

Bayer HealthCare

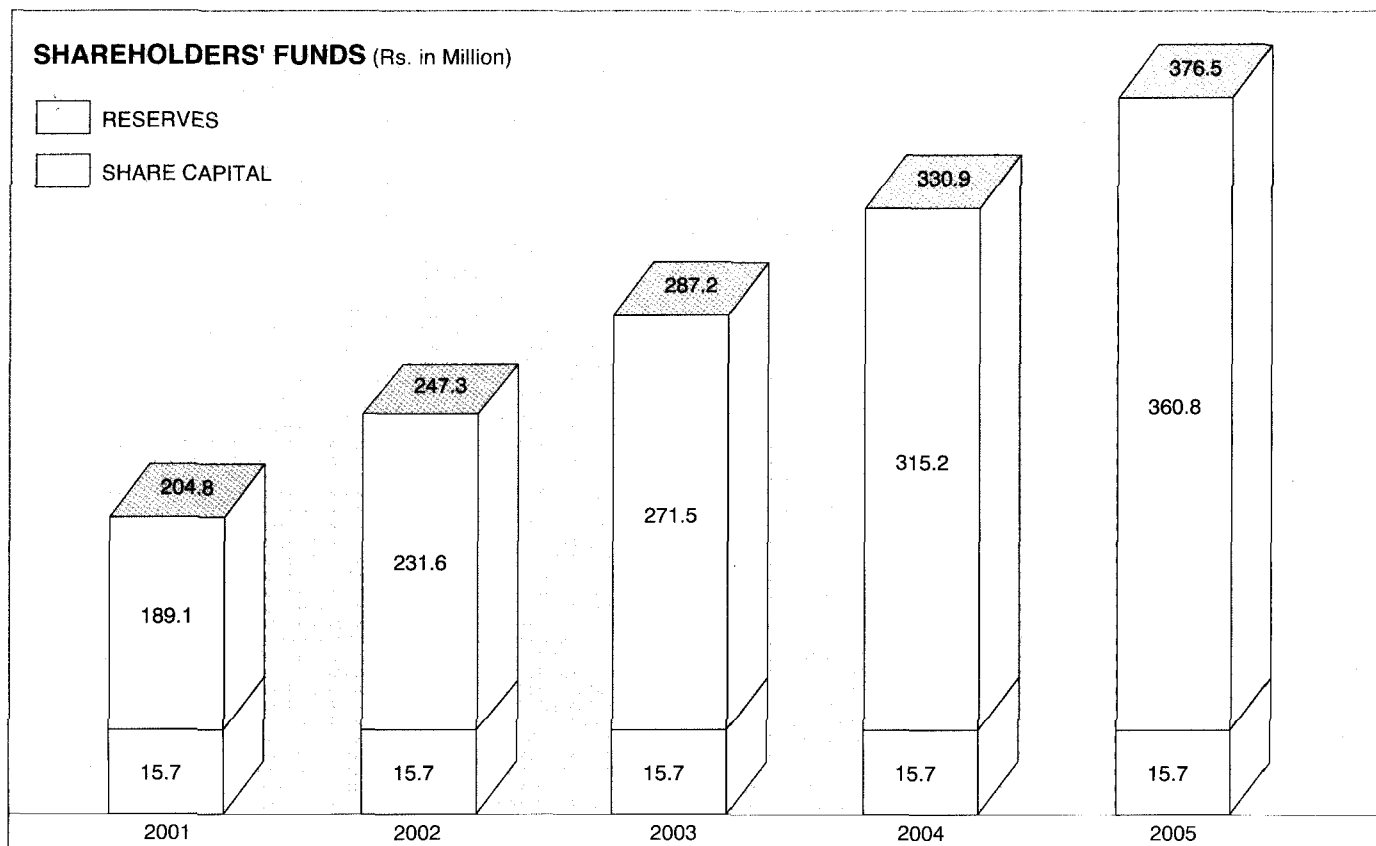
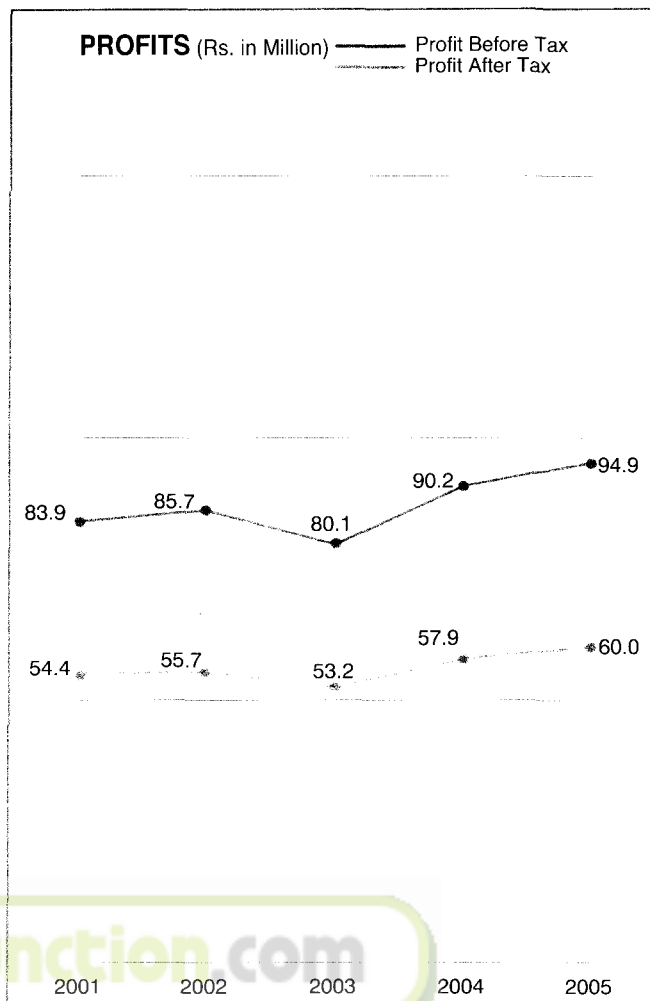
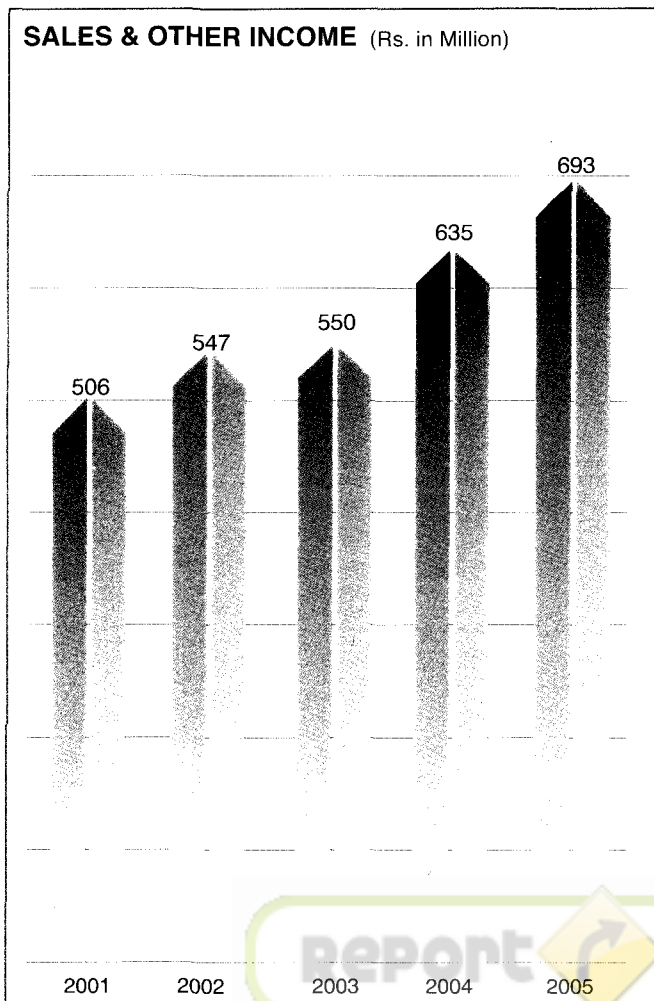
Diagnostics Division



31st Annual Report

2005

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Board of Directors	Mr. S. Gerlich	<i>Chairman</i>
	Dr. Jean-Luc Lowinski	
	Mr. D. B. Engineer	
	Mr. A. R. Gandhi	
	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, <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.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 31st 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 27, 2006 at 11.30 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, 2005, 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. Praveen Singh, 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 section 198, 309 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the Company hereby ratifies and confirms the payment of excess remuneration made to Mr. Praveen Singh, Managing Director of the Company, amounting to Rs. 10,63,786/- resulting from inadequacy of profits for the year ended December 31, 2005.

FURTHER RESOLVED THAT subject to the approval of the Central Government, the recovery of excess remuneration of Rs. 10,63,786/- paid to Mr. Praveen Singh, being

the amount exceeding the statutory limits laid down under the Companies Act, 1956, due to inadequacy of profits be and is hereby waived.

FURTHER RESOLVED THAT Mr. Ashvin Bhatt, Head - Finance and Company Secretary, be and is hereby authorised to submit the requisite application / rejoinders to the Central Government and comply with all formalities in this regard.”

- vi) To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

“RESOLVED THAT subject to the provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the approval of the Company be and is hereby accorded to the re-appointment of Mr. Praveen Singh as the Managing Director of the Company for a further period of 5 years commencing from January 1, 2006, on the following terms, conditions and remuneration :

1) Period :

Appointment of Mr. Praveen Singh shall be for a period of five years with effect from 1st January 2006 i.e. from 1.1.2006 to 31.12.2010.

2) Remuneration :

The remuneration payable to Mr. Praveen Singh shall be for a period of three years subject to the approval of the shareholders by a special resolution and also subject to the approval of the Central Government.

A) *Salary* : Rs. 154,000 per month in the range of Rs. 154,000 to Rs. 250,000; increments being at the discretion of the Board.

B) *Commission* : 50% of the Annual Salary.



C) *Performance* : Amounts for Short Term Bonus and Long Term Incentives as per the Global Policy of Bayer AG, Germany for Senior Management.

D) *Perquisites* : As per the provisions of Section 198 and 309 of the Companies Act, 1956 and Schedule XIII to the said Act for the time being in force or any statutory modification or re-enactment thereof.

The perquisites (including allowances) payable are as follows :

i) *Housing* :

a) The expenditure by the Company on hiring unfurnished accommodation for the Managing Director will be restricted to fifty percent of the salary, over and above ten percent payable by the Managing Director.

b) In case the accommodation is owned by the Company, ten percent of the salary of the Managing Director shall be deducted by the Company.

c) In case no accommodation is provided by the Company, the Managing Director shall be entitled to House Rent Allowance of fifty percent of the salary.

ii) *Gas, Electricity, Water & Furnishing* : Expenditure incurred by the Company on Gas, Electricity, Water and Furnishing.

iii) *Medical/Accident Benefits & Insurance* : For self and family in accordance with the rules of the Company.

iv) *Leave Travel Concession* : For self and family once a year in accordance with the rules of the Company.

For the purpose of iii) & iv) above, family means spouse, dependent children and dependent parents of the Managing Director.

v) *Club Fees* :

Fee of clubs, subject to a maximum of two clubs in accordance with the rules of the Company.

vi) *Other Benefits* :

Such other benefits and facilities as may be applicable in accordance with the practices and policies of the Company.

vii) Contribution to Provident fund, Superannuation fund or Annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

viii) *Gratuity* :

As per rules of the Company.

ix) *Use of Car and Telephone/Fax* :

Provision of Company maintained Car for use on Company's business and telephone/ fax at residence will not be considered perquisites.

x) *Privilege Leave* :

One month Privilege Leave on full pay and allowances for every eleven months service which may be accumulated as per the Rules of the Company.

xi) *Encashment of Leave* :

Encashment of leave, as per rules of the Company, at the end of the tenure will not be included in the computation of the ceiling on perquisites.

xii) *Minimum Remuneration* :

Subject to the provisions of Schedule XIII of the Companies Act, 1956 or any

amendments thereof, in the event the Company in any financial year has no profits or its profits are inadequate, the above salary, perquisites and commission shall be paid as minimum remuneration to the Managing Director.

xiii) *Other Terms & Conditions :*

i) In the event of termination of the appointment by the Company, the appointee shall be entitled to receive compensation in accordance with the provisions of Section 318 of the Companies Act, 1956.

ii) In the event of any relaxation made by the Government in the guidelines or ceiling on Managerial Remuneration during the period of this agreement, the remuneration (including "Minimum Remuneration") payable to the Managing Director shall be increased as the Board may deem fit in accordance with the guidelines or ceiling.

3. The Company shall reimburse to the Managing Director entertainment expenses actually & properly incurred on Company's business and such reimbursement shall not form part of the managerial remuneration for the purpose of the Companies Act, 1956.
4. The Managing Director, so long as he functions as such, shall not be paid any sitting fees for attending the meetings of the Board of Directors or any committee thereof.
5. The Managing Director shall not, so long as he functions as such, become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company in future without the prior approval of the Board of Directors.

FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby

authorised to alter or vary the terms and conditions of the said appointment, from time to time in such manner as may be agreed upon between the Company and Mr. Praveen Singh and within the limits prescribed by the Companies Act, 1956 or by the Central Government."

By Order of the Board,

February 21, 2006
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 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 11, 2006 to May 27, 2006 (both days inclusive).
3. Subject to Section 206A of the Companies Act, 1956, the dividend as recommended by the Board, if approved at the 31st Annual General Meeting, will be paid to those members whose names stand on the Company's Register of Members as on May 27, 2006. 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 dematerialize 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 10, 2006.
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 10, 2006. 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 actions 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. during Monday to Friday except declared holidays.
8. The equity shares of the Company are listed with The Bombay Stock Exchange Limited, Mumbai and the Vadodara Stock Exchange Limited, Vadodara. The Company has paid the Listing fees for the year 2005.
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, 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
December 31, 2004	May 21, 2005	June 25, 2012

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.

Annexure to the Notice

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

Item No. v

The members, at the Annual General Meeting of the Company held on June 15, 2001 had approved of the payment of remuneration to Mr. Praveen Singh, Managing Director of the Company for a period of five years with effect from January 1, 2001, increments being at the discretion of the Board.

During the year 2005, the managerial remuneration paid to Mr. Praveen Singh exceeded the limits prescribed under Schedule XIII of the Companies Act, 1956, due to inadequacy of profits.

An application has been made to the Central Government for seeking its approval for payment of excess remuneration and waiver of recovery of the same in the month of December 2005. The Board of Directors, at their meeting held on February 21, 2006 have ratified, confirmed and approved, subject to the approval of the shareholders and of the Central Government, the payment of remuneration to the Managing Director in excess of the limits prescribed under Schedule XIII of the Companies Act, 1956.

The Directors recommend the passing of this resolution.

None of the Directors other than Mr. Praveen Singh is concerned or interested in passing of this resolution to the extent of the excess remuneration paid to him.

Item No. vi

At the Meeting of the Board of Directors held on February 21, 2006, Mr. Praveen Singh, Managing Director is re-appointed as Managing Director of the Company for a further period five years from January 1, 2006.

Mr. Praveen Singh is associated with the Company since 1976. He is a commerce graduate and has rich experience of Sales, Marketing & General Management. He was appointed as a Director of the Company w.e.f. November 23, 1995 and as a Managing Director w.e.f. January 1, 1996. He was re-appointed as Managing Director for a period of five years w.e.f. January 1, 2001.

The Company is engaged in the manufacturing & trading of Diagnostic Reagents, Strips and Kits and

selling and servicing of Diagnostic Instruments. Mr. Praveen Singh has put in his best efforts to achieve maximum growth and profitability during his tenure as a Managing Director. Inspite of substantial increase in competition, free market economy and price pressures, the Company's compounded growth both in terms of Sales & Profits from 1996 to 2004, i.e. over 10 years' span under the tenure of Mr. Praveen Singh as Managing Director is as follows:

	Rs. Mio		
	1996	2004	Compounded Annual growth rate %
Sales & Other Income	209.3	634.8	15
Profit Before Tax	23.2	90.2	18

Mr. Praveen Singh has contributed significantly towards capturing considerable market share for the Company's products. New product ranges in different areas have been successfully launched in the Indian Market and the Company has performed overwhelmingly under his leadership. The Company has successfully marketed all its products to neighbouring countries. The Company has received various awards for its Performance.

The remuneration offered to Mr. Praveen Singh is the most suitable in today's market scenario. It is subject to approval of the Members and the Central Government.

This Explanatory Statement together with the Notice should be treated as an abstract under section 302 of the Companies Act, 1956 regarding change in terms & conditions mentioned at clause C).

None of the Directors other than Mr. Praveen Singh is concerned or interested in passing of this resolution.

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

By Order of the Board,

February 21, 2006
Mumbai

Ashvin Bhatt
Head - Finance &
Company Secretary



Directors' Report

The Directors have pleasure in presenting the Thirty First Annual Report of the Company together with the Audited Accounts for the year ended December 31, 2005.

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	2005	2004
Net Sales (excluding excise duty), Operating and Other Income	692699	634752
Gross Profit	135638	114836
Less: Depreciation	40729	24592
Profit Before Tax	94909	90244
Less: Provision for Taxation on current income	36751	31500
: Fringe Benefit Tax	2487	-
: Deferred Tax	(4304)	855
Profit After Tax	59975	57889
Balance brought forward	27217	23506
Available for Appropriation	87192	81395
Proposed Dividend	12539	12539
Tax on Proposed Dividend	1879	1639
Transfer to General Reserve	40000	40000
Carried Forward	32774	27217
	87192	81395

2. Operations

The Company had a successful business year in 2005.

Whilst the Diagnostics market in India continues to grow well, there are significant changes in the market dynamics as well as the growth & profit drivers. Increased global competition, low cost generics & changing profile of customers have influenced the market development & consolidation.

The Company continued to recast its business model proactively in order to improve its competitiveness & leadership.

We strengthened our position significantly in the high-end, high-value segments of the Immuno-diagnostics & Hematology arena through our innovative technology solutions & developed long term relationships with leading customers across the Country. Other traditional business lines of the Company also grew during the year.

Net Sales, Operating & Other Income at Rs. 6927 lacs was up by 9% over the previous year. A majority of this growth was volume driven.

Profit Before Tax at Rs. 949 lacs & Profit After Tax at Rs. 600 lacs were 5% & 4% higher respectively as compared to the previous year.

Earnings Per Share was Rs. 38.27 for the year.

The Company was conferred the Standards of Excellence - 2005 Award by the Global Management of Bayer Diagnostics for Implementation of an Integrated Strategy.

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, 2005, subject to approval of shareholders at the ensuing Annual General Meeting.

4. Unclaimed Dividend

Dividend for the year ended December 31, 1997 declared on June 27, 1998 was due for transfer to Investor Education and Protection Fund on August 24, 2005. The Company had given reminders to the shareholders whose dividend was unclaimed and the same was paid to the shareholders who claimed it. The residual amount of Rs. 41,350.50 was deposited to the Investor Education and Protection Fund against unclaimed & unpaid dividend for the year ended December 31, 1997.

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 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, 2005 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. J. Ohle, a nominee of Bayer ceased to be the Director of the Company with effect from April 28, 2005. The Board places on record their recognition and appreciation for the valuable services made by Mr. J. Ohle during his tenure as Director of the Company. Dr. Jean-Luc Lowinski was appointed as a Director in place of Mr. J. Ohle. He is a nominee of Bayer and not liable to retire by rotation.

Mr. J. Frick who was an Alternate Director to Mr. J. Ohle ceased to be a Director with effect from April 28, 2005 and further appointed as an Alternate Director to Dr. Jean-Luc Lowinski with effect from the same date.

Mr. J. Frick has ceased to be an Alternate Director to Dr. Jean-Luc Lowinski w.e.f.

January 13, 2006 due to arrival of Dr. Jean-Luc Lowinski in India. The Board placed on record their recognition and appreciation for the valuable services made by him during his tenure as Director of the Company.

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

Details of Directors are given under the Report of Corporate Governance.

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, 2005 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, 2005 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.