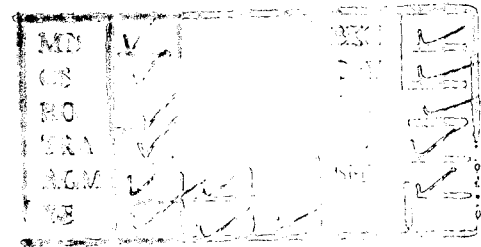


Bayer Diagnostics



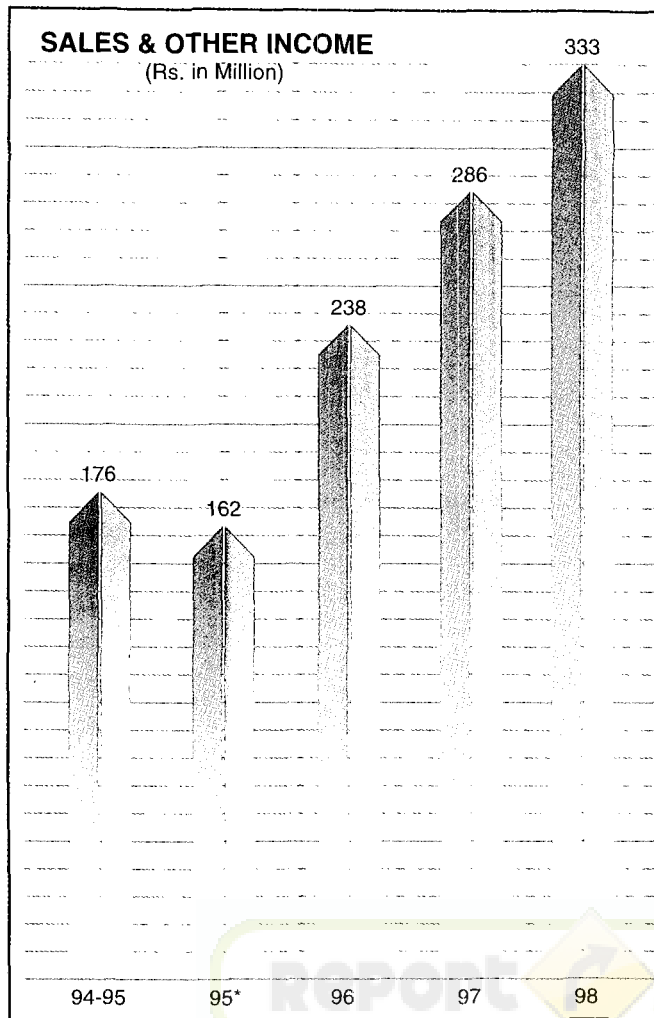
Bayer Diagnostics India Ltd.



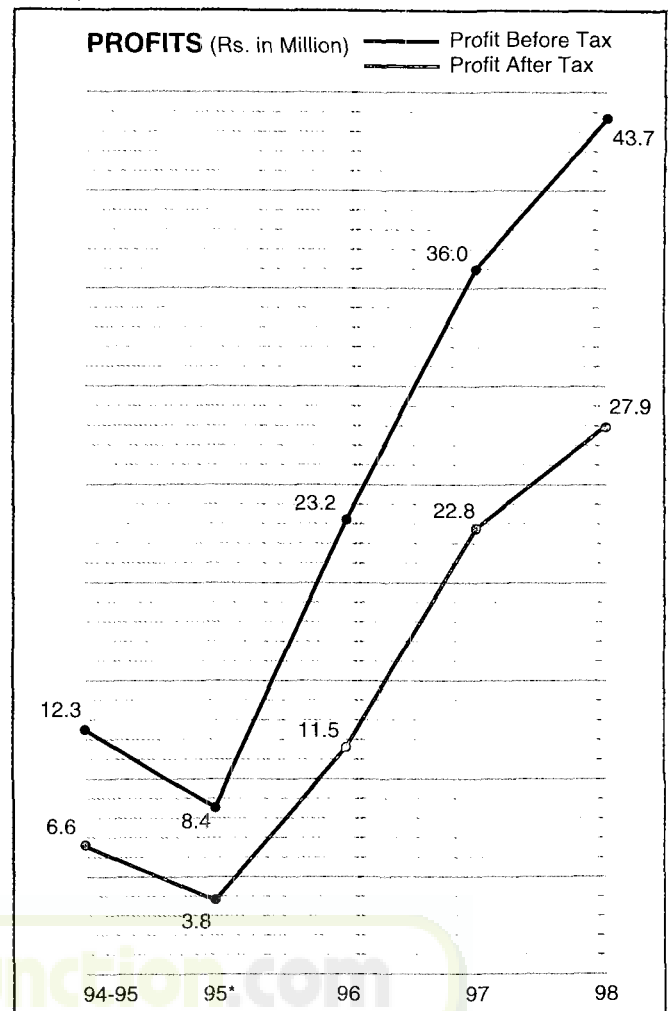
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24th Annual Report

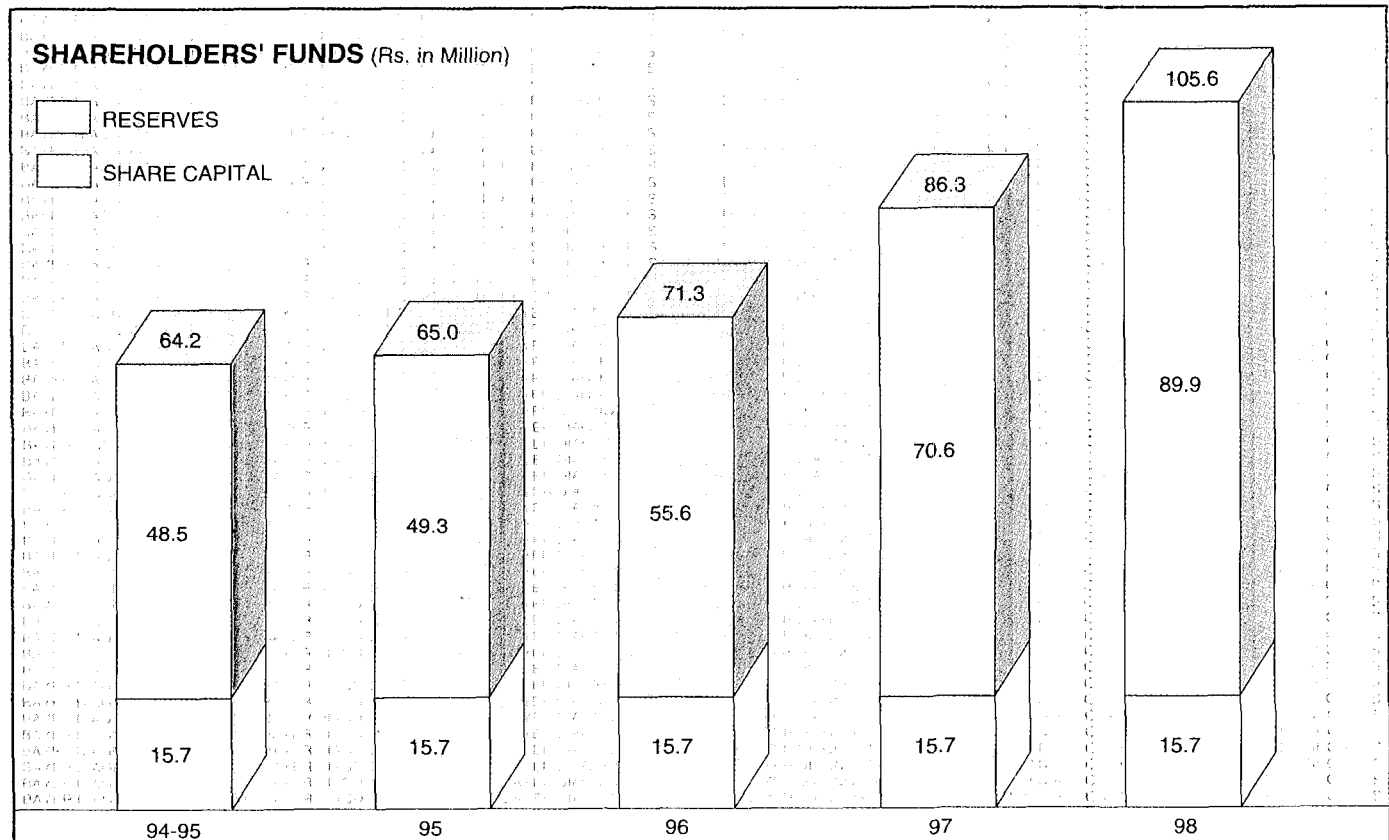
1998



Previous years' data regrouped for comparison.



* 1995 Figures are for the nine-month period ended 31-12-95



Board of Directors	Dr. A. P. McGilvray	<i>Chairman</i>
	Mr. P. Gauthier	
	Mr. D. B. Engineer	
	Mr. A. R. Gandhi	
	Mr. K. B. Mistry	<i>Alternate to Mr. P. Gauthier</i>
	Dr. V. J. Patel	<i>Chairman Emeritus</i>
	Mr. P. Singh	<i>Managing Director</i>
Secretary & Legal Manager	Mr. V. M. Patel	
Auditors	M/s. A. F. Ferguson & Co., <i>Chartered Accountants</i>	
Registered Office & Plant	589, Sayajipura, Ajwa Road, Baroda-390 019, Gujarat.	
Collaborators	Bayer Corporation 511, Benedict Avenue, Tarrytown, New York 10591-5097, U.S.A.	
Bankers	Bank of Baroda	
Registrars and Share Transfer Agents	Scrips Financial Services Pvt. Ltd. 5, Nutan Bharat Society, Alkapuri, Baroda-390 007.	
Solicitors	Crawford Bayley & Co., Mumbai	

Notice

NOTICE is hereby given that the 24th Annual General Meeting of the Members of Bayer Diagnostics India Ltd., will be held at the Registered Office of the Company at 589, Sayajipura, Ajwa Road, Baroda-390 019, Gujarat, on Saturday, June 26, 1999 at 4.30 p.m., to transact the following business :

As Ordinary Business

- i) To receive, consider and adopt the audited Profit and Loss Account for the year ended 31.12.1998, the Balance Sheet as at date and the Directors' and Auditors' Reports thereon.
- ii) To declare dividend.
- iii) To appoint a Director in place of Dr. V. J. Patel, who retires by rotation and being eligible, offers himself for re-appointment.
- iv) To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

As Special Business

- v) To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution :

“RESOLVED THAT pursuant to sections 198, 309, 310 and 311 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its approval to the revision in the pay scale of Mr. P. Singh, the Managing Director of the Company for his residual term of 3 years commencing from 1st January, 1998.”

By Order of the Board

V. M. Patel

*Company Secretary
& Legal Manager*

February 17, 1999
Mumbai

NOTES :

1. The Share Transfer Books and the Register of Members of the Company will remain closed from June 15, 1999 to June 26, 1999 (both days inclusive).

2. Subject to Section 206A of the Companies Act, 1956, the dividend as recommended by the Board, if approved at the 24th Annual General Meeting, will be paid from July 6, 1999 to those members whose names appear on the Company's Register of Members as on June 26, 1999.
3. Pursuant to Rule 4A of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, the *unpaid/unclaimed dividend for the year 1994-95* declared on 14th August, 1995 has been transferred to general revenue account of the Central Government on 14th October, 1998. No such deposit of balance amount of unpaid/unclaimed dividend for the year ended 31st December, 1995 is proposed to be made in view of the recent amendments in Section 205A of the Companies Act, 1956, according to which it is now required to be transferred on expiry of 7 years from the date of transfer.
4. Members are requested to give details of their Bankers' name, branch and account number latest by June 15, 1999, for incorporation in the dividend warrant. Any change in Bank Account and/or change of address should be notified to the Company's Registrars and Share Transfer Agents M/s. Scrips Financial Services Pvt. Ltd., 5, Nutan Bharat Society, Alkapuri, Baroda-390 007.
5. The Proxy Form duly completed should reach the Company's Registered Office at least 48 hours before the time appointed for the meeting.
6. Members desirous of getting any information in respect of Accounts are requested to send their queries in writing to the Company at the Registered Office so as to reach the Company seven days before the meeting.
7. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING CAN APPOINT ONE OR MORE PROXIES TO ATTEND AND TO VOTE INSTEAD OF HIMSELF/HERSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

By Order of the Board

V. M. Patel

*Company Secretary
& Legal Manager*

February 17, 1999
Mumbai

Annexure to the Notice**Explanatory Statement under Section 173(2) of the Companies Act, 1956.****Item No. V**

Mr. P. Singh was appointed as Managing Director of the Company for a period of 5 years with effect from January 1, 1996 on pay scale in the range of Rs.27,000 – Rs.37,000. The Board at its meeting held on 17.02.99 revised his salary to Rs.43,750 per month in the range of Rs.40,000 – Rs.75,000 with effect from 1.1.1998 in accordance with schedule XIII and other applicable provisions of the Companies Act, 1956, subject to the approval by the members at the general meeting and increments being at the discretion of the Board. All other terms of appointment of Mr. Singh remains unaltered.

Mr. Singh has been associated with this Company for the last 23 years and has been working as Managing Director since January 1, 1996.

The revision in the pay scale in salary of Mr. Singh is set out in the explanatory statement is subject to the approval of the members of the Company.

The Explanatory Statement together with the Notice should be treated as an abstract under section 302 of the Companies Act, 1956.

None of the Directors other than Mr. P. Singh is concerned or interested in the resolution.

Your Directors recommend the resolution as set out in the notice for your approval and acceptance.

By Order of the Board

February 17, 1999
Mumbai

V. M. Patel
*Company Secretary
& Legal Manager*

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Directors' Report

The Directors have pleasure in presenting the Twenty Fourth Annual Report of the Company together with the Audited Accounts for the financial year ended December 31, 1998.

1. Financial Results

A summarised statement of the financial results of the current year and that of the previous year is given below :

	1998	Rs. '000 1997
Sales and Other Income	332558	285717
Gross Profit	46451	38158
Less: Depreciation	2749	2182
Profit Before Tax	43702	35976
Less: Provision for taxation on income	15800	13200
Profit After Tax	27902	22776
Balance brought forward	8151	3500
Available for Appropriation	36053	26276
Proposed Dividend	7837	7053
Tax on Proposed Dividend	784	705
Transfer to General Reserve	18400	10367
Carried Forward	9032	8151
	36053	26276

2. Operations

Sales, operating income and other income increased by 16% and stood at Rs.3326 lacs for the year ended 31st December, 1998. All the Business Units of the Company registered growth in 1998, despite increased competition and generally depressed market conditions.

Profit before tax of Rs.437 lacs and profit after tax amounting to Rs.279 lacs grew by 21% and 23% respectively over the previous year. This was complimented by controlling operating costs, generation of interest income and effective working capital management.

Earnings per share increased from Rs.14.53 to Rs.17.80. All round improved performance helped the Company to consolidate its market position in the Diagnostics Industry.

Worldwide, Bayer took a major step forward in 1998 by acquiring the global Diagnostics business of Chiron Corporation, USA for US \$ 1.1 Billion. This acquisition will facilitate Bayer to operate from a position of greater strength in the areas of Immunodiagnostics, Critical Care and Nucleic Acid Diagnostics.

Year 2000

The Company has addressed Y2K compliance for its operations through a Y2K compliance team. Most of the hardware and software in use have been determined to be Y2K compliant and steps are being taken to upgrade/update remaining systems by the third quarter of 1999. The Company is also dependent of Y2K compliance by providers of critical materials and services. The project is more than 50% complete and is on schedule.

The Company's expenditure till 31st December, 1998, to achieve Y2K compliance for its internal operations is marginal. Future cost of ensuring compliance is estimated at Rs. 2 lacs.

The Company has also addressed the issue of system breakdown/failure due to Y2K problem with adequate contingency plans.

3. Dividend

Your Directors are pleased to recommend a dividend of Rs.5/- per Equity Share of Rs.10/- for the year ended December 31, 1998. The aggregate Equity Dividend amounting to Rs.78.37 lacs, if approved, will be paid to the members on record as of June 26, 1999.

4. Fixed Deposits

Deposits of an aggregate amount of Rs.0.32 lacs which had matured remained unclaimed as on

December 31, 1998. Of these, one deposit aggregating Rs.0.10 lacs has been repaid as on the date of this Report.

5. Directors

Mr. Philippe Gauthier has been appointed as Nominee Director of Bayer International Management Co. Inc. U.S.A. in place of Mr. R. A. Classon at the Board Meeting held on 17.02.1999. The Board has placed on record its sincere appreciation of the valuable services rendered to the Company by Mr. Classon throughout his tenure as Director of the Company.

Mr. K. B. Mistry, on cessation of Mr. R. A. Classon as a Director had ceased to be an Alternate Director with effect from 17.02.1999. However, the Board has appointed him as an Alternate Director to Mr. Philippe Gauthier with effect from 17.02.1999.

Dr. V. J. Patel retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-election.

6. Auditors

The Auditors, Messrs A. F. Ferguson & Co., retire and being eligible, offer themselves for re-appointment.

7. Information Pursuant to Section 217(1)(e)

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended December 31, 1998 has been provided.

8. Employees

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the financial year ended December 31, 1998, is set out in the Annexure hereto.

Acknowledgement

Your Directors would like to place on record their deep sense of appreciation to the Company's Collaborators and Bankers for their valuable support and co-operation to the Company. Directors also place on record their sincere thanks for the valuable contribution made by the employees in achieving the good performance of the Company.

For and on behalf of
the Board of Directors

February 17, 1999
Mumbai

Dr. A. P. McGilvray
Chairman

Annexure to Directors' Report

Information as per Section 217(1)(e) read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended December 31, 1998.

I. Conservation of Energy

- (i) Saving of energy wherever possible is utmost important to us. Changing of lighting system which less energy consumption has been adopted. Simultaneous multi-functions are carried out in the operational area for the maximum utilisation of energy. Scheduled and pre-planned preventive maintenance has improved operational efficiency and reduced breakdown of various operational systems. Conversion of L.T. connection to H.T. has increased our power utilization capacity by 50% providing necessary future expansion facility. Providing capacitors at various utility points has improved the power factor above 0.9.
- (ii) Continuous strict adherence to water and air Pollution Control measures are resulting into constituents remaining much below the permissible limit.

(iii) (A) Power and Fuel Consumption

	1998	1997
1. Electricity		
a. Purchased Unit	366487	339450
Total Amount (Rs.)	1276900	1088513
Rate/Unit (Rs.)	3.48	3.21
b. Own Generation		
i) Through D.G. Unit	10841	13929
Unit generated per		
litre of diesel oil	2.22	2.21
Cost/Unit (Rs.)	4.15	4.17
ii) Through Steam/		
Turbine Generator	NA	NA
2. Coal	NA	NA
3. Furnace Oil		
Quantity (Litres)	29002	23625
Total Amount (Rs.)	265078	214042
Average Rate (Rs.)	9.14	9.06
4. Others/Internal Generation	NA	NA

(B) Consumption per Unit of Production

Products (Reagent Strips, Kits and Instruments)		
Electricity	Cannot be ascertained	
Furnace Oil	Cannot be ascertained	
Coal	NA	NA
Others	NA	NA

II. Technology Absorption and Research and Development

- (i) Main areas of emphasis include :

- Development and adoption of appropriate technologies, delivering the Quality Products which fulfils the local customer's needs and expectations.
- Design and development in Clinical Biochemistry and related instrumentation for cost effective products.
- Marketing and servicing of state-of-art clinical laboratory analyzers.
- Indigenization of products or parts for cost effectiveness and availability with the desired level of quality.

(ii) Expenditure on R&D (Rs. Lacs)

a) Capital	8.81
b) Recurring	7.79
c) Total	16.60
d) Total R&D expenditure as a percentage of turnover	0.54%

- (iii) The Company has not imported any technology during the last five years.

III. Foreign Exchange Earnings and Outgo

- Foreign Exchange earnings through export and commission aggregated to Rs.163.80 lacs against the outgo of Rs.1181.96 lacs, particulars of which are given in Schedule 16 of the Accounts.

Auditors' Report to the Members of Bayer Diagnostics India Limited

Bayer Diagnostics 

We have audited the attached balance sheet of Bayer Diagnostics India Limited as at December 31, 1998 and also the profit and loss account of the Company for the year ended on that date, annexed thereto, and report that :

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable to the Company.

2. Further to our comments in the annexure referred to in paragraph (1) above :

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;

(c) the balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;

(d) in our opinion, the profit and loss account and balance sheet complies with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(e) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view :

(i) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 1998,

and

(ii) in the case of the profit and loss account, of the profit for the year ended on that date.

For A. F. Ferguson & Co.
Chartered Accountants

February 17, 1999
Mumbai

R. A. Banga
Partner

Annexure referred to in Paragraph 1 of the Auditors' Report on the Accounts of Bayer Diagnostics India Limited for the year ended December 31, 1998.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets of the Company were physically verified by the management during the year, in accordance with the Company's policy to verify the same once in three years. In our opinion the frequency of verification is reasonable. No material discrepancies were noticed on physical verification.
2. None of the fixed assets has been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material.
6. On the basis of our examination of the stock records, in our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the previous year.
7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. According to the information and explanations given to us, there is no Company under the same management as this Company within the meaning of Section 370(1B) of the Companies Act, 1956.
8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
9. The parties to whom loans or advances in the nature of loans have been given are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchases of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. According to the information and explanations given to us, the Company has not entered into any transaction of purchase of goods and materials and sale of goods, material and services in respect of each party made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating Rs.50,000 or more during the year.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and adequate provision has been made in the accounts for the loss arising on the items so determined.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted from the public.
14. As explained to us, the Company does not have any realisable by-products and the Company's operations do not generate any significant scrap.
15. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.