTHER MATTERS

Information as per the requirements of the Companies Act, as also our report on corporate governance, form a part of this report and are annexed hereto. Relations with employees were generally cordial and we record our appreciation of the contribution made by committed employees during the year. Equity Shares of the Company were required to be compulsorily traded in dematerialised form by February 26, 2001; however the Company took steps to allow this in November 2000 itself. The remaining debentures worth

Rs.100 Lacs were redeemed when due; fixed deposits have not been invited or accepted by the Company.

During the year Sri Debnel Mukherjee was appointed as nominee Director of ICICI Limited. Sri Haigreve Khaitan and Sri Utsav Parekh, Directors, retire by rotation and, being eligible, offer themselves for reappointment. The Managing Director Sri R.R.Bhansali, stepped down due to personal reasons from his position and the Board on December 31, 2000; the Board records its appreciation of the valuable services rendered by Sri R.R.Bhansali during his tenure. The Board appointed Sri C.Bhaskar (until then the President & Chief Operating Officer) as a whole-time Director, designated as Executive Director & Chief Operating Officer, w.e.f. January 1, 2001; he has been entrusted with general management responsibilities and shareholders have since approved his appointment and terms also.

Observations of the Auditors when read together with the relevant notes to the accounts are self-explanatory. As part of corporate governance practices, the management's statement on the integrity and fair presentation of financial statements is provided to the Board as a part of the process of accounts approval. However, as per the amended Section 217(2AA) of the Companies Act, the Directors indicate that they have taken reasonable and bonafide care that (a) 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) 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 & loss of the Company for the period; (c) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities; and (d) 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 for the valuable cooperation and support received by the Company from its Financial Institutions, Banks and concerned Government and other authorities.

FOR AND ON BEHALF OF THE BOARD

New Delhi
April 26, 2001

SIDHARTH BIRLA
Chairman

XPRO INDIA LIMITED

MANAGEMENT DISCUSSION & ANALYSIS REPORT

We have pleasure in submitting here a Management Discussion & Analysis Report on the businesses of the Company. We have attempted to include discussions on all specified matters to the extent relevant or within limits that in our opinion are imposed by the Company's own competitive position. The Company completed the year with improved profit performance but Sales value was lower by about 5% at Rs.163.11 Crores. In the net the reduction accounts for reduced output (in line with market conditions), competitive pressure on selling prices and any price adjustments consequent to fall in input prices of some polymers. Export earnings were Rs.34.63 Crores, principally accounted for by cotton yarn. Profit Before Tax improved to Rs.6.48 Crores, though in the face of continuing competitive and cost pressures. 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 4 Divisions; each is kept self-sufficient managerially to perform its own duties and functions, and support is provided at a corporate level as required. Data on capacities, volumes and turnover are contained in the Notes to the Accounts; a summary is given below.

Division	FY 99/00		FY 00/01	
	Production	Sales	Production	Sales
BIAX	3,480	4,149	3,543	4,636
COEX	7,774	4,228	6,678	4,033
THERMOSETS	3,100	2,155	2,978	2,195
Polymers Activities	14,354	10,532	13,199	10,864
SPINNING	4,123	6,658	3,332	5,447
TOTAL		17,190		16,311

(Note : Production in MT; Sales in Rs. Lacs; a part of Coex Division's production based on conversion, which cannot reflect fully in sales value.)

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 may be fair to say that the Company is a mid-size 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 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 principal raw materials used by the Company are Polypropylene, Styrene Polymers, LD/LLD Polyethylene, Cotton, Phenol & Formaldehyde.

We 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 the Company in developing technically

sustainable solutions with clearly apparent customer benefits. Biax, Coex & Spinning Divisions' units are ISO 9002 certified.

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 manufacturer; 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. The BOPP market has been displaying growth which is expected to continue at about 14% annually. At 4,600 MT ours is the fourth largest BOPP Film capacity in India. During the year production was 3,543 MT, which actually translates to full capacity utilisation, as the product mix is of a finer average gauge than the basis for calculating installed capacity as per standard practice. The Division achieved a high capacity utilisation despite excess domestic capacity due to consistent quality and service standards, focus on specialised products and superior service levels. Domestic markets for BOPP films have been under pressure from imports, particularly from South East Asia where large BOPP film capacities exist. It is disappointing that, despite due representations to our Government, import duties on BOPP films for use in capacitor industry is still significantly lower compared to that on raw materials.

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. Total production of sheets & films at this division was 6,678 MT during the year. The reduced output compared to last year was fundamentally due to a production decline of almost 15% in refrigerators, which is the single largest market segment for the division. However recent growth forecasts stand as high as 12% for White Goods, mainly refrigerators; this augurs well for us. Growth in demand for sophisticated packaging materials continues to be driven by new product applications. Commercial production for the new cast film line, which expanded capacity from 1,400 to 5,000 MT pa, could commence only in March 2001 after resolution of supplier-related teething delays.

Thermosets Division

The unit of the Thermosets Division, originally established about 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 and tyres/rubber industry. The Division's ability to offer a comprehensive product range spanning numerous grades (including specially developed types) has helped it to acquire market leadership. Total production during the year was 2,978 MT. The unit is the largest producer for Phenolic moulding compounds & Non-Foundry Phenolic resins. The year under review was particularly difficult in view of sharp rises in phenol prices (over 35%) and recessionary conditions in the automotive sector. However, with revival of user industry in general, the market for our products is expected to grow at around 8% per annum. The unit has initiated technical up-gradation to improve quality and productivity.

Spinning Division

Spinning Division (called Cimco Spinners Division) comprises a 100% Export Oriented Unit producing cotton yarn, with an installed capacity of 26,208 spindles, with its yarn conforming to high international standards of quality. Total production during the year was 3,332 MT, the prima-facie decrease from the previous year being due to finer product mix and reduced doubling of out-sourced yarn. Sales volume was supplemented through yarn trading. During the year cotton prices fluctuated significantly. Demand from

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conventional markets such as Korea also declined due to lower off-take of finished fabrics/garments from Europe and USA. As a result, export prices were under great pressure. In certain periods, domestic prices being better, domestic sales (within the limits permitted for EOU's) were resorted to; therefore the export value stood reduced. The unit has been operating at full capacity over the past few years and has established a sound customer base in Asia, Europe and the EEC. Comparative studies by SITRA have shown that this unit has achieved overall superior performance.

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 829, of which officers and staff account for 319, and workmen for the balance (last year 905 and 331 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 and determination. Our sincere thanks are due to all employees and team-mates, particularly the Division Heads, whose dedicated and hard work allowed these results to be achieved. We are grateful to all our Bankers, Financial Institutions & concerned Authorities for their continued support, and to all our customers for their faith & confidence; we commit ourselves to their fullest 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 26, 2001

C. BHASKAR
Executive Director & Chief Operating Officer

**REPORT OF THE DIRECTORS
ON CORPORATE GOVERNANCE**

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

THE BOARD OF DIRECTORS**Composition**

The Board consists of 8 Directors, of which 7 are non-executive. As a policy the identities, positions, duties and responsibilities of the Chairman and the Chief Executive are kept separate and suitably defined. Accordingly the Chairman's position, even when whole-time, is non-executive in essence and character as 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. Accordingly, management of the affairs of the Company was vested in Sri R.R.Bhansali, Managing Director until December 31, 2000 when he stepped down from the position and the Board for personal reasons. Since January 1, 2001 Sri C. Bhaskar who has been appointed as Executive Director & Chief Operating Officer (and who is currently also discharging duties and responsibilities of the Chief Executive) heads the management team, holds operational responsibility for the 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 this 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 6 (a majority) independent Directors viz. Sri Amitabha Ghosh (formerly Banker and Deputy Governor of Reserve Bank of India), Sri Haigreve Khaitan (Advocate), Sri P.Murari (IAS (retired), formerly Secretary to the Government of India), Sri Utsav Parekh (Merchant Banker) and Sri S. Ragothaman (self-employed professional, formerly a senior officer at ICICI); Sri Debnneel Mukherjee (Chief Financial Officer, ICICI Infotech Limited) nominee of ICICI, is considered independent. Sri Sidharth Birla, Chairman (MBA, B.Sc.(Hons.)) represents the 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 and finance, law, administration and public policy, and also contribute significantly to Board committees. Their independent role vis-à-vis the Company means that they have a special contribution to make in terms of adding a broad perspective, by ensuring that the interests of all shareholders are kept in acceptable balance and also in providing an objective view in any 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 in whole-time capacity) need approval of the shareholders; such appointments are for a period of not more than 5 years and, when eligible, they qualify for re-appointment at the end of their term. One-third of the 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.

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Details of Directors are given below by category, attendance and total directorships besides memberships and chairmanships of Board committees.

Director	Category*	Board Attendance **	B / C / Ch ***
Sidharth Birla	P	5 / 5	9 / - / 1
Amitabha Ghosh	I	5 / 5	17 / 4 / 1
Haigreve Khaitan	I	1 / 5	22 / 2 / -
P. Murari	I	2 / 5	14 / 7 / 1
Debnneel Mukherjee	I/N	2 / 3	4 / - / -
Utsav Parekh	I	4 / 5	17 / 7 / 3
S. Ragothaman	I	4 / 5	4 / 2 / 1
R.R. Bhansali	E	4 / 4	- / - / -
(until Dec 31, 2000)			
C. Bhaskar	E	1 / 1	3 / 1 / -
(since Jan 1, 2001)			

* : (P = Promoter, I = Independent, N = Nominee, E = Executive)

** : for year under review. (attendance data relates to relevant meetings while a Director)

*** : (B=Board Memberships, C/CH=Membership/Chairmanship of SEBI specified Board Committees)

Responsibilities

The Board's principal concentration is on strategic issues & 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 the 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, performance 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 and 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 dignified, honest and responsible manner. To establish a framework and policy to promote and adhere to this spirit, a Code of Conduct for all employees has also been instituted.

BOARD MEETINGS & COMMITTEES

The Board meetings are usually held at the Company's offices, including at plants. Meetings are usually scheduled about a month in advance. The Board meets at least once a quarter to, *inter-alia*, review quarterly financial results. The Agenda for meetings is prepared by the Secretary, in consultation with the Chairman, 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 & make presentations whenever required. In the year under review the Board met 5 times on April 24, July 6, October 18, December 2, 2000 and January 30, 2001.

To enable fuller attention to the affairs of the Company, the Board delegates specified matters to its committees, which also prepare the groundwork for decision-making and report to the Board. However no matter is left to the final decision of any committee, which under law or the Articles may not be delegated by the Board or may require its explicit approval.

Audit Committee

The terms of reference of the Audit committee, as specified by the Board in writing, include the whole as specified in the SEBI code and the Companies (Amendment) Act, 2000, including a review of audit procedures & techniques, financial reporting systems, internal control systems & 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 appointment of external auditors and their fees/ 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 and internal auditors are reviewed along with managements' 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 advise which it needs to do so. The committee comprises Sri S. Ragothaman (as its Chairman), Sri Utsav Parekh and Sri Haigreve Khaitan, and is mandated to meet at least thrice in a year; once to assess the audited accounts before they are put up to the Board, besides meeting at least once in 6 months in the usual course. The committee met on April 24 and October 18, 2000 & January 30, 2001, attended by Sri S. Ragothaman (3/3), Sri Utsav Parekh (3/3) and Sri Haigreve Khaitan (1/3).

Remuneration & Nomination Committee

The 'Remuneration & Evaluations' & 'Nominations' committees were merged into a 'Remunerations & Nomination Committee', which comprises non-executive and independent (in the majority) 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 can assess decisions on remuneration and progression of executive Directors and senior officers; the compensation of the Chairman and other non-executive Directors are a subject only for the whole Board. The committee comprises of Sri Sidharth Birla, Chairman, Sri P.Murari and Sri Utsav Parekh. During the year the committee met on December 18, 2000, attended by Sri Sidharth Birla (1/1), Sri P. Murari (1/1) and Sri Utsav Parekh (0/1). Directors, other than the Chairman as well as executive Directors, are paid sitting fees of Rs.5,000 for each meeting of the Board or its committees attended by them. Shareholders have approved payment of remuneration to the Chairman by way of a salary, housing facility/allowance and perquisites amounting respectively to Rs.1.50 lacs per month (with annual increments of Rs.15,000 per month), upto 60% of salary & upto Rs.15.0 lacs per year (other than exempted items vide Schedule XIII of the Companies Act), payable as minimum remuneration (only with due approval where required) for 5 years w.e.f. March 1, 2000. The Executive Director & Chief Operating Officer was appointed w.e.f. January 1, 2001 for a period of 5 years; shareholders have approved a remuneration by way of salary, housing facility/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 and perquisites (in the aggregate this falls within minimum remuneration allowed in Schedule XIII of the Companies Act). In both cases, there are no severance fees, other benefits, bonuses or stock options. Payments under these sanctions are given appropriately in this Annual Report.

Share Transfer & Shareholder/Investor Grievance Committee

The committee reviews, records and helps expedite transfer of shares. The Company has about 70,000 shareholders and the committee meets frequently throughout the year to minimise any delays in the transfer process. Any shareholder grievance is referred to this committee in the first instance, for earliest resolution of any problem. The Secretary, Sri S.C. Jain, is appointed as Compliance Officer under relevant regulations. This committee is chaired by Sri Utsav Parekh and includes Sri Haigreve Khaitan & Sri C. Bhaskar. 360 complaints/queries were received from shareholders and have been resolved; accordingly none are pending.

Committee of Directors

In addition to the above, 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 February 14 and March 28, 2001, attended by Sri Sidharth Birla (2/2), Sri Utsav Parekh (0/2) 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