

**Notice to Shareholders**

NOTICE is hereby given that the Forty Fifth 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 Thursday, June 12, 2003 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, 2002 and the Report of the Directors and Auditors thereon.
2. To declare a dividend on Equity Shares for the year ended December 31, 2002.
3. To appoint a Director in place of Mr. H. V. Goenka who retires by rotation at this meeting and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S. M. Kulkarni 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. Rajji & 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, 2003 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 Mr. J. Frick who was appointed as an Additional Director of the Company by the Board of Directors and holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 (the Act) read with Article 117 (2) of the Articles of Association of the Company, but being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a shareholder signifying his intention to propose Mr. J. Frick as a candidate for the office of Director, be and is hereby appointed as a Director of the Company and whose term of office shall be liable to determination by retirement of the Directors by rotation.”

**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 Statement pursuant to Section 173(2) of the Companies Act, 1956, is annexed hereto and forms a part of this Notice.

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## Notice to Shareholders (Contd.)

- (c) The Register of Members and Share Transfer Books of the Company will remain closed from June 3, 2003 to June 12, 2003 (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 12, 2003. 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 disbursed 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 2, 2003.
- (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  
Head – Secretarial &  
Company Secretary

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

Mumbai, March 25, 2003.

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## **Annexure to Notice**

Explanatory Statement 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, 2003.

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

Mr. J. Frick was appointed as an Additional Director of the Company with effect from March 4, 2003 and he holds office only upto the date of the ensuing Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956, has been received from a shareholder of the Company signifying his intention to propose Mr. Frick as candidate for the office of Director.

The Board recommends the appointment of Mr. J. Frick.

Except Mr. Frick, none of the Directors is concerned or interested in the passing of this Resolution.

By Order of the Board  
V. SREERAM  
Head – Secretarial &  
Company Secretary

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

Mumbai, March 25, 2003.

## Directors' Report

Dear Member,

Your Directors have pleasure in presenting the 45th Annual Report together with the audited Statements of Accounts alongwith the Report of the Auditors for the year ended December 31, 2002.

### FINANCIAL HIGHLIGHTS

Rs. Mio.

	2002	2001
Sales and Other Operating Income	6,135.62	7,002.60
Other Income	71.95	67.55
Total Income	6,207.57	7,070.15
Gross Profit before interest and depreciation	707.20	616.03
Less: Interest	185.38	262.70
Gross Profit before depreciation	521.82	353.33
Less: Depreciation	125.10	118.90
Profit for the year before extra-ordinary items	396.72	234.43
Less: Extra-ordinary items	118.94	72.10
Profit for the year before taxation	277.78	162.33
Less: Provision for Taxation on Income	134.61	93.70
Less: Provision for Deferred Taxes	(11.58)	(23.05)
	123.03	70.65
Profit for the year After Tax	154.75	91.68
Add: Profit & Loss balance Brought Forward	199.29	160.05
<b>Amount available for Appropriation</b>	<b>354.04</b>	<b>251.73</b>
<b>Appropriations:</b>		
Proposed Dividend	35.68	32.44
Provision for Taxation on Proposed Dividend	4.57	—
Transferred to General Reserve	15.50	20.00
Profit & Loss Balance Carried Forward	298.29	199.29
	<b>354.04</b>	<b>251.73</b>

### Dividend

Your Directors have proposed a dividend of 22% for the year ended December 31, 2002 (Previous year 20%).

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## **Directors' Report (Contd.)**

### **Exports**

The export turnover during the year was Rs. 545.87 million compared to Rs. 458.42 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, 2002 aggregated to Rs. 87,375,251/-. Deposits aggregating to Rs. 2,650,000/- from 112 depositors though matured, had neither been claimed nor renewed until December 31, 2002. Out of these, 36 deposits aggregating to Rs.10,26,000/- have since been renewed/refunded.

### **Insurance**

Your Company's assets continue to be adequately 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**

Your Directors, to the best of their knowledge and belief and according to the explanations provided, state 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 31st December, 2002 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. J. Walker, who was the whole-time Director, designated as Technical Director and alternate Director to Mr. C. Kaiser, ceased to be a Director on the Board of the Company with effect from September 30, 2002.

Dr. A. F. Hennecken, who was an alternate Director to Mr. J. Dietsch, ceased to be an alternate Director with effect from October 31, 2002.

The Directors place on record their sincere appreciation of the contribution made and guidance given by Mr. Walker and Dr. Hennecken during their tenure.

Mr. J. Frick, who was appointed as an alternate Director to Mr. J. Dietsch with effect from November 1, 2002, ceased to be Alternate Director with effect from March 3, 2003. Thereafter Mr. Frick was appointed as an Additional Director with effect from March 4, 2003.

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## **Directors' Report (Contd.)**

Mr. H. V. Goenka and Mr. S. M. Kulkarni 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.

### **Integration**

Following the global acquisition of Aventis CropScience by Bayer AG and consequent synergies in Indian business, it has been decided to restructure the operations in India. Your Directors feel that it is necessary to create a contingency provision of Rs. 6 crores in order to meet such restructuring expenditure.

### **Responsible Care and Quality**

Your Company implemented an Integrated Policy on Health, Safety, Environment and Quality in accordance with Bayer Corporate guidelines.

The Himatnagar plant has achieved a remarkable performance of zero reportable accidents for the second consecutive year.

During the year, the Environment Management System of our Thane Site has been re-certified to comply with the international standard ISO 14001:1996. The surveillance audit of Himatnagar plant resulted in continuance of the ISO 14001:1996 certificate. The surveillance audit of Bayer (India) Limited resulted in continuance of the ISO 9001 : 2000 certificate for Quality management system. The Company has been successful in reducing its environmental load and also conserving the resources of raw materials and energy.

Your Company has assisted the industry by utilising the incinerator facility for incineration of hazardous waste of other companies responsibly.

The Thane plant of your Company was audited by auditors appointed by the Ministry of Environment and Forests, Government of India, under the special project, "District Hazard Analysis."

Your Company participated in "Young Environment Envoy" program by selecting and sending four students to the Bayer Headquarters in Germany for exposure to Bayer's facility.

Your Company remains committed to Social Responsibility with continuing various community projects. We are continually improving in the Responsible Care activities and customer focus in all the business processes, thus contributing to 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 31.12.2002 is annexed hereto.

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## **Directors' Report (Contd.)**

### **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 Pharmaceutical Formulations and 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 Pharmaceutical Formulations and Insecticides for the year ending December 31, 2003. The requisite approval for their appointment has since been received from 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.

### **Acknowledgements**

The Board of Directors places on record its sincere appreciation for the continual support from Bayer AG — the parent company, shareholders, customers, suppliers, banks, financial institutions and other business associates.

For and on behalf of the Board of Directors

H. V. GOENKA  
Chairman

Mumbai, March 25, 2003

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## **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 year ended December 31, 2002.**

### **I. CONSERVATION OF ENERGY**

#### **(a) Energy conservation measures taken**

1. The commissioning of Back Pressure Steam Turbine in January 2002 has resulted in annualised savings of Rs. 2.6 Mio. in electrical consumption for Cooling Tower operation.
2. Screw compressor with variable speed drive installed in December 2002 for 3 bar compressed air supply, will result in a saving of Rs. 3.0 Mio. on annualised basis due to low maintenance and better efficiency.
3. Retrofitting of the air preheater for 25 bar steam boiler has resulted in annualised savings of Rs. 0.7 Mio.
4. Automatic control of power factor has resulted in annualised savings of Rs. 1.4 Mio.
5. Cascading of cooling water from brine condensers to Methanol column condensers in CropScience Active Ingredient plant has lead to conservation of cooling water resulting in annualised savings of Rs. 0.37 Mio.
6. Optimisation of Brine plant operation in CropScience Active Ingredient plant has resulted in annualised savings of Rs. 0.8 Mio. in electricity cost.
7. Optimisation of sludge recirculation pump during idling of Tower Biology plant has resulted in annualised savings of Rs. 0.12 Mio.

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

1. Rationalization of steam supply network to minimise losses.
2. Energy audits of office blocks to optimise energy consumption.

#### **(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.



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

### 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 products and label expansions have been submitted to Central Insecticides Board.
  - (b) Full registration of RAXIL 2DS, Bulldock 025SC and Antracol 70WP have been achieved.
  - (c) Co-extruded containers for packing Confidor 200SL were approved by the Central Insecticides Board.
2. Future plan of action:

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

(a) Capital	282
(b) Recurring	<u>59,176</u>
(c) Total	<u>59,458</u>
(d) Total R & D Exp. as a % of total turnover	0.97

#### B. Technology absorption, adaptation and innovation

- Support was provided for the indigenous formulation of RAXIL 2DS and Bulldock 025SC.
- Stringent quality requirements for export of Phosphorous Sulfochloride were met with improvement of process, analytical procedures and facility for manufacturing of Phosphorous Sulfochloride.
- Co-extruded packing of Confidor 200 SL received the prestigious "India Star" award for excellence in packaging.

### 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. 595.097 Mio. and earned Rs. 687.941 Mio.

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## Annexure to the Directors' Report (Annexure II)

### Information as per Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 for the year ended December 31, 2002

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Name, Qualification, Age (Years), Designation and Nature of Duties, Remuneration (Rupees), Experience (Years), Date of Commencement of employment, Last Employment held.

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MR. BHAMBANI S. K., B.SC., 59, HEAD — BG: CROPSCIENCE 3,999,394, 39, 05-01-1964, —

MR. KAMBECK D., M.A. IN SPANISH & ENGLISH, 55, MANAGING DIRECTOR, 8,952,530, 31, 01.11.2000, BAYER (SOUTH EAST ASIA) PTE. LTD. SINGAPORE

MR. KSHIRSAGAR G. A., M. TECH., 47, HEAD — MANUFACTURING, 2,641,294, 23, 25-05-1979, —

MR. WALKER J. L.\*, M.SC. IN CHEMICAL ENGINEERING, 57, TECHNICAL DIRECTOR, 2,460,276, 33, 01-03-1996, BAYER CORPORATION, HOUSTON

Notes:

\*Employed for part of the year.

- (1) All appointments are/were contractual and are subject to the rules and regulations of the Company in force from time to time.
- (2) Remuneration includes Salary, Allowances, Leave Travel Assistance, Company's contribution to Provident Fund and Superannuation. Expenditure incurred by the Company on accommodation, medical/other facilities or perquisites is as per Income-Tax Act but does not include Company's contribution to Bayer (India) Limited Employees' Group Gratuity-cum-Life Assurance Scheme.
- (3) None of the above employees is a relative of any Director of the Company.

On behalf of the Board of Directors  
H. V. GOENKA  
Chairman

Mumbai, March 25, 2003.