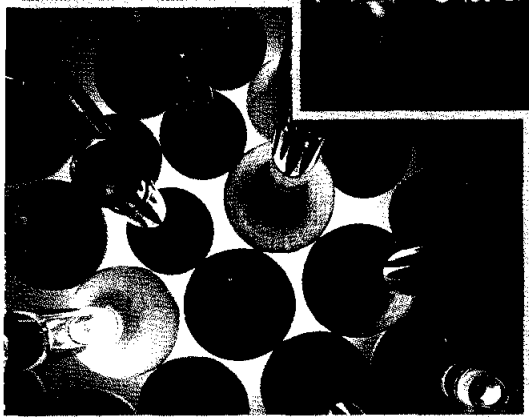
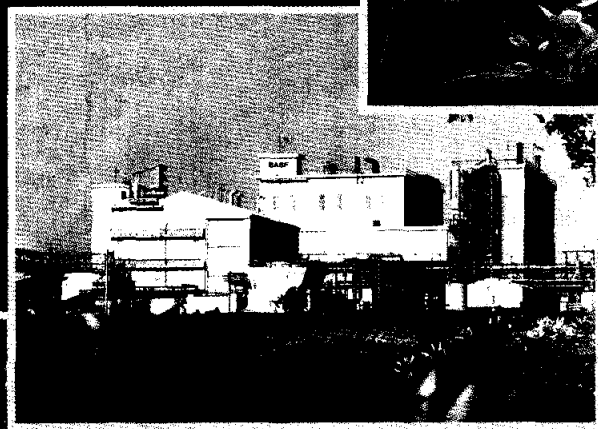


# Annual Report 2001 - 2002

BASF India Limited



REPORT *through*  
Value

*Adding*

**BASF**

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## Financial Highlights — At a glance

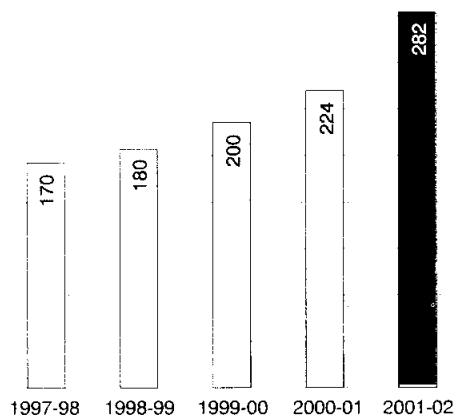
Rs in Million

	1997-98	1998-99	1999-00	2000-01	2001-02
Sales	2942	3418	3796	4190	5844
Profit before tax	192	217	334	360	386
Profit after tax	170	180	200	224	282
Total assets *	3360	3488	3393	3415	4321
Borrowings	1066	1044	819	660	1080
Shareholders' equity*	1698	1806	1911	1992	2012
Depreciation	190	204	215	209	220
Capital expenditure	342	74	65	125	45
Exports	370	288	344	250	584
R & D cost	13	13	12	10	14
Personnel cost (Total)	226	267	303	333	408
Dividend amount	56	67	97	121	141
Dividend in %	35	35	40	50	50
Number of employees	950	946	940	896	990
Number of shareholders	12895	13936	19104	20382	37422

\* excludes effect on revaluation

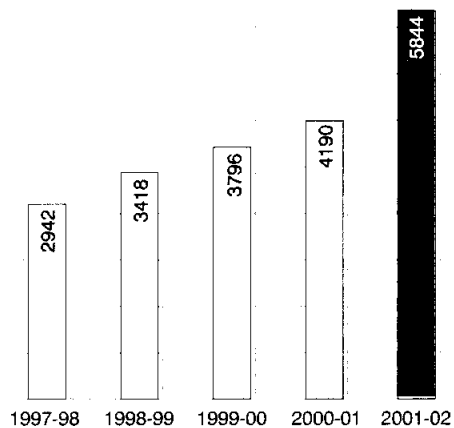
### Profit After Tax

Rs. in Million



### Sales

Rs. in Million





### *Message from the Chairman & Managing Director*

The year gone by will be remembered for the external global events and developments. In spite of September 11<sup>th</sup> and the cascading repercussions of the event, your Company has performed well. These results are due to the determination and hard work of all our employees.

I am pleased to announce that the Board of Directors have recommended dividend of 50% on the enhanced capital for the financial year 31<sup>st</sup> March, 2002. The Earnings Per Share exceeds Rs. 10/- on the expanded share capital post merger Cyanamid Agro Limited.

We will continue to add value through Growth and Innovation.

A handwritten signature in dark ink, appearing to read 'Prasad Chandran', written over a horizontal line.

**Prasad Chandran**

# 58th Annual General Meeting

## Contents

	Page
Friday, 2nd August 2002 at 3.00 p.m. at Yashwantrao Chavan Pratishthan Auditorium, Y.B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai - 400 021.	
<b>Agenda</b>	
1. Presentation of Financial Statements and the Directors'/Auditors' Report	2
2. Declaration of Dividend	3
3-4. Appointment of Directors	9
5. Appointment of Auditors	15
6-7. Special Business	22
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	25
	26
	29
	30
	39
	40

The Notice of the Meeting  
and Annexures to the Directors'  
Report are enclosed.

### BASF India Limited

**Registered Office :**  
Rhone-Poulenc House,  
S.K. Ahire Marg,  
Mumbai - 400 025.  
Phone : 461 8000  
[www.basf-india.com](http://www.basf-india.com)

#### Works

Thane-Belapur Road,  
Turbhe, Maharashtra.

Bala / Thokur Village,  
Surathkal-Bajpe Road,  
Mangalore Taluka,  
Dakshina Kannada District,  
Karnataka.

83/2, Demni Village,  
Dena Bank Road,  
Dadra - 396 191.  
Union Territory of Dadra & Nagar Haveli

#### Branches

Ahmedabad, Chennai, Delhi, Kolkata

#### Registrars and Share Transfer Agents

Tata Consultancy Services (TCS),  
6, Lotus House,  
Sir Vithaldas Thackersey Marg,  
New Marine Lines,  
Mumbai - 400 020.  
Phone : 203 9136 / 876 5185

BASF India Limited

## Board of Directors

Mr. Prasad Chandran  
*Chairman and Managing Director*

Dr. E. Baumgartner

Mr. S. Kumarasamy  
*Alternate to Dr. E. Baumgartner*

Dr. W. Burgert

Mr. L.S. Naik  
*Alternate to Dr. W. Burgert*

Mr. K.R. Coorlawala

Mr. E. Hilgemann

Mr. R.E. Vaz  
*Alternate to Mr. E. Hilgemann*

Mr. R.R. Nair

Mr. Pradip P. Shah

Mr. R.A. Shah

### Executive Committee

Mr. Prasad Chandran

Mr. P.K. Bhattacharya

Mr. Darshan Lal

Mr. S. Kumarasamy

Mr. L.S. Naik

Mr. S. Ramnath

Mr. R.E. Vaz

Mr. M.R. Iyer

Mr. Ravi Nair

### Auditors

Deloitte Haskins & Sells  
*Chartered Accountants*

### Solicitors

Messrs Crawford Bayley & Co.

### Bankers

State Bank of India

Union Bank of India

Bank of America

Citibank N.A.

Deutsche Bank

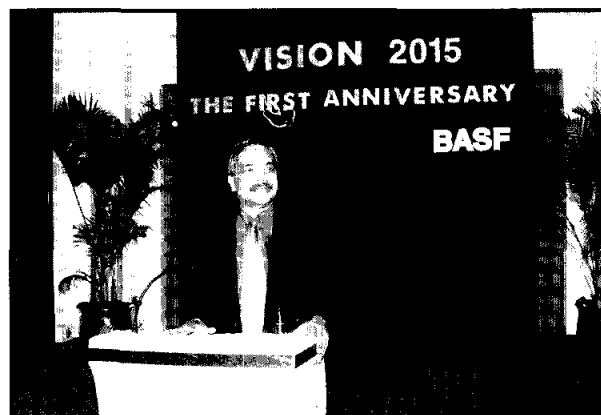
Standard Chartered Grindlays Bank Limited

### Internal Auditors

Mahajan & Aibara  
*Chartered Accountants*

### Secretary

Mr. M.R. Iyer



Financial Ratios		
	2001-02	2000-01
Equity vs Total Assets (%)	46.56	58.34
Return on Capital Employed (%)	18.75	17.01
before interest and taxes		
Profitability of total income (%)	9.18	10.79
before interest and taxes		
Current Ratio	2.34	2.37
current assets :		
short term liabilities and provisions		
Acid Test Ratio	1.55	1.58
short term receivables plus		
cash and cash items:		
short term liabilities and provisions		

conditions. The Chemicals business registered increase in technical service fees and profits for the year ended 31st March 2002.

In line with the concerted efforts taken by the Company, export sales during the year were Rs. 584 million as compared to Rs. 250 million in the previous year, representing an increase of 134%.

Amalgamation of Cyanamid Agro Limited with the Company

The Scheme of Amalgamation of Cyanamid Agro Limited (CAL) with the Company was sanctioned by the Hon'ble High Court of Bombay on 22nd June 2001. Accordingly, CAL was merged with your Company from the Appointed Date, i.e. 1st April 2001. The shareholders of the erstwhile CAL received 2 shares of your Company for every 5 shares of CAL held by them on the record date viz., 31st August 2001. Accordingly, 4035948 Equity Shares of the Company were allotted to the erstwhile shareholders of CAL on 25th September 2001. As a consequence, the subscribed and paid-up capital of your Company stood increased from Rs. 2415.35 million to Rs. 2818.95 million. The Board welcomes the shareholders of CAL to participate in the future of BASF India Limited.

Asset Impairment

As a matter of prudent accounting practice, business units with low profitability or losses have to be reviewed to determine whether assets have to be written down to a lower value, i.e., writing down the asset value to reflect the real value in use. The Company carried out impairment test of its dyes plant at Mangalore. The process involved comparing the present value of future expected cash flows from the business, with the net book value of the plant. This study indicated a need to write down the plant by Rs. 70 million and this has been accordingly carried out. Although impairment is not mandatory as per the current accounting guidelines prescribed by the Institute of Chartered Accountants of India, the Company wrote down the assets as a matter of good corporate practice.

Dividend

Your Directors recommend payment of dividend at 50% (Rs. 5 per share) for the year ended 31st March 2002 (previous year Rs. 5 per share). The shareholders of the erstwhile CAL who have been allotted equity shares pursuant to the Scheme of Amalgamation sanctioned by the High Court are also entitled to the dividend. The dividend will absorb Rs. 141 million.

Finance & Accounts

The continued use of commercial paper to access low cost funds together with the steps taken during the year to improve the cash flow position enabled the Company to lower its overall interest rates.

Debentures

During the year, your Company was successful in raising non convertible debentures of Rs. 450 million at competitive rates to augment its long term working capital requirements. Credit Rating Information Services of India Limited (CRISIL) assigned the rating of 'AAA' for the debentures.

Your Directors certify that the debentures of Rs. 100 million, Rs. 200 million and Rs. 450 million raised in 1997, 2001 and 2002 respectively for working capital requirements, were used only for that purpose.

Commercial Papers

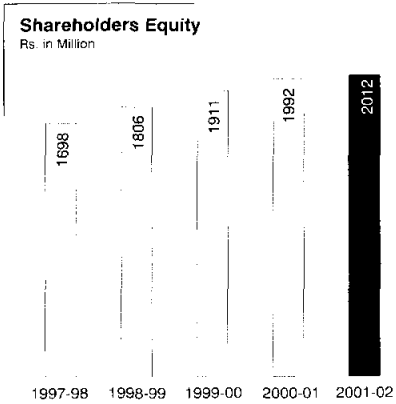
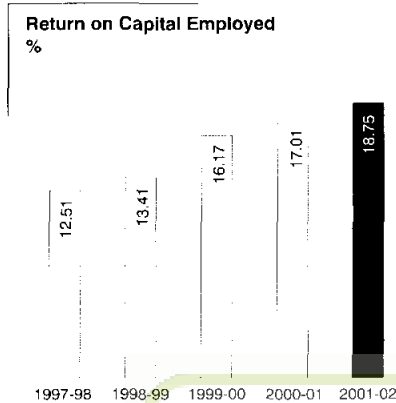
Commercial Papers of Rs. 1150 million were issued during the financial year ended 31st March 2002 at competitive interest rates. Your Company continued to maintain the highest rating of 'P1+' awarded by CRISIL for its Commercial Paper.

Capital Expenditure

Capital Expenditure incurred during the year aggregated to Rs. 44.67 million.

Fixed Deposits

Your Company continued to maintain the highest rating of 'FAAA' awarded by CRISIL. There are no overdue deposits except unclaimed deposits amounting



to Rs. 3.69 million as at 31st March 2002. Since then, deposits amounting to Rs. 1.44 million have either been repaid or renewed.

Your Company transferred unclaimed Fixed Deposit amount of Rs. 0.62 million to the Investor Education and Protection Fund.

### Management Discussion & Analysis Report

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion & Analysis Report is appended to this Report.

### Corporate Governance

Your Company has always strived to incorporate appropriate standards for good Corporate Governance. It has taken steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the amended listing agreements of the Stock Exchanges, with which the Company is listed, are complied with.

A separate report on Corporate Governance along with a certificate of compliance from the Auditors, forms a part of this Report.

### Directors' Responsibility Statement

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors 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 at the end of the financial year ended 31st March 2002 and of the profit of the Company for that year;
- (iii) that the Directors have taken proper and sufficient care 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;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars of Board of Directors) Rules, 1988 is given in the annexure to this Report.

### ISO 14001

The Mangalore factory successfully underwent ISO 14001 recertification, confirming the Company's commitment to the cause of environmental protection.

### Directors

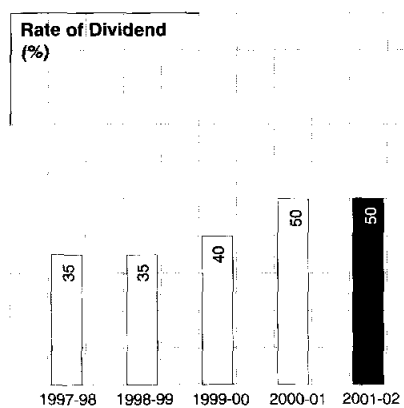
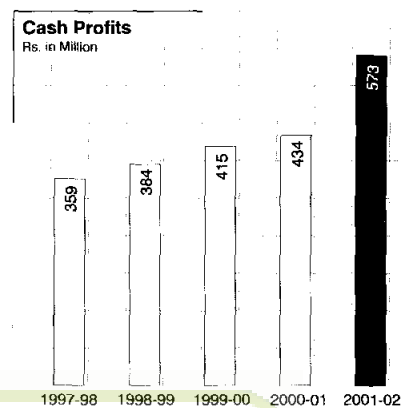
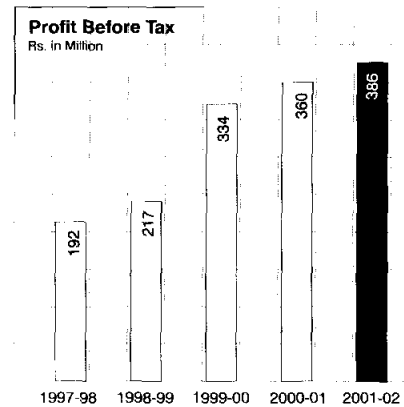
Dr. W. Praetorius resigned from the Board w.e.f. 17th April 2002. Your Directors wish to place on record their sincere appreciation of the guidance and advice received from Dr. W. Praetorius in the deliberations of the Board during his tenure as a Director.

Dr. E. Baumgartner was appointed as a Director on 17th April 2002 in the casual vacancy caused by the resignation of Dr. W. Praetorius in terms of Article 108 of the Articles of Association of the Company and Section 262 of the Companies Act, 1956.

Mr. S. Regunathan resigned from the Board w.e.f. 30th September 2001. Your Directors wish to place on record their sincere appreciation of the guidance and advice received from Mr. S. Regunathan in the deliberations of the Board during his tenure as a Director.

Mr. S. Kumarasamy was appointed as an Alternate Director to Dr. W. Praetorius w.e.f. 18th January 2002. He was thereafter appointed as an Alternate Director to Dr. E. Baumgartner w.e.f. 17th April 2002.

Mr. K.R. Coorlawala and Mr. E. Hilgemann retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.



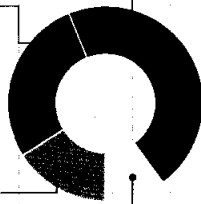
BASF India Limited



**Sales Break-up**

Rs. in Million

Agricultural Products & Nutrition	2679 (46%)
Performance Chemicals	1661 (28%)
Speciality Chemicals	940 (16%)
Others	564 (10%)

**Personnel and Welfare**

Industrial relations in the Mangalore, Thane & Dadra factories remained cordial. Your Directors wish to place on record their sincere appreciation for the co-operation received by the management from employees at all levels.

**Auditors**

M/s. Deloitte Haskins & Sells, Mumbai retire at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

**Auditors' Report**

Your Directors would like to refer to Para 4(vi) of the Auditors' Report dated 1st July 2002. We invite your

attention to Note 14 of Schedule 22 attached to these Accounts which depicts the position in regard to the pending approval from the Members of the Company in the General Meeting. In the Directors' opinion, the note is self-explanatory.

**Cost Audit**

The Board of Directors in pursuance of an order under Section 233B of the Companies Act, 1956 issued by the Government have appointed M/s. R. Nanabhoy & Co., Cost Accountants, Mumbai as Cost Auditors of the Company for conducting audit of the cost accounts maintained by the Company in respect of insecticides for the financial year 2002-2003.

**Particulars of Employees**

The information required to be published under the provisions of Section 217(2A) of the Companies Act, 1956 is given in the annexure to this report.

On behalf of the Board of Directors

PRASAD CHANDRAN  
Chairman & Managing Director

Mumbai,

Dated: 5th July 2002

**Annexure to the Directors' Report**

Statement containing particulars pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

**A. Conservation of Energy**

The Company continued its policy of giving priority to energy conservation measures including regular review of energy generation, distribution and consumption and effective control on utilisation of energy. During the year, major energy saving measures implemented in its factories, include, installation of six frequency variable drives, operation of D. G. Set at optimum loading to improve generation efficiency, derating of boilers to ensure continuous operation for achieving optimum thermal efficiency, improvement in processes and batch sizes resulting in reduction of specific energy consumption, recovery of flash steam from the condensate of steam traps, installation of waste heat recovery system in a plant, replacement of oil thermodynamic steam traps with balance pressure thermostatic ones, operation of process air system at reduced pressure, installation of improved heating system for Phenol storage tank, operation of a low power compressor instead of a high power one to meet air/nitrogen requirements of a plant.

The above measures not only resulted in significant savings in the total energy consumed but also had a positive impact on improvement of environment conditions. In addition, the Company plans to implement the following energy conservation measures:

- Rationalisation of process batch-size and cycle time at its plants.
- Initiate feasibility studies for use of solar heating system
- Explore the possibility of using waste heat in some of its plants.
- Introduction of additional variable frequency drives for cooling tower pumps.
- Reduction of voltage in the lighting circuit for saving power with marginal reduction in illumination and rationalisation of light fittings.
- Derating the utility Compressor at a site.

Requisite data in respect of Energy Consumption are given below:

	Current Year 1.4.2001 to 31.3.2002	Previous Year 1.4.2000 to 31.3.2001
(a) Power & Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (in '000 kwh)	7817	7383
Total amount (Rs. in million)	31.56	30.41
Rate per unit (Rs.)	4.04	4.12
(b) Own generation		
— Through diesel generator		
Units (in '000 kwh)	8039	8150
Units per litre of oil	3.85	3.43
Cost per unit (Rs.)	4.02	4.39
— Through Steam Turbine/Generator units		
Units per litre of fuel	N.A.	N. A.
oil/gas		
Cost per unit		
2. Coal(specify quality and where used)	N.A.	N. A.
Qty. (tonnes)		
Total cost		
Average rate		
3. Furnace oil/fuels		
Qty. (k.litres)	2776	2892
Total Amount (Rs. in million)	25.32	29.06
Average rate (Rs./litre)	9.12	10.05
4. Others/Internal Generation (Qty.)	N.A.	N.A
Total cost rate/unit		
(b) Consumption per unit of production		
Products		
Expandable polystyrene		
Unit M.T.		
Electricity (kwh)	114	153
Furnace oil/fuels (litres)	40	45
Coal (specify quality)	N.A.	N.A
Others (specify)	N.A.	N.A
Leather chemicals, auxiliaries, pigments, tanning and finishing agents including metal complex dyes and acrylic polymers		
Unit M.T.		
Electricity (kwh)	413	425
Furnace oil/fuels (litres)	71	76
Coal (specify quality)	N.A.	N.A
Others (specify)	N.A.	N.A
Pesticides		
Unit M.T.		
Electricity (kwh)	257	426
Furnace oil/fuels (litres)	98	96
Coal (specify quality)	N.A.	N.A
Others (specify)	N.A.	N.A