



Bayer Polymers

Board of Directors	Mr. Stephan Gerlich - Chairman	<i>Appointed on 01.07.03</i>
	Dr. Tony Osselaer - Vice Chairman	
	Mr. R S Agrawal - Managing Director	
	Mr. Johannes Dietsch - Director	
	Dr. Axel C Heitmann - Director	<i>Appointed on 07.03.03</i>
	Mr. K R V Subrahmanian - Director	
	Mr. S M Kulkarni - Alternate to Dr. Osselaer	
	Mr. Johannes Frick - Alternate to Mr. Dietsch	
	Mr. D C Shroff - Alternate to Dr. Heitmann	<i>Up to...30.06.03</i>
	Mr. Vishal R Agrawal - Director	
	Mr. Dieter Kambeck - Chairman	

Company Secretary & GM (Legal)	Mr. S. M. Vaishnav
Auditors	M/s. N M Rajji & Co., Mumbai
Bankers	State Bank of India ICICI Bank Bank of Baroda
Registered Office	ABS Towers, Old Padra Road, Vadodara 390 007. Phones : 0265-2355861-63, 2355871-73. Fax : 0265-2341012, 2355860, 2355950, 2355960.
Works	51, GIDC Industrial Estate, Nandesari 391 340 Dist. Baroda Phones : 0265-2840319, 2840285, 2840559, 2841010 Fax : (0265) 2840827
Katol Plant	Katol, Halol-Kalol Road, Taluka Kalol Dist. Panchmahal, Gujarat Phones : 02676-235980, 235891, 235802, 235803. Fax : 02676 - 235518, Cable : ABSOLITE
Delhi Office	8-A, Gopala Tower, 25-Rajendra Place New Delhi 110 008 Phones : 011-25712650, 25729515, 25712727 Telex : 031-77028 ABS IN Fax : 011-25756494 Cable : ABSOLITE
Mumbai Office	C/o Bayer India Ltd., Thane-Kolshet Road Thane, Mumbai 400 607 Phones : 022-25311175-76, Fax : 022-25455072
Bangalore Office	Unit 4 & 5, 2nd floor, Above big kids Kemp, Ramanashree Arcade No. 18, M. G. Road, Bangalore 560 001 Phones : 25596516, 25525285 Fax : 080-5580508 Telex : 0845-8750 ABS IN
Ahmedabad Office	404, Satkar, Nr. Swagat Char Rasta, C. G. Rd. Ellisbridge, Ahmedabad 380 006 Phones : 079-26446877-78, fax: 079-26442013
R & D Centre (Moxi)	Sankarda-Bhadarva Road, Post : Poicha 391 350 Tal.: Savli, Dist.: Baroda Phones : 02667-244350, 244370, 244380, Fax : 02667 - 244340

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

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NOTICE

NOTICE is hereby given that the 31st 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 3.30 p.m. on 27th April, 2004 (Tuesday), 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 2003, the Balance Sheet as at that date and the report of the Directors' and Auditors' thereon.
2. To declare dividend on ordinary shares, if any.
3. To appoint a Director in place of Mr. Johannes Dietsch who retires by rotation and being eligible, offers himself for re-election.
4. To appoint a Director in place of Mr. K R V Subrahmanian who retires by rotation and being eligible, offers himself for re-election.
5. To Appoint and fix remuneration of Statutory Auditors.

(B) SPECIAL BUSINESS:

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as ORDINARY RESOLUTION.

“RESOLVED THAT Mr. Stephan Gerlich 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 re-appointed as a Director of the company, liable to retire by rotation.”

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as SPECIAL RESOLUTION.

“RESOLVED THAT subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactments thereof for the time being in force), Securities Contracts (Regulations) Act, 1956 and the Rules framed there under, Listing Agreements, Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary, the consent of the Company be and is hereby accorded to the Board to delist the equity shares of the Company from Vadodara Stock Exchange Limited and The Stock Exchange, Ahmedabad”

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as ORDINARY RESOLUTION.



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RESOLVED THAT pursuant to the provisions of section 198, 269, 309 & 310 read with schedule XIII and other applicable provision if any of the Companies Act, 1956 and in accordance with the memorandum & articles of association of the company consent of the members of the company be and is hereby accorded to the re-appointment of Shri R S Agrawal as a Managing Director, for a further period from 7th December, 2003 to 31st December, 2006 (both the days inclusive) on the terms and conditions inter alia the remuneration, powers, duties to be exercised by him based on the delegation as approved by the board on their meeting held on 17th October, 2003, and detailed in draft agreement, an abstract of which has already been circulated pursuant to the provision of section 302 of the Companies Act, 1956. The major terms and conditions are as follows:

1. The agreement hereunder shall be deemed to be operative with effect from 7th December 2003 upto 31st December, 2006.
2. Shri Rakesh Shivebhagwan Agrawal shall be appointed as the Managing Director and he shall serve the Company as the Managing Director of the Company, subject to the superintendence, control and direction of the Board of Directors of the Company for the period from 7th December 2003 to 31st December 2006 on the terms and conditions hereinafter contained.
3. The Managing Director, unless prevented by ill health, shall throughout the said term devote his attention and ability to the business of the Company and shall perform such duties and exercise such powers as shall from time to time be assigned to or vested in him by the Board of Directors, and shall comply with the orders, directions and regulations from time to time of the Board of Directors of the Company and shall well and faithfully serve the Company and use his utmost endeavor to promote the interests thereof.
4. The Managing Director shall, be entrusted with substantial powers of management and shall also perform such other duties as shall be entrusted to him from time to time by the Board including the powers exercisable under the Articles of Association of the Company.
5. The remuneration for the services to be rendered by the Managing Director shall be split into two periods as under:
 - (a) In consideration of the services to be rendered by the Managing Director, for period from 7th December, 2003 to 31st December 2003 the remuneration payable would be governed under this agreement. The Company shall, subject to the conditions that taxes shall be paid by him, pay and provide to him the following remuneration: -
 - I) **SALARY**
A salary of Rs. 50,000/- per month
 - II) **PERQUISITES**
In addition to the salary, perquisites in respect of the following will be allowed to the Managing Director upto an amount equal to the annual salary or Rs. 4,50,000/- per annum whichever is less.
 - i
 - a) Housing: The Managing Director shall be entitled to house rent allowance upto 60% of salary.
 - b) Gas, Electricity, water and furnishing to be borne by the Company subject to a ceiling of 10 percent of the salary of the Managing Director.
 - ii. Medical Reimbursement: Reimbursement of expenses incurred for treatment for self and family, subject to a ceiling of one month's salary in a year or three months salary over a period of three years.
 - iii. Leave Travel Concession for self and family once a year in accordance with the rules of the Company.



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- iv. Club - Membership: Fees of Clubs subject to maximum of two clubs. This will not include admission and life membership fees.
- v. Personal Accident Insurance: Premium not to exceed Rs. 4,000/- per annum.
- vi. Contribution to Provident Fund and other funds
The Company's contributions to Provident Fund, at the rate prescribed under Employees' Provident Fund and Miscellaneous Provisions Act, 1952.

The Company's contribution to Provident Fund, Superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent of the same either singly or put together are not taxable under the Income Tax Act.
- vii. Gratuity will be in accordance with the rules of the Company as applicable to the Senior Executives of the Company but not exceeding half month's salary for each completed year of service.
- viii. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.
- ix. Provision of a Car with Driver for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director. The Managing Director shall be entitled to aforesaid salary and perquisites notwithstanding no profits or inadequate profits in any financial year during the currency of his tenure.
- x. Leave
Privilege Leave on full pay and allowance as per rules of the Company, but not more than one month's leave for every completed year of service.

III) COMMISSION

Commission in addition to salary and perquisites or both based on the net profits of the Company in a particular year, subject to overall ceilings laid down in section 198 and 309 of the Companies Act, 1956.

- (b) In consideration of the services to be rendered by the Managing Director, for period from 1st January, 2004 to 31st December, 2006 the remuneration payable would be governed under this agreement. The Company shall, subject to the conditions that taxes shall be paid by him, pay and provide to him the following remuneration: -

I) SALARY

A salary of Rs. 3,50,000/- per month

II) ANNUAL PERFORMANCE BONUS / AWARD

An Amount as may be decided by the board from time to time, which shall be at the discretion of the Board.

III) 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 modifications thereof, the perquisites (including allowances) payable or allowable be as follows:



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- i)
 - a) Housing - Furnished/unfurnished residential accommodation, alternatively house rent allowance of 50% of salary in lieu thereof.
 - b) Gas & Electricity: Gas & Electricity expenses will be reimbursed at actuals. The expenditure incurred by the Company on Gas & Electricity shall be valued in accordance with the Income Tax Rules, 1962.
- ii) Medical Reimbursement: Reimbursement of expenses actually incurred for self and family, subject to one month's consolidated salary.
- iii) Medical / Accident Benefits & Insurance: For self and family in accordance with the rules of the Company.
- iv) Leave Travel Allowance: For self and family once a year - in accordance with the rules of the Company.

For the purpose of iii) and iv) above, family means spouse, dependent children and dependent parents of the Managing Director.
- v) Club - Membership : As per the rules of the Company.
- vi) Contribution to provident fund, superannuation fund or annuity - fund -- Contribution to Provident Fund, Superannuation Fund or Annuity Fund will be as per the rules of the Company and the same 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.
- vii) Gratuity : As per rules of the Company.
- viii) Encashment of leave at the end of the tenure as per the rules of the Company. The same will not be included in the computation of the ceiling on perquisites.
- ix) Use of Car: Two Company maintained cars for use on Company's business including the Driver's Salary for both the cars, not exceeding Rs. 10,000/- per month.
- x) Telephone: Reimbursement of telephone expenses as per the rules of the Company.
- xi) Leave: As per the rules of the Company.
- xii) Other benefits: Such other benefits, allowances, facilities and perquisites as may be applicable in accordance with the practices and policies of the Company.
- xiii) The remuneration aforesaid, including expressly the benefits and amenities aforesaid, shall be paid and provided as minimum remuneration to the Managing Director notwithstanding the absence or inadequacy of profits in any accounting year of the company during the tenure of his office as the Managing Director of the Company.

RESOLVED FURTHER THAT Mr. R S Agrawal shall not be liable to retire by rotation during his tenure as Managing Director of the Company.

RESOLVED FURTHER THAT the board may, subject to the requisite approvals, if required of the Central Govt., increase, augment, vary and modify the remuneration payable and the benefits and amenities provided to Mr. R S Agrawal including the monetary value thereof, upto the limits prescribed in that behalf under or pursuant to the Companies Act, 1956 or any statutory amendment, modification or re-enactment thereof from time to time in force and/or the guidelines for Managerial Remuneration issued by the Central Govt. from time to time, from the date the statutory amendment, modification, re-enactment and/or the Guidelines coming into force.

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RESOLVED FURTHER THAT the remuneration aforesaid, include expressly the benefits and amenities aforesaid, shall be paid and provided as minimum remuneration to Mr. R S Agarawal notwithstanding the absence or inadequacy of profits in any accounting year of the company during the tenure of his office as Managing Director of the company, however subject to such approvals as necessary under the Companies Act, 1956.

Reg. Office :
6th floor, ABS Towers,
Old Padra Road,
Vadodara.
17th March, 2004

By order of the board
For Bayer ABS Limited

S M Vaishnav
Company Secretary
& GM (Legal)

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.

The proxy in order to be effective must be deposited at the registered office of Company not less than 48 hours before the commencement of the meeting.

2. The share transfer books and register of members of the Company (for Demat & Physical both) will remain closed from 19th April, 2004 (Monday) to 27th April, 2004 (Tuesday) (both the days inclusive).
3. Members are requested to:
 - a) intimate to the Company changes, if any, in their registered address at an early date.
 - b) quote folio numbers in all their correspondence.
 - c) avail facilities of electronic clearing services which favours shareholders with speedier credit avoiding fraudulent encashment. Shareholders are requested to send their Bank account details to the Registrars M/s. MCS Ltd. or company's Share department at 6th Floor, ABS Towers, Old Padra Road, Vadodara 390007 on or before 15th April, 2004 so as to enable the Company to directly credit the dividend amount to their respective bank accounts.
 - d) The shareholders holding shares in physical form are once again advised to change their shareholding to dematerialized form.
 - e) Address of R&T Agent : MCS Ltd., Neelam Apartment, 88 Sampatrao Colony, Behind Standard Chartered Bank, Alkapuri, Vadodara 390 007.

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EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956, SETTING OUT THE MATERIAL FACTS RELATING TO BUSINESS UNDER ITEM NOS. 6 to 8 AS SET OUT IN THE NOTICE.

ITEM NO. 6

Mr. Stephan Gerlich was appointed as an additional director pursuant to the section 260 of the Companies Act read with Articles of Association of the company w.e.f. 1st July, 2003. The term of his office expires at the ensuing Annual General Meeting. Mr. Stephan Gerlich is appointed as Chairman of the company pursuant to retirement of Mr. Dieter Kambeck.

Mr Stephan Gerlich's appointment will be non executive and will attract no remuneration.

The Directors of your Company recommend passing of the aforesaid Resolution at item no.6.

Except Mr. Gerlich, None of the directors of the Company is concerned / interested in passing of the Resolution.

ITEM NO. 7

Presently, the equity shares of the Company are listed on the following stock Exchanges:

- (1) Vadodara Stock Exchange Limited
- (2) The Stock Exchange, Ahmedabad
- (3) National Stock Exchange of India Ltd.
- (4) The Stock Exchange, Mumbai

Equity shares of the Company are listed on the Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd, which has extensive networking through its terminals in other cities as well. The investors have therefore access to online dealings in the Company's securities across the country. The bulk of the trading in the Company's equity shares in any case takes place only on BSE/NSE, and the depth and liquidity of trading in the Company's equity shares on all other Stock Exchanges is absent with virtually no trading.

In line with the SEBI regulations and guidelines stated above, the members' approval is being sought by a Special Resolution for enabling the voluntary delisting of the Company's equity shares from Vadodara Stock Exchange Limited and The Stock Exchange, Ahmedabad. The proposed delisting of the equity shares of the Company from the said stock exchanges as and when the same take place, will not adversely affect the investors. The delisting will take effect after all approvals permissions and sanctions are received.

The Board of Directors of your Company recommend passing of the aforesaid Resolution at item no.7.

None of the directors of the Company is concerned / interested in passing of this/above Resolution.

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ITEM NO. 8

The shareholders at their 26th Annual General Meeting of the Company held on 25th June, 1999 had approved appointment of Shri R S Agrawal as Managing Director of the company for the period of five years with effect from 7th December, 1998. The said period of appointment expired on 6th December, 2003. In order to continue to avail the benefits of services of Shri. R S Agrawal, the Board of Directors of the company at their meeting held on 17th October, 2003 has re-appointed him for a further period from 7th December, 2003 to 31st December, 2006 (both days inclusive) subject to the approval of the shareholders in the General Meeting on the terms & conditions as set out in the notice.

The company has entered into an agreement with Mr. R S Agrawal interalia detailing the terms and conditions of appointment, powers duties and remuneration payable to him. An extract as a disclosure required under section 302 of the Companies Act, 1956 has already been circulated to the shareholders. None of the directors except Mr. R S Agrawal & Mr. Vishal Agrawal (son of Mr. R S Agrawal) are interested or concerned in the said resolution.

Your Directors recommend the resolution as set out in item no. 8 of the notice for your approval.

Agreement relating to the appointment of Managing Director is open for inspection on any working day (Monday to Friday) between 11.00 a.m. to 1.00 p.m. at the Registered Office of the company.



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DIRECTORS' REPORT

Dear Member,

Your Directors have pleasure in presenting herewith the Annual Report for the year ended December 31, 2003 together with audited Statement of Accounts along with the Auditors' Report for the said period.

FINANCIAL HIGHLIGHTS

Rs. In ' 000

	2002	2003	% Change
Sales and Other Operating Income	3,472,780	3,950,431	13.75
Other Income	10,674	13,934	30.54
Total Income	3,483,454	3,964,365	13.81
Gross Profit before Interest & Depreciation	516,313	527,844	2.23
Less: Interest	41,429	15,196	(-) 63.32
Gross Profit before Depreciation	474,884	512,648	7.95
Less: Depreciation	109,084	117,639	7.84
Profit before Taxation	365,800	395,009	7.98
Less: Provision for Taxation	126,100	137,500	9.04
Less: Deferred Taxation	7,900	4,100	(-) 48.10
Profit after Taxation	231,800	253,409	9.32
Add: Balance of Profit brought forward	204,540	346,743	
Amount Available for Appropriation	436,340	600,152	
Appropriations:			
Proposed Dividend	43,964	43,964	
Tax on Proposed Dividend	5,633	5,633	
Transfer to General Reserve	40,000	40,000	
Balance of Profit carried forward	346,743	510,555	
	436,340	600,152	

Operations

Your Company continues to attain the set targets in production, sale and profit while maintaining its leadership position.

We have enhanced production capacities, commissioned expansion of required intermediate Poly-butadiene facilities from 6000 tpa to 9000 tpa. This will increase the overall ABS production capacity to 50,000 t.p.a. The Company has also carried out number of modifications through instrumentation, automation and advance control systems.

We are also currently in the process of enhancing SAN capacity, which in turn will result in increasing of ABS capacity.



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Thus, your Company is taking all effective steps by de-bottlenecking, making suitable changes in the engineering processes and adding on capital equipment at minimal cost. This enables us to meet the increased demand of our products at competitive market prices in the country.

The indenting sales have generated quite a good demand but due to market constraints the commission income has not risen correspondingly. Your Company is a debt free Company, has repaid all loans. Interest savings achieved has resulted into healthier bottom lines.

In the current year, the Government has reduced the custom duties on the finished products and also abolished SAD without corresponding reduction in the custom duties on the principal raw materials. This will result into some pressure on the margins. But the Company is still very hopeful to meet these challenges by continuously adopting cost cutting measures and innovative marketing initiatives. In the Current year till date, expected market volumes are being attained but price realization is under tremendous pressure.

Research and Development

Product development in newer areas in Electronic/Telecommunication sector is continuing. An alloy of PC and ABS was developed to meet internationally acceptable quality standards. The expertise of R & D team has helped in Customer Service satisfaction significantly.

Environment and Safety

Your Company is committed to being a socially responsible corporate citizen and makes all efforts to maintain high safety and security standards for environmental preservation. Pollution control norms are adhered to stringently and advance technology initiatives for implementation are encouraged.

Insurance

Your Company's assets continue to be adequately insured against the risk from fire, riot, earthquake, terrorism etc. and loss of profits.

An additional coverage, a statutory Public Liability Insurance Policy has been taken to cover public liability arising out of industrial accidents.

Dividend

Your Directors are glad to recommend a dividend @ 25 % (Rs 2.5per Share) (previous year 25%) subject to shareholders' approval at the ensuing Annual General Meeting (AGM).

Directors

Mr. Dieter Kambeck Chairman of the company has retired from his services with Bayer group of Companies. Consequently he has resigned from the board. The Board takes note of sterling contribution made by Mr. Dieter Kambeck. The members record their appreciation of Mr. Kambeck's directional effort in company's Growth.

On retirement of Mr. Kambeck, the Board approved appointment of Mr. Stephan Gerlich as Chairman of the company w.e.f. 1st July, 2003.

Mr. D C Shroff was appointed as alternate director to Dr. Heitmann at the Board Meeting held on 17th October 2003.