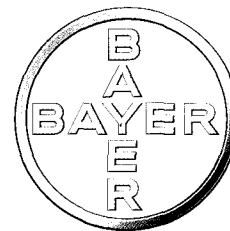


Bayer HealthCare

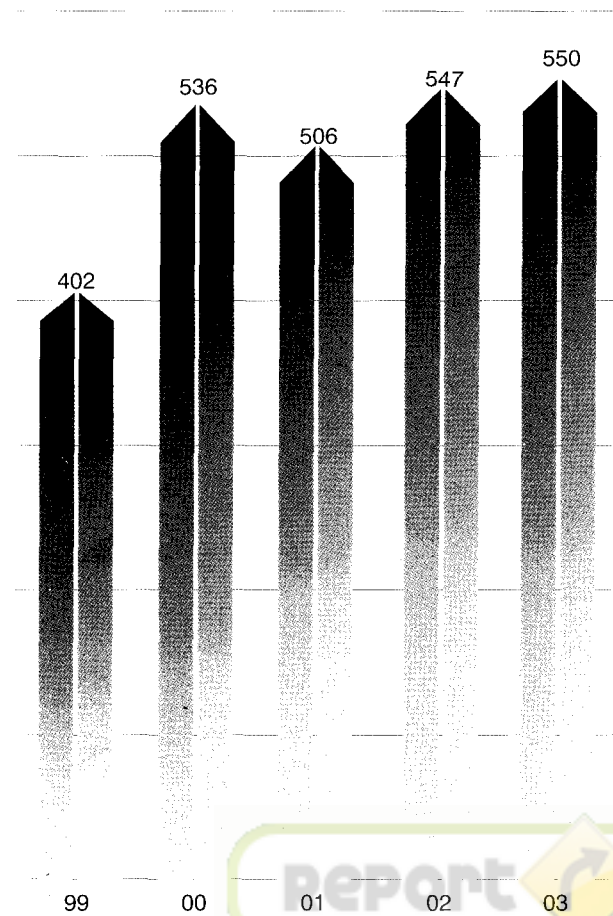
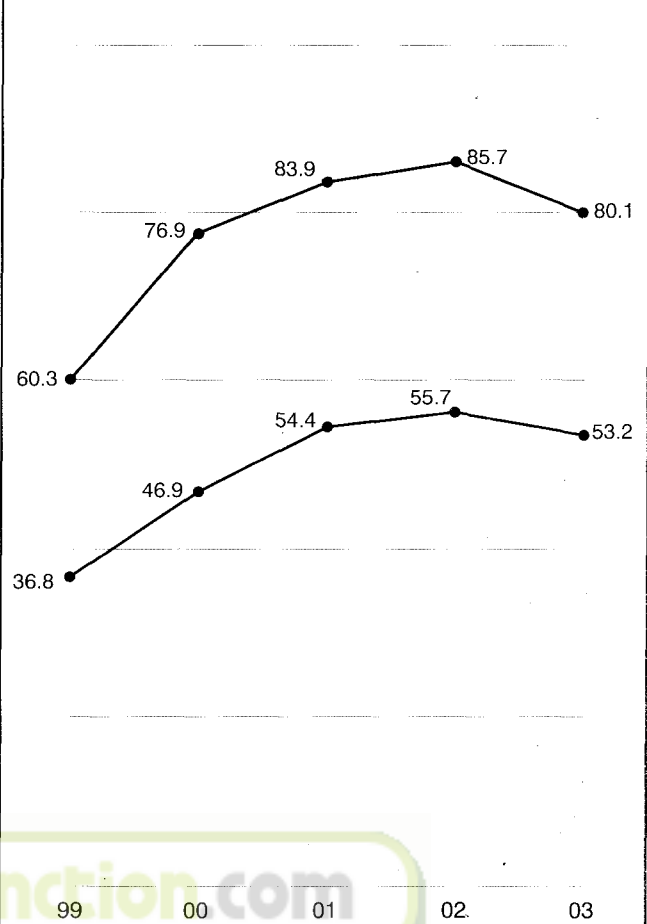
Diagnostics Division



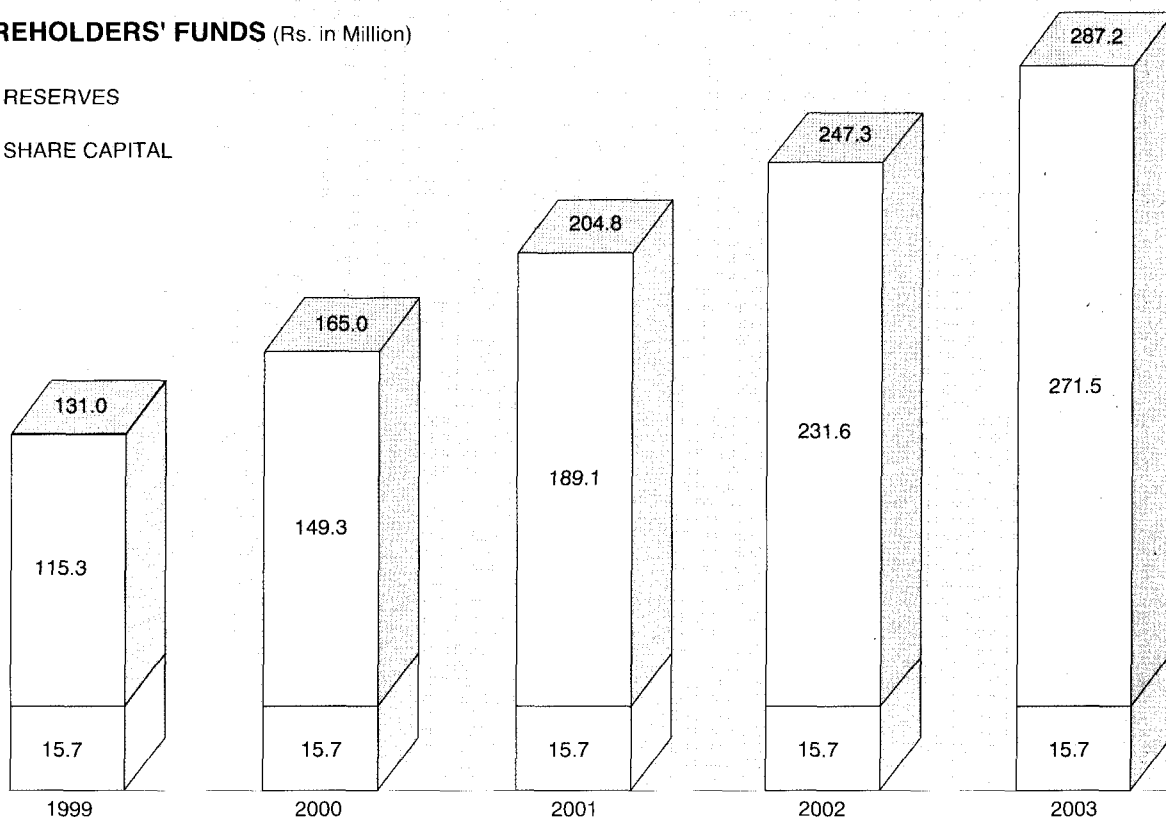
29th Annual Report

2003

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SALES & OTHER INCOME (Rs. in Million)**PROFITS** (Rs. in Million)**SHAREHOLDERS' FUNDS** (Rs. in Million)

- ☐ RESERVES
☐ SHARE CAPITAL





Board of Directors	Mr. S. Gerlich	<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 HealthCare LLC. 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. Phone : (0265) 233 9397, 231 4757 Fax : (0265) 234 1639 E-mail : mcsbaroda@iqara.net	
Solicitors	Crawford Bayley & Co., Mumbai	

Notice

NOTICE is hereby given that the 29th 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 Friday, May 28, 2004 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, 2003, 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 Mr. A. R. Gandhi, 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

A. S. Bhatt

*Finance Manager &
Company Secretary*

March 16, 2004
Mumbai

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 18, 2004 to May 28, 2004 (both days inclusive).
3. Subject to Section 206A of the Companies Act, 1956, the dividend as recommended by the Board, if approved at the 29th Annual General Meeting, will be paid to those members whose names stand on the Company's Register of Members as on May 28, 2004. 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.
4. As members are aware, equity shares of the Company are traded in 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**.
5. 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 17, 2004.
6. 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 such changes are recorded by



them correctly on or before May 17, 2004. 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.

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

7. 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 2003.
8. The Proxy Form duly completed should reach the Company's Registered Office at least 48 hours before the time appointed for the meeting.
9. 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.
10. 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.

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, 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
December 31, 2002	May 26, 2003	July 1, 2010

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

Directors' Report

The Directors have pleasure in presenting the Twenty Ninth Annual Report of the Company together with the Audited Accounts for the year ended December 31, 2003.

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	2003	2002
Net Sales (excluding excise duty), Operating and Other Income	550031	546503
Gross Profit	100538	96796
Less: Depreciation	20457	11114
Profit Before Tax	80081	85682
Less: Provision for Taxation on current income	30300	31200
: Deferred Tax	(2083)	(1201)
Provision for Income Tax no longer required	(1362)	—
Profit After Tax	53226	55683
Balance brought forward	23542	21121
Available for Appropriation	76768	76804
Proposed Dividend	11756	11756
Tax on Proposed Dividend	1506	1506
Transfer to General Reserve	40000	40000
Carried Forward	23506	23542
	76768	76804

2. Operations

Overall, 2003 proved to be an extremely challenging year for the Company. Low cost generics showed their predominant presence in the market with general product lines. Also, the persistent liquidity pressure in the trade channels existed. The confusion around the introduction of VAT by the States was a

setback for several weeks in the first half of the year.

In the second half of the year, the Company launched a new Blood Glucose Monitoring System for the fast growing Diabetes market & was extremely successful at key accounts with its Immunodiagnostics systems. Though the full returns of these investments were not fully realized in 2003, these platforms pave the way for our future competitiveness & growth.

Net Sales, Operating and Other Income at Rs.5500 lacs was marginally up by 1% as compared to the previous year.

However, Profit Before Tax at Rs.801 lacs and Profit After Tax at Rs.532 lacs, were lower by 7% and 4% respectively as compared to the previous year due to marginal growth in the sales.

Earnings Per Share was Rs.33.96 for the year.

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, 2003, subject to approval of shareholders at the ensuing Annual General Meeting.

4. Fixed Deposits

Matured deposits paid but not encashed for a period of seven years amounting to Rs.0.10 lacs has been deposited to the Investor Education and Protection Fund.

5. Unclaimed Dividend

Dividend for the year ended December 31, 1995 (9 months) declared on June 29, 1996 was due for transfer to Investor Education and Protection Fund on August 27, 2003. The company had given reminders to the shareholders whose dividend was unclaimed and the same was paid by way of demand drafts to the shareholders who claimed it. The



residual amount of Rs. 16,945.70 was deposited to the Investor Education and Protection Fund against unclaimed and unpaid dividend for the year ended December 31, 1995 (9 months).

6. Directors' Responsibility Statement

The Directors confirm that :

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) 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, 2003 and of the profit of the Company for that period;
- iii) 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.

7. Directors

Mr. Johannes Frick, has been appointed as an alternate director to Mr. J. Ohle w.e.f. March 13, 2003.

Mr. D. Kambeck has resigned as a director and chairman of the Company with effect from June 30, 2003.

The Board has placed on record its sincere appreciation of the valuable services rendered to the Company by Mr. D. Kambeck throughout his tenure as a member of the Board.

Consequent to Mr. D. Kambeck's resignation, Mr. S. Gerlich, who is also responsible for the

Bayer Polymer Group for the India Sub-Continent, has been nominated by Bayer. He has been appointed as a Director and Chairman of the Board and the Company with effect from July 1, 2003, who will not be liable to retire by rotation.

Mr. A.R. Gandhi retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

8. Auditors

The present auditors, M/s. A.F. Ferguson & Co., Chartered Accountants, Mumbai have expressed their unwillingness to seek re-appointment. Your Board has recommended appointment of M/s. Price Waterhouse, Chartered Accountants, Mumbai as Statutory Auditors. The Auditors' appointment will be placed at the ensuing Annual General Meeting to the shareholders accordingly.

9. Secretarial Compliance Audit

The Ministry of Finance, Department of Company Affairs has clarified vide their General Circular No. 35/2003 dated December 11, 2003 that a Company which is not required under law to employ a whole-time secretary, but has nevertheless employed a whole-time Company Secretary within the meaning of Section 2(1)(c) of the Company Secretaries Act, 1980, such a company is not required to obtain compliance certificate from Company Secretary in practice. The Company has a qualified Company Secretary, who is also the Compliance Officer. In view of the same, a Compliance Certificate from a Company Secretary in practice is not obtained.

10. 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, 2003 has been provided.

11. 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, 2003 is set out herein below :

12. Corporate Governance

The revised Clause 49 of the Listing Agreement will be applicable to the Company on adoption of annual accounts for the year ended December 31, 2003 at the ensuing twenty ninth annual general meeting of the Company. In view of the same, the Company will be

required to comply with the same from the quarter ended on and after June 30, 2004.

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 16, 2004
Mumbai

S. Gerlich
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, 2003 and in receipt of remuneration aggregating not less than Rs. 24,00,000/-						
P. Singh	Managing Director	49,13,182/-	B.Com. (28)	01.01.1996	48	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, 2003.

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.68,490 by achieving power factor 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

	2003	2002
1. Electricity		
a. Purchased Unit	343820	336500
Total Amount (Rs.)	1798857	1794545
Rate/Unit (Rs.)	5.23	5.33
b. Own Generation		
i) Through D.G. Unit	6132	10515
Unit Generated per litre of Diesel Oil	2.56	2.64
Cost/Unit (Rs.)	7.73	6.63
ii) Through Steam/Turbine Generator	N.A.	N.A.
2. Coal	N.A.	N.A.
3. Furnace Oil		
Quantity (Litres)	12940	14394
Total Amount (Rs.)	242884	224978
Average Rate (Rs.)	18.77	15.63
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 :
 - Improvement in stability of products through internal and external feed back.
 - Development of more accurate and precise assay methods for better internal control.
 - Continual monitoring of upgraded manufacturing facilities for quality production.

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

a) Capital	—
b) Recurring	8.84
c) Total	8.84
d) Total R&D expenditure as a Percentage of turnover	0.15%

- (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.229.22 lacs against outgo of Rs.2848.80 lacs, particulars of which are given in Schedule 16 of the Accounts.

Bayer Group Companies in India and Worldwide

Bayer Diagnostics India Ltd. is a part of the Bayer Group which operates worldwide in the areas of

HealthCare, CropScience, Polymers and Chemicals. The names of Bayer Group Companies in India and worldwide are given below :

<i>Name of the Company</i>	<i>Country</i>
Bayer Polymers AG	Germany
Bayer-Kaufhaus GmbH	Germany
Drugofa GmbH	Germany
GVW Garnveredlungswerke GmbH	Germany
Generics Holding GmbH	Germany
KVP Pharma+Veterinär-Produkte GmbH	Germany
Bayer Polymers Sheet Europe GmbH	Germany
Hennecke GmbH	Germany
Pallas Versicherung Aktiengesellschaft	Germany
Bayer Distribution Service GmbH	Germany
Rhein Chemie Rheinau GmbH	Germany
Wolff Walsrode Aktiengesellschaft	Germany
PT Bayer Indonesia Tbk	Indonesia
Bayer Antwerpen N.V.	Belgium
BAYER CHINA COMPANY, LIMITED	Hongkong
Bayer East Africa Limited	Kenya
Bayer Finance S.A.	Luxembourg
Bayer (India) Limited	India
Bayer Iranchemie AG	Iran
Bayer Ltd.	Japan
Bayer (Malaysia) Sdn. Bhd.	Malaysia
Bayer Maghreb S.A.	Morocco
Bayer Pakistan (Private) Limited	Pakistan
Bayer Pharma Maroc S.A.	Morocco
Bayer Philippines, Inc.	Philippines
Bayer-Shell Isocyanates N.V.	Belgium
Bayer Türk Kimya Sanayi Limited Sirketi	Turkey
Bayer Yakuhin, Ltd.	Japan
Company 113 Corporation	USA
Bayer CropScience K.K.	Japan
Sumika Bayer Urethane Co., Ltd.	Japan
Bayer S.A.	Argentina
Bayer Australia Limited	Australia
Bayer S.A.-N.V.	Belgium
Bayer S.A.	Costa Rica
Bayer S.A.	Chile
Bayer S.A.	Columbia
Bayer S.A.	Salvador
Bayer S.A.	Guatemala

<i>Name of the Company</i>	<i>Country</i>
Bayer de Mexico, S.A. de C.V.	Mexico
Bayer S.A.	Brasil
Bayer S.A.	Equador
Bayer SAS	France
Bayer Hellas AG	Greece
Bayer Hispania, S.A.	Spain
Bayer Limited	Ireland
Bayer S.p.A.	Italy
Bayer AS	Norway
Bayer B.V.	Netherlands
Bayer Pharma S.A.	France
Bayer Portugal S.A.	Portugal
Bayer SA	Uruguay
Bayer S.A.	Venezuela
Bayer S.A.	Peru
Bayer S.A.	Nicaragua
Bayer (Schweiz) AG	Switzerland
Bayer AB	Sweden
Bayer Public Limited Company	United Kingdom
Bayer Austria Gesellschaft m.b.H	Austria
Chemie-Beteiligungsaktiengesellschaft	Switzerland
Bayer (Proprietary) Limited	South Africa
Bayer Capital Corporation B.V.	Netherlands
Bayer New Zealand Limited	New Zealand
Quimica Farmaceutica Bayer, S.A.	Spain
Societe de Conditionnement Bayer S.A.R.L.	France
Bayer Oy	Finland
Agfa Aktiengesellschaft	Germany
Bayer Faser GmbH	Germany
Bayer Bitterfeld GmbH	Germany
Bayer HealthCare LLC	USA
Bayer Diagnostics S.A.	France
Bayer Diagnostics Manufacturing Limited	United Kingdom
Bayer Inc.	Canada
Bayer S.A.	Panama
Bayer Medical Ltd.	Japan
Bayer Thai Company Limited	Thailand
Bayer A/S	Denmark
Bayer Ilac Fabrikalari Anonim Sirketi	Turkey