

**ANNUAL REPORT
2004 - 2005**



XII **XPRO INDIA LIMITED**

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XPRO INDIA LIMITED : ANNUAL REPORT 2004-05

Board of Directors

Sri Sidharth Birla

Chairman

Smt. Madhushree Birla

Sri Amitabha Ghosh

Sri Haigreve Khaitan

Sri P. Murari

Sri Utsav Parekh

Sri S. Ragothaman

Sri C. Bhaskar

Executive Director & Chief Operating Officer

Company Secretary

Sri S.C. Jain

Unit Heads

Sri H. Bakshi

Joint President, Biax Division

Sri Manmohan Krishan

Executive Vice President, Coex Division

Sri Anil Jain

Vice President, Thermosets Division

Sri U. K. Saraf

Vice President, Thermoforming Unit

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

Coex Division- Pune Unit

Gat. No. 399, Pune-Nagar Road,

Lonikand, Distt.: Pune 412 216, Maharashtra

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,

W-40, Okhla Industrial Area Phase II,

New Delhi 110 020

Auditors

Until the end of the Annual General Meeting :

M/s Lodha & Co., New Delhi

Proposed herein, for approval :

M/s Khimji Kunverji & Co., Mumbai

NOTICE**TO THE SHAREHOLDERS**

Notice is hereby given that the Eighth 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 Friday, June 24, 2005 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, 2005.
2. To declare Dividend on Equity Shares.
3. To appoint Directors in place of Sri Haigreve Khaitan & Sri P Murari who retire by rotation and being eligible, offer themselves for reappointment.
4. To appoint Auditors of the Company and to fix their remuneration.

A 'Special Notice' within the meaning of Sections 190 and 225(1) of the Companies Act, 1956 has been received from a member of the Company of his intention to move the under mentioned as an Ordinary Resolution:

"RESOLVED that M/s Khimji Kunverji & Co., Chartered Accountants, having their office at Suite 52, Bombay Mutual Building, Sir Phirozshah Mehta Road, Fort, Mumbai 400 001, be and are hereby appointed as the Statutory Auditors of the Company in place of M/s Lodha & Co., Chartered Accountants, New Delhi and that they shall hold office from the conclusion of this Annual General meeting till the conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors in consultation with M/s Khimji Kunverji & Co."

SPECIAL BUSINESS:

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

5. AS AN 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 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, 2005 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. 3,50,000/- per month with an annual increase of Rs. 25,000/- 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 | : a) Reimbursement of medical/ hospitalisation expenses for self and family
b) Personal Accident Insurance |

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- c) Reimbursement of fare for self and family anywhere once 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.

Registered Office :

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

By Order of the Board

April 30, 2005

S.C. JAIN
Company Secretary

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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 June 16, 2005 to June 24, 2005 (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 June 15, 2005 and the Dividend Warrants will be posted on or before July 15, 2005.
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, MGS 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 demat 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. EXPLANATORY STATEMENT

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

Item No. 3.

- i. Sri Haigreave Khaitan, aged 35 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 BTS Investment Advisors Pvt. Ltd., Cheviot Company Ltd., Ceat Ltd., Dhunseri Tea & Industries Ltd., Dormeuil-Birla VXL Ltd., Gujarat Borosil Ltd., Harrisons Malayalam Ltd., Hindustan Composites Ltd., India Foils Ltd., Khaitan Consultants Ltd., Kothari Plantations & Industries Ltd., National Engineering Industries Ltd., Neoworth Private Ltd., Rama News Print & Papers Ltd., Ritspin Synthetics Ltd., Ritssfibra Pte Ltd., Sterlite Optical Technologies Ltd. & Vinar Systems Private Ltd.

He is a member of Audit Committee of Harrisons Malayalam Ltd., Hindustan Composites Ltd., National Engineering Industries Ltd., Sterlite Optical Technologies Ltd. and Share Transfer & Shareholders/ Investors Grievance Committee of Cheviot Company Ltd. & Harrisons Malayalam Ltd., National Engineering Industries Ltd., Remuneration Committee of Harrisons Malayalam Ltd., Finance Committee of Ritspin Synthetics Ltd. besides being member of Share Transfer & Shareholders/ Investors Grievance Committee of our Company.

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

- ii. Sri P. Murari, aged 71 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 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 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 Aban Lyod Chiles Offshore Ltd., Bhoruka Power Corporation Ltd., Credit Capital Asset Management Co. Ltd., Daurala Organics Ltd., Glaxo SmithKline Beecham Consumer Healthcare Ltd., Great Eastern Energy Corporation Ltd., HEG Ltd., Indian Rayon and Industries Ltd., Moving Picture Company (India) Ltd., Mukund Ltd., South Asian Petrochem Ltd. & SMV Consultants Private Ltd.

He is a member of Audit Committee of Aban Lyod Chiles Offshore Ltd., Indian Rayon and Industries Ltd., Moving Picture Company (India) Ltd., Mukund Ltd., Remuneration Committee of Mukund Ltd. and Investment Committee of Credit Capital Asset Management Co. Ltd., Chairman of Remuneration Committee of Glaxo SmithKline Beecham Consumer Healthcare Ltd. and 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.

Item No. 5.

Sri Sidharth Birla was appointed as a Whole-time Director of the Company designated as Chairman with effect from March 1, 2000. Sri Birla's term as Whole-time Director expired on February 28, 2005. The Remuneration & Nomination Committee as well as the Board of Directors at their meetings held on January 31, 2005 and February 25, 2005 respectively have unanimously approved the appointment of Sri Sidharth Birla in the whole time employment of the Company for a period of three years with effect from March 1, 2005 upto February 29, 2008 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 | <p>The company has 5 Manufacturing units which commenced commercial production as per details below:</p> <p>a) Biax Division, Barjora - 1991</p> <p>b) Coex Division, Faridabad - 1984</p> <p>c) Thermoforming Unit, Gr. Noida - 2003</p> <p>d) Thermosets Division, Mumbai - 1945</p> <p>e) Pune Unit, Pune - 2005</p> | | | | | | | | |
| 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 | <p>The net profit after tax for last three years was as follows:</p> <table border="0"> <tr> <th style="text-align: left;">Year</th> <th style="text-align: left;">Net Profit (In Crores Rs.)</th> </tr> <tr> <td>2001-02</td> <td>5.62</td> </tr> <tr> <td>2002-03</td> <td>5.21</td> </tr> <tr> <td>2003-04</td> <td>13.71 *</td> </tr> </table> | Year | Net Profit (In Crores Rs.) | 2001-02 | 5.62 | 2002-03 | 5.21 | 2003-04 | 13.71 * |
| Year | Net Profit (In Crores Rs.) | | | | | | | | | |
| 2001-02 | 5.62 | | | | | | | | | |
| 2002-03 | 5.21 | | | | | | | | | |
| 2003-04 | 13.71 * | | | | | | | | | |

(* including exceptional items of Rs. 8.05 crores - net)

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5	Export performance and net foreign exchange collaborations	<u>Exports (FOB Value)</u>	
		<u>Year</u>	<u>Amount (In Crores Rs.)</u>
		2001-02	17.44
		2002-03	24.72
		2003-04	15.74

6 Foreign Investments or Collaborators, if any. Nil

II. Information about appointee :

- 1 **Background details** Shri Sidharth Birla aged 48 years and having experience of 27 years is an Industrialist and a Science Honours Graduate and holds a Master's Degree in Business Administration from IMEDE (now called IMD), Lausanne, Switzerland. He has also attended various management programmes at the Harvard Business School, Boston, USA, including the Owner/President Management Programme.
- 2 **Past remuneration** For the year 2003-04
Salary : Rs. 17.40 lacs
Housing : Rs. 5.33 lacs
Other Perquisites: Rs. 3.55 lacs.,
Contribution to PF & Superannuation: Rs. 6.32 lacs
- 3 **Recognition or Awards**
 - Member, Executive Committee, FICCI, New Delhi
 - Member, 19th Council of the Institute of Chartered Accountants of India
 - Member, Executive Committee, Indian Chamber of Commerce, Kolkata
- 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 the remuneration payable to the managerial personnel holding similar stature/ position in the Industry.
- 7 **Any Pecuniary Relationship** Besides remuneration, Sri Sidharth Birla is promoter director of the Company. He and his family members hold 5.70 % shares of the Company

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III. Other Information :

- 1 Reasons for loss or inadequate profit
- 2 Steps taken/ proposed to be taken for improvement
- 3 Projected Increase in productivity / profit

The Company has been consistently earning profits since inception. Profit before tax for the year ended March 31, 2005 was Rs.1496.75 lakhs. However, profit at Rs. 449.66 lakhs as computed in accordance with Sec.349 was inadequate. This is a temporary phenomena 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 petroproduct prices. With stabilisation 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

IV. Disclosures:

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

Registered Office :

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

By Order of the Board

April 30, 2005

S.C. JAIN

Company Secretary

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**REPORT OF THE DIRECTORS
TO THE SHAREHOLDERS**

We have pleasure in presenting herewith the Eighth Annual Report of your Company along with the Audited Accounts for the year ended March 31, 2005.

Financial Results

	<u>March 31, 2005</u>	(Rs. Lacs) <u>March 31, 2004</u>
Operations yielded a		
Profit before Depreciation and Tax of	1,136.37	1,277.03
less : Depreciation	<u>656.21</u>	<u>706.72</u>
	480.16	570.31
Add : Exceptional Items (net)	1,016.59	804.62
Profit Before Tax, as per P&L Account	1,496.75	1,374.93
Less : Provisions for		
• Income Tax	350.00	112.00
• Deferred Tax	186.16	(102.00)
• Tax pertaining to earlier years	-	(6.70)
Profit after Tax	960.59	1,371.63
add : Surplus brought forward	<u>2,437.21</u>	<u>1,552.32</u>
Balance available for appropriation	3,397.80	2,923.95
Which is appropriated as:		
• General Reserve	100.00	145.76
• Proposed Dividend	201.50	151.13
• Proposed one-time Special Dividend	-	151.13
• Dividend Tax	28.26	38.72
• Surplus carried forward	<u>3,068.04</u>	<u>2,437.21</u>
	3,397.80	2,923.95

The financial results for the year are not directly comparable with those for the previous year, due to differing impact of strategic initiatives undertaken by the Company during these years. We recommend for your approval a Dividend of Rs.2.00 per Share.

Review of Key Business Matters

The operations and results of the company can be considered generally satisfactory. Quantitative volumes were stable at over 18,000 MT, with an increase of nearly 8.4% in sales to Rs.167.40 Crores. The global rise and volatility in prices of petroleum products resulted in increase in the prices of all our raw materials and these could not be recovered in a competitive market, leading to depressed margins for the time being.

As indicated last year, both of the Company's Film segments (BOPP and Cast) witnessed tough market conditions further aggravated due to additional domestic capacities. Nevertheless, the Company was able to operate its plants at very good utilization levels, particularly in BOPP. Our strategic intent for BOPP films are directed towards a continued focus and specialization in special types of films (including thin, capacitor films and metallised films for special applications). The Company explored opportunities for establishing

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linkages with an appropriate global player; during the year it identified such an international producer and after a strategic meeting of minds and intent agreed to create a joint venture on an equal basis, with a long term perspective in light of our commitment to this sector. The Pithampur plant for BOPP, acquired by the Company in September 2003, was performing well and many improvements had been made and introduced since its acquisition. The technical capabilities (including capability to manufacture thin films) had been successfully enhanced. It was felt that transfer of this plant to a joint venture, and conversion into a specialized films manufacturing plant, would result in significant value enhancement, besides a strong market presence. The identified joint venture partner, M/s AB Rani Plast OY, is a company headquartered in Finland and engaged, *inter alia*, in the business of development, production and supply of BOPP and Cast Films. They possess established strengths in metallised and capacitor films including through their joint venture in Slovakia, M/s Terichem a.s., (here collectively referred to as the "RANI Group") and such dielectric materials are marketed by them under the "Tervakoski" brand name.

The Company entered into a Joint Venture Agreement with "RANI Group" to establish Terxpro Films Private Limited for the development, production and marketing of specialized base and metallised films for capacitors. In terms of the agreement and pursuant to shareholders approval, accorded during the year, the Biax Division-Unit II, at Pithampur, was sold and transferred to the joint venture company, for its subsequent modification and conversion into a capacitor films manufacturing plant, with effect from January 19, 2005.

During the year, the domestic white goods industry, particularly refrigerators, which showed remarkable growth prospects as mentioned last year, suddenly turned in a lacklustre performance. This affected the off-take of sheets and formed liners. Notwithstanding such depression, which is expected to be temporary, sheet production capacity has been created at the thermoforming unit in Greater Noida, and also at Pune, so as to offer customer the advantages of proximity, better service levels and fiscal benefits. Proactive steps also continue to be taken by the management to preserve the market standing and competitive edge, including through development, productivity improvement, cost and financial discipline.

Mention was made in our last report about developing a growth centre in the western zone and of the acquisition of land at Ranjangaon (near Pune). We are glad to inform that following detailed design work and completion of various formalities, construction work at this site is being taken up for setting up capacity for Thermoset Division's operations, in the first instance. Sufficient land is available for pursuing other growth opportunities also. The Company is also at advanced stages of a tie up with a leading foreign player to manufacture products for sale under their brand; this would provide additional base loads for these operations.

The various strategic moves have resulted in improved financial indicators and liquidity over the last few years. Borrowings have been reduced and interest costs have gone down considerably. Fitch has renewed its healthy ratings and a stable outlook for the Company, which does not have borrowings through Fixed Deposits, Debentures or from Financial Institutions. The combination of ratings, a generally healthy cash flow and the liquidity base create a foundation to explore options for growth in core areas and alternatives relating to acquisitions or projects are being studied.

Statutory Information and Other Matters

Information as per requirements of the Companies Act, 1956, our report on Corporate Governance and the Management Discussion & Analysis Report form a part of this Report and are annexed hereto. During the year Diamond Realty Limited ceased to be a subsidiary of the Company. The Audited Accounts and the Directors' Report for the year ended March 31, 2005 for the subsidiary Xpro Global Limited are annexed hereto. In compliance with Accounting Standards 21 and 27, consolidated statement of accounts are also submitted, incorporating the appropriate consolidation of accounts of Xpro Global Limited and Terxpro Films Private Limited with those of the Company. Relations with employees were generally cordial and we