

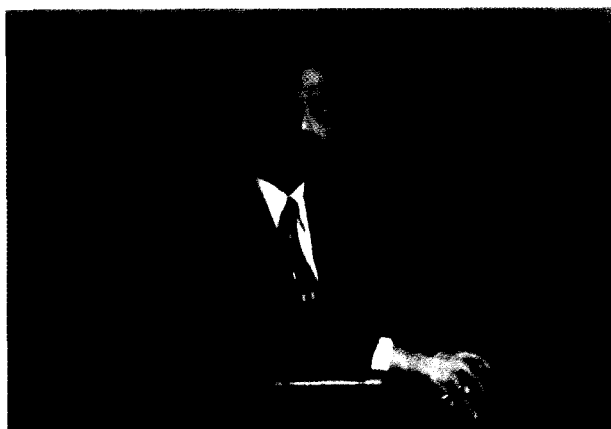
# Annual Report 2002-2003

## BASF India Limited



Fostering Innovation For Sustainable Development





### Message from the Chairman & Managing Director

You will be pleased to note that BASF India has performed well under difficult conditions. For the third consecutive year, your Board has declared a dividend of 50%, inspite of the worst drought last year and the consequent effects on the economy.

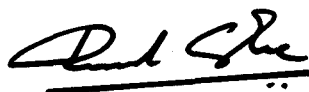
Success of BASF India has been due to the timely measures taken in improving operational efficiencies, controlling cost and achieving significant reduction in interest cost.

The current phase of rapid and radical changes brings about a great deal of uncertainty in the business environment. However, at BASF, with our technology leadership, we ensure reliability, continuity and adding value through growth and innovation.

Your company celebrated 25 years of Research & Development in India and this is a commemorative issue titled:

**"Fostering Innovation for Sustainable Development"**

With Best Wishes,



**Prasad Chandran**

## Annexure to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the financial year ended 31st March 2003.

Name of employee	Designation and Nature of Duties	Gross Remuneration Rupees	Qualification	Date of Commencement of employment	Age/ Experience Years	Particulars of last employment, Last employer, Post last held, No. of years
<b>(a) Employed throughout the Financial Year under review and were in receipt of remuneration for the Financial Year in the aggregate of not less than Rs. 24,00,000/-</b>						
Mr. Prasad Chandran	Chairman & Managing Director	4,759,056	B. Sc. (Hons.), Dip. in Industrial Chemistry, M.B.A.	01.02.1996	51/29	Searle India Ltd., Executive Director (2)
<b>(b) Employed for part of the Financial Year under review and were in receipt of remuneration for any part of the year, at a rate of not less than Rs. 2,00,000/- per month.</b>						
Mr. Asokan J. M.*	Commercial Officer	762,413	B.Sc. (Zoology)	04.07.1983	45/19	—
Mr. Bajaj R. B.*	Asst. Manager – Engineering	790,323	Dip. in Mechanical Draughtsman	01.05.1964	59/38	—
Mr. Bhar M. N.*	Worker	1,076,786	S.S.C.	27.01.1985	47/18	—
Mr. Bhoir D. R.*	Worker	684,548	Non-Matric	01.07.1968	58/34	—
Mr. Biswas Suman Das*	Sales Officer	298,030	M.Sc. (Agri.)	15.11.1995	35/07	Cyanamid Agro Limited, Sales Officer (5)
Mr. Chaudhari P. K.*	Sales Officer	280,143	M.Sc. (Agri.)	20.09.1996	34/06	Cyanamid Agro Limited, Sales Officer (4)
Mr. Chaudhari Y. J.*	Assistant	1,227,314	B.A.	01.01.1981	54/22	—
Mr. Dalvi M. G.*	Worker	1,128,285	S.S.C.	01.11.1979	48/23	—
Mr. Dalvi R. H.*	Worker	1,188,789	S.S.C.	01.12.1979	43/23	—
Mr. Desai C. N.*	Assistant	1,360,445	B.A.	06.02.1980	49/26	Biox Laboratories, Sr. Steno Secretary (3)
Mr. Deshmukh A. R.*	Area Sales Manager	1,466,571	M.Sc., Dip. in Marketing & Sales Mgmt.	02.06.1986	46/16	—
Mr. Deshpande R. G.*	Asst. Manager – R & D	1,829,060	M.Sc. (Chemistry)	02.07.1979	47/25	Gharda Chemicals Pvt. Ltd., Chemical Engineer (2)
Mr. Dhanawade P. B.*	Worker	1,047,651	Non-Matric	01.02.1981	49/22	—
Mr. Dharmaraj K.*	Sales Officer	238,177	B.Sc.	02.09.1998	31/04	Cyanamid Agro Limited, Sales Officer (2)
Mr. Dhotre B. D.*	Worker	1,068,336	S.S.C.	01.11.1987	46/15	—
Mr. Dwivedi S. K.*	Sr. Sales Officer	269,852	M.Sc. (Agri.)	03.03.2000	33/05	Fungicides India Ltd., Sales Trainee (2)
Mr. Gaikwad A. L.*	Officer – Quality Assurance	644,542	Inter Science	15.04.1968	57/35	Hindustan Minerals Products Co. (P) Ltd., Laboratory Assistant (1)
Mr. Gaikwad V. G.*	Peon	1,044,391	Non-Matric	01.06.1987	41/15	—
Mr. Garude D. V.*	Executive – Quality Assurance	1,275,576	M.Sc. (Chem)	20.06.1977	53/26	Resin & Plastics P. Ltd., Chemist (1)
Mr. Gosavi L. V.*	Production Chemist	1,272,356	B.Sc.	01.03.1984	51/24	Cham Marien Exports, Sr. Chemist (5)
Mr. Jain Manish*	Marketing Officer	217,156	B.Sc. (Agri.), P.G. Dip. in Mgmt.	02.03.1998	32/05	Cyanamid Agro Limited, Marketing Officer (3)
Mr. Jonpuril N. K.*	Sales Executive	764,949	B.Sc. (Agri.)	01.11.1990	36/12	Cyanamid Agro Limited, Sales Executive (10)
Mr. Kamalapurkar S. S.*	R & D Chemist	1,305,336	B.Sc., Dip. in Radio, T.V.	16.02.1983	50/27	PIL Rcd Instrument, Mechanic (7)
Mr. Khopkar A. C.*	Asst. Manager – Warehousing	1,599,344	B.Com., Dip. in Personnel Mgmt.	15.03.1978	49/27	CARE India, Assistant (2)
Mr. Krishnamurthy N.*	Executive – Engineering Stores	1,174,373	B.Com.	06.12.1972	51/30	—
Mr. Kurkute M. N.*	Worker	1,089,948	Non-Matric	06.05.1973	54/29	—
Mr. Mahato K. K.*	Dy. Manager – Procurement Progress & Inspection – Thane	2,316,694	B.Sc. (Mech. Engg.)	15.12.1981	49/25	Indian Aluminium Co. Ltd., Engg. Assistant (4)
Mr. Mane B. B.*	Worker	1,154,416	Non-Matric	02.05.1973	54/29	—
Mr. Marampalli G. G.*	Worker	1,072,882	Non-Matric	02.02.1987	44/16	—
Mr. Mhatre M. G.*	Worker	882,378	Non-Matric	01.09.1966	56/36	—
Mr. Mishra G. H.*	Worker	702,449	Non-Matric	12.01.1992	31/11	—
Mr. Mishra R. L.*	Worker	731,593	Non-Matric	01.01.1967	57/36	—
Mr. Mistry M. P.*	Worker	1,171,120	Non-Matric	01.02.1987	48/16	—
Mr. Murdeshwar D. M.*	Production Chemist	1,333,403	B.Sc., L.L.B., DBM	02.11.1981	47/24	Devidayal Electronics & Wires Ltd., Supervisor (3)
Mr. Naik H. N.*	Worker	1,192,005	S.S.C.	01.01.1983	52/25	Fine Chemicals, Worker (5)
Mr. Naik L. S.	Chief Executive – Dispersions, Specialities, Pigments & Printing Inks	1,606,056	B. Tech., P.G.D.M. (I.I.M.)	21.09.1992	42/17	DOW Chemical International Ltd., Business Manager (3)
Mr. Naik P. M.*	Assistant	1,091,038	Inter Art	08.01.1984	55/19	—
Mr. Neman S. T.*	Worker	1,141,750	Non-Matric	01.07.1984	49/18	—
Mr. Nikam M. M.*	Worker	1,118,725	S.S.C.	01.01.1983	44/20	—
Mr. Pandit R. B.*	Worker	1,099,037	Non-Matric	01.09.1985	41/17	—
Mr. Pant S. C.*	Worker	1,217,539	Non-Matric	01.02.1976	51/27	—

## Annexure to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the financial year ended 31st March 2003.

Name of employee	Designation and Nature of Duties	Gross Remuneration Rupees	Qualification	Date of Commencement of employment	Age/ Experience Years	Particulars of last employment, Last employer, Post last held, No. of years
Mr. Patare D. B.*	Worker	337,962	Non-Matric	17.05.1959	59/43	—
Mr. Patare R. S.*	Worker	1,206,392	Non-Matric	01.09.1966	53/36	—
Mr. Pathak D. R.*	Worker	463,079	Non-Matric	24.05.1999	49/03	—
Mr. Patil A. A.*	Worker	1,215,462	Non-Matric	01.12.1979	45/23	—
Mr. Patil B. A.*	Lab. Attendant	1,282,428	Jr. B.A., GCD	01.03.1979	49/24	—
Mr. Patil D. D.*	Worker	1,197,184	Non-Matric	01.12.1979	49/23	—
Mr. Patil K. B.*	Worker	1,218,177	Non-Matric	26.12.1983	52/19	—
Mr. Patil P. A.*	Worker	1,104,787	S.S.C.	01.07.1980	43/22	—
Mr. Patil V. K.*	Worker	1,156,326	Non-Matric	01.12.1979	50/23	—
Mr. Patil P. B.*	Worker	1,037,000	S.S.C.	27.01.1985	40/18	—
Mr. Pawar E. S.*	Worker	594,482	S.S.C. ITI	01.12.1971	58/34	Akum Toolroom Industry, Tooler (3)
Mr. Pawar P. S.*	Worker	1,057,484	Non-Matric	01.02.1981	43/22	—
Mr. Pillai N. C.*	Worker	666,065	Non-Matric	01.06.1970	58/32	—
Mr. Pimple U. A.*	Worker	894,536	B.Com., NCTVT	01.02.1989	37/14	—
Mr. Pinto L.*	Executive – Warehousing	599,273	B.A.	01.06.1976	58/26	—
Mrs. Prabhakar K.*	Secretary	1,003,979	B.A.	01.01.1980	45/25	New India Ind. Ltd., Secretary (2)
Mr. Rajan M. D.*	Worker	764,060	Non-Matric	15.12.1983	57/26	The Everest Caterers, Cook (7)
Mr. Rawool K. G.*	Worker	1,113,702	S.S.C.	01.01.1983	48/20	—
Mr. Sable R. S.*	Dy. Manager – Instrumentation	2,356,385	B.Sc., B.E. (Instrumentation)	02.08.1980	53/23	The National Rayon Corpn., Junior Engineer (1)
Mr. Sambamurthy G.*	Manager – Market Development	1,789,590	M.Sc. (Agri.)	01.08.1990	46/12	Cyanamid Agro Limited, Zonal Marketing Manager (10)
Mr. Sarma K. N. S.*	Assistant	348,181	B.Com.	18.09.1995	39/07	Cyanamid Agro Limited, Assistant (5)
Mrs. Sequeira Glory*	Secretary	428,556	B.Com.	19.09.1997	39/05	Cyanamid Agro Limited, Secretary (3)
Mr. Seth Rajan*	Sales Officer	266,906	M.Sc.	15.09.1997	30/05	Cyanamid Agro Limited, Sales Officer (3)
Mr. Shahi J. R.*	Worker	767,509	S.S.C.	07.04.1991	33/11	—
Mr. Shetkar B. R.*	Worker	860,907	Non-Matric	02.01.1996	54/16	Joy Ice Cream, Worker (9)
Mr. Shetty S. S.*	Worker	826,517	Non-Matric	06.07.1994	41/08	—
Mr. Shetty V. G.*	Asst. Cook	844,803	Non-Matric	02.08.1997	49/12	Suvarna Caterers, Cook (7)
Mr. Shinde L. V.*	Machine Operator	780,576	Non-Matric	15.06.1978	57/24	—
Mr. Shivaraman R.*	Production Chemist	1,173,386	B.Sc.	05.07.1987	54/22	Ilac Chemicals, Shift Supervisor (7)
Mr. Singh A. K.*	Worker	1,096,151	Inter Science	01.12.1983	39/19	—
Mr. Singh I. K.*	Worker	945,148	S.S.C.	05.09.1989	42/13	—
Mr. Singnurkar S. B.*	Lab. Assistant	1,318,276	Inter Science	01.06.1979	48/23	—
Mr. Sonawane A. S.*	Worker	1,177,786	Non-Matric	01.03.1987	47/21	Gadkari Rangayatan, Cook (5)
Mr. Sreevalsan P. M.*	Production Chemist	1,321,569	B.Sc.	01.08.1984	44/20	Anil Dye-Chem Industries, Jr. Chemist (2)
Mr. Thakar R. U.*	Shift Electrician	757,262	XII, ITI	20.08.1985	37/11	Duphar InterPharma Ltd., Electrician (4)
Mr. Thakur S. B.*	Worker	660,668	Non-Matric	01.07.1980	58/22	—
Mr. Wakle D. S.*	Worker	604,144	Non-Matric	02.01.1967	58/36	—
Mr. Yeole P. P.*	Production Chemist	1,336,151	B.Sc.	01.10.1984	46/23	Chemiquip Ltd., Jr. Chemist (5)

(i) All appointments are/were contractual and terminable by notice on either side.

(ii) The employments are subject to the rules & regulations of the Company in force from time to time.

(iii) Gross remuneration includes Salary, allowances, leave encashment on retirement, the Company's contribution to Provident and Superannuation Funds, monetary value of perquisite calculated in accordance with the Income Tax Act/Rules but excludes Medical Expenses and Group Insurance Premium. Names with asterisk indicate employees who have retired under Voluntary Retirement Scheme.

(iv) None of the employees is related to any Director of the Company. None of the employees hold more than 2% of the paid-up equity capital of the Company.

On behalf of the Board of Directors

Mumbai, 29th May 2003.

PRASAD CHANDRAN  
Chairman & Managing Director

## Notice

NOTICE is hereby given that the FIFTY NINTH ANNUAL GENERAL MEETING OF BASF INDIA LIMITED will be held at "Yashwantrao Chavan Pratishthan Auditorium", Y.B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai 400 021 on Thursday, 7th August 2003 at 3.00 p.m. to transact the following business, namely:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at and the Profit and Loss Account for the year ended 31st March 2003 and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Pradip P. Shah who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. R.A. Shah who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

### SPECIAL BUSINESS

6. To appoint a Director in place of Dr. E. Baumgartner who was appointed as a Director of the Company with effect from 17th April 2002 to fill in the casual vacancy of Dr. W. Praetorius and who holds office in terms of the provisions of Section 262 of the Companies Act, 1956 and Article 122 of the Articles of Association of the Company upto the date of this meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- from a shareholder intimating her intention to propose Dr. E. Baumgartner as a candidate for the office of a Director.
7. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 309 and 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors to increase the remuneration payable to Mr. Prasad Chandran, Managing Director of the Company, on and from 1st January 2003, as set out and detailed in the Explanatory Statement annexed hereto and the draft Supplemental Agreement tabled at the meeting and initialled by the Chairman of the meeting for the purpose of identification and that the Board of Directors be and is hereby empowered to pay such higher remuneration to Mr. Prasad Chandran from time to time and in such manner as the Board, in its absolute discretion, deems fit and proper provided that the remuneration payable to Mr. Prasad Chandran shall not exceed the maximum limits for payment of Managerial Remuneration specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be made from time to time or under the Companies Act as may be recodified;

RESOLVED FURTHER THAT wherein any financial year during the tenure of Mr. Prasad Chandran, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to Mr. Prasad Chandran by way of salary, dearness allowance, perquisites and any other allowances, such amount not exceeding the ceiling limits prescribed in para 1 of Section II of Part II of Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be made from time to time or under the Companies Act as may be recodified;

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient, usual and proper in the best interests of the Company."

8. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT subject to the provisions of Section 269 and other applicable provisions, if any, of the Companies Act, 1956, and subject to any approval, if and to the extent necessary, consent of the Company be and is hereby accorded to the Board of Directors to partially modify the Service Agreement dated 8th August 2000 executed between the Company and Mr. Prasad Chandran, Managing Director, in the manner set out and detailed in the Explanatory Statement annexed hereto and in the draft Supplemental Agreement tabled at the meeting and initialled by the Chairman of the meeting for the purpose of identification;

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient, usual and proper in the best interests of the Company.”

9. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT subject to the limits contained in Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956, the Wholtime Directors of the Company (which expression herein excludes the Managing Director) be paid, on and from the date to be decided by the Board of Directors, such remuneration as may be determined by the Board of Directors from time to time within the maximum limits specified below:

- (i) By way of salary, additional/adhoc salary, allowances and performance linked incentive (hereinafter referred to as “remuneration”) a maximum of Rs. 36,00,000/- per annum for each of the Wholtime Directors of the Company;

Provided however, that :

- (a) In addition to the above remuneration, each of the Wholtime Directors shall also be entitled to perquisites including furnished/unfurnished accommodation/house rent allowance in lieu thereof, gas, electricity, water, furnishings, medical reimbursement for self and family, leave travel concession for self and family, club fees, personal accident insurance, medical insurance, group insurance and other benefits and amenities payable in accordance with the rules of the Company from time to time. The monetary value of such perquisites being restricted to a maximum limit of Rs. 12,00,000/- per annum, for each of the Wholtime Directors of the Company.
- (b) Company's contribution to provident fund, superannuation fund and benefits under the Company's pension scheme, gratuity and encashment of leave at the end of the tenure will be permitted, in accordance with the rules of the Company. Company's contribution to provident fund and superannuation fund will not be included in the computation of the ceiling on perquisites stated in (a) above to the extent these singly or put together are not taxable under the Income Tax Act, 1961. The Company shall provide car for the Wholtime Directors and telephone facility at the residence of the Wholtime Directors. These perquisites will also not be included in the computation of the ceiling on perquisites.

For the purpose of computing the ceiling on perquisites, the same would be valued as per the Income Tax Rules, 1962, wherever applicable.

- (ii) The total remuneration, perquisites, contribution towards provident fund, superannuation fund and benefits under the Company's pension scheme and gratuity payable to the Managing Director and the Wholtime Directors taken together shall not exceed 10% of the profits of the Company calculated in accordance with the provisions of Sections 198 and 309 of the Companies Act, 1956;
- (iii) Notwithstanding anything contained in (i) and (ii) above, wherein any financial year during the tenure of each of the Wholtime Directors, the Company has no profits or its profits are inadequate, the Company shall pay



remuneration to each of the Wholetime Directors by way of salary, dearness allowance, perquisites and any other allowances, within the ceiling limits prescribed in para 1 of Section II of Part II of Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be made from time to time or under the Companies Act as may be recodified;

- (iv) Notwithstanding anything stated hereinabove, the Board of Directors may in their sole discretion and in the interest of the Company pay to each of the Wholetime Directors lower remuneration than the maximum remuneration hereinbefore stipulated and revise the same from time to time, within the maximum limits stipulated by this resolution."

By Order of the Board of Directors

M.R. IYER  
Company Secretary

*Registered Office:*

RBC, Mahindra Towers,  
1st Floor, A Wing,  
Dr. G. M. Bhosale Marg,  
Worli, Mumbai 400 018.

Dated: 17th June 2003

**Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the special business proposed to be transacted at the meeting is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will be closed from 29th July 2003 to 7th August 2003 (both days inclusive) for the purpose of determining the eligibility of the members entitled to dividend (subject to the approval of the shareholders at the Annual General Meeting).
4. Payment of dividend as recommended by the Directors, if approved at the Annual General Meeting, will be made payable on or after 11th August 2003 in respect of shares held in physical form, to those members whose names appear in the Company's Register of Members as on 7th August 2003 and in respect of shares held in the electronic form, to those "Deemed Members" whose names appear in the statement of Beneficial Ownership furnished by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).
5. The members are requested to intimate their queries/requirements for clarification on the Annual Report so as to reach the Company on or before 31st July 2003 which will enable the Company to furnish the replies at the Annual General Meeting.
6. The members are requested to notify to the Company's Registrar & Share Transfer Agent, M/s.Tata Consultancy Services (TCS), 6, Lotus House, Sir Vithaldas Thackersay Marg, New Marine Lines, Mumbai 400 020 of any change in their address.
7. Members holding shares under multiple folios are requested to submit their applications to TCS, for consolidation of folios into single folio.
8. Pursuant to the provisions of sub-section (5) of Section 205A of the Companies Act, 1956 any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the unpaid dividend account, shall be transferred by the Company to the Investor Education and Protection Fund of the Central Government.

Those members who have so far not encashed their dividend warrants for the following financial years, may claim or approach the Company for the payment thereof as the same will be transferred to the Investor Education and Protection Fund of the Central Government, pursuant to Section 205C of the Companies Act, 1956, on the respective dates mentioned thereagainst. Kindly note that the refund of the unclaimed/unpaid dividend amount cannot be claimed by the members once it is transferred to the Investor Education and Protection Fund.

<b>Financial Year ended</b>	<b>Dates by which unpaid dividend amount will be credited/transferred to the Investor Education and Protection Fund</b>
31.03.1996	26.10.2003
31.03.1997	25.10.2004
31.03.1998	24.10.2005
31.03.1999	22.10.2006
31.03.2000	14.05.2007
31.03.2001	06.11.2008
31.03.2002	08.10.2009

9. Members are requested to bring their copies of Annual Report alongwith them to the meeting.
10. The Company's Equity Shares are listed on The Stock Exchange, Mumbai, P.J. Towers, Dalal Street, Mumbai 400 001 and The National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051 and the Company has paid the annual listing fees for the financial year 2003-2004 to both the Exchanges.
11. With respect to payment of dividend, the Company provides the facility of Electronic Clearing Service (ECS) to all shareholders, holding shares in electronic and physical forms, residing in the following cities.

Ahmedabad, Bangalore, Baroda, Chandigarh, Chennai, Coimbatore, Hyderabad, Jaipur, Kolkata, Ludhiana, Mumbai, Nagpur, New Delhi, Pune and Trivandrum.

Shareholders holding shares in the physical form who wish to avail ECS facility, may authorise the Company with their ECS mandate in the prescribed form, which can be obtained from the Registrar and Share Transfer Agent, M/s. Tata Consultancy Services (TCS), 6 Lotus House, Sir Vithaldas Thackersay Marg, New Marine Lines, Mumbai-400 020. Requests for payment of dividend through ECS for the year 2002-2003 should be lodged with TCS on or before 29th July 2003.



## Explanatory Statement

Pursuant to Section 173 of the Companies Act, 1956.

### Item No. 6

Dr. E. Baumgartner was appointed as a Director of the Company on 17th April 2002 in the casual vacancy caused by the resignation of Dr. W. Praetorius.

In terms of Section 262 of the Companies Act, 1956, Dr. E. Baumgartner holds office upto the date of the forthcoming Annual General Meeting, being the date on which Dr. W. Praetorius would have retired by rotation had he continued to be a Director of the Company.

The Company has received a notice in writing and a deposit of Rs. 500/- alongwith the notice from a shareholder under Section 257 of the Companies Act, 1956 signifying her intention to propose the candidature of Dr. E. Baumgartner for the office of Director liable to retire by rotation.

The Board recommends his appointment as a Director.

None of the Directors other than Dr. E. Baumgartner may be considered to be interested or deemed to be interested in the passing of this resolution.

### Item No. 7

At the Fifty Sixth Annual General Meeting of the Company held on 2nd August 2000, the members of the Company had, interalia, empowered the Board of Directors to pay remuneration to the Managing Director by way of salary, additional/adhoc salary, allowances, performance linked incentive, perquisites etc., as detailed hereinunder.

At the meeting of the Board of Directors held on 24th March 2003, in appreciation of the commendable services being rendered by Mr. Prasad Chandran as Managing Director of the Company, the Board had increased the basic salary payable to Mr. Prasad Chandran, on and from 1st January 2003, from Rs. 24,00,000 p.a. to Rs. 30,00,000 p.a.

The maximum limits of remuneration payable to the Managing Director earlier approved by the members at the Annual General Meeting held on 2nd August 2000 and the proposed revision in the limits for approval of the members is given below :

Description	Existing (as approved by the Members)	Proposed
Salary, additional/adhoc salary, special allowances and other allowances as may be determined by the Board of Directors from time to time	Not exceeding Rs. 29,00,000 p.a.	Not exceeding Rs. 40,00,000 p.a.
Performance salary/performance linked incentive as may be determined by the Board of Directors from time to time	Not exceeding Rs. 16,00,000 p.a.	Not exceeding Rs. 24,00,000 p.a.
Perquisites including furnished/unfurnished accommodation/house rent allowance in lieu thereof, gas, electricity, water, furnishings, medical reimbursements for self and family, leave travel concession for self and family, club fees, personal accident insurance, medical insurance, group insurance and other benefits and amenities in accordance with the rules of the Company payable to the Managing Director from time to time.	Monetary value not exceeding Rs. 10,00,000 p.a.	Monetary value not exceeding Rs. 12,00,000 p.a.

Company's contribution to provident fund, superannuation fund and benefits under the Company's pension scheme, gratuity and encashment of leave at the end of the tenure will be permitted, in accordance with the rules of the Company. Company's contribution to provident fund and superannuation fund benefits under the Company's

pension scheme, gratuity and encashment of leave at the end of the tenure, will not be included in the computation of the ceiling on perquisites to the extent these singly or put together are not taxable under the Income Tax Act, 1961.

The Company shall provide car with driver for the Managing Director and telephone facility at the residence of the Managing Director and the expenses connected therewith will be borne by the Company. These perquisites will also not be included in the computation of the ceiling on perquisites. For the purpose of computing the ceiling on perquisites, the same would be valued as per the Income Tax Rules, 1962, wherever applicable.

It is therefore proposed that the Managing Director of the Company be paid such remuneration as may be determined by the Board of Directors from time to time within the maximum limits specified hereinabove.

This is only an enabling resolution with a view to gain flexibility in this matter in the emerging competitive environment.

The remuneration as may be fixed by the Board of Directors of the Company from time to time within the proposed maximum limits to the Managing Director may be treated as an abstract under Section 302 of the Companies Act, 1956.

The Board of Directors recommend the passing of the resolution set out in Item No. 7 of the accompanying notice.

Except Mr. Prasad Chandran, no other Director of the Company is in any way concerned or interested or deemed to be concerned or interested in the passing of this Resolution.

#### **Item No. 8**

At the Fifty Sixth Annual General Meeting of the Company held on 2nd August 2000, the members of the Company had, interalia, approved the terms of appointment and remuneration payable to Mr. Prasad Chandran, Managing Director of the Company in the manner detailed under Item No. 9 of the Notice and the Explanatory Statement dated 19th June 2000.

As the members would be aware, contractual clauses providing reasonable safeguards to Managing Directors of globally run companies are becoming common, in the event of any Change of Control taking place in such companies.

The Board of Directors of your Company had at the meeting held on 24th March 2003 proposed the following partial modification to the Service Agreement dated 8th August 2000 between the Company and Mr. Prasad Chandran, Managing Director in the event of any Change of Control taking place in the Company.

Change of Control in the Company would mean, the happening of one or more of the following events viz:

- (a) The Control of the Company changes viz., more than 50% of the equity holdings in the Company stand transferred in favour of any person or entity other than BASF Aktiengesellschaft (BASF AG) or affiliates of the BASF Group;
- (b) Any shareholder of BASF AG declares that he/she/they hold at least 25% of the equity shares in BASF AG or has/have further increased his/her/their stake in the equity capital of BASF AG.

Consequently, in the event of the Company or its successor in business, terminating the Service Agreement of the Managing Director with the Company, within 18 months of the date of Change of Control, for reasons not attributable to the Managing Director or to his conduct, the following contractual safeguards are proposed to be incorporated in the Service Agreement with the Managing Director and a Supplemental Agreement executed, after obtaining the requisite approval of the shareholders:

- (a) Clause 9 (j) of the Service Agreement dated 8th August 2000 to be so modified that the notice period envisaged therein shall stand extended until the end of the 36th month after the date of Change of Control;
- (b) A new clause to be added in the Service Agreement between the Company and the Managing Director in terms whereof the Managing Director shall be entitled to a lumpsum severance payment, calculated in the following manner i.e. for each full calendar month between the date of notice and 18 months after the date of Change of Control, the Managing Director will receive one month's gross basic salary as compensation payment.