

# Bayer HealthCare Diagnostics Division



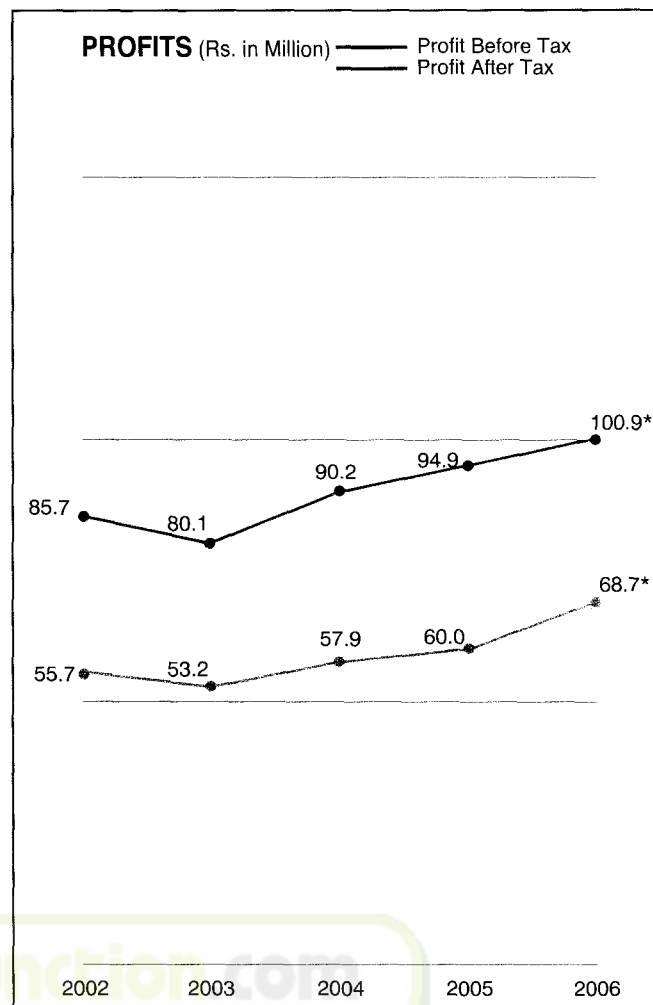
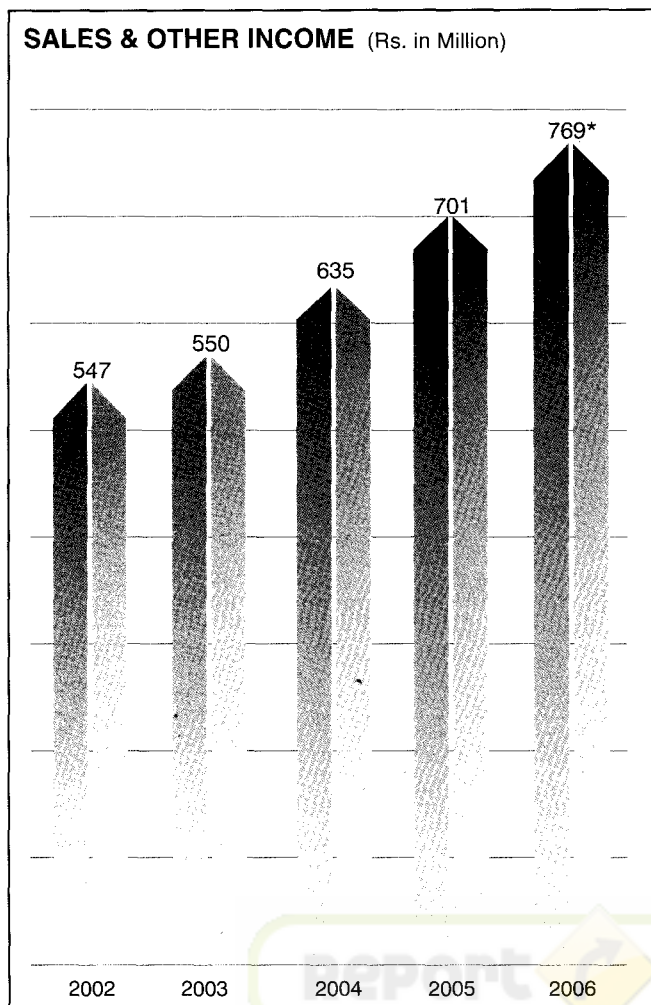
32nd Annual Report

**2006**

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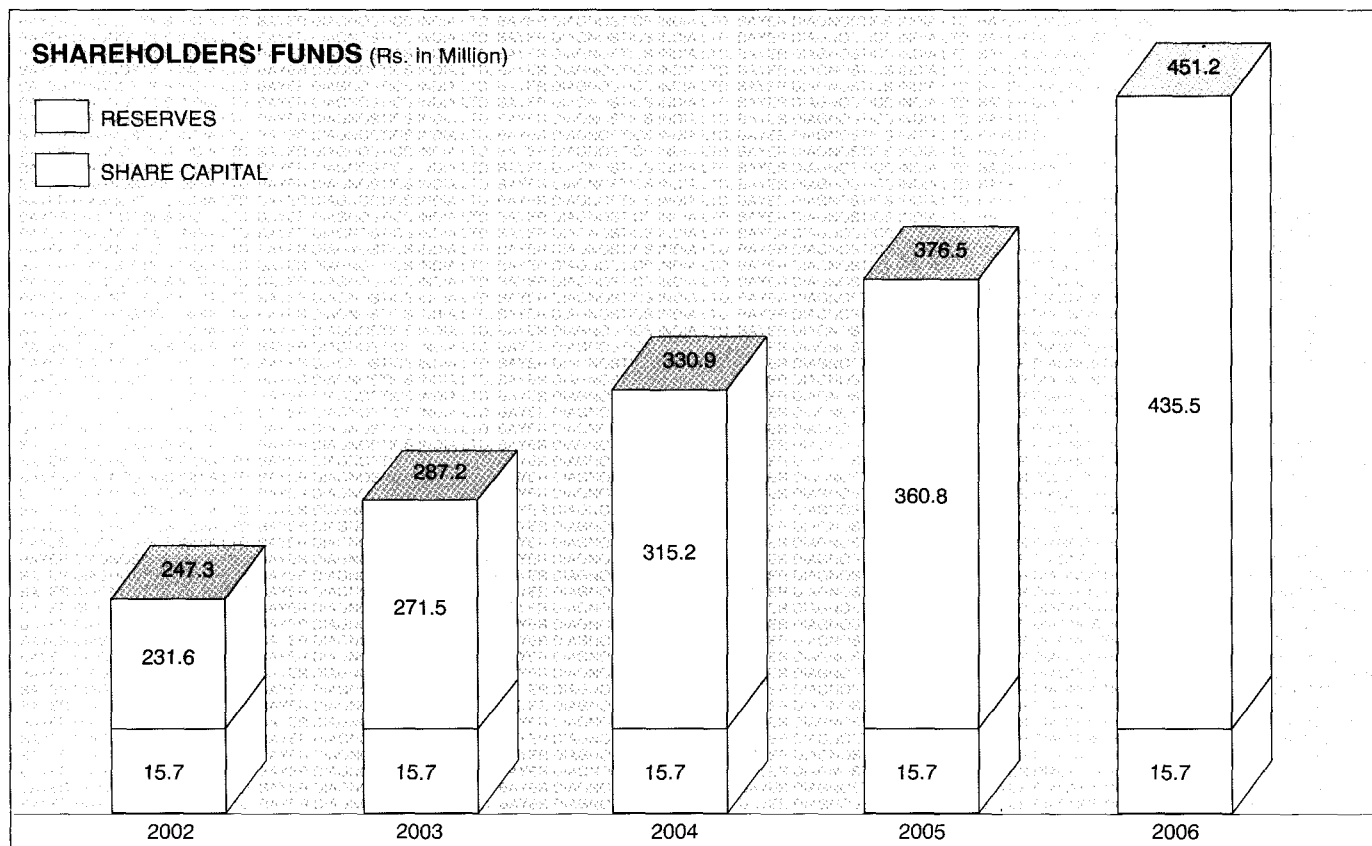
Bayer Diagnostics India Ltd.

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\* 2006 figure is not strictly comparable due to Sale of Diabetes Care business with effect from December 1, 2006

\* Excludes Profit of Rs. 250.2 Mio from Sale of Diabetes Care business





<b>Board of Directors</b>	Mr. S. Gerlich	<i>Chairman</i>
	Dr. Jean-Luc Lowinski	
	Mr. D. B. Engineer	
	Mr. A. R. Gandhi	
	Ms. C. Kunze	<i>Alternate to Dr. Lowinski</i>
	Dr. V. J. Patel	<i>Chairman Emeritus</i>
	Mr. Praveen Singh	<i>Managing Director</i>
<b>Head - Finance &amp; Company Secretary</b>	Mr. Ashvin Bhatt	
<b>Auditors</b>	M/s. Price Waterhouse, <i>Chartered Accountants</i>	
<b>Registered Office &amp; Plant</b>	589, Sayajipura, Ajwa Road, Baroda-390 019, Gujarat. Phone : (0265) 256 2720 Fax : (0265) 256 5103 E-mail : bayer.bdil@bayerhealthcare.com	
<b>Collaborators</b>	Bayer HealthCare LLC. 511, Benedict Avenue, Tarrytown, New York 10591-5097, U.S.A.	
<b>Bankers</b>	Citibank N.A.	
<b>Registrars and Share Transfer Agents</b>	Intime Spectrum Registry Ltd. 1st Floor, Jaldhara Apartment, Opp. Manisha Society, Vasna Road, Broda - 390 015. Tel. : (0265) 2250 241, 2249 857 Fax : (0265) 2250 246 E-mail : vadodara@intimespectrum.com	
<b>Solicitors</b>	Crawford Bayley & Co., Mumbai	

## Notice

NOTICE is hereby given that the 32nd Annual General Meeting of the Members of Bayer Diagnostics India Ltd., will be held at Chandarva Hall, WelcomHotel Vadodara, R. C. Dutt Road, Baroda, Gujarat on Saturday, June 23, 2007 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, 2006, Profit & Loss Account for the year ended on that date & the reports of Directors and Auditors thereon.
- ii) To declare a dividend.
- iii) To resolve not to fill the vacancy, caused by the retirement of Dr. V. J. Patel, who retires by rotation and does not seek reappointment.
- iv) To resolve not to fill the vacancy, caused by the retirement of Mr. A. R. Gandhi, who retires by rotation and does not seek reappointment.
- v) To resolve not to fill the vacancy, caused by the retirement of Mr. D. B. Engineer, who retires by rotation and does not seek reappointment.
- vi) To appoint a Director in place of Mr. Praveen Singh, who retires by rotation and being eligible, offers himself for reappointment.
- vii) 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

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

“RESOLVED THAT Mr. Narendra J. Jhaveri, who was appointed as Additional Director of the Company and who holds office until the date of

the Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956, and Article 101 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

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

“RESOLVED THAT Mr. Pradip V. Nayak, who was appointed as Additional Director of the Company and who holds office until the date of the Annual General Meeting, pursuant to Section 260 of the Companies Act, 1956, and Article 101 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

By Order of the Board,

**Ashvin Bhatt**

*Head - Finance &  
Company Secretary*

Mumbai, April 30, 2007

### NOTES :

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, is annexed hereto.
2. 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.
3. The Share Transfer Books and the Register of Members of the Company will remain closed from June 8, 2007 to June 23, 2007 (both days inclusive).
4. Subject to section 206A of the Companies Act, 1956, the dividend as recommended by the



Board, if approved at the 32<sup>nd</sup> Annual General Meeting, will be paid to those members whose names stand on the Company's Register of Members as on June 8, 2007. 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.

5. 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**.
6. 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. Intime Spectrum Registry Limited, 308, 1st Floor, Jaldhara Complex, Opp. Manisha Society, Off Old Padra Road, Vasana Road, Baroda 390 015** on or before June 7, 2007.
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 such changes are recorded by them correctly on or before June 7, 2007. 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.
8. Register of Contracts, Companies and Firms in which directors are interested is open for inspection at the registered office of the

company between 10.00 a.m. to 12.30 p.m. from Monday to Friday except declared holidays.

9. The equity shares of the Company are listed with Bombay Stock Exchange Limited and Vadodara Stock Exchange Limited, Vadodara. The Company has paid the Listing fees for the year 2007.
10. The Proxy Form duly completed should reach the Company's Registered Office at least 48 hours before the time appointed for the meeting.
11. 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.
12. 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, 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
December 31, 2005	May 27, 2006	June 27, 2013
December 31, 2006*	Dec. 06, 2006	January 06, 2014

\* *Interim Dividend*



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.

### **Explanatory statement under Section 173(2) of the Companies Act, 1956**

#### **Item (viii)**

Mr. Narendra J. Jhaveri was co-opted as an Additional Director of the Company with effect from April 30, 2007, pursuant to Section 260 of the Companies Act, 1956, read with Article 101 of the Articles of Association of the Company. Mr. Jhaveri holds office of Director up to the date of the ensuing Annual General Meeting.

None of the Directors of the Company other than Mr. Narendra J. Jhaveri is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item No. viii for the approval of the members.

#### **Item (ix)**

Mr. Pradip V. Nayak was co-opted as an Additional Director of the Company with effect from April 30, 2007, pursuant to Section 260 of the Companies Act, 1956, read with Article 101 of the Articles of Association of the Company. Mr. Nayak holds office of Director up to the date of the ensuing Annual General Meeting.

None of the Directors of the Company other than Mr. Pradip V. Nayak is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item No. ix for the approval of the members.

### **Additional Information on Directors recommended for appointment or seeking reappointment at the Annual General Meeting**

#### **Mr. Praveen Singh**

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 reappointed for a period of five years w.e.f. January 1, 2001 and January 1, 2006 respectively.

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.

Mr. Singh does not hold any shares or beneficial interest in any shares of your Company. Apart from Bayer Diagnostics India Ltd., Mr. Singh is on the board of Bayer Polychem (India) Ltd. and does not hold any membership / chairmanship of any committees of any other Company. Mr. Singh is a Member of Shareholders' / Investors' Grievance Committee and Share Transfer Committee in Bayer Diagnostics India Ltd.

#### **Mr. Narendra J. Jhaveri**

Mr. Narendra J. Jhaveri is 71 years of age and is an eminent economist. After completing his degree in Economics from Gujarat University, Mr. Jhaveri obtained his Master's Degree from the London School of Economics. After teaching Economics at Ahmedabad and a brief stint with NCAER, he joined RBI. Mr. Jhaveri then joined ICICI as Chief Economist in 1974 and rose to the position of Joint Managing Director of ICICI. In 1993, he moved to I-Sec, a joint venture investment bank between ICICI and JP Morgan, as Executive Chairman. Thereafter, he was associated with Kotak Mahindra Group.

Apart from giving frequent talks on subjects related to Indian finance and capital market, he contributes to Indian economic dailies. Mr. Jhaveri is an independent director and does not hold any shares or beneficial interest in any shares of your Company. Apart from Bayer Diagnostics India Ltd., Mr. Jhaveri holds directorship and membership of the following companies / committees :



Sr. No.	Name of public limited companies in which Directorship is held	Position held	Committee Membership / Chairmanship in other public limited companies
1	Afcons Infrastructure Ltd.	Director	Chairman, ACM
2	Gujarat State Petronet Ltd.	Director	Chairman, ACM
3	Hindalco Industries Ltd.	Director	Member, ACM
4	Siemens Ltd.	Director	Chairman, RCM
5	Indian Aluminium Co. Ltd.	Director	None
6	National Securities Depository Ltd.	Director	Member, ACM
7	Pidilite Industries Ltd.	Director	Member, ACM
8	Siemens Information Systems Ltd.	Director	None
9	SKF India Ltd.	Director	Member, ACM
10	Star Paper Mills Ltd.	Director	None
11	Usha Martin Ltd.	Director	Chairman, ACM
12	Voltas Ltd.	Director	Chairman, ACM
13	Ultra Tech Cement Ltd.	Director	None

*Note : ACM denotes Audit Committee & RCM denotes Remuneration Committee*

### Mr. Pradip V. Nayak

Mr. Pradip V. Nayak is 63 years of age. He graduated with combined honours in Economics and Politics from the University of York, England. He then read law at Gray's Inn, London.

Mr. Nayak Joined GlaxoSmithKline Pharmaceuticals Ltd., in 1989 and was elevated to the Board of Directors in 1992. He retired as Senior Executive Director in 2003. During this period in the company, besides being responsible for Human Resources, Corporate Legal, Corporate Communications, General Administration, etc., he was also in charge of the veterinary business and the fine chemicals and laboratory supplies business.

From 1970 to 1989, he had held several senior level positions in Anil Starch Products, Borosil Glass Works (a Corning subsidiary at that time) and Union Carbide. He also practiced management consultancy with A.F. Ferguson & Co.

He has earlier been Director of Glaxo India Limited, Burroughs Wellcome India Ltd., SmithKline Beecham Pharmaceuticals Ltd., Biddle Sawyer Ltd., Croydon Chemicals Ltd. and Meghdoot Chemicals Ltd.

Mr. Nayak is an independent director and does not hold any shares or beneficial interest in any shares of your Company. Apart from Bayer Diagnostics India Ltd., Mr. Nayak holds directorship and membership of the following companies / committees :

Sr. No.	Name of public limited companies in which Directorship is held	Position held	Committee Membership / Chairmanship in other public limited companies
1	GlaxoSmithKline Pharmaceuticals Ltd	Director	Member, ACM
2	Siemens Ltd.	Director	Member, SIGC

*Note : ACM denotes Audit Committee & SIGC denotes Shareholders' / Investors' Grievance Committee*

By Order of the Board,

**Ashvin Bhatt**

*Head - Finance &  
Company Secretary*

Mumbai, April 30, 2007

## Directors' Report

The Directors have pleasure in presenting the Thirty Second Annual Report of the Company together with the Audited Accounts for the year ended December 31, 2006.

### 1. Financial Results

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

Year ended December 31,	2006	Rs. '000 2005
Net Sales (excluding excise duty), Operating & Other Income	<b>769096</b>	<b>700445</b>
Gross Profit before exceptional item	<b>147746</b>	<b>135638</b>
Less : Depreciation	<b>46814</b>	<b>40729</b>
Profit Before Exceptional Item and Tax	<b>100932</b>	<b>94909</b>
Exceptional Item-Profit on Sale of Diabetes Care Business	<b>250166</b>	<b>0</b>
Profit Before Tax	<b>351098</b>	<b>94909</b>
Less : Provision for Taxation on current income	<b>94166</b>	<b>36751</b>
: Fringe Benefit Tax	<b>1792</b>	<b>2487</b>
: Deferred Tax	<b>(7545)</b>	<b>(4304)</b>
Profit After Tax	<b>262685</b>	<b>59975</b>
Balance brought forward	<b>32774</b>	<b>27217</b>
Interim Dividend	<b>152033</b>	<b>0</b>
Available for Appropriation	<b>143426</b>	<b>87192</b>
Proposed Dividend	<b>12539</b>	<b>12539</b>
Tax on Dividend	<b>23455</b>	<b>1879</b>
Transfer to General Reserve	<b>80000</b>	<b>40000</b>
Carried Forward	<b>27432</b>	<b>32774</b>
	<b>143426</b>	<b>87192</b>

### 2. Operations

The Company had yet another successful business year in 2006.

The Diagnostics market in India continued to exhibit growth in all sub-segments. Increased public awareness and the establishment of new diagnostic centres and hospitals across major cities in the Country are key drivers to the growth pattern. However, pressure to reduce testing costs in this predominantly private funded industry continues.

Your Company has positioned itself as a leader in Immunodiagnostics and maintained its lead in other key areas of Urinalysis and Critical Care.

The Board of Directors at its meeting held on July 25, 2006 decided to sell Diabetes Care business. After Shareholders' approval and upon completing necessary formalities, the Diabetes Care business was sold with effect from December 01, 2006. In view of the same, the figures mentioned hereunder are not strictly comparable.

Net Sales, Operating & Other Income at Rs.7691 lacs were up by 10% over the previous year. A majority of this growth was volume driven.

Profit Before Tax before exceptional items at Rs. 1009 Lacs was higher by 6% over the previous year. Profit After Tax excluding exceptional items and tax thereon at Rs.687 Lacs was up by 14% over the previous year. Earnings Per Share after exceptional items and tax thereon was Rs. 43.80 for the year.

### 3. Global Sale of Diagnostics Business

On June 29, 2006, Bayer AG made an announcement to sell the human In Vitro Diagnostics business (excluding Diabetes Care business) to Siemens AG. Bayer HealthCare LLC, USA and Bayer CropScience Limited, India have executed a Share Purchase Agreement (SPA) with Siemens AG under which Siemens AG or its subsidiary will acquire 799,350 equity shares comprising 51% paid up share capital of the





Company. This SPA has triggered the 'Takeover Regulations' of SEBI (SAST) Regulations, 1997 and subsequent amendments thereto.

Pursuant to and in compliance with Regulations 10 & 12 of the Takeover Regulations, J.P. Morgan India Pvt. Ltd. (Manager to the Offer) have issued a public announcement on behalf of Siemens AG to the shareholders of the Company on July 3, 2006 for an open offer for acquisition of 313,470 equity shares of the Company, followed by a corrigendum to the above public announcement on April 3, 2007, at an offer price of Rs.629.45 plus interest payment of Rs.39.49 aggregating to Rs. 668.94 per equity share.

Pursuant to the amended SPA agreement dated December 18, 2006, Siemens Diagnostics Holding II B.V., Netherlands (an indirect wholly owned subsidiary of Siemens AG) will complete the acquisition of shares under SPA. Also, acquisition of shares under open offer will be carried out and completed by Siemens Diagnostics Holding II B.V., Netherlands.

The sale of the Company's shares held by Bayer HealthCare LLC, USA and Bayer CropScience Limited, India to Siemens Diagnostics Holding II B.V., Netherlands is subject to the Letter of Offer to the shareholders of the Company under the SEBI Takeover Regulations. J.P.Morgan India Private Limited ("Manager to the Offer") has issued Letter of Offer to the minority Shareholders on March 30, 2007. The said offer closes at end of business hours on April 30, 2007.

#### 4. Sale of Diabetes Care Business in India

During the year 2006, your Company had sold its Diabetes Care business to Bayer MaterialScience Private Limited on a going concern basis for a lumpsum final consideration of Rs. 2622 lacs based on the valuation done by two independent valuers, i.e. KPMG India Private Limited, Mumbai and Haribhakti MRI Corporate Services Private Limited, Mumbai. Diabetes Care business comprised of Blood Glucose Monitoring systems and sensors and Urine Glucose Monitoring strips.

#### 5. Dividend

##### *Interim*

Pursuant to the Global Sale of Diagnostics business to Siemens AG, the Board of Directors

at its meeting held on July 25, 2006 decided to sell the Diabetes Care business to Bayer MaterialScience Private Limited. An interim dividend of Rs.97/- per share (970%) was declared out of Profits on Sale of Diabetes Care business and was paid to all the shareholders as on December 22, 2006, being record date.

##### *Final*

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, 2006, subject to approval of shareholders at the ensuing Annual General Meeting.

#### 6. Unclaimed Dividend

Dividend for the year ended December 31, 1998 declared on June 26, 1999 was due for transfer to Investor Education and Protection Fund on August 23, 2006. 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. 37,940/- was deposited to the Investor Education and Protection Fund on September 20, 2006 against unclaimed & unpaid dividend for the year ended December 31, 1998.

#### 7. 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, 2006 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;

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

## 8. Directors

At the Board Meeting held on 30<sup>th</sup> April, 2007, the Board of Directors had appointed Mr. Pradip V. Nayak and Mr. Narendra J. Jhaveri as additional directors (independent directors) with effect from 30<sup>th</sup> April, 2007.

Dr. V. J. Patel. Mr. A. R. Gandhi and Mr. D. B. Engineer who retire by rotation are eligible to offer themselves for reappointment but have expressed their intention not to seek re-appointment.

The Board of Directors places on record their deep appreciation of the services rendered by the said Directors during their tenure on the Board. Dr. Patel, Mr. Gandhi and Mr. Engineer participated actively in the deliberations of the Board and the Company benefited immensely from their insights.

Mr. Praveen Singh, being eligible, offers himself for reappointment.

The above appointments and reappointment form part of the Notice of the 32<sup>nd</sup> Annual General Meeting and the relevant resolutions are recommended for your approval.

Profiles of these Directors, as required by the revised Clause 49 IV G of the Listing Agreements entered into with the Stock Exchanges, are given in the Notice of the 32<sup>nd</sup> Annual General Meeting.

## 9. Auditors

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

## 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, 2006 is appended hereto as Annexure A.

## 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, 2006 is set out herein below :

## 12. 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.

## 13. 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. A certificate of a Practicing Company Secretary confirming compliance of the Corporate Governance requirements by the Company is attached to the Report on Corporate Governance.

## 14. 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

Mumbai, April 30, 2007

**S. Gerlich**  
Chairman