

## 32nd Annual Report

January-December 2004

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Bayer ABS Limited



Bayer ABS Limited

very soon, will become,

# LANXESS

**LANXESS ABS Ltd.**

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# LANXESS

Energizing Chemistry

A global player with  
strong roots



<b>Board of Directors</b> <i>As on 31.12.04</i>	Dr. Hans J Kogelnik - Chairman	<i>Appointed on 28.04.04</i>
	Mr. Stephan Gerlich	
	Dr. Tony Osselaer - Vice Chairman	<i>ceased w.e.f 28.04.04</i>
	Mr. R S Agrawal - Managing Director	
	Mr. Johannes Dietsch - Director	
	Dr. Axel C Heitmann - Director	<i>ceased w.e.f 28.04.04</i>
	Mr. K R V Subrahmanian - Director	
	Mr. S M Kulkarni - Alternate to Mr. Dietsch	
	Mr. Johannes Frick -	<i>ceased w.e.f 28.04.04</i>
	Mr. D C Shroff -	<i>ceased w.e.f 28.04.04</i>
	Mr. Vishal R Agrawal - Director	
	Mr. Raj Narayanan	<i>Appointed w.e.f 28.04.04</i>
<hr/>		
<b>Company Secretary &amp; GM (Legal)</b>	Mr. S. M. Vaishnav	
<b>Auditors</b>	M/s. Price Waterhouse., Mumbai	
<b>Bankers</b>	State Bank of India ICICI Bank Bank of Baroda	
<b>Registered Office</b>	ABS Towers, Old Padra Road, Vadodara 390 007. Phones : 0265-2355861-63, 2355871-73. Fax : 0265-2341012, 2355860, 2355950, 2355960.	
<b>Works</b>	51, GIDC Industrial Estate, Nandesari 391 340 Dist. Baroda Phones : 0265-2840319, 2840285, 2840559, 2841010 Fax : (0265) 2840827	
<b>Katol Plant</b>	Katol, Halol-Kalol Road, Taluka Kalol Dist. Panchmahal, Gujarat Phones : 02676-235980, 235891, 235802, 235803. Fax : 02676 - 235518, Cable : ABSOLITE	
<b>Delhi Office</b>	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	
<b>Mumbai Office</b>	C/o Lanxess India Pvt. Ltd., Thane-Kolshet Road Thane, Mumbai 400 607 Phones : 022-25311175-76, Fax : 022-25455072	
<b>Bangalore Office</b>	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	
<b>Ahmedabad Office</b>	404, Satkar, Nr. Swagat Char Rasta, C. G. Rd. Ellisbridge, Ahmedabad 380 006 Phones : 079-26446877-78, fax: 079-26442013	
<b>R &amp; D Centre (Moxi)</b>	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, Vadodara 390 007. Members are requested to bring their copies of the Annual Report at the Annual General Meeting.



## NOTICE

NOTICE is hereby given that the 32<sup>nd</sup> 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 11.45 am on 28<sup>th</sup> April, 2005 (Thursday), to transact the following business:

### (A) ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account for the financial year ended 31<sup>st</sup> December 2004, the Balance Sheet as at that date and the report of the Directors and Auditor's thereon.
2. To declare dividend on ordinary shares.
3. To appoint a Director in place of Dr. Hans J Kogelnik who retires by rotation and being eligible, offers himself for re-election.
4. To appoint a Director in place of Dr. Joerg Strassburger who retires by rotation and being eligible, offers himself for re-election.
5. To consider and, if thought fit, to pass, with or without modification, the following as a Ordinary Resolution:

“RESOLVED that Messrs. Price Waterhouse, Chartered Accountants Mumbai be appointed as Statutory Auditors of the Company to hold office until conclusion of the next Annual General Meeting, on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors.”

### (B) SPECIAL BUSINESS:

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

RESOLVED THAT Mr. S M Kulkarni 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.

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

RESOLVED THAT pursuant to the provisions of Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, consent of the Company be and is hereby granted for changing the name of the Company from Bayer ABS Limited to "Lanxess ABS Limited" and consequently the new name "Lanxess ABS Limited" shall appear in the Memorandum and Articles of Association of the Company and that the Board of Directors of the Company OR any committee formed by the board, be and is hereby authorized to do all such acts and things and deal with all such matters and take all such steps as may be necessary to give effect to this resolution.

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

RESOLVED THAT the Articles of Association of the Company be and are hereby altered in the following manner :



- (i) Article 177 shall be deleted so that no notice period required for the termination of agreement as specified below:

177. The Company has entered into/will enter into a name protection agreement with Bayer Aktiengesellschaft, a corporation organised and existing under the laws of the Federal Republic of Germany and having its principal office at Leverkusen, Germany (Hereinafter referred to as "BAYER AG") and its successors and assigns and it inter alia provides that the agreement shall be terminated upon the happening of any of the events referred to therein and Bayer AG giving a Notice in writing to that effect to the Company or upon Bayer AG giving six months notice in writing in that behalf, Forthwith upon the termination of the agreement. The company Shall:

- (A) Discontinue the use of the name "BAYER" and/or the name and Device "BAYER-CROSS" (Being the name "BAYER" written in a cruciform within a circle) in any form or manner as a part of its corporate name, Business Name, Trading style or trade name in such manner as to delete there from the name "BAYER" and/or the name and device "BAYER-cross" or the letters "BAY".
  - (B) Forthwith take all such steps as may be necessary or desirable for the purpose of changing the name and trading style as aforesaid and discontinuing the use of the word "BAYER" and/or the name and device "BAYER-cross" or the letters "BAY" as a part of its corporate name, business name, trading, style or trade name and further that any new corporate name, business name, trade mark, trade name or trading style which the company may adopt shall not consist of any word, name, expression or device similar in sound and appearance to the name "BAYER" and/or the name and device "BAYER-CROSS" or the letter "BAY".
  - (C) Forthwith take all such steps as may be necessary or desirable to have the necessary change in the Corporate Name, business Name, Trading Name, Trading Style and the like, Published in newspapers. The official gazettters and trade journals and the like, circulating in India.
9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION.

RESOLVED THAT pursuant to provision of section 310 read with clause 49 of the listing agreement and subject to such other statutory approvals as necessary, approval of the company be and is hereby given to the payment to director for his services in attending meeting of the Board of directors a fee of not more than Rs.25,000/- (Twenty Five thousand) and for Audit Committee meeting a fee of not more than Rs. 20,000/- (Twenty thousand) per meeting attended by him, besides, reimbursement of actual traveling, hotel or any other incidental expenses incurred by him consequent to his attending such Board/Committee meeting.

Reg. Office :  
6<sup>th</sup> floor, ABS Towers,  
Old Padra Road,  
Vadodara.  
16<sup>th</sup> March, 2005

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 **20/04/05 (Wednesday) to 26/04/05 (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/client ID in all their correspondence.
  - c) The shareholders holding shares in physical form are once again advised to change their shareholding to dematerialized form.

**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 ITEM NO. 9 AS SET OUT IN THE NOTICE.**

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**Item No. 6**

Mr. S M Kulkarni was appointed as an alternate director to Mr. Johannes Dietsch on the Board. Upon resignation of Mr. Dietsch, Mr. Kulkarni has been appointed as additional director at the meeting held on 8<sup>th</sup> February, 2005. Mr. S M Kulkarni is also a Chairman-member of audit committee constituted pursuant to provision of section 292A read with Clause 49 of the listing agreement with Stock Exchanges. The clause 49 of the Listing Agreement deals with the code of Corporate Governance requires company to constitute an Audit committee, consisting of majority of Independent directors.

Since, Mr. Kulkarni has been appointed under section 260 of the companies Act, 1956 as an additional director, the term of his office expires at the ensuing Annual General Meeting. You are therefore requested to consider the appointment of Mr. Kulkarni.

None of the directors except Mr. Kulkarni, have any interest in the passing of the said resolution.

**Item No. 7**

Bayer AG Germany the ultimate holding company for the investments globally, since Nov 2003 had announced of intentions to restructuring of its various business units/segments. During the process Chemicals and Polymer business has been carved out into a new group of companies called as LANXESS group, The Strategic realignment has seen emergence of LANXESS AG, the ultimate holding company for the investments falling within the group, sought its equity listing on January 31, 2005 on the Frankfurt Stock Exchange in Germany after a Spin off planned within the German transformation of Companies Act.



Bayer ABS Ltd now falls within the LANXESS group having LANXESS AG as ultimate holding company. Bayer AG, the earlier holding company of Bayer ABS Ltd (BABS), has submitted a letter that in view of spin off into a separate legal entity in name and style as Lanxess, to which BABS would now belong to, permission to BABS to use the word "BAYER" and "BAYER CROSS" in any manner, form as part of it's Corporate Name in such manner, form, device **stands withdrawn**, and such appearing of name or device shall be deleted. In the light of the withdrawal of Bayer name, the Company has decided to seek Change in Name unto LANXESS ABS LTD. or such other name as available.

Shareholders are requested to approve the above resolution.

None of the directors of the company is interested in passing the resolution.

#### Item No. 8

In the light of Bayer Global Restructuring put into operations and finally attained with culmination of spin off process, Lanxess India Private Ltd has acquired 89,63,564 equity shares of Rs.10/- each in Bayer ABS Ltd (BABS) constituting 50.97% of paid-up capital of the paid up share capital of BABS from Bayer Industries Private Ltd and became holding company of the company.

Consequent to spin off on 31<sup>st</sup> January, 2005, at the Bayer AG, Germany, Lanxess Deutschland GmbH a separate entity was constituted. After acquisition of 50.97% shares of Bayer ABS Limited, Lanxess has become ultimate holding company of your company. Since company has received a notice from Bayer AG for not using word "BAYER" and "BAYER CROSS" the article 177 which authorize to use word "BAYER" need to be deleted. The Original Notice received from Bayer AG is available for inspection to members at the Registered office during working hours between 10.30 a.m. to 12.30 p.m. (Monday to Friday)

Shareholders are requested to approve the above resolution.

None of the directors of the company is interested in passing of the above resolution.

#### Item No. 9

The amended clause 49 of the listing agreement which is applicable from 1<sup>st</sup> April, 2005 enumerate that any increase in sitting fees to non-executive directors shall be fixed by the Board of Directors and shall be previously approved by the shareholders in general meeting. The resolution is therefore put before you to give authority to board to decide sitting fees payable to non-executive directors, subject to maximum limit as specified and with such terms and condition and subject to such necessary approvals as necessary.

Shareholders are requested to approve the above resolution.

The matter pertaining to non-executive directors, they may be deemed to be interested in the passing of the said resolution.



## DIRECTORS' REPORT

Dear Member,

Your Directors have pleasure in presenting herewith the Annual Report for the year ended December 31, 2004 together with audited Statement of Accounts along with the Auditors' Report for the said period.

### FINANCIAL HIGHLIGHTS

Rs. In ' 000

	2003	2004	% Change
Sales and Other Operating Income	3,950,431	4,685,418	18.61
Other Income	13,934	16,085	15.44
<b>Total Income</b>	<b>3,964,365</b>	<b>4,701,503</b>	<b>18.59</b>
Gross Profit before Interest & Depreciation	527,844	752,049	42.48
Less: Interest	15,196	0	-100.00
Gross Profit before Depreciation	512,648	752,049	46.70
Less: Depreciation	117,639	123,016	4.57
<b>Profit before Taxation</b>	<b>395,009</b>	<b>629,033</b>	<b>59.25</b>
Less: Provision for Taxation	137,500	229,900	67.20
Less: Provision for Deferred Taxation	4,100	10,800	163.41
<b>Profit after Taxation</b>	<b>253,409</b>	<b>388,333</b>	
Add: Balance of Profit brought forward	346,743	510,555	
<b>Amount Available for Appropriation</b>	<b>600,152</b>	<b>898,888</b>	
<b>Appropriations:</b>			
Proposed Special Dividend	-	140,685	
Proposed Dividend	43,964	43,964	
Tax on Proposed Dividend	5,633	24,552	
Transfer to General Reserve	40,000	50,000	
Balance of Profit carried forward	510,555	639,687	
	<b>600,152</b>	<b>898,888</b>	

### Operations

During the year raw material prices went up and remained extremely volatile. This obviously influenced the finished goods prices. This phenomena has caused escalation and uncertainties in the demand pattern in the user industries. On occasions there were uncertainties on even the continuous availability of the raw materials. In spite of all this, your Company was able to overcome the situation and managed to have nearly full capacity utilization and could sell its products at competitive prices maintaining margins.





Further during the year there were two reductions on the customs duties - one in February and the second one in May, reducing the overall effective custom duty from 30% to 15%. This also increased the competitiveness and put pressures on the margins. The reduction on the customs duty on the raw material was very small in comparison. The custom duties have been further brought down in the current budget to 10%. This will also enhance competitiveness putting further pressure on the margins.

During the year under review, we were able to maintain our focus on the Original Equipment Manufactures(OEMs) maintaining high market share because of better customer service, technical support and improved quality.

User Industries like, Automobiles, Consumer Durables and I.T industry continues to show good growth and is expected to grow further during the coming years. Your Company is increasing its SAN capacity by 24,000 tonnes ultimately reaching in excess of 60,000 TPA, This will also enable us to increase ABS capacities. ABS capacity also will be increased by 10,000 tonnes by end of current year and capacities will be further raised by another 20,000 TPA in the next two years. The potential for further enhancement of the capacity by de-bottlenecking is also under study.

Thus, at a very economical cost, we will be increasing the capacity of ABS to 80,000 TPA by utilizing mainly internal resources in a short period.

## **LANXESS ABS LTD**

Lanxess India Pvt. Ltd ( LIPL) has acquired 50.97 % equity in your company. A separate resolution alongwith explanatory statement forms part of the Notice for the agenda for the Shareholder's consideration at the ensuring Annual General Meeting. Your approval is required to enable necessary implementation of change in name of the company.

## **Research and Development**

The R & D continues to render quite constructive support in product development and maintain excellent standards in product quality, technical up gradation. backed by improved customer services .

## **Environment and Safety**

Your company has consciously achieved and maintained high standards in environment safety and continues to preserve the same. Stringent norms and technological initiatives to improvise the environment, safety and security have been harnessed among all the level of human resources.

## **Insurance**

Your Company's assets are sufficiently 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 protect company from public liability arising out of industrial accidents.



## Dividend

At the end of the year-2004, your company received an extraordinary income of Rs.257.60 Mio. arising out of payment received from Bayer Material Science due to discontinuing of Polycarbonate agency for non- injection molding segment. The Board of Directors at the meeting held on 8<sup>th</sup> Feb,2005 had declared Special Dividend of Rs 8/per equity share(of Rs10 each fully paid) to those shareholders whose names appeared on the Register of Members of the company as on 18<sup>th</sup> Feb,2005. All the shareholders have been posted the dividend in time.

Your Directors are glad to recommend a dividend @ 25% (previous year 25%) for the year 2004, subject to shareholders' approval at the ensuing Annual General Meeting (AGM).

## Directors

During the year the following changes took place :

With effect from 28<sup>th</sup> April,2004 Dr. Axel C. Heitmann ceased to be a Director and in his place Dr. Hans J. Kogelnik was appointed as Director & Chairman on casual vacancy caused due to resignation of Dr. Heitmann. Consequently, Mr. D C Shroff alternate director to Dr. Heitmann ceased to be a Director of the company.

Mr. Johannes Frick Alternate Director to Mr. Dietsch resigned on 28<sup>th</sup> April, 2004. Consequently, effective 28<sup>th</sup> April,2004, Mr. Kulkarni was appointed as alternate director to Mr. Dietsch.

Mr. Johannes Dietsch resigned from the board on 8<sup>th</sup> February, 2005. Consequently, Mr. S M Kulkarni ceased to be alternate director to Mr. Johannes Dietsch, and is appointed as additional director of the company who is liable to retire at the ensuing AGM. Thus, Mr. Kulkarni's candidature is now proposed for the directorship who is liable to retire on rotational basis.

Effect from 1<sup>st</sup> January, 2005, Mr. Stephan Gerlich Vice- chairman of the company resigned from the Board, Consequently, Mr. Venkatesh Sankaran, a nominee from Lanxess India Private Limited, the holding company, was appointed as director on casual vacancy caused due to resignation of Mr. Gerlich.

During the year Dr. Tony Osselaer ceased to be a Director of the company and on his resignation from the directorship Mr. Raj Narayanan was appointed as Director on casual vacancy caused due to resignation of Dr. Osselaer. Thereafter, Mr. Raj Narayanan has resigned w.e.f. 12<sup>th</sup> March, 2005 and in his place Mr. Joerg Strassburger, Country Representative for LANXESS and Managing Director LANXESS India Pvt. Ltd. has been appointed as director.

Mr. Hans J Kogelnik and Mr. Joerg Strassburger who are retiring by rotation and are eligible respectively have offered themselves for reappointment.

## Quality systems, ISO certification And Awards

- DQS - (Accreditation / Certification Agency) audited company's all locations for EMS/ISO 14001 and subsequently company has been certified for ISO 14001.
- Nandesari Plant as been awarded by FGI (Federation of Gujarat Industries) for excellence in Environmental Preservation and Pollution Control.
- Gujarat Safety Council has awarded Nandesari Plant for lowest disability injury award for safety record and Performance.