

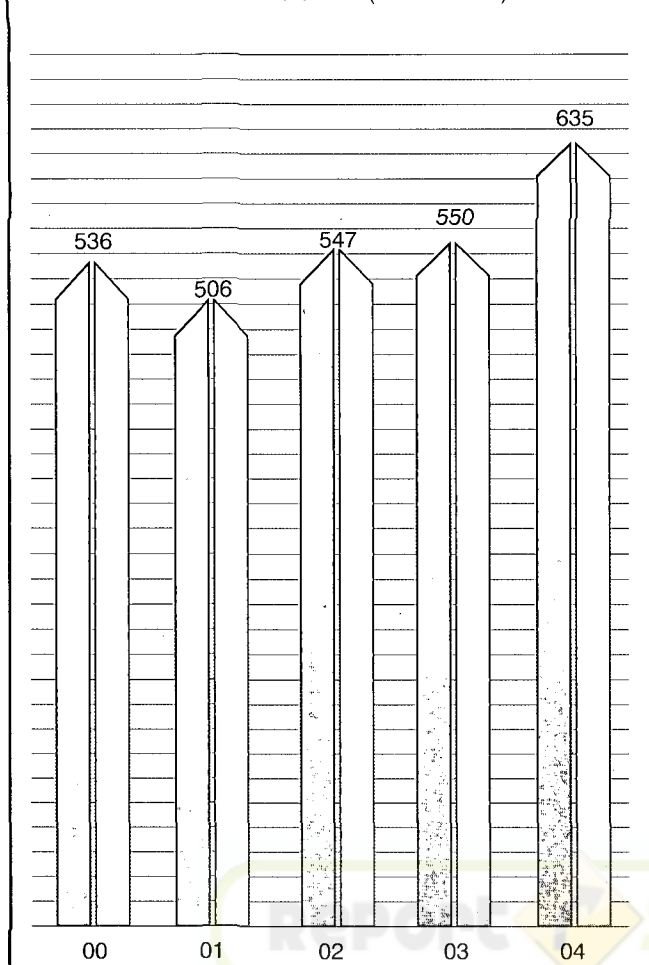
Bayer HealthCare Diagnostics Division

30th Annual Report

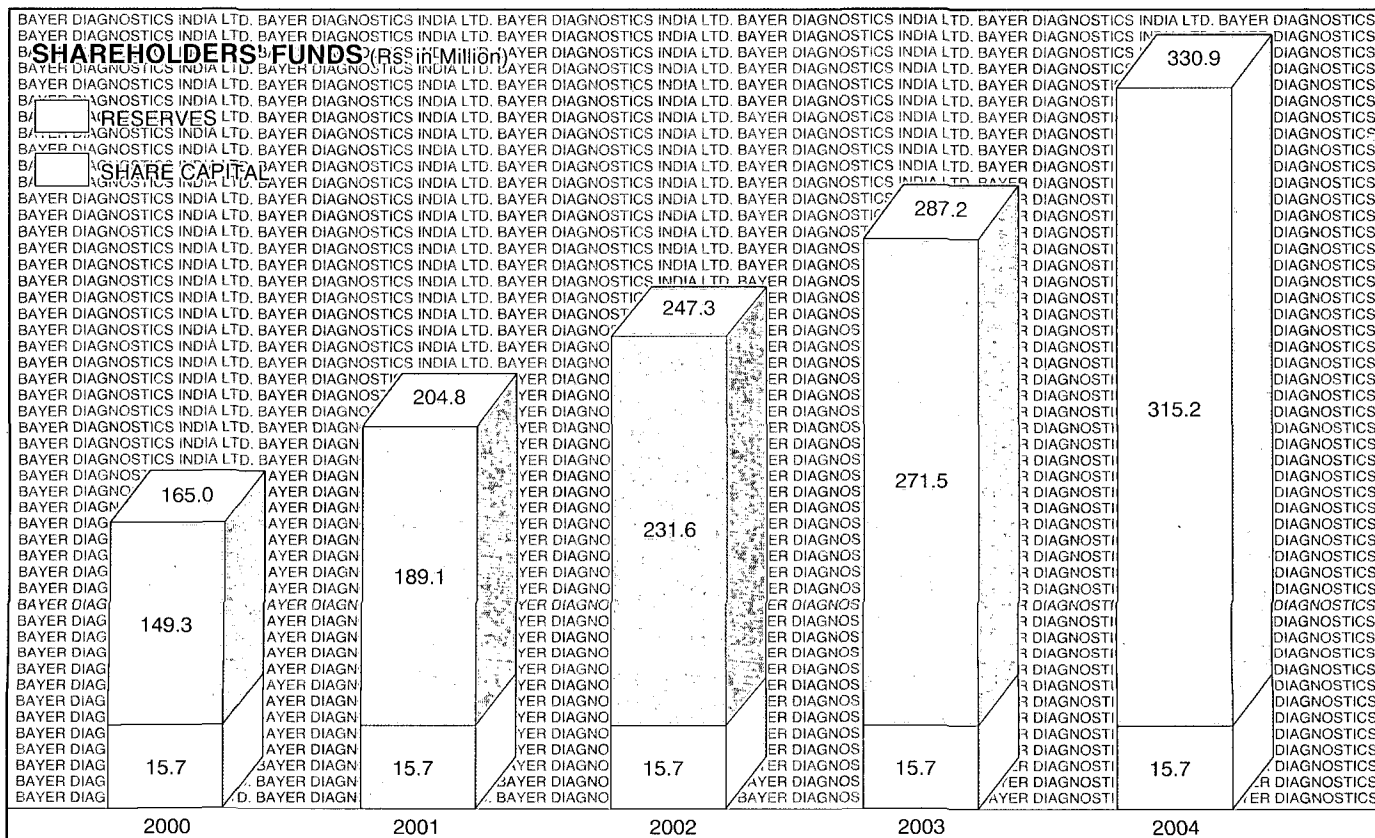
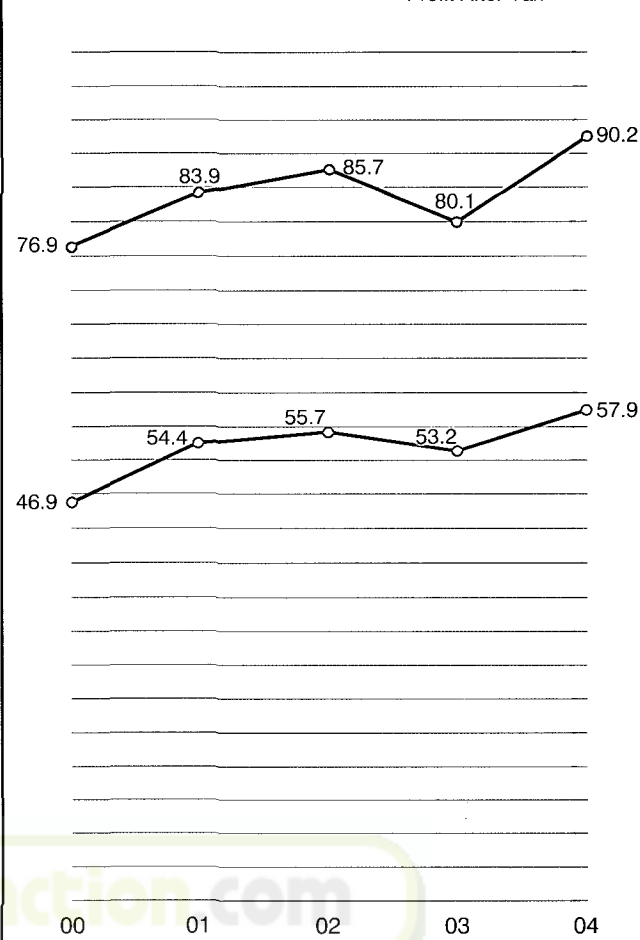
2004



SALES & OTHER INCOME (Rs. in Million)



PROFITS (Rs. in Million)





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. Praveen Singh	<i>Managing Director</i>
Head - Finance & Company Secretary	Mr. Ashvin Bhatt	
Auditors	M/s. Price Waterhouse, Chartered Accountants	
Registered Office & Plant	589, Sayajipura, Ajwa Road, Baroda-390 019, Gujarat. Phone : (0265) 256 2720 Fax : (0265) 256 5103 E-mail : bayer.bdil@bayerhealthcare.com	
Collaborators	Bayer HealthCare LLC. 511, Benedict Avenue, Tarrytown, New York 10591-5097, U.S.A.	
Bankers	Citibank N.A.	
Registrars and Share Transfer Agents	MCS Ltd. Neelam Apartment, 88 Sampatrao Colony, Behind Standard Chartered Bank, 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 30th 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 Saturday, May 21, 2005 at 10.30 a.m. to transact the following business :

As Ordinary Business

- i) To receive, consider and adopt the Audited Accounts, Balance Sheet as at December 31, 2004, 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. D. B. Engineer, 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.

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 the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, the approval of the members of the Company be and is hereby accorded for payment of Rs. 5,000 (Rupees Five Thousand only) or such other amount as may be approved by the Board of Directors, subject to the ceiling

as may be prescribed under the Companies Act, 1956, or any statutory modifications or enactment thereof and / or any rules or regulations framed thereunder and / or by the Central Government, as sitting fees for each meeting of the Board of Directors, attended by the Non-Executive Directors of the Company.

RESOLVED FURTHER THAT pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, the approval of the members of the Company be and is hereby accorded for payment upto Rs. 5,000 (Rupees Five Thousand only) or such other amount as may be approved by the Board of Directors, subject to the ceiling as may be prescribed under the Companies Act, 1956, or any statutory modifications or enactment thereof and / or any rules or regulations framed thereunder and / or by the Central Government, as sitting fees for each meeting of the Committee of the Board of Directors, attended by the Non-Executive Independent Directors of the Company.

RESOLVED FURTHER THAT the Non-Executive Directors / Independent Directors may be paid such amount as may be decided by the Board of Directors, other than sitting fees for attending Board and Committee meetings, which do not result in any material pecuniary relationship with the Company, its promoters, etc and as may be allowed under the Listing Agreement.”

By Order of the Board

February 16, 2005
Mumbai

Ashvin Bhatt
Head - Finance &
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 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 12, 2005 to May 21, 2005 (both days inclusive).
3. Subject to section 206A of the Companies Act, 1956, the dividend as recommended by the Board, if approved at the 30th Annual General Meeting, will be paid to those members whose names stand on the Company's Register of Members as on May 21, 2005. 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.
4. As members are aware, equity shares of the Company are traded in electronic form for all 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 is now required to be distributed through the Electronic Clearing Service (ECS). The details of bank accounts should be furnished to the Company's Registrar & Share Transfer Agent, **M/s. MCS Limited, Neelam Apartment, 88, Sampatrao Colony, Behind Standard Chartered Bank, Alkapuri, Baroda - 390 007** on or before May 11, 2005.
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 11, 2005. 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. Register of Contracts, Companies and Firms in which directors are interested is open for inspection at the registered office of the Company during 10.00 a.m. to 12.30 p.m. from Monday to Friday except declared holidays.
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 2004.
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.

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, 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
December 31, 2003	May 28, 2004	July 1, 2011

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.

12. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of Item No. v is annexed.

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

Item No. v

The Securities and Exchange Board of India (SEBI) has revised the Clause 49 of the Listing Agreement relating to Corporate Governance which has to be complied with by December 31, 2005. One of the requirements stipulated under it is that all the fees / compensation payable to Non-Executive Directors, including the Independent Directors, shall be fixed by the Board of Directors and shall require previous approval of the shareholders in the General Meeting.

Pursuant to the clause 88 of Articles of Association of the Company, at present, the Company is paying to the Non-Executive Directors, sitting fees of Rs. 5,000/- for attending each Board meeting as well as Rs. 5,000/- for each Audit Committee Meeting and Rs. 1,500/- for each Legal Committee Meeting.

Approval of the members is sought for the payment of the above mentioned sum or such other sum as may be approved by the Board of Directors, which is within the limits stipulated under the Companies Act, 1956 or rules framed there under.

Further, pursuant to the Section 309 of the Companies Act, 1956, the Company can pay a commission not exceeding in the aggregate 1% per annum, of the net profits of the Company calculated under Sections 349 and 350 of the Companies Act, 1956.

Approval of the members is also sought for payment of such amount, other than sitting fees for attending Board and Committee meetings, which does not result in any material pecuniary relationship with the Company, its promoters, etc and as may be allowed under the Listing Agreement and other applicable rules and regulations.

The Directors recommend passing of the above resolution as an ordinary resolution.

Mr. D.B. Engineer, Mr. A. R. Gandhi & Dr. V. J. Patel, Directors of the Company, may be considered or deemed to be interested in this resolution.

By Order of the Board

February 16, 2005
Mumbai

Ashvin Bhatt
Head - Finance &
Company Secretary



Directors' Report

The Directors have pleasure in presenting the Thirtieth Annual Report of the Company together with the Audited Accounts for the year ended December 31, 2004.

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	2004	2003
Net Sales (excluding excise duty), Operating and Other Income	634752	550031
Gross Profit	114836	100538
Less: Depreciation	24592	20457
Profit Before Tax	90244	80081
Less: Provision for Taxation on current income	31500	30300
: Deferred Tax	855	(2083)
Provision for Income Tax no longer required	-	(1362)
Profit After Tax	57889	53226
Balance brought forward	23506	23542
Available for Appropriation	81395	76768
Proposed Dividend	12539	11756
Tax on Proposed Dividend	1639	1506
Transfer to General Reserve	40000	40000
Carried Forward	27217	23506
	81395	76768

2. Operations

The Company performed well in 2004, despite the growing competition and presence of low cost generics in the Indian Diagnostics market. Most of our product lines had an impressive sales growth over 2003. Our past investments & focus on Diabetes Care & Immunodiagnostics paid rich dividends during the year; with both these key

business areas outperforming the market growth aggressively in 2004 and significantly gaining market shares.

Your Company also initiated several steps to realign its mid term strategic direction with a view to maintaining & improving its technological & commercial leadership in the Industry. Several product portfolio decisions have been set out and are being implemented for future competitiveness & profitability. The Company has also mapped out appropriate investments in several select areas of the business, going forward.

Net Sales, Operating & Other Income at Rs. 6348 lacs was up by 15% over the previous year. A majority of this growth was volume driven.

Profit Before Tax at Rs. 902 lacs and Profit After Tax at Rs. 579 lacs were 13% and 9% higher, respectively, as compared to the previous year.

Earnings Per Share was Rs. 36.93 for the year.

3. Dividend

Your Directors are pleased to recommend a dividend @ 80% (Rs. 8.00 per Equity Share of Rs. 10/- each) for the year ended December 31, 2004, subject to approval of shareholders at the ensuing Annual General Meeting.

4. Unclaimed Dividend

Dividend for the year ended December 31, 1996 declared on June 28, 1997 was due for transfer to Investor Education and Protection Fund on August 25, 2004. 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. 27,915.00 was deposited to the Investor Education and Protection Fund against unclaimed & unpaid dividend for the year ended December 31, 1996.

5. 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 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, 2004 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.

6. Directors

Mr. D. B. Engineer retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

7. Auditors

The Auditors, M/s. Price Waterhouse, retire and being eligible, offer themselves for re-appointment.

8. 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, 2004 is appended hereto as Annexure A.

9. 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, 2004 is set out herein below.

10. Management Discussion and Analysis

A detailed review of operations, performance and future outlook of the Company is given separately under the head Management Discussion and Analysis appended hereto as Annexure B.

11. Corporate Governance

As required by Clause 49 of the Listing Agreement, a detailed note on Corporate Governance is given as Annexure C to this Report. The Company is in full compliance with the requirements and disclosures that have to be made in this regard. The Auditors' Certificate confirming compliance of the Corporate Governance requirements by the Company is attached to the Report on Corporate Governance.

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

February 16, 2005
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, 2004 and in receipt of remuneration aggregating not less than Rs. 24,00,000/-						
Praveen Singh	Managing Director	Rs. 55,11,673/-	B.Com. (29)	01.01.1996	49	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 - A 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, 2004.

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. 69,182 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

	2004	2003
1. Electricity		
a. Purchased Unit	335732	343820
Total Amount (Rs.)	1777733	1798857
Rate/Unit (Rs.)	5.29	5.23
b. Own Generation		
i) Through D. G. Unit	10563	6132
Unit Generated per litre of Diesel Oil	2.63	2.56
Cost/Unit (Rs.)	7.54	7.73
ii) Through Steam/Turbine Generator	N.A.	N.A.
2. Coal	N.A.	N.A.
3. Furnace Oil		
Quantity (Litres)	13526	12940
Total Amount (Rs.)	268491	242884
Average Rate (Rs.)	19.85	18.77
4. Other/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 :

- Improvements in monitoring system for manufacturing facility to further assure the quality.
- Re-confirmation of product stabilities vis-a-vis the claimed expiry.
- Application of new methods for quality controls.

(ii) The Company has no R & D activities.

(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. 169.81 lacs against outgo of Rs. 3749.64 lacs, particulars of which are given in Schedule 15 of the Accounts.