

Bayer ABS Limited



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28th Annual Report

January-December 2000



| | |
|--|---|
| Board of Directors | Mr. Dieter Kambeck - Chairman Dr. Tony Osselaer - Vice Chairman Mr. R. S. Agrawal - Managing Director Mr. Johannes Dietsch Mr. Hans Jorg Krell Mr. S. R. Chougule - ICICI Nominee Mr. John Walker - Alternate to Dr. Tony Osselaer Dr. A. F. Hennecken - Alternate to Mr. Johannes Dietsch Mr. Vishal R Agrawal - Additional Director |
| Company Secretary & DGM (Legal) | Mr. S. M. Vaishnav |
| Auditors | M/s. N. M. Raiji & Co., Mumbai |
| Bankers | State Bank of India ICICI Bank Bank of Baroda |
| Registered Office | ABS Towers, Old Padra Road, Vadodara 390 007 Phones : 355861-63, 355871-73. Fax : (0265) 341012, 355860, 355950, 355960 |
| Works | 51, GIDC Industrial Estate, Nandesari 391 340 Dist. Vadodara. Phones : 840319, 840285, 840559, 841010 Fax : (0265) 840827 |
| Katol Plant | Katol, Halol-Kalol Road, Taluka Kalol, Dist. Panchmahal, Gujarat Phones : 35980, 35891, 35802, 35803 Fax : 02676 - 35518 Cable : ABSOLITE |
| Delhi Office | 8-A, Gopala Tower, 25-Rajendra Place, New Delhi 110 008 Phones : 5712650, 5729515, 5712727 Telex : 031-77028 ABS IN Fax : 011-5737919 Cable : ABSOLITE |
| Mumbai Office | Ground Floor, Bayer House, Central Avenue, Hiranandani Garden, Powai, Mumbai 400 076 Phones : 5702192-94 Fax : 022-5792195 |
| Bangalore Office | Unit 4 & 5, 2nd Floor, Above Big Kids Kemp, Ramanashree Arcade No. 18, M. G. Road, Bangalore 560 001 Phone : 5596516 Fax : 080-5580508 Telex : 0845-8750 ABS IN |
| Ahmedabad Office | 404, Satkar, Nr. Swagat Char Rasta, C. G. Rd., Ellisbridge, Ahmedabad 380 006 Phones : 6446877-78, 6442013 |
| R & D Centre (Moxi) | Sankarda-Bhadarva Road, Post : Poicha 391 350, Tal.: Savli, Dist.: Vadodara Phones : 44350, 44370, 44380 Fax : 02776 - 44340 |

Members are requested to direct all correspondence relating to share matters to the Company's Registered Office & Share Department at 6th Floor, ABS Towers, Old Padra Road, Vadodara 390 007. Members are requested to bring their copies of the Annual Report at the Annual General Meeting.

Bayer ABS Limited

**NOTICE**

NOTICE is hereby given that the 28th Annual General Meeting of the members of the Company will be held at the Registered Office of the Company at ABS Towers, Old Padra Road, Vadodara 390 007, at 4.00 pm on 14th June (Thursday), 2001 to transact the following business :

(A) ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit & Loss Account for the financial year ended 31st December 2000, the Balance Sheet as at that date and the report of the Directors' and Auditors' thereon.
2. To declare dividend, if any.
3. To appoint a director in place of Dr. Tony Osselaer who retires by rotation, being eligible has offered himself for reappointment,
4. To appoint M/s N M Raiji & Co., Chartered Accountants, Mumbai, as auditors of the Company.

(B) SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modification, the following resolution as Ordinary Resolution :

"RESOLVED THAT Mr. Vishal Agrawal who having been appointed as an additional director and in respect of whom notice under section 257 of the Companies Act, 1956 has been received from some of the members, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By Order of the Board
For Bayer ABS Limited

Mumbai,
Dated : March 23, 2001

S M Vaishnav
Company Secretary & DGM (Legal)

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Reg. Office : 6th floor, ABS Towers, Old Padra Road, Vadodara 390 015


EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.
ITEM NO : 5

Mr. Vishal Agrawal was appointed as an additional director pursuant to provision of section 260 of the Companies Act in the Board Meeting held on 23rd March, 2001. The term of his office expires at the ensuing Annual General Meeting. Mr. Vishal is B.E (Chemical) & Master of Science in Management from Stevens Institute of Technology, New Jersey, USA.

Mr Vishal Agrawal's appointment will be non executive and entailing no remuneration.

Mr. Rakesh Agrawal, father of Mr. Vishal Agrawal, is deemed to be interested in the said Resolution.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The proxy in order to be effective must be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.
3. The share transfer books and register of members of the company will remain closed from 25th May (Friday), 2001 to 14th June, 2001 (Thursday) (both the days inclusive).
4. The members are requested to notify immediately the change of address, if any, to the company at its Registered & Corporate office.
5. The shareholders holding shares in physical form are once again advised to seek their shareholding changed to dematerialized form since in terms of SEBI and Stock Exchange guidelines effective August, 2000 no physical shares can be traded in Stock Exchanges. If you have any query or need help in this regard please write the same to the Company Secretary at the Registered Address of the Company.
6. The members may note that the company's Equity Shares are listed on the following stock exchanges and the company has paid the listing fees to all the stock exchanges in time and has never made any default in the payment of listing fees in past. Last three years almost all trading of company equity shares have been reported from BSE and NSE.

- (1) Vadodara Stock Exchange Limited, 3rd floor, Fortune Tower, Dalai Street, Sayajigunj, Vadodara - 390 005
- (2) The Stock Exchange, Ahmedabad, Kamdhenu Complex, Opp. Sahajanand College, Near Panjrapole, Ahmedabad - 380 015
- (3) The National Stock Exchange of India Limited, Trade World, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
- (4) The Stock Exchange, Mumbai, 25th floor, Sir P J Towers, Dalai Street, Mumbai - 400 023.

7. Stock Exchange quotations during the year :

| Stock Exchanges | HIGH (Annual) | LOW (Annual) |
|-----------------|---------------|--------------|
| B S E | 52.27 | 27.34 |
| N S E | 51.20 | 27.78 |

DIRECTORS' REPORT

Dear Member,

Your Directors are pleased to present herewith the Directors' Report for the period ended December 31, 2000 together with Audited Statement of Accounts along with the Auditors' Report for the said period.

Financial Results

| | 2000 | (Rs. in lacs) 1999 |
|---|----------|-----------------------|
| Turnover | 24834.05 | 18772.56 |
| PBIDT | 2463.91 | 2893.80 |
| Less: Interest | 847.49 | 852.47 |
| Net Cash Accruals | 1616.42 | 2041.33 |
| Less: Depreciation | 939.55 | 856.23 |
| PBT | 676.87 | 1185.10 |
| Provision for Tax | 25.30 | 135.90 |
| Net Profit | 649.81 | 1049.20 |
| Add: Balance brought from Previous Year | 910.58 | 254.18 |
| Amount available for Appropriation | 1560.39 | 1303.38 |
| APPROPRIATIONS : | | |
| Proposed Dividend | 263.78 | 263.78 |
| Tax on Dividend | 28.67 | 29.02 |
| Transfer to General Reserve | 100.00 | 100.00 |
| Balance Carried to Balance Sheet | 1169.70 | 910.58 |

Operations

The total sales amounted to Rs. 2483 mio. including the indent business generated sales amounting to Rs. 21.6 mio.

When compared to the prevailing macro-economic scenario, your Company has performed better. The growth in the user industries - automobile & consumer durable industries - have been extremely low and definitely much lower than the expected growth. However, your company has out-performed the industry growth by adopting proactive strategies.

There was a heavy volatility in the prices of principal raw materials, particularly Styrene in the international market, affecting the margins of all styrene based industries in the country. Your Company was no exception and has suffered pressures on its margins during the year.

The raw material prices during the current year seems to have stabilised with stability in the crude price across the world. Your Company expects better margins in the current year.

During the year, improvement in the process technology was continued towards global standards of Bayer. It has also helped reduce cost of production.

The Company has also started aggressive marketing of Makrolon (Polycarbonate) by importing and selling in the country and now is the market leader for this product. The demand of Polycarbonate in the country has risen significantly with the growth in the information, communication and entertainment industries. Worldover all CDs, DVDs, CDRs are produced from Polycarbonate. Globally Bayer holds market leadership in this product. The sale of Polycarbonate during the current year is expected to rise substantially over the previous year.

Bayer ABS Limited



Research and Development

R & D facilities at Moxi have been aptly recognised by Bayer as one of its main R & D facilities and is carrying out research under the Global Research Programme of Bayer thereby generating revenue for your Company.

Environment and Safety

Company is vigilant and ever keen to maintain higher standards of safety and security of environ around and continuously upgrades it's capability to meet with required stringent conditions to maintain safeguards. Your company continues to maintain no defaults standards and thereby comply with pollution control norms set in this regard.

Dividend

Your Directors have pleasure in recommending a dividend @15% (Rs. 1.50 per Share) subject to shareholders' approval at the ensuing Annual General Meeting (AGM).

Directors

Dr. Alan McGilvray Chairman of the company has effective 1st November, 2000 resigned. Mr Dieter Kambeck has been nominated by Bayer Industries Ltd as a Director in casual vacancy caused and is appointed as new Chairman of the company. Mr Dieter Kambeck also assumes responsibility as country Speaker, Bayer Group in India from November 1, 2000. The Board places on record it's appreciation of the services rendered by Dr Alan McGilvray particularly during the restructuring while Bayer investment took place and later on consolidate the company position in integrating alongwith Bayer systems.

Dr. Tony Osselaer retires by rotation and is eligible for reappointment. A nomination letter from Bayer Industries Ltd. has been received recommending his reappointment.

During the year, Dr. G Zaby resigned as director. Since February, 1997 Dr Zaby helped the company to attain technological advancement at par with Bayer standards and contributed significantly towards company's overall growth. Your directors place on record their appreciation of the services rendered by Dr. Zaby during the tenure.

Mr. R Sethuraman resigned as a director from the Board after having made significant contribution towards the improved company's production capability and safety and security awareness generally, during the consolidating phase of the last decade. The Board places on record it's appreciation in respect of valuable services rendered by Mr Sethuraman.

Mr. Ludolf von Koenig resigned and Mr. Johannes Dietsch was nominated by M/s Bayer Industries Ltd. who was appointed on casual vacancy caused due to resignation of Mr. Koenig. The board notes the valuable contribution made by Mr. Koenig during the tenure of his directorship. Mr Vishal Agrawal has been appointed as additional director and a Notice under section 257 companies Act, 1956 has been received for appointment at the ensuing AGM, the details of which appear in the Notice. This appointment is non executive and non remunerative.

Dematerialisation of Equity Shares

The members attention is drawn to the fact that since August, 2000 the company shares are being compulsorily traded in dematerialized form only. As advised in the last annual report it is advisable for all the shareholders to expedite having their physical shareholdings converted into demat form and seek advantages. Any query or difficulty in this regard, you are advised to write to the company secretary at the registered office of the company for detailed response.

Quality systems and ISO certification

Your Directors are pleased to inform that quality systems have been put into place thereby the company has been awarded ISO 9001 certification. The company has attained standards to that effect and continuous improvements and quality system audit is being taken up to maintain the same.

Human Resource

Human resource of the company across all sections contributed significantly towards better performance and looks forward for higher growth.

The information required under the provisions of Sec 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) rules, 1975, forms part of this report. As per provisions of Section 219(I)(b)(iv) of the Companies Act, 1956, the same is not included in this report. The members desirous of such information may write to the company secretary and seek details thereat.

Directors' Responsibility Statement Pursuant to section 217 (2AA)

In terms of the recent amendment to section 217 of the companies act, 1956, your directors have to state as under in respect of the audited accounts for the period for the year ended 31.12.2000 :

- i. That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. That the directors have elected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company of that period;
- iii. That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. That the directors have prepared the annual accounts on a going concern basis.

Corporate Governance

Securities and Exchange Board of India(SEBI) has recently introduced a code of Corporate governance and made certain provisions mandatory for the listed companies through the route of listing agreement. Your company is required to comply with the mandatory provisions within the financial year 2001-2002 but not later than March 31st, 2002. we have initiated measures to ensure that we are fully compliant by the end of the current financial year. Your company is committed to observe the best practices in the area of Corporate Governance and is conscious of its role towards various constituents of growth.

Consumption of Energy, Technology Absorption and Foreign exchange Earnings and Outgo

The information required under Section 217 (1) (E) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in respect of Report of Board of Directors) Rule, 1988 with respect to these matters form part of this report and is annexed hereto.

Auditors

M/s. N.M. Rajji & Co., Chartered Accountants, present Statutory Auditors of the Company retiring at the ensuing Annual General Meeting, being eligible offer themselves for reappointment.

Acknowledgements

The Directors thank all those who have supported the company's all round activities and contributed towards growth of the company particularly Bankers, Financial Institutions, customers and vendors, who have invested in the company's progress.

For and on Behalf of
the Board

Mumbai
Dated : 23rd March 2001

Dieter Kambeck
Chairman



ANNEXURE B

FORMING PART OF THE DIRECTOR'S REPORT

Information in accordance with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the period ended 31st December, 2000.

A. CONSERVATION OF ENERGY

- a) Energy Conservation Measures Taken :
- 1) Variable frequency drive is installed in both cooling water pumps in Ph I & II resulting in reduction in power consumption.
 - 2) Automation of condensate recovery system from Ph II dryer helped to reduce the consumption of furnace oil and boiler feed water.
 - 3) Hot insulation work for steam lines carried out to reduce the heat loss.
 - 4) Combustion efficiency of boiler is maintained high by the use of appropriate fuel oil additives.
 - 5) Removal of vibrator from Ph I dryer and subsequent reduction in the power consumption.
- b) Additional investment if any being implemented for reduction of consumption of energy.
- c) Impact of measures at a) and b) above for reduction of energy consumption and consequent impact on the production of goods.

Energy index has been reduced by 10% than previous year in Nandesari Plant.

Reduction in specific power consumption, furnace oil and water.

B. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per the Annexure B-II

C. FOREIGN EXCHANGE EARNING AND OUTGO

- (a) During the year the Company exported ABS Resin at FOB value of Rs.107.05 lacs. The Company has been registered with EMF scheme of Exim Bank.
- (b) Total foreign exchange earned and used ('000)

| | |
|-----------------|-------------|
| Exchange earned | Rs. 45070 |
| Exchange Outgo | Rs. 1072320 |

ANNEXURE B - I**FORM - A**

Form for the disclosure of particulars with respect to conservation of energy.

| | Jan.'2000 to Dec.'2000 | Jan.'1999 to Dec.'1999 |
|---|------------------------------|------------------------------|
| Power and Fuel Consumption | | |
| 1. Electricity | | |
| (a) Purchased | | |
| Unit Nos. | 10223987 | 10679501 |
| Total Amount Rs. '000 | 60,211 | 55,348 |
| Rate/ Unit Rupees | 5.89 | 5.18 |
| (b) Own Generation | | |
| I) Through Diesel Generator | | |
| Units | NIL | NIL |
| Units per Ltr. of Diesel Oil | | |
| Cost / Unit | | |
| II) Through Steam Turbine /Generator | | |
| Units | NIL | NIL |
| Units per Ltr. of Fuel Oil / Gas | | |
| Cost / Unit | | |
| III) Through Wind Turbine Generator | | |
| Units | 8006582 | 7074131 |
| Amount Rs. '000 | 35,860 | 30,303 |
| Rate per unit Rupees | 4.48 | 4.28 |
| 2. Coal (Specify quality and where used) | NIL | NIL |
| 3. Furnace Oil | | |
| Qty. (Ltrs.) | 1739839 | 1885215 |
| Total Amount Rs. '000 | 18,475 | 13,832 |
| Avg. Rate | 10.62 | 7.34 |
| 4. Other / Internal Generation (Please give details) | | |
| Qty. | NIL | NIL |
| Total Cost | NIL | NIL |
| Rate / Unit | | |
| 5. Consumption per Ton | | |
| Electricity Units | 487 | 524 |
| Furnace Oil Ltrs. | 46 | 56 |



ANNEXURE B-II

FORM - B

1. SPECIFIC AREAS IN WHICH R&D ACTIVITIES WERE CARRIED OUT BY THE COMPANY

During 2000, we have taken up quite few projects towards cost reduction, developed new products to enter into the new market and broader product portfolio. Also we have well established Moxi as a global research center by undertaking two global projects and establishing research center as a support services to KU Plastic group Germany.

Below given are specific of the projects, that were undertaken.

1. We have optimized the existing additives in high graft rubber, which yielded better performance and considerable cost reduction.
2. We have developed a range of new PC/ABS alloys, using locally made intermediates for introducing our Bay blend trade mark product into the Indian market. This gives new market penetration and broader product portfolio.
3. Last year, R&D has undertaken market development for promoting TPU. Technicality of the product were successful and trials will be taken this year.
4. We have established state-of-the-art information center by means of connecting our R&D Center with Internet and creating technical/internet library, where we have acquired lot of reference books and journals.
5. We have well established the global research and support services to Germany by doing two research programme applicable to the global market. We have as well completed twenty five computer aided engineering projects as a support to our global customers.
6. As a global support services to KU-Styrenics, we have started a monthly news letter "Styrenics Monitor", which delivers all industrial news, technical papers and patents related to styrenics business around the world and is being distributed to many groups in styrenic business all over the world.

FUTURE PLAN OF ACTION

- 1 We are helping to develop very high rubber graft for better performance and cost reduction.
- 2 We also will help to introduce the Bayblend product range into the Indian market.
- 3 We will continue with global research program and support services to Germany
- 4 We also plan to extend our services to US KU Plastic group business.
- 5 We plan to establish a state-of-the-art coagulation lab scale pilot plant for further optimization of our cost.

4. EXPENDITURE ON R&D

(Rs. in '000)

| | | | |
|-----|-------------------------|---|-------|
| (a) | Capital | : | 15179 |
| (b) | Recurring | : | 9560 |
| (c) | Total | : | 24739 |
| (d) | Total R & D expenditure | : | |
| | as a percentage of | : | |
| | Gross turnover | : | 1.00 |
| | Net turnover | : | 1.14 |