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## **XPRO INDIA LIMITED**

**ANNUAL REPORT 2008/09**

**Board of Directors**

Sri Sidharth Birla

*Chairman*

Smt. Madhushree Birla

Sri Amitabha Ghosh

Sri Haigreave 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 & RNJ)***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 Pradesh

Plot E-89, MIDC Industrial Area,

Ranjangaon, Distt. Pune 412 220, Maharashtra

**Corporate Office**

1, Industrial Area, NIT,

Faridabad 121 001, Haryana

**Thermosets Division**

Plot E-89, MIDC Industrial Area,

Ranjangaon, Distt. Pune 412 220, Maharashtra

**Registrars & Share Transfer Agents**

MCS Limited,

F-65, Okhla Industrial Area Phase I, New Delhi 110 020

**Auditors**

M/s Deloitte Haskins &amp; Sells

Ahmedabad

**NOTICE****TO THE SHAREHOLDERS**

Notice is hereby given that the Twelfth Annual General Meeting of the Members of Xpro India Limited will be held on Thursday, July 23, 2009 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, 2009.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Sri Amitabha Ghosh who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri Utsav Parekh 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 and such other approvals as may be necessary, the Company do hereby approve the re-appointment of Sri C. Bhaskar, as Managing Director & Chief Executive Officer 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 January 1, 2009, subject to the superintendence, control and direction of the Board of Directors, entrusted with substantial powers of management in respect of the whole of the affairs of the Company and shall perform such duties and exercise such powers as have been or may be entrusted to from time to time or conferred upon him by the Board and with liberty to either party to terminate the appointment with three months' notice to the other. Sri C Bhaskar shall be paid remuneration by way of either:

- i) Salary, commission (not exceeding 2% of the net profits), perquisites and other benefits/allowances (as per the rules of the Company) as may be decided by the Board of Directors from time to time subject in aggregate to a maximum of 5% of the net profits of the Company calculated in accordance with the provisions of Section 198 of the Companies Act, 1956; or
- ii) Where in any financial year the Company has no profits or its profits are inadequate, the Company shall pay remuneration to Sri C Bhaskar by way of salary, house rent allowance, special allowance and other benefits/allowances (as per the rules of the Company) as may be approved by the Board of Directors of the Company from time to time as minimum remuneration, within the limits presently specified in Part II, Section II, Para 1(B) of Schedule XIII of the Companies Act, 1956 i.e. Rs.4.00 lacs per month; whichever of (i) or (ii) is higher.

RESOLVED FURTHER that Sri C Bhaskar shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on minimum remuneration specified here-in-above, if the Company has no profits or its profits are inadequate :

- a) contribution to provident, superannuation or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961,
- b) gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
- c) encashment of un-availed leave at the end of the tenure."

**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 (hereinafter referred to as 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, 2009 i.e. up to 5,50,000 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 29, 2009, and duly approved by the Members, be extended to such present and future permanent employees including Managing / Wholtime 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

By Order of the Board

S.C. JAIN  
Company Secretary

April 29, 2009

#### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Proxy Form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time of holding the meeting.
3. The Register of Members of the Company will remain closed from July 1, 2009 to July 23, 2009 (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 30, 2009 and the Dividend Warrants will be posted on or before August 14, 2009.
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., F-65, Okhla Industrial Area, Phase - I, 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
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
2007-08	July 29, 2008	September 4, 2015

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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 Amitabha Ghosh, aged 79 years, is a Chartered Accountant and Fellow, Indian Institute of Bankers having expertise in finance and banking spanning over five decades. He was earlier Chairman & Managing Director of Allahabad Bank and Deputy Governor of Reserve Bank of India. He was also Chairman of RBI Services Board and Deposit Insurance and Credit Guarantee Corporation and member of the Board of IDBI, Exim Bank, IRBI, National Institute of Bank Management and Institute of Banking Personnel Relations.

Sri Ghosh is presently Director on the Boards of Centenary Leasing Co. Pvt. Ltd., Joonktollee Tea & Industries Ltd., Kesoram Industries Ltd., Mysore Cements Ltd., Orient Paper & Industries Ltd., Palit Consultancy Pvt. Ltd., Peninsula Land Ltd., Sahara Hospitality Ltd., Sahara India Life Insurance Co. Ltd., Sahara Prime City Ltd., Shree Cements Ltd., Shreyas Shipping & Logistics Ltd., Shreyas Relay Systems Ltd. and Zenith Fibres Ltd.

Sri Ghosh is Chairman of Audit Committee of Mysore Cements Ltd., Orient Paper & Industries Ltd., Peninsula Land Ltd., Sahara Prime City Ltd. and Shreyas Shipping & Logistics Ltd. and member of the Audit Committee of Joonktollee Tea & Industries Ltd., Kesoram Industries Ltd., Sahara India Life Insurance Co. Ltd., and Member of Share Transfer & Shareholders/Investors Grievance Committee of Mysore Cements Ltd., Member of Remuneration Committee of Peninsula Land Ltd., Member of Investment Committee of Sahara India Life Insurance Co. Ltd. besides being member of Remuneration & Nomination Committee of our Company.

Sri Amitabha Ghosh does not hold any shares of the Company.

Except Sri Amitabha Ghosh, no other Director is interested in the resolution.

**Item No.4**

Sri Utsav Parekh, aged 53 years, holds a Bachelor's Degree in Commerce with honours. He has vast experience of about 28 years as Merchant Banker, and in Stock Broking and Financial Services. He is a member of the Calcutta Stock Exchange Association. Sri Utsav Parekh is presently a Director on the Boards of Bengal Aerotropolis Projects Ltd., Lend Lease Company (India) Ltd., Mcleod Russell India Ltd., McNally Bharat Engg. Co. Ltd., Network Stock Broking Ltd. and SMIFS Capital Markets Ltd.,

He is a member of Audit Committee of McNally Bharat Engg. Co. Ltd., & SMIFS Capital Markets Ltd., member of Remuneration Committee of McNally Bharat Engg. Co. Ltd., member of Committee of Directors of SMIFS Capital Markets Ltd., member of Investors Grievance Committee of Mcleod Russell (India) Ltd., McNally Bharat Engg. Co. Ltd. & SMIFS Capital Markets Ltd., and member of Share Transfer Committee of SMIFS Capital Markets Ltd. He is a member of Audit Committee, Remuneration & Nomination Committee and the Committee of Directors besides being Chairman of Share Transfer & Shareholders/Investors Grievance Committee of our Company.

Sri Utsav Parekh does not hold any shares of the Company.

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

**Item No. 5**

Sri C Bhaskar was appointed as Managing Director & Chief Executive Officer of the Company with effect from January 1, 2006 for a period of 3 years. Sri Bhaskar's term as Managing Director & Chief Executive Officer expired on December 31, 2008. The Remuneration & Nomination Committee and the Board of Directors at their respective meetings held on October 21, 2008 have unanimously approved the re-appointment of Sri C Bhaskar as Managing Director & Chief Executive Officer of the Company for a period of three years with effect from January 1, 2009 on the payment of remuneration as proposed in the resolution, subject to the approval of the Members of the Company in General Meeting.

During Sri C Bhaskar's long association with the Company at different levels and with various businesses since 1984, he has contributed greatly in the Company achieving its present position. The Company has exhibited a fair but stable performance during his tenure and all accounting years have been profitable with dividends also being paid. He has extensive experience of 30 years approximately in consultancy, industry and business.

Sri C Bhaskar shall subject to superintendence, control and direction of the Board of Directors, be entrusted with substantial powers of management in respect of the whole of the affairs of the Company and shall perform such duties and exercise such powers as have been or may be entrusted to or conferred upon him by the Board from time to time.

The Board of Directors of the Company considers that the re-appointment of Sri C Bhaskar as Managing Director & Chief Executive Officer will prove beneficial to the Company and accordingly recommend the resolution, as set out at Item No. 6 of the Notice convening this meeting, for your approval.

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 C Bhaskar 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:<br>a) Biax Division, Barjora - 1991<br>b) Coex Division, Faridabad - 1984<br>c) Thermoforming Unit, Gr. Noida - 2003<br>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 :<br><table border="1"> <thead> <tr> <th>Year</th> <th>Net Profits (In Crores Rs.)</th> </tr> </thead> <tbody> <tr> <td>2006-07</td> <td>5.86</td> </tr> <tr> <td>2007-08</td> <td>0.32</td> </tr> <tr> <td>2008-09</td> <td>1.04</td> </tr> </tbody> </table>       | Year | Net Profits (In Crores Rs.) | 2006-07 | 5.86 | 2007-08 | 0.32 | 2008-09 | 1.04 |
| Year    | Net Profits (In Crores Rs.)  |   |      |                             |         |      |         |      |         |      |
| 2006-07 | 5.86   |   |      |                             |         |      |         |      |         |      |
| 2007-08 | 0.32   |   |      |                             |         |      |         |      |         |      |
| 2008-09 | 1.04   |   |      |                             |         |      |         |      |         |      |
| 5       | Export performance and net foreign exchange collaborations   | Exports (FOB Value)<br><table border="1"> <thead> <tr> <th>Year</th> <th>Amount (In Crores Rs.)</th> </tr> </thead> <tbody> <tr> <td>2006-07</td> <td>7.70</td> </tr> <tr> <td>2007-08</td> <td>6.75</td> </tr> <tr> <td>2008-09</td> <td>2.73</td> </tr> </tbody> </table>   | Year | Amount (In Crores Rs.)      | 2006-07 | 7.70 | 2007-08 | 6.75 | 2008-09 | 2.73 |
| Year    | Amount (In Crores Rs.)   |   |      |                             |         |      |         |      |         |      |
| 2006-07 | 7.70   |   |      |                             |         |      |         |      |         |      |
| 2007-08 | 6.75   |   |      |                             |         |      |         |      |         |      |
| 2008-09 | 2.73   |   |      |                             |         |      |         |      |         |      |
| 6       | Foreign Investments or Collaborators, if any.  | Nil   |      |                             |         |      |         |      |         |      |

**II. Information about appointee:**

- |   |   |  |
|---|---|--|
| 1 | Background details  | Sri C Bhaskar, B.Tech. (Chem.), PGDM (IIM-C), MIMA, aged about 54 years and having experience of 30 years is a Business Executive. He has also attended management development programmes at the Indian School of Business & other Institutions.   |
| 2 | Past remuneration   | For the year 2008-09 *<br>Salary : Rs.38.60 lacs<br>Housing : Rs.5.40 lacs<br>Other Perquisites: Rs.1.01 lacs<br>Contribution to PF & Superannuation: Rs.7.04 lacs<br>(* includes Rs.10.49 lacs subject to approval in the ensuing AGM)  |
| 3 | Recognition or Awards                                       | Member of Executive Committee of Organisation of Plastic Processors of India & has earlier been Vice President of All India Plastic Manufacturers Association.   |
| 4 | Job Profile and its Suitability                             | He has been appointed as Managing Director & Chief Executive Officer subject to the superintendence, control and direction of Board of Directors, entrusted with substantial powers of management in respect of the whole of the affairs of the Company and shall perform such duties and exercise such powers as have been or may be entrusted to or conferred upon him by the Board from time to time. He has been associated with the business of the Company since 1984. Considering his background and experience, he is eminently suitable to hold the position of Managing Director & Chief Executive Officer 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 managerial personnel holding similar stature/position in the Industry.   |
| 7 | Any Pecuniary Relationship.                                 | Besides remuneration, Sri C Bhaskar and his family members hold 0.01 % of the Equity Shares of the Company.  |



**XPRO INDIA LIMITED : ANNUAL REPORT 2008/09****III. Other Information:**

- |  |   |
|--|---|
| <ol style="list-style-type: none"> <li>1 Reasons for loss or inadequate profit</li> <li>2 Steps taken/ proposed to be taken for improvement</li> <li>3 Projected Increase in productivity /profit</li> </ol> | <p>The Company has been consistently earning profits since inception and has a strong networth and effective capital in excess of Rs.125 Crores. Profit before tax for the year ended March 31, 2009 was Rs.177.57 lacs. Profit at Rs.263.95 lacs as computed in accordance with Sec.349 was inadequate for the relevant purpose. This is seen as a temporary phenomenon largely due to market forces which resulted in lower selling prices, steep increases in raw material prices due to global volatility in petro product prices and the general slackness in global economic and market situations. In the usual course of business cycles, 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.</p> |
|--|---|

**IV. Disclosures:**

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

Except Sri C Bhaskar, no other Director is interested in the resolution.

**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 April 29, 2009 resolved to introduce the "Employees Stock Option Scheme-2009" (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 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 (including its subsidiaries) by introduction of the Employees Stock Option Scheme-2009 (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, 2009 i.e. 5,50,000 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.

**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, 2009 i.e. upto 55,000 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). 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, 2009.

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

By Order of the Board

S.C. JAIN  
Company Secretary

April 29, 2009



**XPRO INDIA LIMITED : ANNUAL REPORT 2008/09****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, 2009.

**FINANCIAL RESULTS**

	<u>2009</u>	(Rs. Lacs) <u>2008</u>
Operations yielded a		
Profit before Depreciation and Tax of	1,016.40	817.40
less : Depreciation	838.83	721.83
	-----	-----
Profit Before Tax	177.57	95.57
less : Provisions for		
• Income & Wealth Tax	164.00	102.00
• Deferred Tax	( 109.00 )	( 56.24 )
• Fringe Benefit Tax	19.00	18.00
	-----	-----
Profit after Tax	103.57	31.81
add : Surplus brought forward	3,115.93	3,287.16
	-----	-----
Balance available for appropriation	3,219.50	3,318.97
Which is appropriated as :		
• General Reserve	10.00	10.00
• Proposed Dividend	110.00	165.00
• Dividend Tax	18.69	28.04
• Surplus carried forward	3,080.81	3,115.93
	=====	=====

Gross Profit from operations improved by 24% over the previous year to Rs.1016.40 lacs (against Rs.817.40 lacs in previous year). We reasonably believe that the turbulent conditions this year, which did not allow the potential of the operations to be fully realized, will not be a lasting phenomenon; it can be noted that an improvement was already witnessed in the last quarter. Profit after tax, though higher at Rs.103.57 lacs, does not fully reflect the increased gross profit due to higher depreciation and income tax. Nevertheless, keeping in view the comfortable surpluses retained earlier, balanced by conservative needs regarding resources, we recommend for your approval a lowered Dividend of Rs.1.00 per share.

**REVIEW OF KEY BUSINESS MATTERS**

After witnessing robust growth for several years, the Indian economy witnessed a slowdown in tune with the global economic crisis, with GDP growth slumping to 5.3 % in the third quarter. The credit and cash crunch, a sharply depreciated rupee, reluctance to invest in capital assets and the prospects of increased unemployment further deteriorated customer confidence and demand for many products which are important to the Company's markets. Notwithstanding the intrinsic strengths of the Indian economy, Government/RBI intervention including steps towards increase in credit availability and reduction in interest rates and excise duty, the markets have been somewhat slow to respond, and are not expected to revive fully till late 2009. Volatility in petro-product prices (our raw materials) and competitive conditions added dimensions. In this background, operations of the company for the year under review can be considered generally satisfactory, with aggregate volume marginally higher at 19,383 MT and Gross Sales higher by 12.4% over the previous year at Rs.164.86 Crores. We remain optimistic on the future but mindful of uncertainties arising from volatile input prices, instability in financial markets globally and some depressing economic trends forecast.

In the overall, significant investment has been made over the last 2-3 years at Ranjangaon which now houses the Thermosets Division which is operating smoothly, as well as Sheet Extrusion and Forming capacity which is material to our overall standing in this area. A large part of the Company's property at this well established industrial estate is still available for future expansion. The facilities commissioned at Ranjangaon last year to manufacture Co-extruded Sheets and Refrigerator Liners have stabilized and the products have been well accepted. One sheet line relocated from Faridabad to Greater Noida to better serve customers in the region is progressing well. Proactive steps continue to be taken by the management to preserve market standing and competitive edge through development, productivity improvement and cost/financial discipline. Following several years of continued healthy growth rates of around 16%, the domestic-refrigerators industry showed a reduced growth rate of 5.6%, and accordingly the overall off-take of sheets and formed liners was only marginally higher than during the previous year.

The 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. BOPP Films have seen consistent growth in keeping with the rapid growth in the flexible packaging materials industry. 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. In order to derive benefits from the market and scale, as available to competing companies, expansion of BOPP films capacity had been seriously taken up. But in view of the uncertain times the project has been delayed; nonetheless the detailed engineering work and site preparation is continuing so that full-fledged work can be quickly resumed upon decision.

Shareholders are aware of the Joint Venture created (under the name and style of Terxpro Films Pvt. Ltd.) in 2004 with foreign JV partners. The business was in effect managed by the foreign JV partners with the Company providing a support role wherever requested to do so. Due to a variety of reasons the JV incurred significant losses and after a round of injection of capital, the Company upon careful consideration of all factors, could not justify further investment. Due to this majority ownership shifted to the JV partners when they invested. Subsequently the JV partners decided to exit. Under a combination of factors, being inter-alia (i) the need to protect the Company's exposure to the JV; (ii) the business of the JV being fully compatible with the core business and capabilities of the Company; and (iii) the evaluation made by the Company that with restructuring of liabilities and capital the business could be returned to viability, it was decided to acquire the entire holding of the JV partners at a token value. As a result, this business has now become a wholly owned subsidiary of the Company. Its operations, which had been shut down in 2008 for some months, have been restarted and a settlement has been negotiated with lenders. Our Management has expressed confidence about building up capacity utilization quickly and bringing the unit to profits in due course. The name of the subsidiary company has been changed to "Biax Specialty Films Private Limited".

As reported last year, 5,00,000 warrants (each optionally convertible into 1 Equity Share between April 1 and December 31, 2008 @ Rs.41.50 per share) allotted to Promoters/Promoter Group of the Company have been fully converted and the shares were paid-up and allotted on April 4, 2008. Funds raised through the issue were utilized for stated objectives. The Company granted 4,47,500 Options on January 23, 2008 to eligible employees of the Company and although vested, options are yet to be exercised. Shareholders had further approved Employees Stock Option Scheme - 2008 during the year under review, and the Board has granted 4,37,500 options under this Scheme on April 29, 2009. Details are given in the Corporate Governance Report. The Board has further proposed, subject to SEBI guidelines and approval by shareholders, extension of the scheme through introduction of the Employees Stock Option Scheme - 2009.

#### **STATUTORY AND OTHER MATTERS**

Information as per the 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. Application has been made to the Central Government under Section 212(8) of the Companies Act, 1956 to exempt the Company from attaching herewith Annual Report and Accounts of its subsidiaries for the financial year ended on March 31, 2009. Financial highlights of the subsidiaries (Xpro Global Limited and Biax Specialty Films Private Limited (formerly Terxpro Films Private Limited) which became a subsidiary on March 31, 2009) are annexed. Shareholders may obtain, free of cost and upon request, the annual accounts of subsidiaries. Relations with employees were generally cordial and we record our appreciation of contributions made by committed employees during the year.

Sri Amitabha Ghosh and Sri Utsav Parekh, Directors, retire by rotation and, being eligible, offer themselves for reappointment. The Board re-appointed Sri C Bhaskar, Managing Director & Chief Executive Officer, for a period of three years with effect from January 1, 2009 (subject to approval of shareholders in the ensuing annual general meeting). Information required to be furnished in these regards is given in the Notice thereof.

The observations of the Auditors are in the nature of general disclosures which read together with the accounting policies and the relevant notes to the accounts are self-explanatory.

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

#### **AUDITORS**

The Auditors M/s Deloitte, Haskins & Sells, Chartered Accountants, retire and being eligible offer themselves for reappointment.

#### **ACKNOWLEDGEMENTS**

We place on record our sincere appreciation of the valuable cooperation and support received at all times by the Company from all its Bankers, particularly the lead bank, State Bank of India, all concerned Government/other authorities and Shareholders.

For and on behalf of the Board

New Delhi  
April 29, 2009

Sidharth Birla  
Chairman