

**PROCEEDINGS OF THE 53<sup>RD</sup> ANNUAL GENERAL MEETING OF THE COMPANY HELD ON 25<sup>TH</sup> AUGUST, 2011 AT 12.00 NOON AT YASHWANTRAO CHAVAN PRATISHTAN AUDITORIUM, Y. B. CHAVAN CENTRE, NEAR MANTRALAYA, GEN. J. BHOSALE MARG, MUMBAI - 400 021**

---

**PRESENT:**

Dr. Vijay Mallya	Chairman
Mr. Stephan Gerlich	Vice Chairman & Managing Director
Mr. Sharad. M. Kulkarni	Director
Mr. A. K. R. Nedungadi	Director
Mr. Vimal Bhandari	Director
Mr. Kaikobad B. Mistry	Whole-time Director
Mr. J. Rehbein	Country Head of Bayer CropScience Indian Sub-Continent

**IN ATTENDANCE:** Shirin V. Balsara      Vice President – Legal & Company Secretary

140 Shareholders

Dr. Vijay Mallya took the Chair and welcomed the shareholders to the 53<sup>rd</sup> Annual General Meeting of the Company.

He informed the shareholders that the required quorum was present and called the meeting to order. The Company had received twelve proxies for 529,787 shares. He also informed that the Company had received authorised representations under Section 187 of the Companies Act, 1956 from the following 4 Companies/ Body Corporates:

- Bayer AG - (20.94 %)
- Bayer SAS - (20.06 %)
- Bayer CropScience AG – (28.45 %)
- Bayer MaterialScience Private Limited - (1.66%)

The Register of Proxies, the Register of Directors' shareholdings and other Statutory Registers were open for inspection by the shareholders. The Notice of the Meeting was taken as read.

Shirin V. Balsara, Vice President - Legal and Company Secretary, read out the Auditors' Report.

The Chairman then introduced Mr. Joerg Rehbein and informed the shareholders that he had replaced Mr. Jens Hartmann as the Chief Operating Officer of the Company. He briefed the shareholders regarding the qualifications and position held by Mr. Rehbein earlier. He extended a warm welcome to Mr. Rehbein to Bayer CropScience in India.

He briefly touched upon the salient features of the Chairman's Statement which had been handed over to the shareholders prior to the Meeting. He informed the shareholders that, during the year ended 31<sup>st</sup> March, 2011, the Company had recorded a total income of Rs.2,557.7 crores and an after tax Profit of Rs.131.5 crores. He stated that the Board had recommended a dividend of Rs.4/- per share. According to him, the farming sector continued to be the backbone of the Company's economic growth, but the country's agricultural destiny is still steered by the monsoon. He spoke of the outlook for the country, particularly with respect to the monsoon trends, and drew reference to the environment in which the Company operates and enumerated the future strategy to take advantage of the opportunities. The future outlook of the Company was also fairly robust.

He drew the attention of the shareholders to the Directors' Report informing them about the exclusive arrangement entered into by the Company with Agile Real Estate Private Limited with respect to the Thane land and the Memorandum of Understanding dated 31<sup>st</sup> March, 2011. The Company has received a non-refundable deposit of Rs.260 crores for this exclusive arrangement. The conveyance and transfer of the Thane land will be completed at a future date, subject to receipt of the relevant approvals, and an appropriate announcement will be issued at that time. He assured the shareholders that the Board would ensure that the transaction would be completed in the best interests of the Company and its stakeholders.

He informed the shareholders that the Company was working on the development of new generation of crops such as rapeseed, rice, cotton and maize which were more stress tolerant and which produce higher yields. The role of Bayer technology would become important as it helped to make the crops more resistant to stress caused by climatic and environmental conditions.

He went on to say that, Bayer is committed to the principles of Sustainable Development and to the social and ethical responsibilities and that this was summed up perfectly in the Mission Statement of Bayer – "Science for a Better Life", as stated by Dr. Marijn Dekkers, CEO of Bayer AG.

The Chairman proposed the resolution relating to the accounts and prior to putting it to vote, invited the shareholders to raise questions.

The following shareholders spoke at the Annual General Meeting:

1. Mr. Harshad Keshruwala
2. Mr. Zahur Maniar
3. Mr. Kaushik Dhanuka
4. Mr. Kirti Shah
5. Mr. V. M. Vartak
6. Mr. Yusuf Rangwala
7. Mr. Hariram Choudhary
8. Mrs. Smita Shah
9. Mr. H. V. Sanghvi
10. Mr. Vinitkumar Parikh
11. Mr. Martin Masceranhas

The shareholders made the following observations / raised queries:

### Performance of the Company:

- Generally good performance of the Company, but profit not encouraging. Turnover has increased by Rs. 437 crores from Rs.1690 crores to Rs.2127 crores, but profit has increased by only Rs..4 crores.
- Reason for increase in inventories.
- Reason for increase in employees' cost inspite of reduction in the number of employees.
- Reason for increase in current liabilities.
- Legal fees have gone up from Rs..14 crores to Rs.18 crores. Information sought regarding any ongoing litigations.
- Reason for reduction in donations from Rs.25 lakhs to Rs.1 lakh.
- Reason for increase in rent from Rs.13 crores to Rs.15 crores and information on purchase of any new premises.
- Travelling and conveyance gone up from Rs.25 crores to Rs.30 crores and miscellaneous expenses gone up from Rs.18 crores to Rs.25 crores.
- Commended the Corporate Social Responsibilities activities conducted by the Company.
- Information sought regarding the CAPEX programme of the Company and the internal auditors.
- Status of pending cases as given on page 37 as pointed out by the auditors.
- Comments on the expected growth rate for the various business areas viz. herbicides, pesticides etc. for the next few years in India.
- Comments on the risk posed to the agrochemical industry by BT crops.
- Risks posed by organic farming.
- Scope for margin expansion at the EBITA level.
- In the balance sheet, launches in 2010-11 include Arize rice seeds and cotton seeds. Is this mentioned as a distributor or has the Company launched these products in this listed entity. (needs to be reworded)
- Your views regarding Foreign Direct investment in retail and how it might help the Company.
- With regard to the tie-up with Pepsi and Walmart for contract farming, what is the turnover generated from such farming .
- The Company's direct contact with farmers. What sort of numbers is the Company looking at ?
- As far as the distribution of the Company is concerned, what is the coverage of the Company How many dealers and retailers does the Company have ?
- Information on the turnover break-up for herbicides, fungicides and insecticides.
- Views on why the herbicides is 20% of the Indian agrochemical industry while globally it is 40% to 50%. This higher growth prospect for herbicides is expected 25% to 30% as against the industry growth of 15%.
- Any plans for inorganic growth.
- As far as exports are concerned, the Company's strength as a sourcing base for the parent company versus other Bayer entities worldwide.
- What percentage of turnover in future is expected to come from exports. Will such exports be only to the parent company or is the Company looking at other markets ?
- Plans of the Company for CAPEX for 2011-12 and the next few years.
- Information regarding the current year prospects -how much percentage is contributed by generic products, if any, and how much by branded products ?
- Reasons for the increase in the cost of traded goods and comments on this mismatch versus the increase in turnover as a whole..

- The Company's plan to control increase in the raw material cost as a percentage of the total cost.
- How much does fruits and vegetables contribute to the total turnover ?
- The containment of Interest cost of Rs.8 crores against borrowing of Rs.108 crores was appreciated.
- Commended the increase in exports from Rs.150 crores to Rs.236 crores.
- Rate at which intercorporate deposits had been obtained and from whom ?
- Future roadmap for the Company since the capital work-in-progress is only Rs.8 crores.

#### **Sale of Thane Land:**

- Request for more information on Agile Real Estate Private Limited and when is the total amount expected.

#### **New initiatives / products :**

- Comments on the interview, of the Chairperson of Bayer CropScience AG, Sandra Peterson who had indicated that 18 new products are scheduled to be launched until 2016. Are all these products agrochem and will they be launched in our Company.

#### **Miscellaneous :**

- Appreciative of the support given by TSR Darashaw Limited.
- Congratulated the management on winning various awards as mentioned on page 6 of the annual report.
- Is BCS going to remain an agrochem company only or is the Company looking at allied activities in future.
- Location and area of the freehold and leasehold land.
- Sought information relating to unclaimed deposit of Rs.15,000/- as given on page 5 of the annual report.
- Information relating to number of copies printed and the cost incurred on such printing.
- Reason why the Company is not listed on the National Stock Exchange.
- Requested to email the quarterly results to all shareholders as per practice started by some other companies.
- Praised the Company's values and philosophy.
- Congratulated the management on the LIFE values.
- Company's plans, if any, to merge the other Bayer entities in India with this Company.
- Request for a vision statement for the Company for the next 5 – 10 years which is supposedly the golden period in agriculture.

The Chairman gave the necessary clarifications, focusing in particular on the following

- Assured the shareholders that Agile Real Estate Private Limited was a Special Purpose Vehicle, owned by a reputed Group who has given the Company Rs.260 crores as earnest money . Even given the current real estate situation there is no reason to doubt the credentials of the party. An announcement will be made with full particulars to all stakeholders at appropriate time.

- On the comment regarding the earnings not being in line with the topline growth, he clarified that it was a direct result of the increased advertising & sales promotion expenses. Further the employee cost has increased because of the annual increment to the employees ranging from 8% to 10% which is in line with the industry practice.
- The increase in the inventory days from 109 days to 113 days is not a cause of concern.
- Legal fees also includes consultancy fees and the Company has incurred consultancy charges in respect of IT Management and data security.
- Pending appeals: Information has been provided in the balance sheet.
- The major factor contributing to the increase in current liabilities is the inclusion of Rs.260 crores of earnest money deposit received by the Company.
- Internal Audit procedures are robust and the auditors are satisfied. This is being conducted by the Internal Audit Department within the Company.
- Growth rates amongst the principal business areas- Insecticides 10%, Herbicides 30% and Fungicides 40%. The expected growth rate is around 10% plus.
- With respect to BT Cotton crops, the farmer wants to protect his own high value crop however, there is no negative effect on the Company.
- No significant organic expansion. However, way forward strategy for margin expansion is through an improved product mix e.g. through the usage of fungicides which have higher margins and through the introduction of new products.
- With reference to the future strategy going forward, this Company is not contemplating any mergers or any reorganisation of business by entering any new business areas. The Company will stay focused in the agri business.
- The amount of Rs.260 crores that was received as earnest money deposit is being utilised in multiple ways including placement of intercorporate deposits and for working capital. As and when the full and final settlement is received, the Company shall decide on the manner of distribution and how to invest the same and an appropriate announcement shall be made at this juncture.
- Seeds are an integral part of our strategy going forward. The seeds are manufactured by Bayer BioScience Private Limited and distributed by your Company. The seeds business constitutes about 20% of the turnover.
- With reference to foreign direct investment in retail, the policy formation is dependent on the Government of India. The Company's view is that it will open up greater opportunities in food processing which will obviously benefit the Company's products.
- Contract farming with Pepsi and Walmart has yielded or is expected to yield a turnover in 2011 of about Rs.34 crores.
- The Company has contacts with about 15 lakh farmers Out of the geographical coverage of the 50,000 dealers in India, the Company covers about 80% of the same.
- Referring to the statement made by Ms. Sandra Peterson, the Company hopes to receive 2 – 3 new products per year for introduction in the local market as part of the future strategy to improve margins. However, in India it takes 3 -5 years to obtain approvals.
- With reference to capital expansion plan / scope for expansion in manufacturing, the Company is satisfied with its manufacturing and toll manufacturing facilities, but plans to invest approximately Rs.70 crores in capital expenditure during the forthcoming year.
- Vision Statement – Without getting into specifics, the Company envisages a double digit growth with focus on seeds and chemicals and more profitable products, in other words, maximise as much as possible in the Food Chain area
- The break up of sales between three major business areas for 2012 is expected to be: Herbicides 16%, Fungicides 17% and Insecticides 49%.
- As and when any inorganic growth opportunity arises, the Company will review it.

- The Company is a sourcing base for the parent company.
- The Company do not sell generics, it sells principally branded products and out of the total portfolio, about 40% are presently off patent.
- The contribution of the fruits and vegetables is 20% of the sales.
- Freehold land - Thane 91.5 crores and Hyderabad 3.4 crores. Leasehold land – Ankleshwar and Himatnagar are leasehold lands.
- Intercorporate deposit - Rs.108 crores from Bilag Industries Private Limited @ interest rate of 7.25% p.a. which has been fully repaid.
- There will be additions of upto Rs.70 crores in the current year.
- The Company is satisfied with the listing on the Bombay Stock Exchange. It is quite comprehensive covering shareholders across the country. The Company will consider the option of listing on the National Stock Exchange if found necessary at a future date.
- The Company has taken note of the suggestion for sending the quarterly results on email.
- It was indicated that the shareholders will have an opportunity to visit the Registered Office at Powai which would be organised during the year.

The Chairman mentioned that the suggestions made by the shareholders were appreciated, noted and would be considered by the Board.

Having answered the questions to the satisfaction of the shareholders, the resolution proposed by the Chairman was put to vote and was passed unanimously as an Ordinary Resolution on a show of hands:

**“RESOLVED THAT** the Profit and Loss Account of the Company for the year ended 31<sup>st</sup> March, 2011, the Balance Sheet as on that date and Reports of the Auditors and Directors be and are hereby approved and adopted.

Mr. Keshruwala proposed and Mr. Kirti Shah seconded the following resolution which was passed unanimously as an Ordinary Resolution:

**“RESOLVED THAT** a Dividend of Rs. 4.00 per Equity Share be paid on 3,94,98,747 Equity shares of Rs.10/- each to those shareholders who hold shares in physical form and whose names appear on the Register of Shareholders of the Company as holders of Equity Shares as on 25<sup>th</sup> August, 2011 and in respect of shares held in electronic form, to the beneficial owners of the shares as at the close of business hours on 10<sup>th</sup> August, 2011, as per the details furnished by National Securities Depository Limited and Central Depository Services (India) Limited.”

Since the next Resolution was relating to the reappointment of Dr. Mallya, Mr. S.M. Kulkarni took the Chair at this juncture and put the resolution to vote.

Mr. Chainani proposed and Mr. Michael Mascarenhas seconded the following Resolution which was passed unanimously as an Ordinary Resolution :

**“RESOLVED THAT** Dr. Vijay Mallya be and is hereby re-appointed as a Director of the Company.”

Dr. Mallya took the Chair.

Mr. Lala proposed and Mr. Kirti Shah seconded the next Resolution which was unanimously passed as an Ordinary Resolution on a show of hands:

**“RESOLVED THAT** Mr. A.K.R. Nedungadi be and is hereby re-appointed as a Director of the Company.”

5. Since the Financial Institutions hold 4.35% in the subscribed share capital of the Company, pursuant to Section 224A of the Companies Act, 1956, the resolution for the appointment of Auditors was proposed as a Ordinary Resolution :

Mr. Sudhir Parikh proposed and Mr. Prasad Manjrekar seconded the following resolution which was passed as an Ordinary Resolution by majority :

**“RESOLVED THAT** pursuant to provisions of the Section 225(1) and other applicable provisions, if any, of the Companies Act, 1956, M/s. Price Waterhouse, Chartered Accountants, (Firm Registration No.301112E), be and are hereby appointed as Auditors of the Company, in place of M/s. Price Waterhouse, Chartered Accountants, (Firm Registration No.007568S), the retiring Auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, on such remuneration as may be fixed by the Board of Directors of the Company.

**RESOLVED FURTHER THAT** the Board of Directors be and are hereby authorised to do all such acts, deeds and things as may be necessary to give effect to this resolution.”

There being no other business, the meeting ended with a vote of thanks to the Chair.

**CHAIRMAN**