

## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Forty Fourth Annual General Meeting of BAYER (INDIA) LIMITED will be held at YASHWANTRAO CHAVAN PRATISHTAN AUDITORIUM, Y.B. CHAVAN CENTRE, (near Mantralaya), Gen. J. Bhosale Marg, Mumbai 400 021 on Friday, June 14, 2002 at 11.00 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To consider, approve and adopt the audited Balance Sheet as at and the Profit and Loss Account for the year ended December 31, 2001 and the Report of the Directors and Auditors.
2. To declare a dividend on Equity Shares for the year ended December 31, 2001.
3. To appoint a Director in place of Mr. Y. H. Malegam who retires by rotation at this meeting and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. C. Kaiser who retires by rotation at this meeting and, being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution (if on the date of the Meeting, the financial institutions hold not less than 25% of the subscribed share capital of the Company, the resolution will be proposed as a Special Resolution in terms of Section 224-A of the Companies Act, 1956):

“RESOLVED THAT M/s N.M. Raiji & Co., Chartered Accountants, retiring Auditors of the Company, be and they are hereby re-appointed as Auditors of the Company for the year ending December 31, 2002 to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs.8,00,000/- (Rupees Eight Lakhs only) plus reimbursement of out of pocket expenses to be incurred in connection with the audit of the accounts of the Company.”

### SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass, with or without modification, 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. D. Kambeck, Managing Director of the Company, amounting to Rs. 5,33,145/- resulting from inadequacy of profits for the year ended 31<sup>st</sup> December, 2000.

RESOLVED FURTHER THAT, subject to the approval of the Central Government, the recovery of excess remuneration of Rs. 5,33,145/- paid to Mr. D. Kambeck, being the amount exceeding the statutory limits laid down under the Companies Act, 1956, due to inadequacy of profits be and is hereby waived.

AND RESOLVED FURTHER THAT Dr. A. F. Hennecken, Director, and Mr. Mehernosh H. Kapadia, Vice President – Legal & Compliance Officer, be and are hereby severally authorised to submit the requisite application/rejoinder to the Central Government and comply with all formalities in this regard.”

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

“RESOLVED THAT, pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended as follows : -

- a. after Article 6, the following Article be inserted as Article 6A under the title “Equity Share Capital with Differential Rights” :

*Equity Share Capital with Differential Rights*

Article 6A - Subject to the provisions of Section 86 of the Act and applicable rules, guidelines and regulations, the Company shall have the power to issue equity shares with differential rights as to dividend, voting or otherwise.

- b. In Articles 8(3), 9 and 177, for the words “Share Premium Account”, the words “Securities Premium Account” shall be substituted.

- c. after Article 9, the following new Article be inserted as Article 9A under the title “Buy Back of Equity Shares” :

*Buy Back of Equity Shares*

Article 9A - The Company shall have the power to purchase/buy back its own shares and / or other securities, subject to the limits and upon such terms and conditions and subject to such approvals as may be required under

the applicable sections of the Act and other provisions, rules, guidelines, regulations and any amendment and modifications thereto.

- d. after Article 101, the following new Article be inserted as Article 101A under the title "Postal Ballot" :

*Postal Ballot*

Article 101A - In the case of resolutions relating to such business as the Central Government may, by notification, declare to be conducted only by postal ballot, the Company shall get such resolutions passed by means of a postal ballot, instead of transacting such business in the general meeting of the Company. Where the Company is required to, or decides to, as the case may be, get a resolution passed by means of a postal ballot, the provisions of Section 192 A of the Act and the rules framed thereunder shall be complied with.

- e. the existing Article 144 of the Articles of Association be substituted by the following Article :

Article 144 - Subject to Section 287 of the Act, the quorum for meetings of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one) or two directors, whichever is higher, provided that no quorum shall be formed or constituted at the meeting of the Board of Directors unless one director nominated or appointed by Bayer Aktiengesellschaft, Leverkusen, Germany or an alternate of such director is present, and provided further that where at any meeting, the number of interested directors exceeds or is equal to two-thirds of the total strength, the number of remaining directors, that is to say, the number of directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time. For the purpose of the above,

- i. "total strength" means the total strength of the Board of Directors of the Company as determined in pursuance of the Act, after deducting therefrom the number of the Directors, if any, whose places may be vacant at the time;
- ii. "interested director" means any Director whose presence cannot, by reason of this Article or any other provisions in the Act, count for the purpose of forming a quorum at a meeting of the Board, at the time of any discussion or vote on any matter.
- f. the existing Article 145 of the Articles of Association be deleted.
- g. the following new proviso be inserted in Article 173 :

Provided that the Company can also pay the dividend by crediting it directly to the bank account of the shareholders through Electronic Fund Transfer system of the banks or any other mode which, in the opinion of the Board of Directors, is appropriate for payment of dividend to the shareholders.

NOTES:

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND A PROXY NEED NOT BE A MEMBER. A 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.
- (b) The relevant Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, are annexed hereto and form part of this Notice.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from May 20, 2002 to June 14, 2002 (both days inclusive)
- (d) The dividend on shares as recommended by the Board of Directors of the Company, if declared at the meeting, will be payable to those shareholders whose names stand on the Register of Members of the Company as on June 14, 2002. 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. Dividend warrants will be sent within 30 days from the date of declaration of dividend.
- (e) Members are requested to notify immediately change of address, if any, to the Company's Registrars and Share Transfer Agent, M/s. Tata Consultancy Services, 6, Lotus House, Sir Vithaldas Thackersey Marg, Next to Liberty Cinema, New Marine Lines, Mumbai 400 020.
- (f) The members are requested to furnish the details of their bank account, as dividends are now required to be distributed through the Electronic Clearing Service (ECS). The details of bank accounts should be furnished to the Company's Registrars & Share Transfer Agent, M/s. Tata Consultancy Services, on or before June 1, 2002.
- (g) The members are requested to encash the Dividend Warrants immediately on receipt, as dividends remaining unclaimed for seven years from the date they first became due for payment are now required to be transferred to the "Investor Education and Protection Fund" established by the Central Government under the amended provisions of the Companies Act, 1956. Members shall not be able to claim any unpaid dividend from the said Fund or the Company thereafter.
- (h) Members can now avail of the facility of nomination in respect of shares held by them, pursuant to the amendment to the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in the prescribed Form No.2B duly filled in to the Company's Registrars & Share Transfer Agent, quoting their respective Folio Nos., Certificate Nos. and Distinctive Nos.

By Order of the  
Board  
V. SREERAM  
Legal Manager &  
Company Secretary

Registered Office:  
Bayer House,  
Central Avenue,  
Hiranandani Gardens,  
Powai, Mumbai- 400 076.

Mumbai, March 28, 2002.

## **Annexure to Notice**

Explanatory Statements pursuant to Section 173 (2) of the Companies Act, 1956.

### ITEM NO. 5

It is proposed to re-appoint M/s. N. M. Raiji & Co., Chartered Accountants, the retiring auditors of the Company, as auditors for the year ending December 31, 2002.

The Directors recommend the passing of this resolution.

None of the Directors are concerned or interested in the passing of this Resolution.

### ITEM NO. 6

The members, at the Annual General Meeting of the Company held on June 7, 2001 had approved of the payment of remuneration to Mr. D. Kambeck, Managing Director of the Company, for a period of five years with effect from 1<sup>st</sup> November, 2000.

During the year 2000, the managerial remuneration paid to Mr. Kambeck exceeded the limits prescribed under Schedule XIII of the Companies Act, 1956, due to inadequacy of profits, but was within the limits approved by the members of the Company. The excess remuneration paid to Mr. Kambeck amounted to Rs. 5,33,145/-.

The Board of Directors, at their meeting held on July 25, 2001, have ratified, confirmed and approved, subject to the approval of the shareholders and of the Central Government, the payment of remuneration to the managerial personnel in excess of the limits prescribed under Schedule XIII of the Act. 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.

The Directors recommend the passing of this resolution.

Mr. Kambeck is interested in the passing of the Resolution to the extent of the excess remuneration paid to him.

### ITEM NO. 7

The Companies (Amendment) Act, 1999 and 2000 has brought about several changes in the Companies Act, 1956 by inserting provisions, inter alia, relating to buy back of

securities, equity share capital with differential voting rights, voting by postal ballot etc. Moreover, the Article relating to quorum for meetings has been brought in line with the Companies Act, 1956. The Company also proposes to pay dividend through Electronic Clearing Services. The consequential changes are proposed to be made in the Articles of Association of the Company to ensure conformity with the provisions of the Companies Act, 1956 as amended, rules, guidelines and regulations.

The Directors recommend the passing of this resolution.

None of the Directors are concerned or interested in the passing of this Resolution.

By Order of the Board  
V. SREERAM  
Legal Manager &  
Company Secretary

Registered Office:  
Bayer House,  
Central Avenue,  
Hiranandani Gardens,  
Powai, Mumbai - 400 076.

Mumbai, March 28, 2002.

**Directors' Report**

Dear Member,

Your Directors have pleasure in presenting the 44th Annual Report together with the audited Statements of Accounts alongwith the Report of the Auditors for the year ended December 31, 2001.

## FINANCIAL HIGHLIGHTS

		<b>Rs. Mio</b>
	<b>2001</b>	<b>2000</b>
Sales and Other Operating Income	7,002.60	6,238.93
Other Income	127.34	136.73
Total Income	7,129.94	6,375.66
Gross Profit before interest and depreciation	616.03	435.91
Less: Interest	262.70	291.02
Gross Profit before depreciation	353.34	144.89
Less: Depreciation	118.89	109.59
Profit for the year before extra-ordinary items	234.43	35.29
Add: Consideration received for transfer of Marketing network of Pharmaceutical Products	-	70.00
Less: Voluntary Retirement Scheme - Year 1999	(16.26)	(9.75)
Less: Voluntary Retirement Scheme - Year 2000	(55.85)	-
	(72.10)	(9.75)
	(72.10)	60.25
Profit for the year before taxation	162.33	95.54
Less : Provision for Taxation on Income	93.70	22.87
Less : Provision for Deferred Taxes	(23.05)	-
	70.65	22.87
Profit for the year After Tax	91.68	72.67
Add: Profit & Loss balance Brought Forward	160.05	133.13
<b>Amount available for Appropriation</b>	<b>251.73</b>	<b>205.80</b>
<b>Appropriations:</b>		
Proposed Dividend	-	32.44
Provision for Taxation on Proposed Dividend	-	3.31
Transferred to General Reserve	-	10.00
Profit & Loss Balance Carried Forward	251.73	160.05
	251.74	205.80

Particulars	Year ended 31-12-2001	Year ended 31-12-2000
<b>FUND FLOW STATEMENT</b>		
Net Income	91.68	72.66
Provision for deferred tax	(23.05)	-
Depreciation & Retirements	133.90	119.68
	202.53	192.34
Dividend	35.75	(45.01)
<b>Funds Generated from Operations</b>	<b>238.28</b>	<b>147.33</b>
Increase in Fixed Assets	(239.94)	(216.38)
(Increase)/Decrease in Net Working Capital	546.60	(197.65)
Increase/(Repayment) of Borrowings (Net)	(547.13)	218.62

<b>Increase/(Decrease) in Liquid Assets</b>	<b>(2.19)</b>	<b>(48.08)</b>
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#### *Dividend*

Your Directors have proposed a dividend of 20% for the year ended December 31, 2001 (previous year 20%).

#### *Exports*

The export turnover during the year was Rs. 458.41 million compared to Rs. 506.83 million achieved during the preceding year. The Company is a recognised export house.

#### *Public Deposits*

Public Deposits accepted by the company as at December 31, 2001 aggregated to Rs. 117.74 million. Deposits aggregating to Rs. 2.61 mio from 107 Depositors, though matured, had neither been claimed nor renewed until December 31, 2001. Out of these 24 deposits aggregating to Rs. 8,86,000/- have since been renewed/refunded.

#### *Insurance*

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

In addition to this coverage, a Statutory Public Liability Insurance Policy has been taken to cover public liability arising out of industrial accidents.

#### *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 31<sup>st</sup> December, 2001 and of the profit or loss 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;
- ◆ the annual accounts are prepared on a going concern basis.

#### *Directors*

Mr. Y. H. Malegam and Mr. C. Kaiser retire by rotation and being eligible, offer themselves for re-appointment. Your Directors consider that it is in the interest of your Company to continue to avail of their services.

#### *Responsible Care and Quality*

Your Company has achieved a remarkable performance of zero reportable accidents at the Thane and Himatnagar plants. This demonstrates the commitment of the management and employees towards Health and Safety.

During the year, the Environment Management System of our Himatnagar plant has been certified to comply with the international standard ISO 14001. The surveillance audit of Thane plant, which is also certified for ISO 14001, resulted in continuance of the certificate. With its commitment to “Expertise with Responsibility”, your Company has been successful in reducing its environmental load and also conserving the resources of raw materials and energy.

Your Company issued an Integrated Policy on Health, Safety, Environment and Quality in accordance with Bayer Corporate guidelines. On the Quality front, your Company took the lead in adopting the revised Quality standard ISO 9001: 2000 and has been certified by TÜV. The Quality System is based on enhanced customer satisfaction and continual improvement and it applies to our entire manufacturing and marketing operations in India.

Your Company remains committed to Social responsibility. Amongst various community projects, a unique Community Outreach program was carried out, by inviting the residents of the neighbouring community to visit the Thane plant. They were highly satisfied to see and learn about the facility, products, and Health, Safety, Environment and Quality standards.

By combining sustainable economic activity with continual improvement in Health, Safety and Environment Protection, and by continued commitment to Corporate Social Responsibility, your Company is contributing towards Sustainable Development.

#### *Human Resources*

Employee relations during the year were cordial. To meet the changing business requirements, the Company has taken various initiatives in the training and development of its employees by organising training programmes. We appreciate the contributions and initiatives made by all employees towards achieving improved productivity, flexibility in operations and overall business performance of the Company.

The information required under the provisions of Section 217 (2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules 1975, and forming part of this report for the year ended 31.12.2001 is annexed hereto.

#### *Conservation 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 the Report of the Board of Directors) Rules, 1988 with respect to these matters forms part of this Report and is annexed hereto.

#### *Cost Audit*

In accordance with the directive received from the Central Government, every year, an audit of the cost accounts relating to Insecticides manufactured by the Company is required to be conducted by an auditor with the requisite qualifications as prescribed under Section 233B of the Companies Act, 1956. Subject to the approval of the Central Government, your Board has appointed M/s. N. I. Mehta and Co., qualified Cost Accountants for the conduct of the audit of Insecticides for the year ending December 31, 2002 and requisite application for approval of their appointment has already been submitted to the Central Government.

#### *Auditors*

The Auditors, M/s. N. M. Raiji & Co, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

For and on behalf of the Board of Directors

Mumbai, March 28, 2002

**Annexure to the Directors' Report (Annexure I)**

**Information as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the period ended December 31, 2001.**

**I. CONSERVATION OF ENERGY**

**(a) Energy conservation measures taken**

1. A Back Pressure Steam Turbine coupled with centrifugal pump of capacity 1150 m<sup>3</sup>/hr. 40m head has been installed for cooling water service at a cost of Rs. 4.0 Mio. This turbine is capable of generating maximum 165 KW of power with 22.5 bar live steam supply and 6.2 bar steam exhaust. The exhaust steam is fed to the 6 bar network. This has resulted in annualised savings of Rs. 4.20 Mio. in electricity cost.
2. Variable speed drive screw compressor of 1150 Nm<sup>3</sup>/hr. capacity and 6 bar discharge pressure have been commissioned in July 2001. Lower specific power consumption and maintenance cost of the compressor has resulted in annualised savings of Rs. 2.95 Mio.
3. An air preheater on 40 bar steam boiler for flue gas heat recovery was installed, resulting in annualised savings of Rs. 0.35 Mio.
4. Use of 3 bar compressed air in place of 6 bar compressed air for milling certain rubber chemicals has resulted in savings of Rs. 2.08 Mio.
5. Reduction in electricity consumption has been achieved by improving processes for certain rubber chemicals. This has resulted in savings of Rs. 1.65 Mio.
6. City water consumption has been reduced by recycling distillate and optimising processes in NaMBT plant resulting in savings of Rs. 1.1 Mio.
7. Aeration rate has been further optimized in Tower Biology plant, resulting in savings of compressed air.

**(b) Additional Investment and proposals for energy conservation**

Replacement of 3 bar reciprocating air compressors by screw compressors for optimal operating cost.

**Annexure to the Directors' Report (Contd.)**

- (c) Impact of the measure at (a) and (b) above for reduction of Energy Consumption and consequent impact on the cost of production of goods.**

The Company's present system does not allow us to identify and hence determine precisely the reduction of energy consumption per unit and consequent impact on the cost of production of goods.

- (d) **Total energy consumption and energy consumption per unit of production as per Form A of the Annexure to the Rules in respect of industries specified in the schedule thereto:**

**FORM A**

**A. Power and Fuel Consumption**

Current Year	Previous Year	(Jan 1, 2001 - Dec 31, 2001)	(Jan 1, 2000 - Dec 31, 2000)
1. Electricity:			
(a) Purchased:			
Unit (KWH)		16,171,140	19,022,940
Total Amount (Rs. Mio.)		64.34	77.74
Rate/unit (Rs.)		3.98	4.09
(b) Own Generation:			
(i) Through diesel generator			Units (KW)
Units/litre of diesel oil		2.69	2.67
Cost/unit -- No separate unit cost calculated since generation is marginal			
(ii) Through steam turbine/ generator			
Units		N.A.	N.A.
Units per litre of fuel oil/gas		N.A.	N.A.
Cost/Units		N.A.	N.A.
2. Coal (specify quality and where used):			
Quantity (tones)		N.A.	N.A.
Total cost	N.A.	N.A.	N.A.
Average cost (Rs.)		N.A.	N.A.
3. Furnace oil + LSHS			
Quantity (Kl)		4,763	5,323
Total amount (Mio. Rs.)	47,62	62.74	
Average rate (Rs./Kl)	9,999	11,786	
4. Others/internal generation (please give details)			
Quantity		--	--
Total cost	--	--	--
Rate/unit		--	--

**B. Consumption per unit of production**

Since the Company is a multi-divisional unit, producing a variety of products, proper allocation of energy cannot be ascertained.

**II. TECHNOLOGY ABSORPTION**

- (e) **Efforts made in technology absorption as per Form B hereunder:**

**FORM B**

## A. Research and Development ( R & D)

1. Specific areas in which R & D was carried out by Company:
  - (a) Applications for registration of new formulations types have been submitted to Central Insecticides Board.
  - (b) Full registration of RAXIL 2DS is expected shortly.
  - (c) A new formulation "Fenvalerate Dust" was successfully launched from Himatnagar Plant.
  - (d) Unification of process control and Quality Assurance & Development laboratory resulted in better utilization of resources. The process of optimization will continue.
  
2. Future plan of action:

Continue developmental work with new molecules for introduction into Rice and Wheat Herbicides segment and on cotton and vegetable insecticides market.
  
3. Expenditure on R & D (Rs.'000)

(a)	Capital	40
(b)	Recurring	<u>46,205</u>
(c)	Total	46,245
(d)	Total R & D Exp. as a % of total turnover	0.68

## B. Technology absorption, adaptation and Innovation

- Support was provided for the indigenous formulation of Gaucho 70 WS.
- Upgrading the plant for the production of diester, an intermediate in the manufacture of Methyl Parathion, Fenthion and Oxydemeton Methyl Technical active ingredients was successfully completed..
- New process control system "Delta V" was installed in the active ingredient plant.

## III. FOREIGN EXCHANGE EARNINGS AND OUTGO

- (i) Information relating to exports is contained in the Directors' Report
- (ii) Total foreign exchange used and earned:

The Company used Foreign Exchange amounting to Rs. 869.76 mio. and earned Rs.554.69 mio.



## **Corporate Governance**

Bayer (India) Limited believes that good corporate governance is essential to achieve long term corporate goals and to enhance stakeholder value. There is no one universal model of a Corporate Governance Code. Different environments need specific solutions to meet the demands of legal compliances and regulations. However, there is a single thread which weaves through the tapestry of governance, that the affairs of a Company be controlled and regulated in a manner which is transparent, ethical and accountable. In this pursuit, your Company is committed to transparency in all its dealings, to providing high quality products and services to its customers and stakeholders and places uncompromising emphasis on integrity and regulatory compliances. The basic philosophy of Corporate Governance in your Company has been to achieve business excellence, to enhance shareholder value, keeping in view the needs and the interest of all its stakeholders.

Your Company continues to follow procedures and practices in conformity with the code of Corporate Governance as enunciated in the Listing Agreement. In keeping with the spirit of the Code, your Board has constituted Committees such as a Finance Sub-Committee, Audit Committee, Share Transfer Committee and Shareholders'/Investors' Grievance Committee. Except for the Share Transfer Committee, the rest of the Committees are chaired by an Independent Director. Details of the implementation of the Code follows in the paragraphs below.

### **I. BOARD OF DIRECTORS**

Your Board of Directors monitors Company performance, closely watches the performance of the Management, approves and reviews strategy, and, through its various Committees, evaluates management performance on which basis remuneration policies are determined. Your Board ensures legal and ethical conduct and accurate financial reporting. It holds itself accountable not only to the shareholders, but also to other stakeholders for the long term health of the Company.

The Company presently has nine Directors, including two Alternate Directors. Of these, the Managing Director, one Executive Director and three other Directors are from the Promoter Group, viz. Bayer AG. Dr. A. F. Hennecken who is the Deputy Managing Director of Bayer Industries Private Limited has been deputed to the Company, for which certain expenses are borne by Bayer (India) Limited.

The remaining four Non-Executive Directors are professionals, with expertise and experience in general corporate management, legal, finance, banking and other allied fields. Apart from drawing sitting fees, none of these Directors have any other material pecuniary relationship or transactions with the Company, its Promoters, its Management or its subsidiaries, which in the judgement of the Board would affect the independence or judgement of the Directors.

Mr. D. C. Shroff, Non-Executive Director, is a senior partner of Crawford Bayley & Co., Advocates & Solicitors, who receive professional fees for the services rendered to the Company, which fees, during the year under review, amounted to Rs.12.51 lakhs.

The Company has not entered into any materially significant transactions with its promoters, directors or the management or relatives etc. that may have potential conflict with the interests of the Company at large.

**A. The constitution of the Board as on 31<sup>st</sup> December, 2001**

Director		Total Number of Committee Membership+ (other than in private companies) as on 31 <sup>st</sup> December, 2001	Total number of Chairman-ships of Committees+ held (other than in private companies) as on 31 <sup>st</sup> December, 2001	Number of directorships* held (excluding alternate directorships and directorships in private companies) as on 31 <sup>st</sup> December, 2001
<b>NON-EXECUTIVE</b>				
H. V. Goenka	I#	-	-	14
C. Kaiser	NI#	-	-	1
Johannes M. Dietsch	NI	-	-	2
S. M. Kulkarni	I	4	2	11
Y. H. Malegam	I	5	5	12
D. C. Shroff	I	7	3	12
Dr. A. F. Hennecken	NI	3	-	1
<b>EXECUTIVE</b>				
D. Kambeck	NI	1	-	5
J. Walker	NI	1	-	2

\* Including Directorship in Bayer (India) Limited.

+ Committees considered are Remuneration/Compensation Committees, Audit Committee, and Shareholders'/Investors' Grievance Committee, including in Bayer (India) Limited.

# NI – Non Independent, I - Independent

**B. Board Procedure**

A detailed Agenda folder is sent to each Director in advance of Board and Committee meetings. To enable the Board discharge its responsibilities effectively, the Managing Director briefs the Board at every meeting on the overall Company performance, followed by presentation by the Executive Directors. A detailed functional report is also placed at every Board Meeting. The functions performed by the Board include reviews of :

- Strategy and business plans
- Annual operating and capital expenditure budgets
- Investment and exposure limits
- Compliance with statutory/regulatory requirements and review of major legal issues
- Adoption of quarterly/half yearly/annual results
- Significant labour problems.
- Transactions pertaining to purchase/ disposal of property,
- Major accounting provisions and write offs.

**C. Attendance Record of the Directors at Meetings of the Board and of the Members**

Five board meetings were held during the period 1<sup>st</sup> January, 2001 to 31<sup>st</sup> December, 2001. These were held on 21<sup>st</sup> March, 2001, 30<sup>th</sup> April, 2001, 7<sup>th</sup> June, 2001, 25<sup>th</sup> July, 2001 and 23<sup>rd</sup> October, 2001. The Annual General Meeting was held on 7<sup>th</sup> June, 2001. The attendance record of the Directors is as under :

Director	Attendance	Remark

	<i>Board Meeting</i>	<b>AGM held on 07.06.2001</b>	
H. V. Goenka	5	Yes	-
D. Kambeck (Managing Director)	5	Yes	-
C. Kaiser	Nil	No	-
J. Walker (Executive Director)	3	Yes	Also alternate to Mr. C. Kaiser
Johannes M .Dietsch	Nil	No	
Dr. A. F. Hennecken	5	Yes	Alternate to Mr. Johannes M. Dietsch
S. M. Kulkarni	5	Yes	-
Y. H. Malegam	4	Yes	-
D. C. Shroff	4	Yes	

### **D - Directors seeking appointment/re-appointment**

Mr. Y. H. Malegam and Mr. C. Kaiser retire by rotation and being eligible, have offered themselves for re-appointment.

Particulars of these Directors are furnished below:

#### **Mr. Y. H. Malegam :**

Mr. Y. H. Malegam is a Chartered Accountant and the Managing Partner of S. B. Billimoria & Co. and Co-Chairman of Deloitte Haskins & Sells, Chartered Accountants.

He is a member of the Board of Directors of the following companies :

The Antifriction Bearings Corporation Limited.  
 Bayer Industries Private Limited.  
 Cabot India Limited.  
 Escorts Limited.  
 Hindustan Construction Co. Limited.  
 Motor Industries Co. Limited.  
 National Securities Clearing Corporation Limited

National Stock Exchange of India Limited  
 Nicholas Piramal India Limited.  
 Siemens Limited  
 Tata Coffee Limited.  
 Tata Tea Limited.  
 Deloitte Touche Tohmatsu India Private Limited.  
 Indo-German Chamber of Commerce – Member of the Committee.  
 Indian Institute of Bankers – Member of the Council.

He is also a Director of the Central Board of the Reserve Bank of India and the Chairman of the Local Advisory Board, Western Region.

He is also a member/Chairman of various Committees in the following companies :

<b>Sr. No.</b>	<b>Name of the Company</b>	<b>Name of the Committee</b>	<b>Position Held</b>
1.	Tata Coffee Limited	Audit	Chairman
2.	Tata Coffee Limited	Remuneration	Member

3.	Motor Industries Co. Limited	Audit	Chairman
4.	Motor Industries Co. Limited	Investor Protection & Shareholders' Grievance	Member
5.	Tata Tea Limited	Audit	Chairman
6.	Cabot India Limited	Audit	Chairman
7.	Siemens Limited	Audit	Chairman
8.	National Stock Exchange of India Limited	Audit	Member
9.	Nicholas Piramal India Limited	Audit	Member
10.	Bayer (India) Limited	Audit	Member

**Mr. C. Kaiser :**

Mr. Clemens Kaiser holds a Degree in Business and Economics from the Free University of Berlin and has been serving with Bayer AG and its subsidiaries since September 1984 in various capacities. He took his first foreign assignment to head the Pharmaceutical and Consumer Care Business Groups in the Philippines in December 1985. In April 1989, Mr Kaiser became Chief Executive Officer of Bayer-Miles, the Healthcare company of the Bayer Group in South Africa.

In November 1998, Mr. Kaiser became President of Bayer Taiwan responsible for the Bayer Group's extensive business interests in the area. With effect from June 1, 2000, he was appointed President of eCommerce in the Bayer Group.

He is a Director on the Board of CC-Chemplerer Limited, Ireland.

## II. REMUNERATION OF DIRECTORS

The Company does not have a Remuneration/Compensation Committee.

### A. Remuneration to Non-Executive Directors for the year ended 31<sup>st</sup> December, 2001

**The non-executive Directors do not draw any remuneration from the Company. Independent non-executive Directors are paid sitting fees of Rs. 5,000/- for every meeting of the Board and Audit Committee meetings attended.**

### Sitting fees paid during the year ended 31<sup>st</sup> December, 2001

(Rupees in lakhs)

Director	Sitting fees for Board and Committee meetings paid during the year
H. V. Goenka	0.25
C. Kaiser	-
Johannes M. Dietsch	-
Dr. A. F. Hennecken	-
S. M. Kulkarni	1.00
Y. H. Malegam	0.50
D. C. Shroff	0.35

### B. Remuneration paid to Managing/Executive Directors

**The Managing Director and the whole-time Director are paid remuneration as per their agreements with the Company. These agreements were approved by the Board and the shareholders and such other authorities as are required to approve the same.**

**Details of the remuneration during the year 2001.**

(All figures in Rupees)

<b>Director</b>	<b>Salary</b>	<b>Perquisites &amp; Allowances</b>	<b>Total</b>	<b>Contract Period</b>
D. Kambeck	51,71,770	13,30,961	65,02,731	1.11.2000 to 31.10.2005
J. Walker	24,74,268	4,84,894	29,59,162	1.4.2001 to 31.03.2006

**1. Service contract, notice period and severance fees**

The employment of Mr. D. Kambeck and Mr. J. Walker are contractual for five years and terminable by six months' notice on either side.

**2. Stock option details, if any :**

Nil.

**III. COMMITTEES OF THE BOARD**

**A. Remuneration/ Compensation Committee [a non-mandatory requirement]**

The Company does not have a remuneration committee.

**B. Audit Committee**

The Audit Committee comprises solely of independent directors.

The terms of reference of this Committee are very wide. Besides having access to all the required information from within the Company, the Committee can obtain external professional advice whenever required. The Committee acts as a link between the Statutory and the Internal Auditors on the one side, and the Board of Directors of the Company on the other side. It is authorised to select and establish accounting policies, review reports of the Statutory and the Internal Auditors and meet with them to discuss their findings, suggestions and other related matters. The Committee is empowered to review the remuneration payable to the Statutory Auditors and to recommend a change in Auditors, if felt necessary. The Company Secretary acts as the Secretary to the Committee.

Bayer (India) Limited has had an Audit Committee since March 2001. The meetings of the Audit Committee were also attended by the Managing Director, Chief Internal Auditor and the Statutory Auditors.

The Committee held three meetings during the year 2001. The attendance at the meetings was as under:

<b>Name of the director</b>	<b>No. of committee meetings held</b>	<b>No. of committee meetings attended</b>
S. M. Kulkarni (Chairman)	3	3
Y. H. Malegam	3	3
D. C. Shroff	3	3

### **C. Shareholders/ Investors Grievance Committee**

The Company has constituted a Shareholders'/Investors' Grievance Committee of the Board of Directors under the Chairmanship of a non-executive Director to specifically look into the grievances received from the shareholders of the Company.

The composition of the Shareholders'/Investors' Grievance Committee and attendance at the meetings held during the year 2001 is given below :

<b>Name of the director</b>	<b>No. of committee meetings held</b>	<b>No. of committee meetings attended</b>
S. M. Kulkarni (Chairman)	25	25
D. Kambeck	25	24
Dr. A. F. Hennecken	25	20
J. Walker	25	25

During the year, the Company received 24 grievances from the shareholders which were attended to immediately and resolved to the satisfaction of the shareholders.

Mr. V. Sreeram was the Compliance Officer for the year under review.

#### **Composition of the Share Transfer Committee :**

D. Kambeck Chairman  
Dr. A. F. Hennecken  
J. Walker

The Share Transfer Committee of the Board of Directors has been delegated the powers to attend to share transfer approvals. The Committee ordinarily meets once in ten days.

## **IV. SHAREHOLDER INFORMATION**

### **1. Annual General Meeting**

**Date of AGM** : June 14, 2002

**Venue and time** : 11.00 a.m.  
Yashwantrao Chavan Pratisthan Auditorium  
Y. B. Chavan Centre (near Mantralaya)  
Gen. J. Bhosale Marg  
Mumbai 400 021

### **2. Dates of Book Closure**

From May 20, 2002 to June 14, 2002 (both days inclusive).

### **3. Proposed Date of Dividend Payment**

June 20, 2002.

### **4. Financial Calendar**

The financial calendar of the Company is from 1<sup>st</sup> January to 31<sup>st</sup> December.

## **Board Meetings for Quarterly Results**

(Tentative and subject to change)

Quarter ending March 31, 2002	End April 2002
Half year ending June 30, 2002:	End July 2002
Third quarter ending September 30, 2002:	End October 2002.
Year ending December 31, 2002:	On or before March 31, 2003.
Annual General Meeting for the year ending December 31, 2002:	Mid-June 2003

## 5. Registered Office

Bayer House, Central Avenue  
**Hiranandani Gardens**  
 Powai, Mumbai 400 076

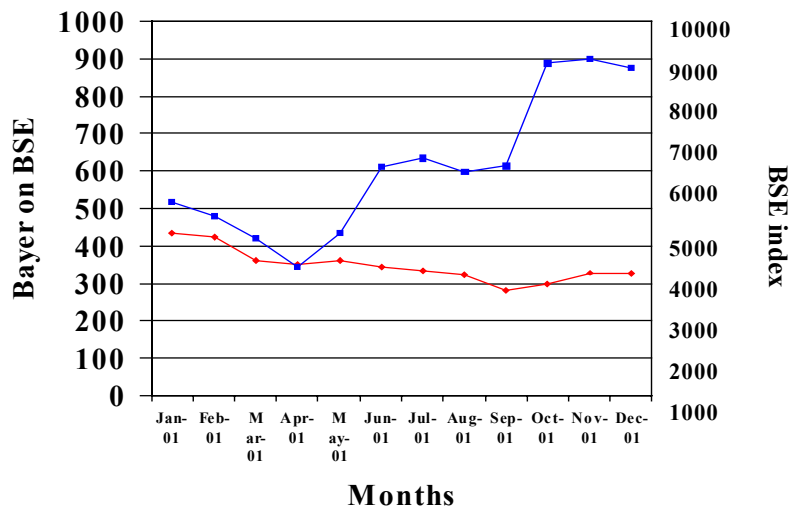
## 6. Listing of Equity Shares on Stock Exchanges

The Company is listed with the Stock Exchange, Mumbai and has paid the annual listing fees.

## 7. Stock Code

- The Stock Exchange, Mumbai (BSE) : 506285
- Demat International Security Identification Number : INE462A01014  
in NSDL and CDSL for equity shares

## 8. Stock Performance



## 9.

<b>High a</b>	<b>Months</b>		<b>Mumbai during</b>
	<b>Share Prices (Rs.)</b>		
<b>Month</b>	<b>High</b>	<b>Low</b>	
January	603.95	516.05	
February	525	460	

March	490	410.05
April	428	345
May	457	341.35
June	698	420.05
July	814	583.45
August	675	580
September	670	564
October	959	596
November	1160	890
December	970	860

**10. Registrar & Share Transfer Agents** : Tata Consultancy Services  
Lotus House  
**6 New Marine Lines**  
Sir Vithaldas Thackersey Marg  
Mumbai 400 020.  
Tel. Nos. 203 9136  
Fax No. 201 6689  
E-mail : tcssharc@mumbai.tcs.co.in

### 11. Share Transfer System

The shares of the Company, being in the compulsory demat list, are transferable through the depository system. Shares in physical form are processed by Tata Consultancy Services, Registrars & Share Transfer Agent of the Company and approved by the Share Transfer Committee.

All transfers received are processed and approved by the Share Transfer Committee which normally meets thrice in a month.

### 12. Distribution of shareholding as on 31<sup>st</sup> December, 2001

RANGE OF SHARES	NO. OF SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE OF SHARE AMOUNT TO TOTAL
1 – 50	10449	126289	7.79
51 – 100	628	44087	2.72
101 – 200	271	38772	2.39
201 – 300	80	20071	1.24
301 – 400	18	6259	0.38
401 – 500	13	5870	0.36
501 – 1000	16	11476	0.71
1001 and above	19	1369176	84.41
<b>Total</b>	11494	1622000	100.00

### Shareholding Pattern as on 31.12.2001 as per Clause 35 of Listing Agreement

Sr. No.	Category	No. of shares held	Percentage of Shareholding
A.	<b>Promoters' Holding</b>	896841	55.29
1.	Promoters		
	Indian Promoter -- ⊗	69585	4.29
	Foreign Promoter -- *	827256	51.00

<b>Sub-Total</b>		<b>896841</b>	<b>55.29</b>
<b>B.</b>	<b>Non-Promoters' Holding</b>	<b>725159</b>	<b>44.71</b>
2.	Institutional Investors		
a.	Mutual Funds & UTI	20891	1.28
b.	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions, Non-Govt. Institutions)	264571	16.32
c.	FII's *	5	0.00
<b>Sub-Total</b>		<b>285467</b>	<b>17.60</b>
3.	<b>Others</b>		
a.	Private Corporate Bodies	185484	11.44
b.	Indian Public	247026	15.23
b.	NRIs/OCBs *	7182	0.44
d.	Any other (please specify)	-	-
<b>Sub-Total</b>		<b>439692</b>	<b>27.11</b>
<b>Grand Total</b>		<b>1622000</b>	<b>100.00</b>

\* Total Foreign Holding is 834443 i.e. 51.45% of total paid up capital.

⊗ Indian Promoter is a 100% subsidiary of the Foreign promoter.

### 13. Dematerialisation of Shares

As per the notification issued by Securities and Exchange Board of India, the shares of the Company are traded compulsorily in dematerialised form by all investors with effect from March 21, 2000.

As on December 31, 2001, 41.12% of the paid-up share capital issued by the Company have been dematerialised.

### 14. Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity

Nil

### 15. Plant Locations

66/1 to 75, G.I.D.C. Estate  
Himatnagar 383 001.  
Dist. Sabarkantha, Gujarat

Kolshet Road  
Thane 400 607

### 16. Address for correspondence

Tata Consultancy Services  
Lotus House  
6 New Marine Lines  
Sir Vithaldas Thackersey Marg

Mumbai 400 020.  
Tel. Nos. 203 9136  
**Fax No. 201 6689**

Their contact details are :

<b>Name</b>	<b>Phone Number</b>	<b>Fax Number</b>
Mr. Deepak Pednekar	8765185	8787971
Mr. P. D. Mehta	2039136	2016689
Mr. Michael Monteiro	8765241	8787971

The following persons can also be contacted in case of investors grievances:

- a. Ms. Mala V. (e-mail: [mala\\_v@mumbai.tcs.co.in](mailto:mala_v@mumbai.tcs.co.in); phone no.+91-022-8765185; Fax: +91-022-8787971)
- b. Mr. P. D. Mehta (e-mail: [pdmehta@mumbai.tcs.co.in](mailto:pdmehta@mumbai.tcs.co.in)).

(All information for share transfers, dematerialisation, transmissions, change of address, non-receipt of dividend warrants, duplicate/missing share certificates and other matters connected therewith may please be addressed to the Investor Service Centre at the above address).

## *V. OTHER DISCLOSURES*

### **1. Details of Annual/ Extraordinary General Meetings**

Details of Annual General Meetings held in the past 3 years :

<b>Year</b>	<b>Location</b>	<b>Date</b>	<b>Time</b>
2000	Yashwantrao Chavan Pratishtan Auditorium, Y. B. Chavan Centre, (near Mantralaya), Gen. J. Bhosale Marg, Mumbai 400 021	June 7, 2001	11.00 a.m.
1999	-do-	May 24, 2000	11.00 a.m.
1998	-do-	June 24, 1999	02.30 p.m.

**No Extra-ordinary General Meeting was held during the past three years.**

**No postal ballots were used for voting at the general meetings of the shareholders.**

### **3. Details of non-compliance**

There was no non-compliance by Bayer (India) Limited on any matters related to capital markets during the last three years.

### **4. Means of communication**

The quarterly results of the Company are published in widely circulated newspapers, viz. The Financial Express and the Loksatta. The results are also displayed on the Company's website: [www.bayergroupindia.com](http://www.bayergroupindia.com)

5. The Management Discussion and Analysis Report has been attached to the Directors' Report and forms part of this Annual Report.

**6. Office of the Chairman etc.**

No office of the non-executive Chairman is maintained by the Company.

**For and on behalf of the Board**

**H. V. Goenka  
Chairman**

Mumbai, March 28, 2002

## **CERTIFICATE**

### **TO THE MEMBERS OF BAYER (INDIA) LIMITED**

We have examined the compliance of conditions of corporate governance by Bayer (India) Limited, for the year ended on 31<sup>st</sup> December, 2001, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions on Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**FOR N. M. RAIJI & CO.**  
Chartered Accountants

**M. N. THAKKAR**  
Partner

Place : Mumbai  
Date : 28.03.2002

## Management Discussion and Analysis Report

### Overview

The financial statements have been prepared in compliance with the requirements of the provisions of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. There are no material departures from prescribed accounting standards in the adoption of the accounting standards. The management of Bayer (India) Limited accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgements used therein. These estimates and judgements relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the state of affairs and profits for the year.

### Activities

Total sales and related income at Rs. 7,002.60 million for the year ended 31.12.2001 are higher by 12.24% over the previous year.

Indian agriculture, which is largely dependent upon timely, adequate and well-distributed rainfall, saw an overall fairly good rainfall in the year 2001 leading to improved area under cotton, the largest pesticides consuming crop. However, the farmers could not earn as per the expectations on account of unabated heavy pest menace and low price of produce. The heavy pest incidence led to higher consumption of pesticides, thereby the industry registered a noticeable growth after two years of consecutive recession. Business Group - Agrochemicals also grew at a rate higher than the industry and has improved the market share quite substantially. The increased awareness at farmers' level was responsible for their preference for our new specialty products. The sale of Imidacloprid, an insecticide, further strengthened in all the relevant segments.

Despite the worst phase in the overall Indian Rubber Industry, the year 2001 brought a turnaround for Business Group Rubber and augers well for the future.

With the implementation of the Global PPD strategy, your Company has become the global source for Vulkanox 4010 NA/LG and Vulkanox 4030, rubber chemical antioxidants. A new range of liquid antioxidants is being added to the product portfolio.

Sales of Rubber chemicals ex-factory, well supported by exports, registered a 13% growth over the previous year. However, from a recorded high turnover in indent sales in 2000, 2001 saw a significant drop, particularly in Butyl rubber, due to competition from Russia. The redeeming feature was the consolidation of Polybutadiene sales in the High Impact Poly Styrene (HIPS).

Despite a slowdown in the overall household insecticide business in India, Baygon defended and held on to its market share in the year 2001. Baygon Aerosols, post segmentation, have increased their market share in a segment which showed a very marginal growth in 2001. The Baygon “All Insect Killer” rollout was completed in 2001 with the introduction of the smart pack “*All Insect Killer*” in the South. The airfreshener brand, BayFresh Air & Fabric Freshener aerosol was introduced in the last quarter of 2001 in the South. Consumer Care is hence in the process of establishing its second brand in the Indian market with BayFresh as newer forms of BayFresh would be introduced in the coming year.

Animal Health Business Group had a difficult but also a challenging year.

The business activities of the Environmental Health in India went through difficult challenges and registered little growth. This was largely due to budgetary constraints with the various Government bodies / authorities. The business declined over the last year due to difficult conditions prevailing in the institutional business. The Business Unit worked out and implemented various strategies to reduce its dependence on the institutional business for the future. The Business Group once again successfully participated in the International Competitive Bid of a World Bank Aided Malaria Control Project.

Animal Health Business Group with its Business Units Companion Animals (Pets) and Livestock entered into a Distribution & Marketing Agreement with a local partner in August 2001. Few new products were launched in the fourth quarter. The Animal Health (Veterinary) part of the industry continued to have a steady growth.

#### Industry Structure & Development

The Indian Agrochemical Industry’s dependence on cotton is over 30%. After two consecutive years of decline in acreage, the year 2001 saw more area under cotton cultivation. With moderate to high pest incidence and favorable agroclimatic conditions, the industry saw a definite growth during the year.

Polymer consumption for the year 2001 of the Indian Rubber Industry comprising the tyre and the technical goods sector was practically stagnant. The economic slowdown in 2001 adversely impacted the Indian rubber industry resulting in high inventories, a liquidity crunch and erosion of profits. To align with market demand, the industry resorted to production cuts. The process of consolidation, which was underway in the tyre industry, has also begun in the technical goods sector.

The Animal Health (Veterinary) industry once again recorded a growth of 12%. Environmental Health, however, showed no growth due to budgetary constraints of various government bodies. The economic slowdown also had its impact on Consumer goods. The growth in the home insecticides market slowed down to around 7% (from 16% in the previous year) and was dominated mainly by mosquito repellants.

## Opportunities, threats & risks

The Agrochemical Industry will see opportunities for new chemistry products, with the use of old generation products being discouraged. Increase in cotton acreage will be good for business. There is scope for broadening the application of our major product “Confidor”. However, competition from low price imports of poor quality products is a threat.

The average growth of Polymer consumption in India is higher than that of developed countries (since we have a low per capita consumption). The increased participation in local as well as deemed export Rubber Chemical business and the continuous efforts to reduce cost are expected to yield better results. The company has also moved in the direction of becoming a global source for some of the rubber chemicals. Severe liquidity problems and the imposition of anti-dumping and safeguard duties have had an adverse impact on the Rubber business.

The company has entered into an arrangement with a local partner for its Animal Health (Livestock) business, as a result of which better market penetration has been realised. The Environmental health business will, however, still be dependent on budgetary allocations of government bodies. The market for household insecticides offers good growth potential. The aerosol category is expected to increase with new generation formulations.

However, the high import duties and excise coupled with a varied sales tax structure prevailing across the country are detrimental to growth of the market.

### Segmentwise Performance

Rs. (lacs)

Particulars	Year ended 31 <sup>st</sup> December, 2001
1. Segment Revenue	
a. Segment – Agrochemicals	47,799
b. Segment – Rubber	11,685
c. Others	10,541
Total	70,026
Less : Inter segment revenue	-
Sales & Other Operating Income	70,026
2. Segment Results	
a. Segment – Agrochemicals	4,173
b. Segment – Rubber	45
c. Others	(43)
Total	4,175
Add/(Less) :	
i. Interest	(2,627)
ii. Other un-allocable income/ (expenses) (net)	75
Total Profit Before Tax	1,623

Sales to the Agrochemicals segment grew at a higher rate than the industry resulting in a substantial improvement in the market share. This became possible with overall growth of several products across the country.

Sales of Rubber Chemicals ex-factory, supported by exports registered a 13% growth over the previous year. Indent sales, however, saw a significant drop particularly in Butyl Rubber due to competition from Russia. Despite the worst phase in the overall Indian Rubber Industry, the year 2001 saw a turnaround for Business segment Rubber.

## **Outlook**

A good kharif season and better prices for agricultural produce would improve the economic condition of farmers encouraging them to go in for better crop protection, thereby increasing Agrochemical offtake. With the restructuring of the Rubber Chemicals product portfolio and introduction of new products for non rubber applications, the company expects a better balanced market spread, reducing the dependence on the automobile industry.

The Environmental health business will continue to be under pressure. However, the launch of new products for the Livestock segment and the access to a wider distribution infrastructure for Companion animal (pets), should see the Animal Health business grow above the industry growth rate. The Consumer Care business is expected to further consolidate its gains in the aerosol segment.

## **Internal Control Systems**

The Company maintains adequate internal control systems, which provide, among other things, reasonable assurance of recording the transactions of its operations in all material respects and of providing protection against significant misuse or loss of company assets. The Company has strong and independent internal audit function. Professionally qualified personnel of the internal audit function conduct periodic audits to ensure that the Company's internal control systems are adequate and are complied with. The reports put up by the internal auditors are reviewed by the Audit Committee formed pursuant to the provisions of the Companies Act, 1956 and clause 49 of the Listing Agreement.

## **Material developments in Human Resources and Industrial Relations**

Employee relations during the year were cordial and peaceful. The Directors wish to place on record the excellent cooperation and contribution made by the employees at all levels in the organisation to the continued growth of the company.

111 training & development programmes were conducted during the year, ensuring 1862 mandays of participation. High potential employees were identified using internal assessment.

78 employees accepted voluntary retirement during the year as a part of restructuring process.

*Cautionary Statement*

*The statements in the “Management Discussion and Analysis Report” section describes the Company’s objectives, projections, estimates, expectations and predictions may be “forward looking statements” within the meaning of the applicable securities, laws and regulations. The annual results can differ materially from those expressed or implied, depending on the economic and climatic conditions, Government policies and other incidental factors.*

## **AUDITORS' REPORT TO THE MEMBERS OF BAYER (INDIA) LIMITED.**

We have audited the attached Balance Sheet of **BAYER (INDIA) LIMITED** as at 31<sup>st</sup> December, 2001 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable to the company.
2. Further to our comments in the Annexure referred to in paragraph 1 above :
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
  - c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account;
  - d) In our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable to the company;
  - e) On the basis of the confirmations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> December 2001 from being appointed as a director in terms of clause (g) of sub-section (1) to Section 274 of the Act.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss account read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> December, 2001 and
    - (ii) in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date.

**For N.M.Raiji & Co.,**  
Chartered Accountants.

**M.N.Thakkar**

Mumbai, March 28, 2002

Partner

### **Annexure to the Auditors' Report.**

Referred to in paragraph 1 of our report of even date.

- (i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the assets except Furniture and Fixture have not been physically verified by the management during the year, but there is a phased programme for verification of fixed assets designed to cover all assets over a period of two years, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. The verification of assets as per this programme has been carried out during the financial year. No material discrepancies were noticed on such verification as compared with the book records;
- (ii) None of the fixed assets has been revalued during the year;
- (iii) The stocks of finished goods, stores, spare parts and raw materials in possession of the Company have been physically verified by the management at the close of the year. In respect of stocks lying with third parties, they have confirmed these. In our opinion, the frequency of verification is reasonable;
- (iv) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business;
- (v) The discrepancies noticed on verification between the physical stocks and book records were not material in relation to the operations of the Company;
- (vi) On the basis of our examination of stocks records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year;
- (vii) The Company has taken an unsecured loan from a Company listed in the register maintained under Section 301 of the Companies Act, 1956. In our opinion, the rate of interest and other terms and conditions are prima-facie not prejudicial to the interest of the Company. In terms of sub-section 6 of Section 370 of the Companies Act, 1956, provisions of the Section are not applicable to a Company on or after 31<sup>st</sup> October, 1998;
- (viii) The Company has granted unsecured loans to Companies listed in the register maintained under Section 301 of the Companies Act, 1956. In our opinion, the rate of interest and other terms and conditions are prima-facie not prejudicial to the interest of the Company. In terms of sub-section 6 of Section 370 of the Companies Act 1956, provisions of the Section are not applicable to a Company on or after 31<sup>st</sup> October, 1998;

- (ix) In respect of loans and advances in the nature of loans given by the Company, where stipulations have been made, the parties are generally repaying the principal amounts as stipulated or as reschedule and have also been regular in the payment of interest where applicable;
- (x) In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods;
- (xi) In our opinion, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods and materials or the prices at which transactions for similar goods or materials have been made with other parties. However, in respect of some of the items purchased are of special nature, since there are no alternative sources of supply, comparative prices are not available;
- (xii) The Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the raw materials and finished goods as so determined;**
- (xiii) In our opinion, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public;
- (xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products. The Company's operations do not generate any significant realisable scrap;

- (xv) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business;
- (xvi) The Central Government has prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for some of the Company's products. We have broadly reviewed without carrying out a detailed examination of the books of accounts maintained by the Company and are of the opinion that *prima-facie* the prescribed accounts and records have been made and maintained;
- (xvii) The Provident Fund and Employees' State Insurance dues have generally been regularly deposited during the financial year with appropriate authorities;
- (xviii) No undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding as at 31<sup>st</sup> December, 2001 for a period of more than six months from the date they became payable;

..3..

- (xix) No personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice;
- (xx) The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section (3) of the Sick Industrial Companies (Special Provisions) Act, 1985;
- (xxi) In respect of the service activities of the Company, in our opinion and according to the information and explanations given to us:
  - a) The Company renders technical consultancy services to certain parties which forms an insignificant part of the its overall activities;
  - b) In respect of other service activities, the Company has a reasonable system of recording allocation of man-hours to the relative jobs. In our opinion and according to the information and explanations given to us, there is a reasonable system for authorisation at proper levels with necessary control on the man-hours for the relative jobs and there is a system of internal control commensurate with the size of the Company and the nature of its business;
- (xxii) In relation to the trading activities, the Company has determined damaged goods and adequate provision for the loss in respect thereof has been made in the accounts.

**For N.M.Raiji Co.,**  
Chartered Accountants

**M.N.Thakkar**  
Partner

Mumbai, March 28, 2002

## BALANCE SHEET OF BAYER (INDIA) LIMITED

			As at 31.12.2001	As at 31.12.2000
<b>SCHEDULE</b>				
<b>SOURCES OF FUNDS</b>				
SHAREHOLDERS' FUNDS				
Share Capital	1	162,200		162,200
Reserves and Surplus	2	604,340		690,544
			766,540	852,744
LOAN FUNDS				
Secured Loans	3	358,000		944,665
Unsecured Loans	4	1,208,522		1,168,987
			1,566,522	2,113,652
			<b>2,333,062</b>	<b>2,966,396</b>
<b>APPLICATION OF FUNDS</b>				
FIXED ASSETS				
Gross Block	5	2,181,071		2,071,855
Less : Depreciation		1,100,112		1,008,412
Net Block		1,080,959		1,063,443
Capital Work-In-Progress		261,949		173,432
			1,342,908	1,236,875
INVESTMENTS	6		36,793	42,278
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	7	676,640		1,040,466
Sundry Debtors	8	951,335		908,282
Cash and Bank Balances	9	344,298		346,487
Loans and Advances	10	433,187		525,083
		2,405,460		2,820,318
Less :				
CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	11	1,209,529		1,055,730
Provisions	12	120,177		93,601
		1,329,706		1,149,331
NET CURRENT ASSETS			1,075,754	1,670,987
Deferred Tax Assets		30,197		-
Deferred Tax Liability		(152,590)		-
			(122,393)	-

MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	13	-	16,256
		<u>2,333,062</u>	<u>2,966,396</u>

Notes forming part of the Accounts 21

## PROFIT AND LOSS A/C FOR THE YEAR ENDED 31.12.01

	SCHEDULE	2001	2000
<b>INCOME</b>			
Sales And Other Operating Income	14	7,002,602	6,238,933
Other Income	15	127,340	136,736
		<u>7,129,942</u>	<u>6,375,669</u>
<b>EXPENDITURE</b>			
Materials Consumed	16	1,738,459	2,722,116
Cost of Traded Goods Sold	17	1,725,069	362,099
Personnel	18	579,980	570,376
Other Expenses	19	1,667,565	1,723,941
Excise Duty		447,495	692,875
Interest		262,699	291,029
Depreciation		118,894	109,590
		<u>6,540,161</u>	<u>6,472,026</u>
Add/(Less) : Decrease/ (Increase) in Stock	20	355,349	(131,651)
		<u>6,895,510</u>	<u>6,340,375</u>
<b>PROFIT FOR THE YEAR BEFORE EXTRA-ORDINARY ITEMS</b>		234,432	35,294
Add: Consideration for transfer of Marketing Network of Pharmaceutical Products		-	70,000
Less: Voluntary Retirement Scheme-1999 (Schedule 21 - Note 13)		(16,255)	(9,753)
Less: Voluntary Retirement Scheme-2001 (Schedule 21 - Note 13)		(55,848)	-
		<u>(72,103)</u>	<u>(9,753)</u>
		<u>(72,103)</u>	<u>60,247</u>
<b>PROFIT FOR THE YEAR BEFORE TAXATION</b>		162,329	95,541
Less : Provision for Taxation		93,700	22,871
Less : Provision for Deferred Taxes (Schedule 21 - Note 16 [b])		(23,050)	-
		<u>70,650</u>	<u>22,871</u>
<b>PROFIT AFTER TAX</b>		91,679	72,670
Add : Balance brought forward		160,052	133,131
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<u>251,731</u>	<u>205,801</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend		32,440	32,440
Tax on Proposed Dividend		-	3,309
Transfer to General Reserve		20,000	10,000
Balance carried to Balance Sheet		199,291	160,052
		<u>251,731</u>	<u>205,801</u>

Notes forming part of the Accounts

21

	<b>SCHEDULE</b>	<b>2001</b>	<b>2000</b>
<b>INCOME</b>			
Sales And Other Operating Income	14	7,002,602	6,238,933
Other Income	15	127,340	136,736
		<u>7,129,942</u>	<u>6,375,669</u>
<b>EXPENDITURE</b>			
Materials Consumed	16	1,738,459	2,722,116
Cost of Traded Goods Sold	17	1,725,069	362,099
Personnel	18	579,980	570,376
Other Expenses	19	1,667,565	1,723,941
Excise Duty		447,495	692,875
Interest		262,699	291,029
Depreciation		118,894	109,590
		<u>6,540,161</u>	<u>6,472,026</u>
Add/(Less) : Decrease/ (Increase) in Stock	20	355,349	(131,651)
		<u>6,895,510</u>	<u>6,340,375</u>
<b>PROFIT FOR THE YEAR BEFORE EXTRA-ORDINARY ITEMS</b>		234,432	35,294
Add: Consideration for transfer of Marketing Network of Pharmaceutical Products		-	70,000
Less: Voluntary Retirement Scheme-1999 (Schedule 21 - Note 13)		(16,255)	(9,753)
Less: Voluntary Retirement Scheme-2001 (Schedule 21 - Note 13)		(55,848)	-
		<u>(72,103)</u>	<u>(9,753)</u>
		(72,103)	60,247
<b>PROFIT FOR THE YEAR BEFORE TAXATION</b>		162,329	95,541
Less : Provision for Taxation		93,700	22,871
Less : Provision for Deferred Taxes (Schedule 21 - Note 16 [b])		(23,050)	-
		<u>70,650</u>	<u>22,871</u>
<b>PROFIT AFTER TAX</b>		91,679	72,670
Add : Balance brought forward		160,052	133,131
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<u>251,731</u>	<u>205,801</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend		32,440	32,440
Tax on Proposed Dividend		-	3,309
Transfer to General Reserve		20,000	10,000
Balance carried to Balance Sheet		199,291	160,052
		<u>251,731</u>	<u>205,801</u>

Notes forming part of the Accounts

21

	<b>As at 31.12.2001</b>	<b>As at 31.12.2000</b>
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
Authorised :		
1,630,000 Equity Shares of Rs.100 each	<u>163,000</u>	<u>163,000</u>
Issued, Subscribed and Paid up :		
1,622,000 Equity Shares of Rs.100 each	<u>162,200</u>	<u>162,200</u>
Of the above shares :		
(a) 1,263,250 Equity Shares are allotted as fully paid Bonus Shares by capitalising Rs.126,325 out of Capital Reserve, Premium received on Shares and General Reserve.		
(b) 827,256 Shares are held by Bayer AG., Germany, the Holding Company and 69,585 Shares are held by its subsidiary, Bayer Industries Private Limited		
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
General Reserve		
Balance - 1st January,2001	530,492	445,492
Add : Transfer from Debenture Redemption Reserve	-	75,000
Add : Transfer from Profit and Loss Account	<u>20,000</u>	<u>10,000</u>
	550,492	530,492
Less: Provision for deferred tax (Schedule 21 - Note 16 - [b])	<u>145,443</u>	-
	405,049	530,492
<hr/>		
Debenture Redemption Reserve		
Balance - 1st January,2001	-	75,000
Less : Transfer to General Reserve	<u>-</u>	<u>75,000</u>
	-	-
<hr/>		
Profit and Loss Account	<u>199,291</u>	<u>160,052</u>
	<u>604,340</u>	<u>690,544</u>
	<b>As at 31.12.2001</b>	<b>As at 31.12.2000</b>
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
500 - 12.50 % Non - convertible Debentures of Rs. 100,000 each (Note -1)	50,000	50,000

1,000 - 12.50 % Non - convertible Debentures of Rs. 100,000 each (Note -1)	100,000	100,000
10 - 8.40 % Non-convertible Debentures of Rs 10,000,000 each (Note 2)	100,000	-
10 - Non-convertible Debentures of Rs 10,000,000 each (Note 3)	100,000	-
Loans from :		
Deutsche Bank	-	20,000
Union Bank of India (VRS) (Note - 4)	8,000	24,000
Cash Credit and Export Packing Credit Account from Banks (Note - 4)	-	750,665
	<u>358,000</u>	<u>944,665</u>

In respect of the above loans, Rs. 358,000 (Previous Year Rs. 36,000) is due and repayable within a year.

Notes :

1. The 12.50 % Secured redeemable Non - Convertible Debentures privately placed with ITC Threadneedle Limited-Account High Interest Fund and Prudential ICICI Trust Limited- Income Plan have been secured by way of second mortgage/charge basis on the immovable properties situated at Thane comprising of land, together with buildings and structures standing thereon and all plant and machinery attached to the earth or permanently fastened to anything attached to the earth at Thane factory. The Secured Debentures are redeemable at par in four equal instalments on 5th February 2002, 5th May 2002, 5th August 2002 and 5th November 2002 respectively. (First instalment since paid)
2. 8.40% Secured redeemable Non - Convertible Debentures privately placed with Templeton Mutual Fund. These Debentures are to be secured against company's property and are to be redeemed in two equal instalments on 5th February 2002 and 13th February 2002. (Since paid)
3. The Secured redeemable Non - Convertible Debentures privately placed with Reliance Mutual Fund and are to be secured against company's property. Interest is payable at Mumbai InterBank Overnight Rate + 1.00%. The Debentures are to be redeemed on 11th March 2002. (Since paid)
4. Cash Credit and Export Packing Credit Account from Banks and loan for Voluntary Retirement Schemes, are Secured by a *Pari Passu* charge by hypothecation of Stocks and Book Debts.

#### SCHEDULE 4

##### UNSECURED LOANS

Public Deposits	117,742	156,159
Inter-Corporate Deposits	184,699	95,316
Loans from Banks	906,081	917,512
	<u>1,208,522</u>	<u>1,168,987</u>

In respect of the above loans, Rs. 592,261 (Previous Year Rs. 164,400) is due and repayable within a year.

SCHEDULE 5

Assets		Cost				Depreciation				Net Value
		As at 01.01.2001	Additions	Deductions	As at 31.12.2001	As at 01.01.2001	On Deductions	For the year 2001	As at 31.12.2001	As at 31.12.2001
Land	Freehold	5,789	-	-	5,789	-	-	-	-	5,789
	Leasehold	(3,975)	(1,814)	-	(5,789)	-	-	-	-	(5,789)
Roads		1,778	-	-	1,778	873	-	40	913	8,111
		(1,778)	-	-	(1,778)	(834)	-	(39)	(873)	(9,022)
Buildings		13,040	-	-	13,040	4,715	-	213	4,928	8,112
		(12,801)	(239)	-	(13,040)	(4,504)	-	(211)	(4,715)	(8,313)
Plant & Machinery		476,134	5,311	15,363	466,082 *	72,752	5,429	10,949	78,272	387,810
		(395,151)	(80,983)	-	(476,134)	(62,460)	-	(10,292)	(72,752)	(403,384)
Equipments		1,329,431	124,699	20,361	1,433,769	820,126	18,345	91,118	892,899	540,870
		(1,183,864)	(161,815)	(16,248)	(1,329,431)	(747,159)	(10,777)	(83,744)	(820,126)	(509,389)
Furniture & Fixtures		153,721	9,768	1,707	161,782	77,409	1,177	9,996	86,228	75,554
		(138,059)	(23,600)	(7,938)	(153,721)	(72,074)	(4,543)	(9,878)	(77,409)	(76,335)
Cars / Vehicles		82,234	7,572	796	89,010	27,809	473	5,611	32,947	56,063
		(74,391)	(9,498)	(1,655)	(82,234)	(23,871)	(596)	(4,534)	(27,809)	(54,433)
Total		9,728	4,069	3,976	9,821	4,728	1,771	968	3,925	5,896
		(10,558)	(161)	(991)	(9,728)	(4,662)	(826)	(892)	(4,728)	(5,000)
Capital Work-in-Progress (Including Advances on Capital Account and Land at Manali)										261,900
Grand Total										1,342,900
										(1,236,800)

\* Includes cost of 2 Flats and 10 Shares of Rs.50/- each in 2 Co-Operative Housing Societies.  
 Figures in brackets pertain to Previous Year

	<b>As at 31.12.2001</b>	<b>As at 31.12.2000</b>
<b>SCHEDULE 6</b>		
<b>INVESTMENTS (At cost)</b>		
LONG TERM		
Non-Trade:		
Unquoted		
Government Securities :		
Kisan Vikas Patra		
	5	5
6 Year National Saving Certificates	16	11
(Above certificates are deposited with Assistant Collector of Central Excise, Superintendent of Prohibition and Excise, Sales tax Department and Department of Civil Supply)		
6 Year National Saving Certificates	-	5
Quoted		
Bayer Diagnostics India Limited	25,330	25,330
287,350 (Previous Year 287,350) Equity Shares of Rs.10 each fully paid up. - Market value Rs. 63,792 (Previous Year Rs. 68,964)		
Units - 1964 Scheme of Unit Trust of India	16,927	16,927
Less: Provision for diminution in value of Investments	<u>(5,485)</u>	-
	11,442	16,927
<hr/>		
Statutory investment in 1,202,464 (Previous Year 1,202,464) Units of Rs. 10 made under the Companies (Acceptance of Deposits) Rules, 1975 Repurchase value Rs. 6,637 (Previous Year Rs.16,594)		
	<hr/>	<hr/>
	36,793	42,278

Note : Current Investments bought and sold during the year ( Schedule 21 - Note 19)

#### **SCHEDULE 7**

##### **INVENTORIES**

Stores and Spares	25,037	31,504
Stock-in-Trade		
Raw Materials ( Including in transit Rs. 13,775 - Previous Year Rs.72,805)	121,264	200,364
Packing Materials	22,293	73,035
Semi-Finished Goods	61,128	118,246
Finished Goods	292,143	590,374
Traded Goods ( Including in transit Rs. 6,177 - Previous Year Rs. 3,274)	<u>154,775</u>	<u>26,943</u>
	<u>676,640</u>	<u>1,040,466</u>

#### **SCHEDULE 8**

##### **SUNDRY DEBTORS**

Debts outstanding for a period exceeding six months		
Considered good	84,313	81,170
Considered Doubtful	31,609	-
Less : Provided for	<u>31,609</u>	<u>-</u>
	-	-
Other Debts		
Considered good	<u>867,022</u>	<u>827,112</u>
	<u>951,335</u>	<u>908,282</u>
Sundry Debts		
Secured	<u>44,347</u>	37,511
Unsecured		
Considered good	<u>906,988</u>	870,771
Considered Doubtful	31,609	-
Less : Provided for	<u>31,609</u>	<u>-</u>
	<u>906,988</u>	<u>870,771</u>
	<u>951,335</u>	<u>908,282</u>
	<b>As At</b>	<b>As At</b>
	<b>31.12.2001</b>	<b>31.12.2000</b>

#### **SCHEDULE 9**

##### **CASH AND BANK BALANCES**

Cash on Hand	5,256	50,194
( Including cheques on hand Rs. 3,815 - Previous Year Rs. 49,047)		
With Scheduled Banks :		
In Current Accounts	10,992	295,115
In Unclaimed Dividend Accounts	1,333	1,178
In Cash Credit Accounts	<u>326,717</u>	<u>-</u>
	<u>344,298</u>	<u>346,487</u>

#### **SCHEDULE 10**

##### **LOANS AND ADVANCES**

(Unsecured - considered good unless otherwise stated)

Loans	18,702	45,457
Advances recoverable in cash or in kind or for value to be received	148,314	117,171
Deposits	201,977	221,186
Balance with Excise, Customs and Port Trust		

Advance payment of Income-tax (Net of Provision)	55,899	74,594
	<u>8,295</u>	<u>66,675</u>
	<u><u>433,187</u></u>	<u><u>525,083</u></u>

(Loans include amount due from an officer Rs 1,200 - Previous year Rs Nil.  
Maximum amount due at any time during the year Rs 1,200 - Previous year Rs Nil)

## SCHEDULE 11

### CURRENT LIABILITIES

Acceptances		145,144	366,537
Sundry Creditors			
Due to Small Scale Industries	6,776		1,983
Others			
	<u>479,916</u>		<u>270,599</u>
Interest accrued but not due		486,692	272,582
Unclaimed Dividends		39,579	48,963
Other Liabilities		1,333	1,178
Deposits from Agents, Dealers and Customers		456,364	305,939
		<u>80,417</u>	<u>60,531</u>
		<u><u>1,209,529</u></u>	<u><u>1,055,730</u></u>

## SCHEDULE 12

### PROVISIONS

Proposed Dividend		32,440	32,440
Tax on Proposed Dividend		-	3,309
Leave Encashment/Gratuity			
		<u>87,737</u>	<u>57,852</u>
		<u><u>120,177</u></u>	<u><u>93,601</u></u>

## SCHEDULE 13

### MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

Deferred Revenue Expenditure			
Voluntary Retirement Scheme		16,255	26,009
Less: Amortisation			
		<u>16,255</u>	<u>9,753</u>
Software Consultancy-Year 2000 Project			-
Less: Amortisation			3,875
		<u>-</u>	<u>3,875</u>

<u>-</u>	<u>3,875</u>
	<u>-</u>
	<u>-</u>
	<u>16,256</u>

	2001	2000	% In/(De) 1999
<b>SCHEDULE 14</b>			
<b>Sales And Other Operating Income</b>			
Sales	6,767,277	6,031,802	
Commission - Indenting Business	86,031	113,053	
Manufacturing Services rendered	103,916	43,974	
(Tax deducted at source Rs. 2,181 - Previous Year Rs. 90 )			
Export Incentives	45,378	50,104	
	<u>7,002,602</u>	<u>6,238,933</u>	
<b>SCHEDULE 15</b>			
<b>OTHER INCOME</b>			
Interest Received (Tax deducted at source Rs. 509 - Previous Year Rs. 284)	5,303	11,289	
Income from Investments			
Long-term	3,363	3,545	
Current (Tax deducted at source Rs. 7 - Previous Year Rs. Nil)	<u>2,621</u>	-	
	5984	3,545	
Sales Tax Set off	15,999	22,719	
Profit on Assets sold / discarded (Net)	3,620	-	
Insurance Claims	486	2,539	
Bad Debts recovered	74	1,501	
Foreign Exchange Fluctuations ( Net )	5,532	5,454	
Profit on sale of Raw Materials/Packing Materials	999	-	
Miscellaneous (Tax deducted at source Rs. 6,831 - Previous Year Rs. 5,823)	89,343	89,689	
	<u>127,340</u>	<u>136,736</u>	
<b>SCHEDULE 16</b>			
<b>MATERIALS CONSUMED</b>			
Raw Materials:			
Stock-1st January, 2001	127,559	214,782	
Add : Purchases	<u>1,516,262</u>	<u>2,370,146</u>	
	1,643,821	2,584,928	
Less : Stock-31st December, 2001	<u>107,489</u>	<u>127,559</u>	
	1,536,332	2,457,369	
Packing Materials			

202,127	264,747
<u>1,738,459</u>	<u>2,722,116</u>

**SCHEDULE 17**

**COST OF TRADED GOODS SOLD**

Stock-1st January, 2001	23,669	36,453
Add : Purchases	<u>1,849,998</u>	<u>349,315</u>
	1,873,667	385,768
Less : Stock-31st December 2001	<u>148,598</u>	<u>23,669</u>
	<u>1,725,069</u>	<u>362,099</u>

**SCHEDULE 18**

**PERSONNEL**

Payments to and Provisions for :

Salaries,Wages and Bonus	420,799	455,098
Provident Fund,Gratuity Fund,Superannuation Scheme and Employees' State Insurance	85,646	42,762
Welfare Expenses	<u>73,535</u>	<u>72,516</u>
	<u>579,980</u>	<u>570,376</u>

**2001                      2000**

**SCHEDULE 19**

**OTHER EXPENSES**

Stores and Spares consumed	43,174	62,398
Power,Fuel and Water	138,628	170,467
Loan License	13,903	42,677
Freight and Clearing charges	135,691	143,602
Rent	31,358	29,456
Rates and Taxes	15,470	13,870
Lease Charges	46,095	47,080
Insurance	22,596	19,276
Repairs :		
Machinery	18,901	37,359
Buildings	5,186	11,901
Others	<u>30,439</u>	<u>33,320</u>

Travelling and Conveyance		54,526	82,580
Postal,Telex and Telephones		94,964	113,822
Printing and Stationery		31,420	43,314
Directors' Fees		13,220	18,234
Auditors' Remuneration :		210	89
Audit Fees	800		800
Fees for tax representations	-		22
Other services (Certificates, Tax Audit etc.)	1,103		1,886
Expenses reimbursed	66		31
		<u>1,969</u>	<u>2,739</u>
Advertisement and Publicity		130,753	184,174
Professional Services		63,520	78,860
Rebates and Discounts		612,034	440,383
Commission :			
Indenting Business	572		650
Other			
		<u>52,612</u>	<u>65,575</u>
Donations		53,184	66,225
Bad Debts written off		1,351	210
Provision for Doubtful Debts		7,684	19,806
Loss on Sale of Investments		31,609	-
Provision for diminution in value of Investments		112	-
Loss on Assets sold / discarded ( Net )		5,485	
Miscellaneous		-	4,956
		<u>118,609</u>	<u>139,723</u>
		<u>1,667,565</u>	<u>1,723,941</u>

## SCHEDULE 20

### DECREASE/ (INCREASE) IN STOCKS

Stock - 1st January, 2001

Semi-Finished

118,246

98,046

Finished

590,374

478,923

708,620

576,969

Stock - 31st December,2001

Semi-Finished

Finished

61,128	118,246
<u>292,143</u>	<u>590,374</u>
353,271	708,620
<u>355,349</u>	<u>(131,651)</u>

<b>SCHEDULE 21</b>						
<b>NOTES FORMING PART OF THE ACCOUNTS</b>						
<b>1.SIGNIFICANT ACCOUNTING POLICIES</b>						
<b>A. Fixed Assets and Depreciation</b>						
(i) Fixed Assets are stated at cost less depreciation. Cost comprises cost of acquisition, cost of improvements and any attributable cost of bringing the asset to the condition for its intended use. Interest on loans taken for procurement of specific assets accrued upto the date of acquisition/installation of the said Assets is capitalised along with the cost of the asset .						
(ii) Depreciation for the year has been provided on the Straight line method on all Fixed Assets at the rates specified as per Schedule XIV of the Companies Act ,1956 (except in the case of leasehold land, which is being amortised over the period of the lease )						
<b>B. Investments</b>						
Long-term Investments are stated at cost , less diminution , if any.						
Short-term Investments are valued at lower of cost or market value.						
Income on Investment: (i) Interest income is accounted on an accrual basis. (ii) Dividend income is accounted when right to receive payment is established.						
<b>C. Inventories</b>						
Inventories are valued as under: Raw materials, packing materials,stores and spares at monthly weighted average cost. Material in transit and semi finished goods : at cost Finished goods / Traded goods are valued at cost including customs duty and excise duty or net realisable value whichever is lower.						
<b>D. Sales</b>						
Sales are recognised on despatch to Customers. Sales include excise duties but exclude sales-tax.						
<b>E. Export Incentives</b>						
Export incentives are recognised only when the claims in respect there of are accepted.						
<b>F. Research and Development</b>						
Revenue expenditure is charged as an expense in the year in which they are incurred. Capital expenditure is shown as an addition to the Fixed Assets.						



	-	-	7	10,726	
Acarbose ( Imp.)	1	10,004	1	48,155	
Ketones	2,372	94,711	2,185	84,051	
Others		1,105,894	-	1,321,573	
Total		1,536,332		2,457,369	
3. Value of imported / indigenous Raw Materials/ Stores and Spares consumed					
<b>Raw Materials</b>	%		%		
Imported at landed cost	44.55	684,391	55.98	1,375,714	
Indigenous	55.45	851,941	44.02	1,081,655	
Total	100	1,536,332	100	2,457,369	
<b>Stores and Spares</b>	%		%		
Imported at landed cost	15	6,621	10	6,460	
Indigenous	85	36,553	90	55,938	
Total	100	43,174	100	62,398	
4. Value of imports calculated on CIF basis (excluding goods in transit)					
Raw Materials		816,015		958,812	
Stores, Spares and Components		13,113		50,213	
Capital Goods		9,362		4,390	
5. Expenditure in foreign currency					
Travelling		6,940		8,857	
Other Expenses		24,340		29,205	
6. Earnings in foreign currency					
Exports of goods calculated on FOB basis		458,415		506,834	
Indenting Commission		86,032		112,862	
Other Reimbursements		10,238		4,870	
7. Amount remitted in foreign currency on account					
of dividend		16,548		20,685	
Number of non-resident shareholders to whom remittance was made		2		2	
Number of shares held on which the dividend was due and remitted.		827,400		827,400	
Year to which the dividend related		2000		1999	

<b>SCHEDULE 21 - ( Continued)</b>					
	<b>2001</b>		<b>2000</b>		
8. Estimated amount of contracts remaining to be executed on capital account not provided for		48,625		13,055	
9. Contingent liabilities not provided for:					
(a) Claims against the Company not acknowledged as debts:					
Towards land		Amount indeterminate		Amount indeterminate	
(b) (i) Customs Duty (Net of Tax)		900		846	
(ii) Disputed demands of income-tax - appeals pending		85,212		85,223	
(iii) Demand dated 25th October, 1990 for payment to credit of the Drug Prices Equalisation Account, the difference between the pooled price and retention price on production of Chloroquine Phosphate from 1979-80 upto 14.12.1988. The Company has now received a fresh demand with interest as shown below. The Company has filed a writ petition , in the High Court of Mumbai , challenging this demand.					
Principal Amount		9,453		9,453	
Interest		18,128		18,128	
Total		27,581		27,581	
Net of Tax		17,735		16,673	
(iv) Disputed demands of Excise Duty( Net Of Tax)		37,889		36,718	
(v) Others (Net of Tax)		49,503		50,200	
(c) Guarantees given on behalf of employees after obtaining sureties for gross amount of guarantees		2,030		2,662	
(d) Bank Guarantees		67,377		55,290	
10. Interest includes interest on term borrowings		200,204		177,835	
11. Research and Development expenses of the Company					
Personnel Cost		7,898		4,298	
Other Cost		38,307		23,086	
		46,205		27,384	
12. Directors' Remuneration					
Salaries		7,646		6,904	
Perquisites					

		1,816		1,225	
Total		9,462		8,129	
Excess remuneration for the year 2000 paid to the present Managing Director, Mr. D. Kambeck Rs.('000) 533 ,					
the previous Managing Director Dr. A. P. McGilvray Rs.('000) 1,849 and Mr. J. Walker Rs. ('000) 649					
is pending Central Government approval.					
Also the present Managing Director Mr. D.Kambeck's excess remuneration for the year 2000 is pending					
approval by the shareholders at the ensuing Annual General meeting.					
13. As a part of business restructuring activities carried out during the year 2001 ,the company had					
announced Voluntary Retirement Scheme (VRS) for its employees.The VRS related cost Rs.('000) 55,848					
net of the share of VRS cost borne by the Bayer AG (the Holding Company ) - Rs.('000) 38,500 is					
charged to profit and loss account.Also the unamortised VRS cost of Rs.('000) 6,502 pertaining to					
VRS declared in 1999 has been charged to current year's profit and loss account. To this extent there					
is a change in accounting policy in amortising VRS cost of 1999 over a period of 36 months.					
The impact of this change has resulted in reduction in profit for the year by Rs.('000) 6,502.					
<b>SCHEDULE 21 - ( Continued)</b>					
<b>14. Segment Reporting</b>					
Segments have been identified in line with the Accounting Standard on Segment Reporting (AS-17), taking					
into account the Company's organisation structure as well as the differential risks and returns of these segments.					
Segments Revenues, Results and Capital Employed figures include the respective amounts identifiable to each of					
the segments. Interest and other financial charges/income are reported at corporate level. Also those assets and					
liabilities , which are not identifiable to the individual segments are reported at corporate level.					
<b>PRIMARY SEGMENTAL REPORTING</b>					
<b>PARTICULARS</b>		<b>2001</b>			
<b>1. Segment Revenue</b>					
a. Segment - Agrochemicals		4,779,943			
b. Segment - Rubber		1,168,578			
c. Others		1,054,081			
Total		7,002,602			
Less: Inter segment revenue		-			
<b>Sales and Other Operating Income</b>		<b>7,002,602</b>			
<b>2. Segment Results</b>					
a. Segment - Agrochemicals					

		417,340			
b. Segment - Rubber		4,543			
c. Others		(4,390)			
Total		417,493			
Add/ (Less):					
I. Interest	(262,699)				
II Other un-allocable income net off un-allocable expenditure	7,535	(255,164)			
<b>Total Profit Before Tax</b>		162,329			
<b>3. Capital Employed</b>					
(Segment Assets - Segment Liabilities)					
a. Segment - Agrochemicals		867,552			
b. Segment - Rubber		557,525			
c. Others		305,681			
d. Unallocated Corporate		602,303			
Total		2,333,061			
<b>SECONDARY SEGMENTAL REPORTING</b>					
Secondary segment is reported based on geographical locations viz., Local and Exports					
<b>PARTICULARS</b>		<b>2001</b>			
<b>1. Segment Revenue</b>					
a. Segment - others		6,544,187			
b. Segment - Exports		458,415			
Total		<b>7,002,602</b>			
<b>2. Segment Assets</b>					
a. Segment - others		3,774,127			
b. Segment - Exports		11,034			
Total		<b>3,785,161</b>			
<b>SCHEDULE 21 - ( Continued)</b>					
<b>15. Related Party Transaction</b>					
The list of related parties and nature of their relationship is furnished below					
<b>Holding Company</b>	Bayer AG ( holds 51 % of the equity share capital as on 31st December' 2001)				
<b>Other Related parties with whom transactions have</b>					

<b>taken place during the year</b>						
<b>Fellow Subsidiaries</b>	Bayer ABS Limited/Vadodara					
	Bayer Diagnostics (India) Limited/Vadodara					
	Bayer Industries Private Limited/Mumbai					
	Bayer Pharmaceuticals Private Limited/Mumbai					
	Bayer TPU Private Limited/Chennai					
	Bayer Speciality Products Limited/Chennai					
	Bayer ( China ) Limited					
	Bayer (Malaysia) Sdn. Bhd./Selangor					
	Bayer (Proprietary) Limited/Isando					
	Bayer Antwerpen N.V./Antwerpen					
	Bayer Australia Limited/Pymble					
	Bayer Chemie Service GmbH/Köln					
	Bayer Corporation/Pittsburgh					
	Bayer East Africa Limited/Nairobi					
	Bayer Faser GmbH/Dormagen					
	Bayer Hispania, S.A./Barcelona					
	Bayer International S.A./Fribourg					
	Bayer Iranchemie AG/Tehran					
	Bayer Ltd./Tokio					
	Bayer Middle East, Ltd./Kairo					
	Bayer Philippines, Inc./Manila					
	Bayer PLC. U.K.					
	Bayer Polyurethanes Asia Pte.Ltd./Singapur					
	Bayer Polyurethanes B.V./Rotterdam					
	Bayer Portugal S.A./Lissabon					
	Bayer S.A./Guatemala City					
	Bayer S.p.A./20156 Mailand					
	Bayer Taiwan Company Ltd./Taipei					
	Bayer Thai Company Limited/Bangkok					
	Bayer(South East Asia) Pte Ltd./Singapur					
	Borchers GmbH/Monheim					
	Haarmann & Reimer (SEA) Pte Ltd/Singapur					
	Nihon Bayer Agrochem K.K./Tokio					
	P.T. Bayer Indonesia Tbk/Jakarta					
	Polymer Latex GmbH & Co.KG/Marl					
	PT Bayer Kimia Farmasindo/Jakarta					
	Rhein Chemie Rheinau GmbH/Mannheim					
	Sumika Bayer Urethane Co., Ltd./Amagasaki					
	Wolff Cellulosics GmbH & Co. KG/Bomlitz					
	Wolff Walsrode Aktiengesellschaft/Walsrode					
<b>Directors of the Company</b>						
Whole-time Directors	Mr. D. Kambeck					
	Mr. J. Walker					

Non-executive Directors	Mr. H.V.Goenka					
	Mr. Johannes Dietsch					
	Mr. S.M.Kulkarni					
	Mr. C.Kaiser					
	Mr. Y.H.Malegam					
	Mr. D.C. Shroff					
	Dr. A.F.Hennecken					
<b>SCHEDULE 21 - ( Continued )</b>						
The transactions with and outstanding balances of related parties are furnished below :						
<b>Sales and Other recoveries from related parties</b>						
Holding Company	98,266					
Fellow Subsidiaries	488,363					
<b>Purchase and Other services to related parties</b>						
Holding Company	436,977					
Fellow Subsidiaries	202,420					
<b>Inter Corporate Deposits taken/given from/to related parties</b>						
Holding Company - Taken	-					
Holding Company - Given	-					
Fellow Subsidiaries - Taken	355,461					
Fellow Subsidiaries - Given	78,753					
<b>Interest received/paid from/to related parties</b>						
Holding Company - Received	-					
Holding Company - Paid	-					
Fellow Subsidiaries - Received	2,495					
Fellow Subsidiaries - Paid	1,827					
<b>Remuneration to the Directors</b>	9,462					
Refer Schedule 21 ( 12 )						
<b>Outstanding balances as at 31st December'2001.</b>						
<b>Debtors</b>						
Holding Company	47,048					
Fellow Subsidiaries	20,196					

<b>Creditors</b>					
Holding Company		4,718			
Fellow Subsidiaries		61,591			
<b>Inter Corporate Deposits</b>					
Holding Company - Receivable		-			
Holding Company - Payable		-			
Fellow Subsidiaries - Receivable		-			
Fellow Subsidiaries - Payable		59,637			
<b>SCHEDULE 21 - ( Continued)</b>					
16 (a) The tax year for the Company being the financial year ending 31st March, 2002, the provision for taxation has been made for the calendar year 2001. The ultimate tax liability will be determined on the basis of the figures for the period 1st April 2001 to 31st March 2002.					
(b) Consequent to the mandatory Accounting Standard issued by the ICAI on accounting for taxes on income, the company has recorded deferred tax liability of Rs.('000 ) 145,443 till 31st March,2001 and the same has been debited to reserve account. Deferred Tax Adjustments for the nine months ended 31st December ,2001 amounting to Rs.('000 ) 23,050 has been recognised in Profit and Loss account.					
			<b>01.04.01 to 31.12.01</b>	<b>Upto 31.03.01</b>	
<b>Deferred tax Assets</b>					
Arising on account of timing differences in :					
VRS Expenses		15,950		-	
Others		14,247		-	
		<b>30,197</b>		<b>-</b>	
<b>Deferred tax Liability</b>					
Arising on account of timing differences in :					
Depreciation		7,147		145,443	
		<b>7,147</b>		<b>145,443</b>	
17. (a) The Company has identified the suppliers who are covered under the "Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act,1993". However , no claims have been received for interest from suppliers with reference to the above Act.					
(b) The names of Small Scale Industrial Undertakings to whom the Company owes a sum exceeding Rs. 1 lakh and which is outstanding for more than 30 days as at Balance					

Sheet date are given below.						
Olympic Chemicals						
Kajay Remedies Pvt.Ltd						
Vijaya Seamless Containers Private Ltd.						
Amelon Synthetics Corporation						
Ashok Chemical Industry						
National Torch & Tubes						
Angel Remedies Pvt.Ltd						
Agarwal Containers Pvt.Ltd						
Kemflot						
Holloware Mfg Syndicate						
Shree Rubber Plast Co.Pvt.Ltd						
Sri Venkatalakshmi Packings						
The above information and that given in Schedule 11 " Current Liabilities "						
regarding small scale						
industrial undertakings has been determined to the extent such parties are						
identified on the basis						
of information available with the Company , which has been relied upon by						
the Auditors.						
18. Balances of Debtors , Creditors , Deposits, Loans and advances are subject to						
confirmation .						
19. Current Investments bought and sold during the year						
	No.of Units					
DSP Merrill Lynch Liquidity Fund	3,228,159.55					
Zyrich India Liquidity Fund-Saving Plan	21,938,540.63					
HDFC Liquid Fund	31,037,178.20					
Alliance Cash Manager	101,648.07					
Templeton India Liquid Fund	11,013,335.02					
Birla Cash Plus	3,986,944.66					
Kotak Mahindra Liquid Scheme	1,002,400.58					
Grindlays Cash Fund	5,024,066.89					
	<u>77,332,273.60</u>					
20. (a) The current year's figures are not comparable with those of the Previous years on account						
of transfer of						
Pharmaceutical Business to Bayer Pharmaceuticals Limited with effect from						
July 27, 2000.						
(b) Previous Year's figures have been regrouped wherever						
necessary.						

**Schedule 21 - (Continued)**

2 The Company manufactures / trades in Agrochemicals, Rubber chemicals, Health Care products , Organic  
 . Chemicals and relevant  
 particulars thereof are as under :

(i) Licensed /Installed capacity,Actual production,Purchases, Opening  
 stock,Closing stock and Sales

Product	Rs.'000/ Unit	Licensed / Installed Capacity (1)	Actual Production	Purchases	Opening Stock	Closing Stock (2)	Sales
<b>A. AGROCHEMICALS</b>	Rs.'000			1,718,801	494,899	347,225	
				(201,176)	(436,411)	(494,899)	5,525,325 (4,471,331)
(a) Basic Production (3)	Ton	4,124 / 4,000 (4)	2,890 (3,070)	-	167 (270)	208 (167)	1,302 (1,631)
(b) Formulations							
(1) Powders	Ton	1,882 (5)/ 2,352 (4)(5)	24,299 (8) (22,354 ) (6)	564 (48)	3,914 (3,473)	3,863 (3,914)	24,857 (21,994)
(2) Liquids	KL		4,748 } (6,014 )	2,707 (1,253)	909 (967)	677 (909)	7,577 (7,178)
(3) Others	'000 Nos.			1,946 (1,431)	252 (576)	286 (252)	1,613 (1,617)
<b>B. RUBBER CHEMICALS AND INTERMEDIATES</b> (including by-product)	Rs.'000			61,072 (60,605)	109,507 (71,211)	105,168 (109,507)	1,142,425 (1,011,788)
	Ton	10,325 / 9125	7,726 (8,760)	262 (234)	859 (574)	758 (859)	8,071 (7,857)
<b>C. HEALTH CARE</b>	Rs.'000			0 (23,907)	8,383 (59,389)	6,023 (8,383)	28,414 (481,299)
(a) Basic Production	Kg.		- (0)	-	328 (538)	0 (328)	0 (0)
(b) Formulations							
(1) Tablets / Capsules	'000 Nos.	52,650 347,500 (7)	10,019 (8) (186,268)	0 (45,588)	4,377 (45,998)	3,684 (4,377)	9,035 (253,508)
(2) Injectables / Orals/Ointments	'000 Nos.	9,278 / 25,377 (7)	53 (8) (5,809)	0 (162)	194 (1,558)	50 (194)	34 (6,361)
(3) Veterinary							
(i) Injectables	Ltr.	2,000 / 20,000 (7)	68 (8) (-)	- (-)	- (-)	49 (-)	19 (-)
(II) Powders	Kg.	150 / 2,000 (7)	- (-)	- (-)	- (-)	- (-)	- (-)
<b>D. ORGANIC CHEMICALS</b>	Rs.'000			50,864 (57,836)	1,253 (367)	370 (1,253)	55,958 (60,653)
	Ton	500 / 500	- (-)	682 (820)	11 (4)	3 (11)	690 (812)
<b>E. OTHERS</b>	Rs.'000			19,261	0	8,786	15,155

				(5,791)	(46)	(0)	(6,731)
<b>Total</b>	Rs.'000			1,849,998	614,042	467,572	6,767,277
				(349,315)	(567,424)	(614,042)	(6,031,802)

- (1) Licensed/Installed capacity for current Year as well as for Previous Year.
- (2) After deducting captive consumption and other disposals.
- (3) Licensed/Installed capacity and production on 100% basis.
- (4) Being multipurpose plants, installed capacity is variable in view of different product-mix produced in the plants.
- (5) In terms of 100% active ingredients.
- (6) Actual production in terms of 100% active ingredients = 3193 (Previous year 3664 )
- (7) On single shift basis. For other plants, installed capacity is based on optimum utilisation of the plants.
- (8) Includes quantities manufactured by others on loan licences/lease basis.
- (9) Quantity and value in brackets pertain to Previous Year.
- (10) Installed capacity is certified by the Management upon which the auditors have relied.
- (11) Sales includes Semi-Finished & Finished goods sold to Bayer Pharmaceuticals Ltd.

#### **SCHEDULE 21 - ( Continued)**

21. Balance Sheet Abstract and Company's general business profile ( in terms of amendment to Schedule VI Part IV ) is given below:

#### **Balance Sheet Abstract and Company's General Business Profile**

##### **I. Registration Details**

Registration No.	:	11173
State Code	:	11
Balance Sheet Date	:	31.12.01

##### **II Capital raised During the year (Amount in Rs. Thousands)**

Public Issue	:	Nil
Right Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil

##### **III Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)**

Total Liabilities	:	2,333,062
Total Assets	:	2,333,062

##### **Sources of Funds**

Paid up Capital	:	162,200
Reserves and Surplus	:	604,340
Secured Loans	:	358,000
Unsecured Loans	:	1,208,522

##### **Application Of Funds**

Net Fixed Assets	:	1,342,908
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Investments	:	36,793	
Net Current Assets	:	953,361	@
Misc. Expenditure	:	-	
Accumulated Losses	:	-	
@ net of deferred tax liability			
<b>IV Performance of Company (Amount in Rs. Thousands)</b>			
Turnover	:	7,129,942	
Total Expenditure	:	6,967,613	
+/- Profit/Loss Before Tax	:	162,329	
+/- Profit/Loss After Tax	:	91,679	
Earning Per Share In Rs.	:	56.52	
Dividend Rate %	:	20%	
<b>V Generic Names of Three Principal Products/Services of the Company (as per Monetary terms)</b>			
Item Code No.(ITC Code)	:	380810 .15	
Product description	:	METHYL PARATHION	
Item Code No.(ITC Code)	:	380810 .29	
Product description	:	OXYDEMETON METHYL	
Item Code No.(ITC Code)	:	380810 .29	
Product description	:	IMIDACLOPRID	

**BAYER (INDIA) LIMITED**

**Cash Flow for the year ended December 31, 2001**

Rs.'000

		Year ending December 31,2001		Year ending December 31,2000	
<b>A</b>	<b>Cash flow from operating activities</b>				
	Net Profit before tax & extra-ordinary items		234,432		35,294
	<b>Adjusted for :</b>				
	Depreciation	118,895		109,591	
	(Profit)/Loss on sale of Fixed Assets	(3,620)		4,956	
	Loss on revaluation of investments	5,484		-	
	Investment Income	(11,286)		(14,834)	
	Interest Charges	262,699	372,172	291,029	390,742
	Operating Profit before Working Capital changes		606,604		426,036
	<b>Changes in</b>				
	Trade & other Receivables	(19,066)		(77,011)	
	Inventories	363,826		(71,152)	
	Trade Payables	193,067		(24,221)	
	Cash Generated from Operations	537,827		(172,384)	
	Interest paid	(292,811)		(276,418)	
	Direct taxes paid	(25,790)		(48,226)	
	Cash flow before Extra-ordinary items	219,226		(497,028)	
	Deferred Expenditure	-		13,628	
	Consideration recd. for trf of marketing network	-		70,000	
	Voluntary Retirement Scheme	(55,848)	163,378	(9,753)	(423,153)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>769,982</b>		<b>2,883</b>	
<b>B</b>	<b>Cash flow from Investing activities</b>				
	Investments during the year	-		(2,929)	
	Purchase of Fixed assets	(239,935)		(216,383)	
	Sale of Fixed assets	18,627		5,134	
	Interest received	5,303		11,289	
	Dividend received	5,983		3,545	
	<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(210,022)</b>		<b>(199,344)</b>
<b>C</b>	<b>Cash flow from Financing activities</b>				
	(Repayments) / Proceeds from Borrowing	(526,400)		193,384	
	Dividend paid				

Dividend Tax paid	(32,440)	(40,550)
NET CASH USED IN FINANCING ACTIVITIES	(3,309)	(4,461)
NET CHANGES IN CASH & CASH EQUIVALENTS	(562,149)	148,373
CASH & CASH EQUIVALENTS - OPENING BALANCE	(2,189)	(48,088)
CASH & CASH EQUIVALENTS - CLOSING BALANCE	346,487	394,575
	344,298	346,487

NOTE : Previous year's figures have been regrouped wherever necessary.

For and on behalf of the Board

**H.V. Goenka**  
Chairman  
Managing Director

**S.M. Kulkarni**  
Director

**Y.H. Malegam**  
Director

**D.C. Shroff**

**Dr.A.Hennecken**  
Director

**D.Kambeck**  
Director

**V.Sreeram**

MUMBAI, MARCH 28, 2002  
Secretary

Legal-Manager & Company

**J. Walker**

**Mr.**  
**D.Kambeck**

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**AUDITORS' CERTIFICATE**

To,  
The Board of Directors  
BAYER (INDIA) LIMITED  
Mumbai

We have verified the above cash flow statement of Bayer (India) Limited for the year ended December 31,2001. The statement has been prepared by the Company in accordance with the requirement of Clause 32 of listing agreement with the Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of even date to the members of the Company.

**For N.M. Raiji & Co.,**  
Chartered accountants

MUMBAI, MARCH 28, 2002

**M.N. Thakkar**  
Partner