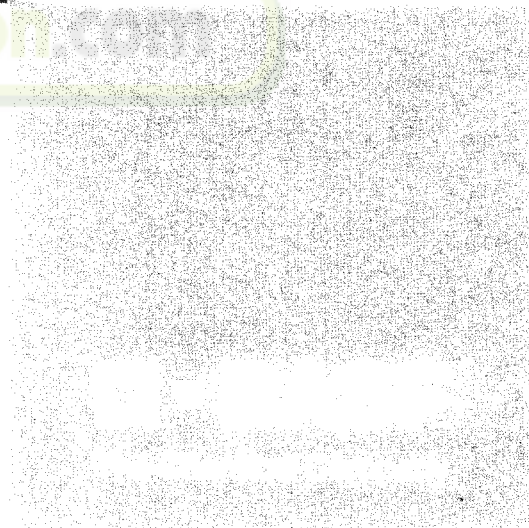


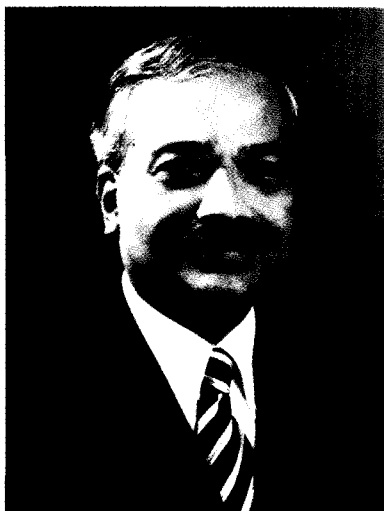


Report Junction

Annual Report 2003 - 2004

BASF India Limited





Message from the Chairman & Managing Director

While the environment in which we operate continues to pose newer challenges, your Company has once again demonstrated its strength by performing well this year. Your Board has declared a dividend of 60%, reflecting our confidence in and commitment to our stakeholders. Our focus on people and building lasting partnerships is one of our key success factors.

The new BASF logo, launched worldwide on 16th March 2004, is a blend of the old and new, symbolising BASF's belief in shaping the future by building on tradition.

In harmony with our earlier logo, the two complimentary squares in the new logo completed by the claim "The Chemical Company" forms the composite look of BASF world over. Each element has been carefully selected and has a reason to be there – a function to perform.

The harmonious transition from the old to the new logo reassures us that the changes we make continue to be evolutionary and not revolutionary. The two squares are like a lock & key, they complete one another, signifying our focus on partnership – with our employees, our customers, our shareholders and with each other.

I thank you for being a partner with BASF and for contributing in making BASF "The Chemical Company".

With Best Wishes,

Prasad Chandran

60th Annual General Meeting

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Thursday, 5th August 2004 at 3.00 p.m. at Yashwantrao Chavan Pratishthan Auditorium, Y. B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai - 400 021.	
Agenda	
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
6-11. Special Business	22
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The Notice of the Meeting
and Annexures to the Directors'
Report are enclosed.

BASF India Limited

Registered Office:

RBC, Mahindra Towers
1st Floor, 'A' Wing
Dr. G. M. Bhosale Marg
Worli, Mumbai - 400 018.
Phone: 5661 8000
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

Registrar and Share Transfer Agent

Tata Consultancy Services (TCS)
Park West II, Raheja Estate
Kulupwadi Road, Borivali (East)
Mumbai - 400 066.
Phone : 5668 9848/5668 9830

Board of Directors

Mr. Prasad Chandran
Chairman and Managing Director

Dr. E. Baumgartner

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

Mr. K.R. Coorlawala

Mr. Boon Yeow Yee

Mr. R.E. Vaz
Alternate to Mr. Boon Yeow Yee

Dr. Harald Lauke

Mr. R.R. Nair

Mr. Pradip P. Shah

Mr. R.A. Shah

Auditors

Deloitte Haskins & Sells
Chartered Accountants

Solicitors

Messrs Crawford Bayley & Co.

Bankers

State Bank of India
ABN Amro Bank N.V.
Citibank N.A.
Deutsche Bank
HDFC Bank Limited
Standard Chartered Bank

Executive Committee

Mr. Prasad Chandran

Mr. P.M. Balakrishnan

Mr. P.K. Bhattacharya

Mr. S. Kumarasamy

Dr. G. Ramaseshan

Mr. S. Ramnath

Mr. D.R. Thuse

Mr. R.E. Vaz

Mr. M.R. Iyer

Mr. Ravi Nair

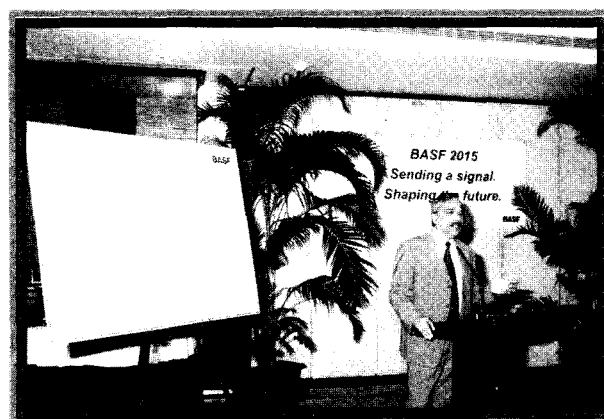
Internal Auditors

Mahajan & Aibara
Chartered Accountants

Secretary

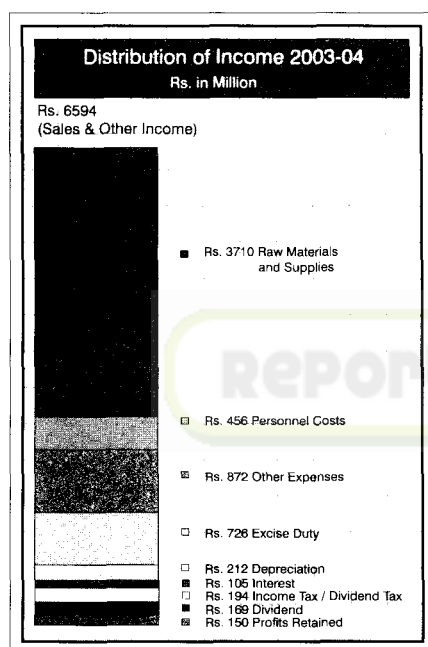
Mr. M.R. Iyer

Directors' Report



Our new global strategy is unfolded. Mr. Chandran elaborates the 4 guiding principles of our strategy.

Your Directors have pleasure in presenting their Report for the financial year ended 31st March 2004.



Financial Results

(Rs. in Million)

	Year ended 31.3.2004	Year ended 31.3.2003
Sales	6533.1	5893.7
Profit before tax	513.3	462.5
Tax	172.5	129.0
Profit after tax	340.8	333.5
Balance brought forward	160.0	150.0
Available for appropriation	500.8	483.5
This has been appropriated as follows:		
Debenture Redemption Reserve	45.9	95.8
Proposed Dividend	169.1	140.9
Corporate Tax on Dividend	21.7	18.1
General Reserve	73.1	68.7
and the balance of has been carried forward	191.0	160.0

Activities

The performance of your Company during the year under report has shown improvement over the previous year. Sales and profit before tax during the year ended 31st March 2004 at Rs. 6533.1 million and Rs. 513.3 million respectively, represent an increase of 11% compared to the previous year. This increase was mainly due to improved operating results of Plastics & Fibers, Agricultural & Nutrition and Chemicals businesses, significant reduction in interest costs and other cost control measures initiated during the year under report.

Profit after tax at Rs. 340.8 million registered an increase of Rs. 7.3 million over the previous year.

The Plastics & Fibers segment registered significant increase in sales and earned higher profits during the year under report. Sales increased by 28% and profits increased by 8% compared to the previous year. The Chemicals business registered significant increase in technical service fees and profits for the year ended 31st March 2004.

The Performance Products segment which include textile, leather, speciality and dispersion chemicals businesses registered higher sales during the year under report. The opportunities and the growth in the evolving Textile industry was reflected in the results of the textile chemicals business. The leather, speciality and dispersion chemicals business recorded higher sales although profits were lower compared to the previous year.

The sales and profits of Agricultural Products business during the year ended 31st March 2004 registered improvement compared to the previous year mainly on account of the favourable monsoon. The Nutrition business recorded increase in the technical service fees earned, compared to the previous year.

Export sales during the year was Rs. 510.7 million compared to Rs. 620.1 million in the previous year.

Financial Ratios		
	2003-04	2002-03
Equity vs Total Assets (%)	57.28	46.43
Return on Capital Employed (%)	18.91	18.15
before interest and taxes		
Profitability of total income (%)	9.38	10.11
before interest and taxes		
Current Ratio	2.48	2.11
current assets :		
short term liabilities and provisions		
Acid Test Ratio	1.84	1.33
short term receivables plus		
cash and cash items:		
short term liabilities and provisions		

Dividend

Your Directors recommend payment of higher dividend on the equity shares @ 60% (Rs. 6/- per share) for the financial year ended 31st March 2004. The dividend will absorb Rs. 169.1 million.

Finance & Accounts

Your Company continued to access low cost funds including commercial papers to lower its overall interest costs.

Debentures

Credit Rating Information Services of India Limited (CRISIL) and Investment Information and Credit Rating Agency (ICRA) have assigned the rating of "AAA" for the debentures.

Your Directors certify that the debentures of Rs. 450 million and Rs. 150 million raised in the financial years 2001-02 and 2002-03 respectively for meeting the working capital requirements were used only for that purpose.

Commercial Papers

Commercial Papers of Rs. 250 million were issued during the financial year ended 31st March 2004 at competitive interest rates. Your Company continued to maintain the highest rating of "P1+" awarded by CRISIL for its short term borrowings.

Capital Expenditure

Capital Expenditure incurred during the year aggregated to Rs. 46.7 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. 4.35 million as at 31st March 2004. Since then, deposits amounting to Rs. 1.31 million have been repaid.

Your Company transferred unclaimed fixed deposit amounting to Rs. 0.008 million during the year to the Investor Education and Protection Fund.

Working Capital

During the year under report, your Company, through concerted efforts in inventory and receivables management has achieved substantial reduction in working capital to the extent of Rs. 319 million. This, alongwith increase in internal cash accruals, enabled reduction in borrowings by Rs. 653 million.

Management Discussion & Analysis Report

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

Fipronil Activities and Assets

In line with the global arrangement between Bayer CropScience AG and BASF AG, your Company acquired the Fipronil activities and assets in India from Bayer India Limited.

Your Company executed Fipronil Transfer and Distributorship Agreements with Bayer India Limited. In terms of the Distributorship Agreement, Bayer India Limited will formulate, pack and sell Fipronil products in India.

The acquisition of Fipronil activities and assets in India would not result in any economic value or benefit to the Company, as the entire economic value and benefit from the Fipronil activities in India would remain with Bayer India Limited.

Corporate Governance

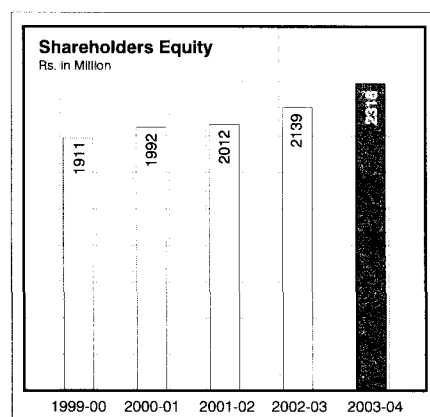
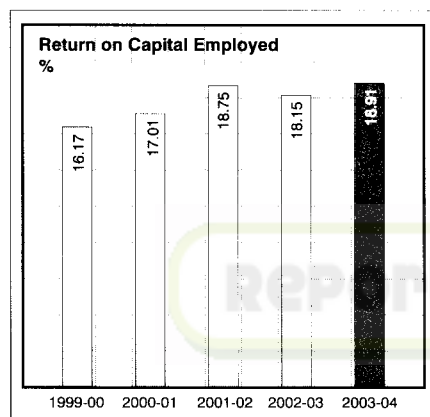
Your Company has always strived to incorporate appropriate standards for good corporate governance. As a listed Company, necessary measures are taken to comply with the Listing Agreements with the Stock Exchanges.

A separate report on Corporate Governance alongwith a Certificate of Compliance from the Auditors, forms part of this report.

Directors' Responsibility Statement

Your Directors confirm:

- 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 your Company at the end of the financial year ended 31st March 2004 and of the profits of your Company for that year;
- (iii) that the Directors had 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 your 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 in the Report of Board of Directors) Rules, 1988, is given in the annexure to this Report.

ISO 9001:2000 / ISO 14001:1996

The Mangalore factory successfully underwent ISO 9001:2000 and ISO 14001:1996 recertification audits to the latest quality management and environmental management standards respectively. The Thane factory and Head Office successfully underwent ISO 9001:2000 surveillance audit, confirming the Company's commitment to the cause of total quality management.

Directors

Mr. E. Hilgemann resigned from the Board w.e.f 21st April 2004. Your Directors wish to place on record their sincere appreciation of the guidance and valuable advice received from Mr. E. Hilgemann in the deliberations of the Board during his tenure as a Director.

Mr. Boon Yeow Yee was appointed as a Director on 21st April 2004 in the casual vacancy caused by the resignation of Mr. E. Hilgemann in terms of Article 108 of the Articles of Association of your Company and Section 262 of the Companies Act, 1956.

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

Personnel and Welfare

Industrial relations in the Mangalore, Thane & Dadra factories remained cordial.

Your Directors express their sincere appreciation for the dedicated efforts put in by all the employees and for their commitment and contribution for ensuring the levels of performance and growth that your Company has achieved during the year.

Auditors

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

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 your Company for conducting audit of the cost accounts maintained by the Company in respect of Insecticides for the financial year 2004-2005.

Particulars of Employees

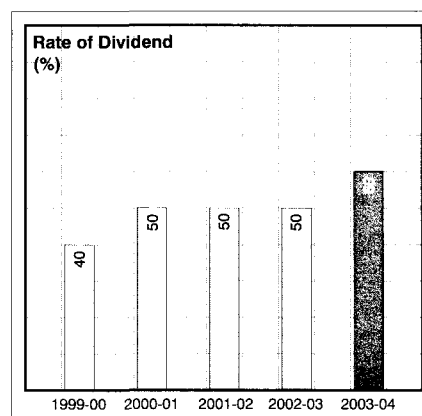
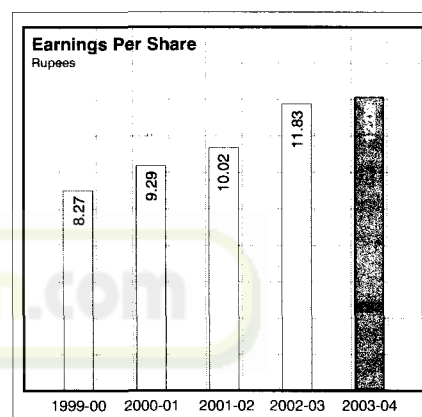
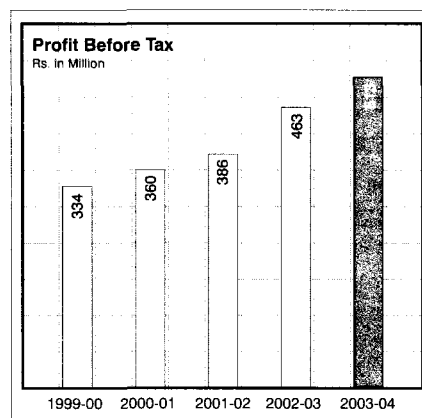
Information required to be published under the provisions of Section 217(2A) of the Companies Act, 1956, is given in the annexure to this report.

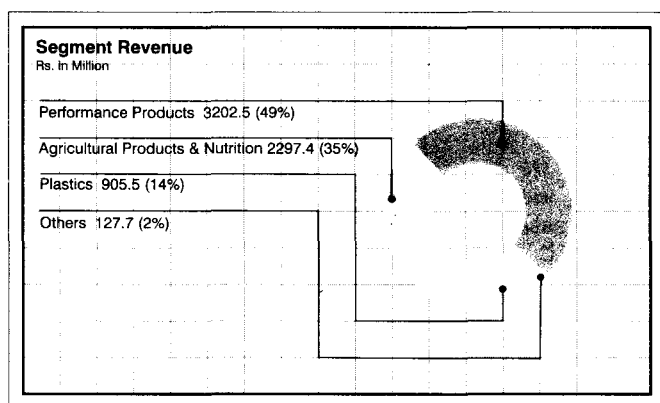
On behalf of the Board of Directors

PRASAD CHANDRAN
Chairman & Managing Director

Mumbai

Dated: 22nd June 2004





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, in its manufacturing facilities at Dadra, Mangalore and Thane.

During the year, major saving measures were implemented in its factories which include:

- Optimisation of Heat recovery system by installing diverter valve in the flue gas duct to improve steam generation efficiency.
 - Running of 250 KVA DG set instead of 500 KVA DG set due to de-rating of compressor.
 - Installation of nitrogen buffer tank of 5M3 capacity to increase safety in operation and reduce running hours of air compressor.
 - Domestic water conservation by modifying piping network/fitting.
 - Remodelling of ice conveyor system and modification in the street lighting system.
 - Installation of magnetic device on boiler feed water line to eliminate use of chemicals for treating boiler feed water.
 - Installation of energy conservation units on lighting circuit in various departments.
 - Recovery of furnace oil from the pit near furnace oil storage tank was carried out to save oil and reduce pollution load.
- The above measures not only resulted in significant savings in the total energy consumed but also had a positive impact on improvement in the environment.

In addition, the Company plans to implement the following energy conservation measures:

- To carry out feasibility study to replace boiler burners with high efficiency modulating burner having dual fuel system.
- Introduction on a trial basis magnetic device for descaling a reactor jacket to help reduction in cycle time.
- Execute the project on solar water heating system to preheat boiler feed water at one of its locations.
- Rationalisation of refrigeration system by technical modification to take care of chilling requirements for different products in an integrated manner.
- Rationalization of process parameters in order to reduce batch-cycle times which would lead to reduction in energy consumption.
- Introduction of additional variable frequency drives for major power consuming units.
- Study of existing utility distribution systems in all the plants to identify major areas of losses and implement measures to eliminate/reduce such losses.

Requisite data in respect of Energy Consumption are given below:

	Current Year 1.4.2002 to 31.3.2003	Previous Year 1.4.2002 to 31.3.2003
(a) Power & Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (in '000 kwh)	7891	7750
Total amount (Rs. in million)	29.05	29.76
Rate per unit (Rs.)	3.68	3.84
(b) Own generation		
— Through diesel generator		
Units (in '000 kwh)	8254	8498
Units per litre of oil	3.75	3.83
Cost per unit (Rs.)	4.46	3.85
— Through Steam Turbine/Generator units		
Units per litre of fuel	N.A.	N. A.
oil/gas		
Cost per unit		

	Current Year 1.4.2003 to 31.3.2004	Previous Year 1.4.2002 to 31.3.2003
2. Coal (specify quality and where used)	N.A.	N. A.
Qty. (tonnes)		
Total cost		
Average rate		
3. Furnace oil/fuels		
Qty. (k. litres)	2758	2914
Total Amount (Rs. in million)	31.71	29.84
Average rate (Rs./litre)	11.50	10.24
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)	93	93
Furnace oil/fuels (litres)	29	33
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, acrylic polymers and carboxylated styrene butadiene lattices		
Unit M.T.		
Electricity (kwh)	382	387
Furnace oil/fuels (litres)	61	64
Coal (specify quality)	N.A.	N.A.
Others (specify)	N.A.	N.A.
Pesticides		
Unit M.T.		
Electricity (kwh)	287	265
Furnace oil/fuels (litres)	101	114
Coal (specify quality)	N.A.	N.A.
Others (specify)	N.A.	N.A.

B. Technology Absorption

RESEARCH & DEVELOPMENT (R&D)

1. Specific Areas in which R&D was carried out by the Company:

During the year, the R&D centre of the Company was engaged in supporting the local businesses, through innovations and undertook multifold research activities such as:

- development of new products/formulations
- developing cost effective processes in the areas of paper/leather/textile/speciality chemicals and auxiliaries
- optimising effluent treatment processes

During the year, the R&D Centre continued its collaborative research efforts with BASF AG in areas such as:

- Pharmaceutical intermediates
- Textile dyeing & pigment printing auxiliaries
- Paper dyes and dye intermediates
- Nutraceuticals
- Isolation of potential pesticides from natural sources
- Eco-friendly leather chemicals

- Catalysts
- Eco-friendly solvents
- New organic intermediates

2. *Benefits derived as a result of the above R&D:*

With its continuous endeavour to explore and apply new and innovative chemistry for the benefits of customers, the R&D Centre developed various leather, paper and textile chemicals during the year.

As a part of collaborative research efforts, a new cost effective process for paper dye and dye intermediates was developed. Novel processes for making two potential neutraceutical molecules were also developed. This was a successful outcome of the collaborative research project with BASF AG.

3. *Future plan of action:*

Future plan of action of the R&D centre are as follows:

- Development of innovative processes for agrochemicals, leather, textile and paper chemicals, dye intermediates and specialities.
- Collaborative research with BASF AG and other group companies.
- Identifying and developing technologies for export oriented products.
- Isolating new potential agrochemicals from natural sources.
- Developing new products/formulations for specific business needs.

4. *Expenditure on R&D:*

	Rs. in million
(a) Capital	0.3
(b) Recurring	16.1
(c) Total	16.4
(d) Total R&D Expenditure as a percentage of total turnover	0.3

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. *Efforts, in brief towards technology absorption, adaptation and innovation:*

The Research & Development Centre of the Company is recognised by the Ministry of Science and Technology, Government of India. The Centre is engaged in various developmental activities such as import substitution of raw materials, new cost effective technologies for the existing and new products, batch cycle time reduction as well as basic research in areas such as environment friendly leather chemicals, new technologies for textile auxiliaries, paper dyes, novel ionic liquids, catalysts, neutraceuticals and isolation of pesticide from natural sources.

The R&D Centre is also engaged in research activities pertaining to the adaptation of process technologies received from BASF AG.

2. *Benefits derived and the results of the above efforts:*

Various new products and processes have been developed and commercialised during the year. Introduction of innovative products has enabled your Company to pass on the benefits of technology to its customers. Additional efforts in process optimization of existing processes resulted in significant cost reduction. This has helped the businesses to remain cost-competitive in the market.

3. *Imported technology:*

During the last 5 years, the Company entered into agreements with BASF AG for sourcing the following technical know-how:

- In 2002 and 2004 for manufacture of new products.
- In 2004 for manufacture of expandable polystyrene.

The Company enjoys excellent interaction with its parent Company BASF AG and receives on an ongoing basis valuable technical information and support. As a result, the Company has introduced a wide range of products in its business segments.

C. Foreign Exchange Earnings and Outgo

The particulars with regard to foreign exchange earnings and outgo appear on page 37 and 38 of the Annual Report and Accounts.

On behalf of the Board of Directors

PRASAD CHANDRAN
Chairman & Managing Director

Mumbai
Dated: 22nd June 2004