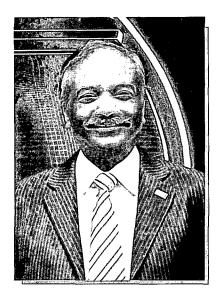
Shaping the Future



Annual Report 2007 - 2008

BASF India Limited





Message from the Chairman & Managing Director

During the year, India's GDP has kept a growth of 8%, inspite of the ever increasing crude prices and the consequent inflationary pressures.

Your Company has benefitted by the momentum in the manufacturing industry and recorded a sales increase of 18% and Profit after Tax of 18.5% as compared to the previous year.

Yet another example of BASF's commitment to Sustainable Development has been the partnership in a unique initiative – "The Science Express". With the philosophy of chemistry 'Shaping the Future', BASF organized the Kids' Lab aboard the Science Express. The train has travelled 57 cities across the country. More than two and a quarter million visitors saw the exhibits on the train.

I also take this opportunity to thank all our stakeholders for their continued interest and support in the development of the Company.

Best Wishes,

Prasad Chandran

64th Annual General Meeting

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Board of Directors

Mr. Prasad Chandran
Chairman and Managing Director

Dr. Rainer Diercks

Mr. R. Y. Vaidya

Alternate to Dr. Rainer Diercks

Dr. Tilman Krauch

Mr. Deepak Thuse Alternate to Dr. Tilman Krauch

Mr. Hermann Althoff

Mr. S. Ramnath

Alternate to Mr. Hermann Althoff

Mr. K.R. Coorlawala

Mr. R.R. Nair

Mr. Pradip P. Shah

Mr. R.A. Shah

Auditors

Messrs BSR & Co., Chartered Accountants

Solicitors

Messrs Crawford Bayley & Co. Messrs Udwadia & Udeshi

Bankers

Citibank N.A

Deutsche Bank

HDFC Bank Limited

Standard Chartered Bank

Internal Auditors

Messrs Mahajan & Aibara Chartered Accountants

Executive Committee

Mr. Prasad Chandran

Mr. P.M. Balakrishnan

Mr. M.R. lyer

Mr. Narayan Krishnamohan

Mr. P. Ganguly

Mr. Sandeep Gadre

Dr. G. Ramaseshan

Mr. S. Ramnath

Mr. Deepak Thuse

Mr. R.Y. Vaidya

Company Secretary

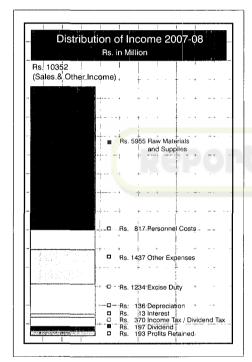
Mr. M.R. lyer

Directors' Report



Prime Minister Dr. Manmohan Singh and German Chancellor Dr. Angela Merkel flag off the Science Express on 30th October 2007 at Safdarjung station, New Delhi.

Your Directors have pleasure in presenting their Report for the financial year ended 31st March 2008.



Financial Results

(Rs. in Million)

	Year ended 31.3.2008	Year ended 31.3.2007
Sales	10305.5	8749.6
Profit before tax	930.0	781.0
Tax	336.3	280.1
Profit after tax	593.7	500.9
Balance brought forward	231.0	225.0
Available for appropriation	824.7	725.9
This has been appropriated as follows:		
Proposed Dividend	197.3	197.3
Corporate Tax on Dividend	33.6	33.6
General Reserve	329.8	264.0
Balance carried forward	264.0	231.0

Activities

The performance of your Company during the year under report registered an improvement over the previous year. Sales at Rs. 10305.5 million and Profit before tax at Rs. 930 million during the year ended 31st March 2008 represent an increase of 17.8% and 19.1% respectively, over the previous year. This increase was mainly on account of higher capacity utilization, improved operating results of the Agricultural Products, Performance Products and Chemicals businesses.

Profit after tax at Rs. 593.7 million was higher by 18.5% compared to the previous year.

The Agricultural Products business recorded higher sales and profits during the year ended 31st March 2008 mainly due to higher realizations, marketing initiatives and rationalization measures undertaken during the year under report and effective working capital management.

The Performance Products segment which include textiles, dispersions, speciality and leather chemical businesses registered increase in sales, both in volume and value terms. Capacity utilization in all segments of business was higher compared to the previous year. However, margins were under pressure mainly due to increase in input costs.

The Expandable Polystyrene business registered increase in volume and turnover compared to the previous year.

The Chemical business registered improved results, compared to the previous year.

Financial Ratios				
	2007-03	2006-07		
Equity vs Total Assets (%)	64.75	66.04		
Return on Capital Employed (%)	29.30	27.38		
before interest and taxes				
Profitability of total income (%)	9.11	9.06		
before interest and taxes				
Current Ratio	2.38	2.46		
current assets :				
short term liabilities and provisions				
Acid Test Ratio	1.62	1.63		
short term receivables plus				
cash and cash items:				
short term liabilities and provisions				

The export sales at Rs. 373.3 million during the year under report, represented an increase of 16.6% over the previous year.

Dividend

Your Directors recommend payment of dividend on the equity shares @ 70% (Rs. 7/- per share) for the financial year ended 31st March 2008. The dividend will absorb Rs. 197.3 million.

Finance & Accounts

With focus on cash flows and working capital management, your Company continued to restrict the bank borrowing to absolute minimum during the year. Internal cash accruals were effectively used for funding working capital needs and capital expenditure requirements of the Company. This resulted in overall reduction in interest costs for the year under report by 15%.

Capital Expenditure

Capital Expenditure incurred during the year aggregated to Rs. 309.2 million.

Fixed Deposits

Your Company continued to maintain the highest rating of 'FAAA' awarded by CRISIL. Your Company did not accept any fixed deposits during the year under report. There were no overdue deposits except unclaimed deposits of Rs. 0.71 million as at 31st March 2008.

Your Company transferred unclaimed fixed deposit of Rs. 0.26 million during the year to the Investor Education and Protection Fund.

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.

Wholly owned Subsidiary

BASF Polyurethanes India Limited, the wholly owned subsidiary of your Company completed its first full year of operations during the year under report, after commencement of commercial production in June 2006. The Audited Accounts of the Subsidiary and the Auditors' report thereon form part of this Annual Report.

Corporate Governance

Your Company always strived to incorporate appropriate standards for good corporate governance. Your Company has complied with the Corporate Governance requirements as per Clause 49 of the Listing Agreements with the Stock Exchanges.

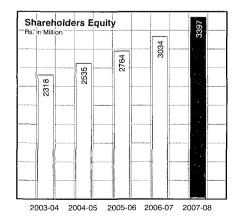
A separate report on Corporate Governance along with a Certificate of Compliance from the Auditors, forms part of this report.

Return on Capital Employed 27.38 23,41 2003-04 2004-05 2005-06 2006-07 2007-08

Directors' Responsibility Statement

Your Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- that the Directors have selected such accounting policies and applied them consistently and made judgments 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 2008 and of the profits of your Company for that year;
- 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.

Directors

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

Mr. Boon Yeow Yee resigned from the Board effective 16th April, 2008. Your Directors wish to place on record their sincere appreciation of the guidance and valuable advice received from Mr. Boon Yeow Yee in the deliberations of the Board during his tenure as Director.

Consequent upon the resignation of Mr. Boon Yeow Yee from the Board, Mr. S. Ramnath, ceased to be his Alternate Director effective 16th April, 2008.

Mr. Hermann Althoff was appointed as a Director on 16th April, 2008 in the casual vacancy caused by the resignation of Mr. Boon Yeow Yee in terms of Article 108 of the Articles of Association of your Company and Section 262 of the Companies Act, 1956.

Mr. S. Ramnath was appointed as the Alternate Director to Mr. Hermann Althoff, effective 16th April, 2008.

Dr. Raman Ramachandran, who was the Alternate Director to Dr. Rainer Diercks, resigned from the Board effective 16th April, 2008.

Your Board of Directors wish to place on record their sincere appreciation of the guidance and valuable advice received from Dr. Raman Ramachandran in the deliberations of the Board during his tenure as Director.

Mr. R. Y. Vaidya was appointed as the Alternate Director to Dr. Rainer Diercks, effective 16th April, 2008.

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the details of Directors seeking reappointment at the ensuing Annual General Meeting is provided in the Corporate Governance Report, forming part of this Annual Report.

Auditors

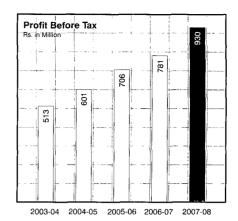
M/s. BSR & Co., Chartered Accountants, Mumbai retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

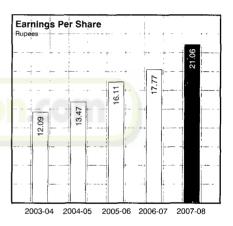
Cost Audit

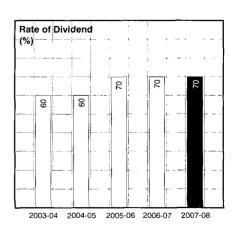
The Board of Directors in pursuance of an order under Section 233B of the Companies Act, 1956, issued by the Government have appointed M/s. R. Nanabhoy & Co., Cost Accountants, Mumbai as Cost Auditors of your Company for conducting audit of the cost accounts maintained by the Company in respect of Insecticides for the financial year 2008-09.

Particulars of Employees

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders, excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company.







Personnel and Welfare

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

Your Directors express their sincere appreciation for the dedicated efforts put in by all the employees and for their continued contribution for ensuring higher performance of the Company during the year.

General

The Consolidated Financial Statements of your Company in this Annual Report are inclusive of the results of its subsidiary, BASF Polyurethanes India Limited.

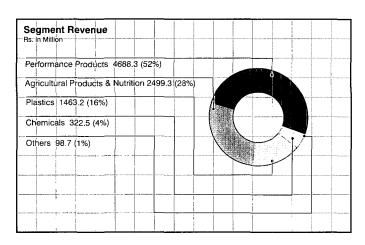
> On behalf of the Board of Directors PRASAD CHANDRAN Chairman & Managing Director

Mumbai

Dated: 16th April, 2008.



Dr. Martin Brudermueller, Member of the Board of Executive Directors, BASF SE sharing his thoughts with the management of BASF India Limited.



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 utilization of energy, in its manufacturing facilities at Thane, Mangalore & Dadra.

During the year under report, various energy saving measures were implemented in the Company's factories, which include:

- Installation of a new energy efficient steam boiler.
- Installation of capacitor banks to improve power.
- Installation of energy efficient split and window air-conditioners in place of existing old air-conditioners.
- Incorporating measures for switching equipment as per batch requirement.
- Rationalise process parameters to reduce batch cycle time of certain processes.
- Replacement of old air compressors in a plant by energy efficient ones.
- Reducing working hours by improving machine efficiencies.
- Reduction of energy consumption in a plant by:
 - Installation of variable speed drives.
 - Increasing set temperature of air-conditioners to save power.
 - Reduction in process water consumption in a plant by installation of flow meters at different locations.

The above measures not only resulted in significant sayings in the total energy consumed but also had a positive impact on the environment.

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

- Introduction of express feeder to rationalize power distribution system.
- Replacement of window air-conditioners with energy efficient CFC free system.
- Recycling of water and post treatment of effluent from a plant.
- Installation of power saving lights.
- Optimize air compressor pressure.
- Installation of steam meters and better traps to rationalise steam consumption.
- Fixing proper nozzle size for reduction of fuel oil consumption.
- Installation of switching facilities to reduce power consumption.

Requisite data in respect of Energy Consumption are given below:

	Current Year 1.4.2007 to 31.3.2008	Previous Year 1.4.2006 to 31.3.2007
(a) Power & Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (in '000 kwh)	15421	12988
Total amount (Rs. in million)	73.96	61.29
Rate per unit (Rs.)	4.80	4.72
(b) Own generation		
Through diesel generator		
Units (in '000 kwh)	1205	2886
Units per litre of oil	3.22	3.55
Cost per unit (Rs.)	11.36	8.70
Through Steam Turbine/Generator units		
Units per litre of fuel	N.A.	N.A.
Oil/gas		
Cost per unit		

	Current Year 1.4.2007 to 31.3.2008	Previous Year 1.4.2006 to 31.3.2007
Coal (specify quality and where used)	N.A.	N.A
Qty. (tonnes)		
Total cost		
Average rate		
3. Furnace oil/fuels		
Qty. (k.litres)	3665	3473
Total Amount (Rs. in million)	69.52	57.71
Average rate (Rs./litre)	18.97	16.62
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)	87	77
Furnace oil/fuels (litres)	26	23
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)	275	294
Furnace oil/fuels (litres)	42	50
Coal (specify quality)	N.A.	N.A.
Others (specify)	N.A.	N.A.
Pesticides		
Unit M.T.		
Electricity (kwh)	. 58	247
Furnace oil/fuels (litres)	105	193
Coal (specify quality)	N.A.	N.A.
Others (specify)	N.A.	N.A.

B. Technology Absorption

RESEARCH & DEVELOPMENT (R&D):

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 all the businesses through innovations and undertook multifold research activities including:

- Basic Research.
- Development of new products/formulations.
- Developing cost effective processes and streamlining existing processes in the areas of agrochemicals, paper chemicals, leather chemicals, textile chemicals and other speciality chemicals/auxiliaries.
- Support indenting activities.

The facilities at the R&D Centre were further augmented. Additional research laboratory was set up. A Kilo-scale laboratory was also installed.

Work on Global Research projects include:

- Collaborative research with BASF SE in the areas of performance chemicals, intermediates and other organic materials, ionic liquids and metal organic frameworks.
- New organic chemical intermediates for specific applications.
- Textile auxiliaries.
- Isolation of potential pesticides from natural sources.