

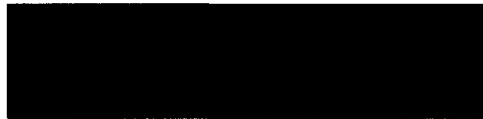


Bayer CropScience

Bayer CropScience Limited
[Formerly Bayer (India) Limited]



46th Annual Report



January-December 2003



Bayer CropScience

At the Extraordinary General Meeting of Bayer (India) Limited, chaired by Dr. Vijay Mallya, on 18th March, 2004, the shareholders had approved the name of the Company to be changed from Bayer (India) Limited to Bayer CropScience Limited. The Registrar of Companies, Maharashtra on 5th April, 2004 has approved the name change.

This decision is pursuant to the merger of Bayer (India) Limited and Bayer CropScience India Limited (formerly Aventis CropScience India Limited) in the year 2003. The successful merger resulted in the Company consolidating its position in the CropScience business and is today the largest CropScience company in India.



Contents

Board of Directors	1
Notice	2
Directors' Report	7
Corporate Governance	22
Management Discussion Analysis	48
Auditors' Report	62
Balance Sheet	66
Profit and Loss Account	67
Schedules forming part of the Balance Sheet	68
Schedules forming part of the Profit and Loss Account	73
Notes forming part of the Accounts	76
Cash Flow	87
Statement pursuant to section 212	89
Subsidiary	90
Consolidated Financial Statement	107
Facts	130



Bayer CropScience Limited
[Formerly Bayer (India) Limited]

Directors	Dr. Vijay Mallya — Chairman Mr. S. F. Gerlich — Vice Chairman Mr. Y. H. Malegam Mr. W. W. Scherf Mr. J. M. Dietsch Mr. A. K. R. Nedungadi Dr. W. H. Welter — Alternate to Mr. W. W. Scherf Mr. S. M. Kulkarni — Alternate to Mr. J. M. Dietsch Mr. P. G. L. Dupont — Managing Director Mr. J. W. Frick — Whole Time Director
Head – Legal & Company Secretary	Shirin V. Balsara
Bankers	Bank of America BNP Paribas Central Bank of India Citibank, N.A. Corporation Bank Deutsche Bank HDFC Bank State Bank of India Societe Generale Standard Chartered Bank Union Bank of India
Auditors	N. M. Rajji & Co.
Solicitors	Crawford Bayley & Co.
Registrar and Share Transfer Agent	Tata Consultancy Services Part West – II, Raheja Estate, Kulupwadi Road, Borivali (E) Mumbai 400 066. Tel. Nos.: 5668 9898.
Registered Office	Bayer House, Central Avenue, Hiranandani Gardens, Powai, Mumbai 400 076. Tel. Nos. 2570 0300 Fax: 2570 0523
Head Office & Secretarial Department	Kolshet Road, Thane 400 607 Tel. Nos.: 2531 1234 Fax: 2545 5079
Factories	(1) Kolshet Road, Thane 400 607. (2) 66/1 to 75/2, GIDC Estate, Himatnagar 383 001, Gujarat. (3) Plot No. 6009 – 10 & 6301 – 10A, GIDC Industrial Estate, Ankleshwar 393 002, Gujarat.

Members are requested to direct all correspondence relating to share matters to the Company's Registrar and Share Transfer Agent.

Members are requested to bring their copies of the Annual Report to the Annual General Meeting.

Members are requested to send their queries, if any, relating to the accounts of the Company, well in advance, so that the necessary information can be made available at the meeting.

**Bayer CropScience Limited [Formerly Bayer (India) Limited]****Notice to Shareholders**

NOTICE is hereby given that the Forty-Sixth Annual General Meeting of Bayer (India) Limited will be held on Thursday, 3rd June, 2004 at 11.30 a.m. at Yashwantrao Chavan Pratishthan Auditorium, Y. B. Chavan Centre, Near Mantralaya, Gen. J. Bhosale Marg, Mumbai 400 021 to transact the following business:

ORDINARY BUSINESS:

1. To consider, approve and adopt the audited Balance Sheet as at 31st December, 2003 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended 31st December, 2003.
3. To appoint a Director in place of Mr. Y. H. Malegam who retires by rotation and who being eligible, offers himself for re-election.
4. To appoint a Director in place of Mr. J. M. Dietsch who retires by rotation and who being eligible, offers himself for re-election.
5. To appoint Messrs Price Waterhouse, Chartered Accountants as Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Dr. Vijay Mallya who was appointed as an Additional Director of the Company from 20th December, 2003 by the Board of Directors and holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 (the Act) read with Article 117 (2) of the Articles of Association of the Company, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a Shareholder signifying his intention to propose Dr. Vijay Mallya as a candidate for the office of Director, be and is hereby appointed as a Director of the Company and whose term of office shall be liable to determination by retirement of the Directors by rotation."

7. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Pierre Gaston Louis Dupont who was appointed as an Additional Director and Managing Director of the Company from 20th December, 2003 by the Board of Directors and holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 (the Act) read with Article 117 (2) of the Articles of Association of the Company, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a Shareholder signifying his intention to propose Mr. Pierre Gaston Louis Dupont as a candidate for the office of Director, be and is hereby appointed as a Director of the Company and whose term of office shall not be liable to determination by retirement of the Directors by rotation."

Notice to Shareholders (Contd.)

8. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Stephan Gerlich, who was appointed as an Additional Director of the Company from 1st July, 2003 by the Board of Directors and holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 (the Act) read with Article 117 (2) of the Articles of Association of the Company, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a Shareholder signifying his intention to propose Mr. Stephan Gerlich as a candidate for the office of Director, be and is hereby appointed as a Director of the Company and whose term of office shall be liable to determination by retirement of the Directors by rotation."

9. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. A. K. R. Nedungadi who was appointed as an Additional Director of the Company from 20th December, 2003 by the Board of Directors and holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 (the Act) read with Article 117 (2) of the Articles of Association of the Company, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a Shareholder signifying his intention to propose Mr. A. K. R. Nedungadi as a candidate for the office of Director, be and is hereby appointed as a Director of the Company and whose term of office shall be liable to determination by retirement of the Directors by rotation."

10. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Willy Scherf who was appointed as an Additional Director of the Company from 20th December, 2003 by the Board of Directors and holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 (the Act) read with Article 117 (2) of the Articles of Association of the Company, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a Shareholder signifying his intention to propose Mr. Willy Scherf as a candidate for the office of Director, be and is hereby appointed as a Director of the Company and whose term of office shall be liable to determination by retirement of the Directors by rotation."

NOTES:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND A PROXY NEED NOT BE A MEMBER. A proxy in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- (b) The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, is annexed hereto and forms a part of this Notice.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from 18th May, 2004 to 3rd June, 2004 (both days inclusive).

- (d) The dividend on shares as recommended by the Board of Directors of the Company, if declared at the meeting, will be payable to those Shareholders whose names stand on the Register of Members of the Company as on 3rd June, 2004. In respect of shares held in the electronic form, the dividend will be payable on the basis of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose. Dividend warrants will be sent within 30 days from the date of declaration of dividend.
- (e) Members are requested to notify immediately change of address, if any, to the Company's Registrars and Share Transfer Agents, M/s. Tata Consultancy Services, 6, Park West II, Raheja Estate, Kulupwadi Road, Borivali (East), Mumbai - 400 066.
- (f) The Members are requested to furnish the details of their bank account, as dividends are now required to be disbursed through the Electronic Clearing Service (ECS). The details of bank accounts should be furnished to the Company's Registrars & Share Transfer Agents, M/s. Tata Consultancy Services, on or before 17th May, 2004.
- (g) The Members are requested to encash the Dividend Warrants immediately on receipt of the same, as dividends remaining unclaimed for seven years from the date they first became due for payment are now required to be transferred to the "Investor Education and Protection Fund" established by the Central Government under the amended provisions of the Companies Act, 1956. Members shall not be able to claim any unpaid dividend from the said Fund or the Company thereafter.
- (h) The dividend paid in the year 1997 is now due to be transferred to the Investor Protection and Education Fund by 13th August, 2004. The members are requested to encash the dividend of that year, if not already done.
- (i) Members can now avail of the facility of nomination in respect of shares held by them, pursuant to the amendment to the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form No. 2B duly filled in to the Company's Registrars & Share Transfer Agents, quoting their respective Folio Nos., Certificate Nos. and Distinctive Nos.

By Order of the Board of Directors

SHIRIN V. BALSARA

Head – Legal & Company Secretary

Registered Office:
Bayer House,
Central Avenue,
Hiranandani Gardens,
Powai, Mumbai - 400 076.

Mumbai, 18th March, 2004.

Annexure to Notice

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

ITEM NO. 5

The Statutory Auditors of the Company M/s. N. M. Raiji & Co., Chartered Accountants retire at the ensuing Annual General Meeting of the Company but have expressed their unwillingness to be re-appointed as Statutory Auditors of the Company for the financial year ending 2004.

Your Directors have appointed M/s. Price Waterhouse, Chartered Accountants as the Statutory Auditors of the Company, subject to your approval in the ensuing Annual General Meeting, to conduct audit for the year ending 31st December, 2004.

The Directors recommend the passing of this resolution.

None of the Directors are concerned or interested in the passing of this resolution.

ITEM NO. 6

Dr. Vijay Mallya was appointed as an Additional Director of the Company with effect from 20th December, 2003 in the Meeting of the Board of Directors held on 19th December, 2003 and he holds office only upto the date of this Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956, has been received from a Shareholder of the Company signifying his intention to propose Dr. Vijay Mallya as a candidate for the office of Director.

Further particulars regarding Dr. Mallya are given in paragraph 1.4 of the report on Corporate Governance.

The Board recommends the above appointment of Dr. Vijay Mallya.

Except Dr. Vijay Mallya, none of the Directors are concerned or interested in the passing of this resolution.

ITEM NO. 7

Mr. Pierre Gaston Louis Dupont was appointed as an Additional Director of the Company with effect from 20th December, 2003 in the Meeting of the Board of Directors held on 19th December, 2003 and holds office only upto the date of this Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956, has been received from a Shareholder of the Company signifying his intention to propose Mr. Pierre Gaston Louis Dupont as a candidate for the office of Director. Mr. Dupont will not be liable to retire by rotation.

Further particulars regarding Mr. Dupont are given in paragraph 1.4 of the report on Corporate Governance.

The Board recommends the above appointment of Mr. Pierre Gaston Louis Dupont.

Except Mr. Pierre Gaston Louis Dupont, none of the Directors are concerned or interested in the passing of this resolution.

ITEM NO. 8

Mr. Stephan Gerlich was appointed as an Additional Director of the Company with effect from 1st July, 2003 in the Meeting of the Board of Directors held on 25th June, 2003 and holds office only upto the date of this Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956, has been received from a Shareholder of the Company signifying his intention to propose Mr. Stephan Gerlich as a candidate for the office of Director.

Further particulars regarding Mr. Gerlich are given in paragraph 1.4 of the report on Corporate Governance.

The Board recommends the above appointment of Mr. Stephan Gerlich.

Except Mr. Stephan Gerlich, none of the Directors are concerned or interested in the passing of this resolution.

ITEM NO. 9

Mr. A. K. R. Nedungadi was appointed as an Additional Director of the Company with effect from 20th December, 2003 in the Meeting of the Board of Directors held on 19th December, 2003 and he holds office only upto the date of this Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956, has been received from a Shareholder of the Company signifying his intention to propose Mr. A. K. R. Nedungadi as a candidate for the office of Director.

Further particulars regarding Mr. Nedungadi are given in paragraph 1.4 of the report on Corporate Governance.

The Board recommends the appointment of Mr. A. K. R. Nedungadi.

Except Mr. A. K. R. Nedungadi, none of the Directors are concerned or interested in the passing of this resolution.

ITEM NO. 10

Mr. Willy Scherf was appointed as an Additional Director of the Company with effect from 20th December, 2003 in the Meeting of the Board of Directors held on 19th December, 2003 and he holds office only upto the date of this Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956, has been received from a Shareholder of the Company signifying his intention to propose Mr. Willy Scherf as a candidate for the office of Director.

Further particulars regarding Mr. Scherf are given in para 1.4 of the report on Corporate Governance.

The Board recommends the above appointment of Mr. Willy Scherf.

Except Mr. Willy Scherf, none of the Directors are concerned or interested in the passing of this resolution.

By Order of the Board of Directors

SHIRIN V. BALSARA

Head – Legal & Company Secretary

Registered Office:

Bayer House,

Central Avenue,

Hiranandani Gardens,

Powai, Mumbai - 400 076.

Mumbai, 18th March, 2004.



Bayer CropScience Limited [Formerly Bayer (India) Limited]

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Forty-Sixth Annual Report on the business and operations of the Company together with the audited Statements of Accounts alongwith the Report of the auditors for the year ended 31st December, 2003.

FINANCIAL PERFORMANCE

Rs. Million

	2003	2002
Sales and Other Operating Income	8,703.92	5,803.49
Other Income	116.51	71.95
Total Income	8,820.43	5,875.44
Gross Profit before interest and depreciation	1,281.19	707.20
Less: Interest	175.86	185.38
Gross Profit before depreciation	1,105.33	521.82
Less: Depreciation	295.49	125.10
Profit for the year before extraordinary items	809.84	396.72
Less: Extraordinary items	337.81	118.94
Profit for the year before taxation	472.03	277.78
Less: Provision for Taxation on Income	333.10	134.61
Less: Provision for Deferred Taxes	(213.63)	(11.58)
	119.47	123.03
Profit for the year After Tax	352.56	154.75
Add: Adjustment on account of amalgamation (Schedule 22 — Note 22)	727.46	—
Add: Profit & Loss balance Brought Forward	298.29	199.29
Amount available for Appropriation	1,378.31	354.04
Appropriations:		
Proposed Dividend	86.90	35.68
Provision for Taxation on Proposed Dividend	11.13	4.57
Transferred to General Reserve	35.26	15.50
Profit & Loss Balance Carried Forward	1,245.02	298.29
	1,378.31	354.04

Operations

During the year under review, the Company showed an improved performance backed by good monsoon and recovery in the Indian economy, compared to last year. The year also witnessed the amalgamation of Bayer

Directors' Report (Contd.)

Cropscience India Limited with the Company and the financials for the year reflect the consolidated figures. The total turnover for the year ended 31st December, 2003 amounted to Rs. 8,703.92 million as compared to Rs. 5803.49 million for the last year and Profit after tax amounted to Rs. 352.56 million as against Rs. 154.75 million for the last year.

Amalgamation

Pursuant to the acquisition of Aventis CropScience India Limited, the CropScience business of Bayer in India was carried out through the Company and Bayer Cropscience India Limited. To give effect to the global reorganisation, the operations of Bayer Cropscience India Limited and the Company were integrated. Bayer Cropscience India Limited was amalgamated with the Company, following the approval of the Scheme of Arrangement by the Shareholders of both companies and the Bombay High Court's Order dated 7th October, 2003. The Appointed Date of the Amalgamation was 1st April, 2003. The financial results of the erstwhile Bayer Cropscience India Limited are reflected in the Company's accounts for the year under review. This strategic alliance has benefited the Company as most of the products of both of the Companies complement each other resulting in synergies and better operational efficiencies. Due to the amalgamation, the Company has become one of the largest Cropscience companies in India. Apart from enlarging the products and services offered, the amalgamation has greatly strengthened the Company's presence in India. Pursuant to the amalgamation, the shareholders of the erstwhile Bayer Cropscience India Limited, were allotted 2,32,78,747 Ordinary shares of Rs. 10/- each of the Company, which are entitled for full dividend for the year ended 31st December, 2003.

Share Capital

(a) Subdivision of Shares

In accordance with the Scheme of Arrangement approved by the Bombay High Court by its Order dated 7th October, 2003 the equity shares of the Company were sub-divided and every shareholder of the Company was allotted 10 sub-divided equity shares of Rs. 10/- each of the Company for every 1 equity share of Rs. 100/- each held by them as on the Record Date i.e. 1st December 2003.

(b) Increase in Authorised and Paid Up Share Capital

Pursuant to the approval of the Bombay High Court sanctioning the Scheme of Arrangement the Authorised Share Capital of the Company has been increased from Rs. 16,30,00,000/- divided into 1,63,00,000 Equity shares of Rs. 10/- each to Rs. 46,30,00,000/- divided into 4,63,00,000 Equity Shares of Rs. 10/- each. The Paid Up Share Capital of the Company has been increased from Rs. 16,22,00,000/- divided into 1,62,20,000 Equity shares of Rs. 10/- each to Rs. 39,49,87,470/- divided into 3,94,98,747 Equity Shares of Rs.10/- each.

Change of Name

Pursuant to the amalgamation of Bayer Cropscience (India) Limited with the Company, the Company has consolidated its position in "Cropscience" business in India. The Company is now one of the largest CropScience Companies in India and since the substantial turnover is from the CropScience business it was proposed to change the name of the Company to 'Bayer CropScience Limited' to indicate the main business of the Company. The approval of shareholders will be sought in the Extra-ordinary General Meeting.