

Bayer HealthCare Diagnostics Division



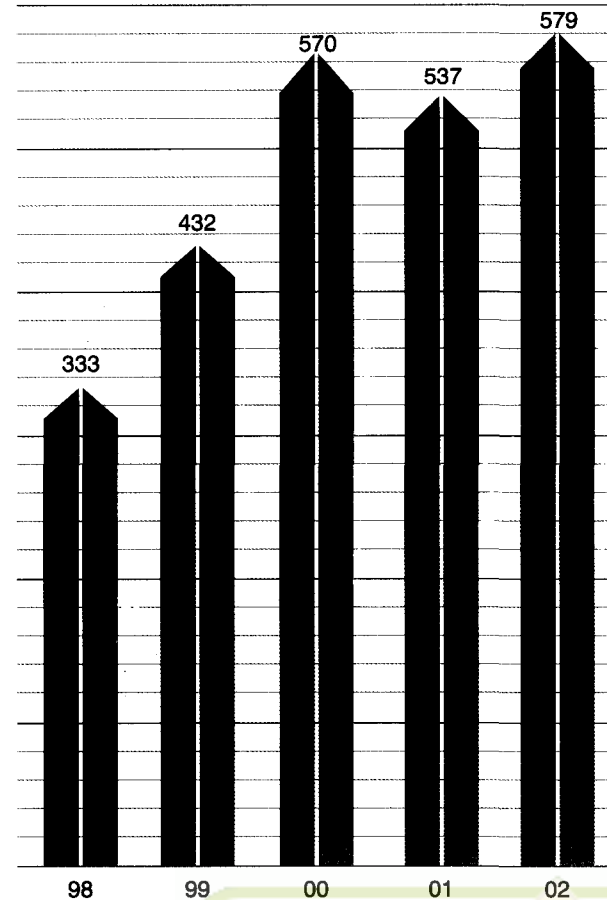
28th Annual Report

2002

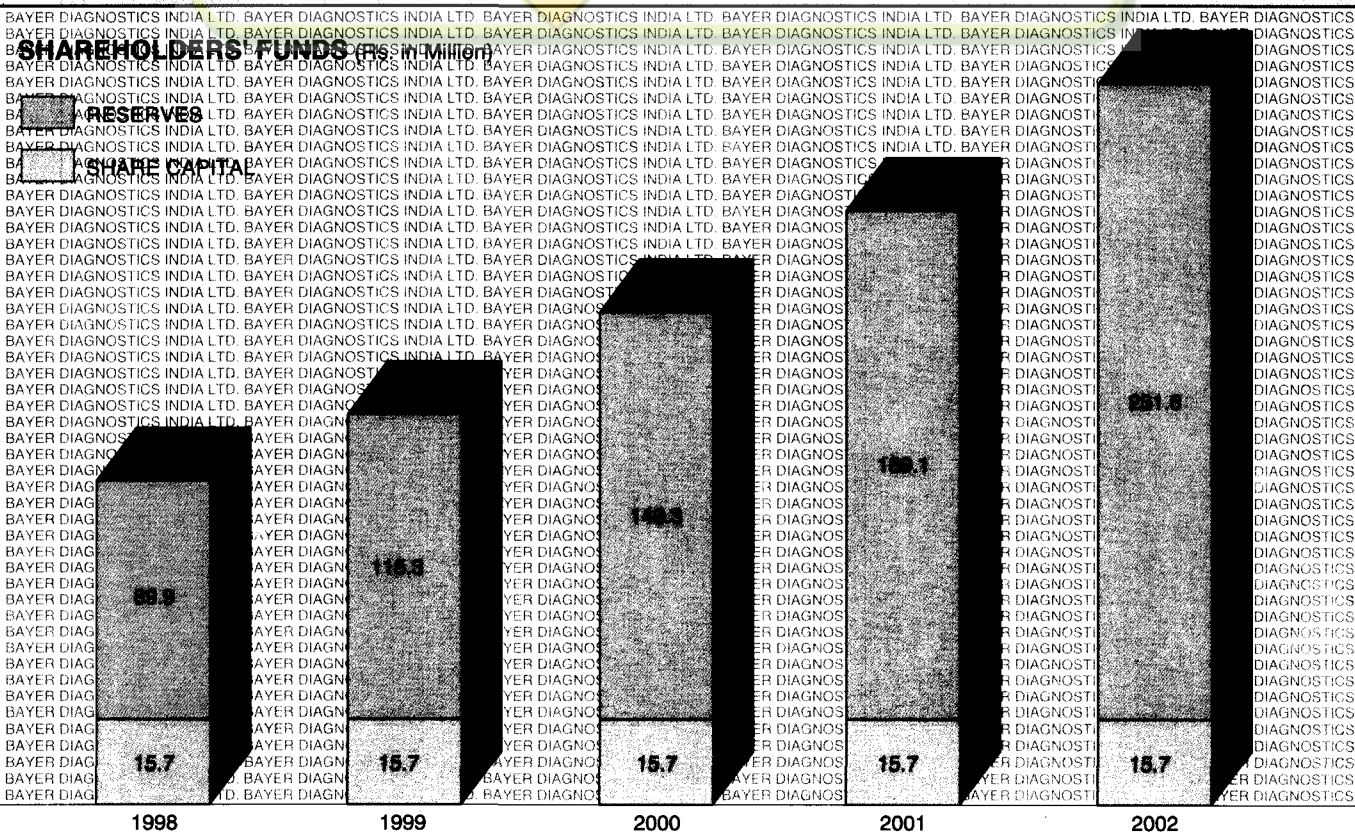
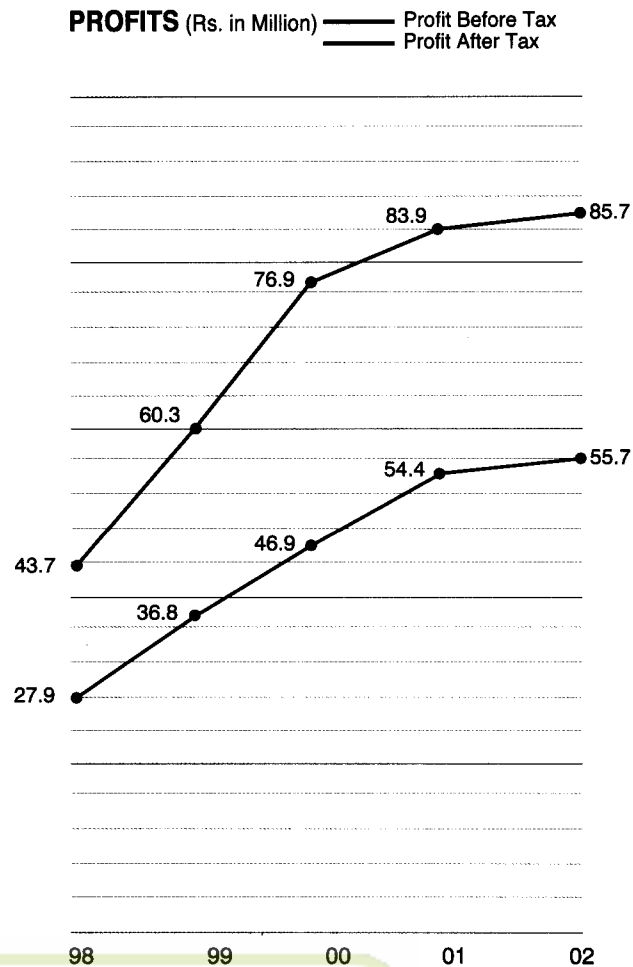
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Bayer Diagnostics India Ltd.

SALES & OTHER INCOME (Rs. in Million)



PROFITS (Rs. in Million)





Board of Directors	Mr. D. Kambeck	<i>Chairman</i>
	Mr. J. Ohle	
	Mr. D. B. Engineer	
	Mr. A. R. Gandhi	
	Mr. J. Frick	<i>Alternate to Mr. J. Ohle</i>
	Dr. V. J. Patel	<i>Chairman Emeritus</i>
	Mr. P. Singh	<i>Managing Director</i>
Finance Manager & Company Secretary	Mr. A. S. Bhatt	
Auditors	M/s. A. F. Ferguson & Co., <i>Chartered Accountants</i>	
Registered Office & Plant	589, Sayajipura, Ajwa Road, Baroda-390 019, Gujarat. Phone : (0265) 256 2720 Fax : (0265) 256 5103 E-mail : Bayer-Diag-India@Bayer-ag.de	
Collaborators	Bayer Corporation 511, Benedict Avenue, Tarrytown, New York 10591-5097, U.S.A.	
Bankers	Bank of Baroda	
Registrars and Share Transfer Agents	MCS Ltd. Neelam Apartment, 88 Sampatrao Colony, Above Chhappanbhog Sweet Mart, Alkapuri, Baroda-390 007.	
Solicitors	Crawford Bayley & Co., Mumbai	

Notice

NOTICE is hereby given that the 28th Annual General Meeting of the Members of Bayer Diagnostics India Ltd., will be held at Chandarva Hall, WelcomHotel Vadodara, R.C. Dutt Road, Baroda-390 007, Gujarat on Monday, May 26, 2003 at 4.30 p.m. to transact the following business :

As Ordinary Business

- i) To receive, consider and adopt the Audited Accounts, Balance Sheet as at December 31, 2002, Profit and Loss Account for the year ended on that date and the reports of Directors and Auditors thereon.
- ii) To declare a 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 conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be decided by the Board of Directors.

By Order of the Board

March 13, 2003
Mumbai

A. S. Bhatt
*Finance Manager &
Company Secretary*

NOTES :

1. 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.
2. The Share Transfer Books and the Register of Members of the Company will remain closed from May 13, 2003 to May 26, 2003 (both days inclusive).
3. **The Company has appointed M/s. MCS Limited, Baroda as its Registrar and Share Transfer Agent for shares in physical as well as electronic form w.e.f. January 16, 2003.** Company has already sent a circular to all the shareholders in this behalf. Their address is given on the first page of the Annual Report.
4. Subject to Section 206A of the Companies Act, 1956, the dividend as recommended by the Board, if approved at the 28th Annual General Meeting, will be paid to those members whose names stand on the Company's Register of Members as on May 26, 2003. In respect of shares held in 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.
5. As members are aware, equity shares of the Company are traded in the electronic form for all the shareholders. Members who hold equity shares in physical form may dematerialise the same. ISIN allotted to the Company for this purpose is **INE195D01014**.
6. The members having shares in physical form are requested to furnish the details of their bank account, as dividend are now required to be distributed through the Electronic Clearing Service (ECS). The details of bank accounts should be furnished to the Company's Registrar and Share Transfer Agent, **M/s. MCS Limited, Neelam Apartment, 88, Sampatrao Colony, Above Chhappanbhog Sweet Mart,**



Alkapuri, Baroda-390 007 on or before May 12, 2003.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below:

Dividend for the year	Date of declaration of Dividend	Due date for transfer to IEP Fund
December 31, 1995 (9 months)	June 29, 1996	August 27, 2003
December 31, 1996	June 28, 1997	August 25, 2004
December 31, 1997	June 27, 1998	August 24, 2005
December 31, 1998	June 26, 1999	August 23, 2006
December 31, 1999	May 22, 2000	July 8, 2007
December 31, 2000	June 15, 2001	July 19, 2008
December 31, 2001	June 25, 2002	July 29, 2009

Where dividend payments are made through ECS, intimations regarding such remittances would be sent separately to the shareholders.

Shareholders who have not so far encashed their dividend warrants may approach the Company's Registered Office at 589, Sayajipura, Ajwa Road, Baroda-390 019, Gujarat.

7. Beneficial owners holding shares in electronic form are requested to notify any change in address, bank particulars, ECS particulars etc. to their respective depository participants and make sure that changes are recorded by them correctly on or before May 12, 2003. The particulars recorded with the depository participants will be considered for making the payment of dividend either by issuing physical instruments or by ECS as intimated by the Company. Shareholders are requested to take appropriate action in the matter, in their own interest, to avoid delay in receiving the payment of dividend.
8. The equity shares of the Company are listed with the Stock Exchange, Mumbai and the Vadodara Stock Exchange Limited, Vadodara. The Company has paid the Listing fees for the year 2002.
9. The Proxy Form duly completed should reach the Company's Registered Office at least 48 hours before the time appointed for the meeting.
10. 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.
11. The members are requested to encash the Dividend Warrants immediately on receipt, as dividends remaining unclaimed for seven years are now required to be transferred to the "Investor Education and Protection Fund" (IEP Fund) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Members shall not be able to claim any unclaimed dividend from the said fund or the Company thereafter.

Directors' Report

The Directors have pleasure in presenting the Twenty Eighth Annual Report of the Company together with the Audited Accounts for the year ended December 31, 2002.

1. Financial Results

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

Rs. '000	2002	2001
Sales and Other Income	578922	537025
Gross Profit	96796	93176
Less: Depreciation	11114	9305
Profit Before Tax	85682	83871
Less: Provision for Taxation on current income	31200	29800
: Deferred Tax	(1201)	(341)
Profit After Tax	55683	54412
Balance brought forward	21121	18465
Available for Appropriation	76804	72877
Proposed Dividend	11756	11756
Tax on Proposed Dividend	1506	—
Transfer to General Reserve	40000	40000
Carried Forward	23542	21121
	76804	72877

2. Operations

The business scenario of the Health Care market in which the Company participates continued to be driven into a competitive environment, including the entry of several low cost and generic product lines. Also, the pressurised liquidity in the trade channels as well as in customer investment patterns called for a cautious approach.

Sales and Other Incomes at Rs.5789 lacs were 8% above the previous year.

Profit Before Tax at Rs.857 lacs and Profit After Tax at Rs.557 lacs were each 2% above the previous year.

Earnings Per Share increased to Rs.35.53 from Rs.34.72.

To meet future challenges, the Company also undertook market analysis of selected product portfolios so as to bring in appropriate product offerings in growth areas.

3. Dividend

Your Directors are pleased to recommend a dividend @ 75% (Rs.7.50/- per Equity Share of Rs.10/- each) for the year ended December 31, 2002, subject to approval of shareholders at the ensuing Annual General Meeting.

4. Fixed Deposits

Matured deposits of an aggregate amount of Rs.0.08 lacs have been repaid to its holders and Rs.0.10 lacs matured and remained unclaimed for seven years has been deposited to the Investor Education and Protection Fund alongwith interest on Fixed Deposits paid but not encashed amounting Rs.2,361.37.

5. Directors' Responsibility Statement

The Directors confirm that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on December 31, 2002 and of the profit of the Company for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the



provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- iv) the annual accounts are prepared on a going concern basis.

6. Directors

Mr. P. Gauthier, Director of the Company consequent upon his new assignment as Head – Healthcare, Region – Latin America has resigned as a Director of the Company with effect from July 29, 2002.

Dr. A.F. Hennecken, being an alternate director to Mr. P. Gauthier has also vacated the office with effect from July 29, 2002.

The Board has place on record its sincere appreciation of the valuable services rendered to the Company by Mr. P. Gauthier and Dr. A.F. Hennecken throughout their tenure as members of the Board.

Consequent to Mr. P. Gauthier's resignation, Mr. J. Ohle, who is Head – Health Care, Asia Pacific Region has been nominated as a Director with effect from July 29, 2002, who will not be liable to retire by rotation.

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

7. Auditors

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

8. Secretarial Compliance Audit

The Company has a qualified Company Secretary, who is also the Compliance Officer. In view of this, a compliance certificate from a company secretary in whole time practice under amended Rule 2 of the Companies

(Appointment and Qualification of Secretary) Rules, 1988 and Section 383A of the Companies Act, 1956 has not been attached to this report. The Compliance Certificate will be filed with the Registrar of Companies, Gujarat.

9. 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, 2002 has been provided.

10. 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 year ended December 31, 2002 is set out herein below :

Acknowledgement

Your Directors are pleased to place on record their sincere 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 appreciation of the valuable contribution made by the employees in achieving the good performance of the Company.

For and on behalf of the
Board of Directors

March 13, 2003
Mumbai

D. Kambeck
Chairman

Particulars of Employees pursuant to Section 217 (2A) of the Companies Act, 1956.

Name	Designation & Nature of Duties	Remuneration Received Rs.	Qualification and Experience (in years)	Date of Employment	Age (Years)	Previous Employment Held
Employed throughout the year ended December 31, 2002 and in receipt of remuneration aggregating not less than Rs. 24,00,000/-						
P. Singh	Managing Director	41,62,745/-	B.Com. (27)	01.01.1996	47	Executive Vice President BG-Diagnostics Bayer (India) Limited

Notes :

1. Appointment of Managing Director is contractual.
2. Remuneration received includes salary, commission, allowances, medical expenses, leave travel assistance, taxable value of perquisites etc. and Company's contribution to provident fund, gratuity and superannuation funds.
3. The above employee is not a relative of any Director of the Company.





Annexure to Directors' Report

Information as per Section 217(1)(e) 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, 2002.

I. Conservation of Energy

- (i) Saving of energy in terms of Electricity Consumption is our prime concern and have achieved Power Factor upto 0.99. Received rebate of Rs.59,909 from Gujarat Electricity Board. Well planned Preventive Maintenance has improved our operational efficiency.
- (ii) Water and air pollution control measures are optimum and industrial trade effluents are used for gardening after adjusting the pH. Tree plantation at the factory site is maintained properly.

(iii) (A) Power and Fuel Consumption

	2002	2001
1. Electricity		
a. Purchased Unit	336500	315203
Total Amount (Rs.)	1794545	1741560
Rate/Unit (Rs.)	5.33	5.53
b. Own Generation		
i) Through D.G. Unit	10515	22800
Unit Generated per litre of Diesel Oil	2.64	2.73
Cost/Unit (Rs.)	6.63	5.69
ii) Through Steam/Turbine Generator	N.A.	N.A.
2. Coal	N.A.	N.A.
3. Furnace Oil		
Quantity (Litres)	14394	16644
Total Amount (Rs.)	224978	256650
Average Rate (Rs.)	15.63	15.42
4. Others/Internal Generation	N.A.	N.A.

(B) Consumption per Unit of Production

Product (Reagent Strips, Kits and Instruments)	
Electricity	Cannot be ascertained
Furnace Oil	Cannot be ascertained
Coal	N.A.
Others	N.A.

II. Technology Absorption and Research and Development

(i) Main areas of emphasis include :

- Development and performance enhancement of Clinical Laboratory Analyzers.
- Development of products with simple/easy to use test methods.
- Design alignment in existing products as per customers' feed back.
- Adoption of technologies useful and workable to local customers.
- Upgradation of manufacturing facilities with focus on customers' needs and requirements.

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

a) Capital	—
b) Recurring	10.41
c) Total	10.41
d) Total R&D expenditure as a Percentage of turnover	0.18%

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

III. Foreign Exchange Earnings and Outgo

- Foreign Exchange earnings through exports and commission aggregated to Rs.393.63 lacs against outgo of Rs.2857.64 lacs, particulars of which are given in Schedule 16 of the Accounts.

Auditors' Report to the Members of Bayer Diagnostics India Ltd.

We have audited the attached balance sheet of Bayer Diagnostics India Ltd., as at 31st December, 2002 and also the profit and loss account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

3. Further to our comments in the annexure referred to in paragraph 2 above, we report that :

- (i) 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;
- (ii) 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;

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

(iv) in our opinion, the balance sheet and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

(v) on the basis of written representations received from the directors, as on 31st December, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

(vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

(a) in the case of the balance sheet, of the state of affairs of the company as at 31st December, 2002;

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

(c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For **A. F. FERGUSON & CO.**
Chartered Accountants

March 13, 2003
Mumbai

R. K. Hiranandani
Partner