

Annual Report 2000 – 2001

BASF India Limited



*Adding Value through
Growth and Innovation*

BASF

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Message from the Chairman & Managing Director

The year 2000-01 has been tough. But thanks to the proactive measures, cooperation and sheer hard work of our team, we have performed well.

This year has also been full of changes. The textile dyes business was transferred to Dystar. The Amalgamation of Cyanamid Agro Limited with your Company is also underway. All these changes have helped BASF focus on its core businesses and is poised to face the challenges of the future.

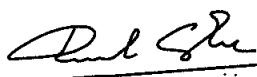
We are glad to inform you that the Board of Directors have recommended payment of dividend of 50% (including a special dividend of 10% out of the compensation received on transfer of textile dyes business) for the financial year ended 31st March 2001.

Liberalisation and the global economy offer tremendous opportunities. Your company has taken all measures possible to capitalize on these opportunities.

You will be pleased to note that we have developed a long-term vision for BASF in India - Vision 2015.

We have set ourselves high standards, benchmarked with the best global practices and with your support, we move ahead to achieve our Vision acting within the BASF value systems.

We are "Adding value through Growth & Innovation."



Prasad Chandran



57th Annual General Meeting

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Thursday, 30th August 2001 at 3.00 p.m. at Yashwantrao Chavan Pratishthan Auditorium, Y.B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai 400 021.	
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BASF India Limited

Registered Office :

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S. K. Ahire Marg,
Mumbai 400 025.
Phone : 461 8000

Works

Thane-Belapur Road
Turbhe, Maharashtra

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

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

Board of Directors

Mr. Prasad Chandran
Chairman and Managing Director

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

Dr. W. Praetorius

Mr. S. Regunathan
Alternate to Dr. W. Praetorius

Mr. Pradip P. Shah

Mr. R. A. Shah

Mr. R. R. Nair
*(Appointed as a Director
w.e.f. 30.3.01)*

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 Ltd.

Internal Auditors

Mahajan & Aibara
Chartered Accountants

Executive Committee

Mr. Prasad Chandran

Mr. P. K. Bhattacharya

Mr. Darshan Lal

Mr. S. Kumarasamy

Mr. L. S. Naik

Mr. S. Regunathan

Mr. R. E. Vaz

Mr. M. R. Iyer

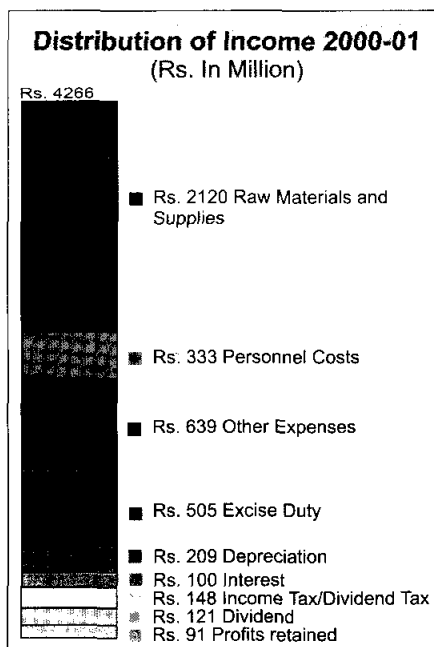
Mr. Ravi Nair

Secretary

Mr. M. R. Iyer

Directors' Report

Your Directors have pleasure in presenting their Report for the financial year ended 31st March, 2001.



	Year ended 31.3.2001	Year ended 31.3.2000
Financial Results :		
Income	4265.91	3838.85
Profit before tax	360.32	334.33
Provision for tax	136.00	134.50
Profit after tax	224.32	199.83
Balance brought forward	100.00	85.00
Available for appropriation	324.32	284.83
This has been appropriated as follows :		
Debenture Redemption Reserve	30.00	30.00
Interim Dividend	-	96.61
Dividend	120.76	-
Corporate Tax on Dividend	12.32	10.63
General Reserve	31.24	47.59
and the balance of	130.00	100.00
has been carried forward		

Activities

Income increased by 11% over the previous year. Profit before tax at Rs. 360.32 million represents an increase of 8% compared to the previous year. Profit after tax for the year at Rs. 224.32 million represents an increase of 12% over the previous year. Although the margins were under pressure during the year, the various cost control measures initiated by the Company together with the significant reduction in the interest costs, enabled the Company to maintain the growth in profits, in line with the sales. The cash flow for the year has also shown an increase of 4% over the previous year.

The leather chemicals business recorded significant increase in sales and profits. The overall sales performance of the crop protection chemicals business was in line with the previous year while the profits were higher compared to the previous year. The dispersions & speciality chemicals business recorded significant increase in sales, though the profits were lower compared to the previous year due to sharp increase in the prices of styrene, a key raw material. The sales of the textile chemicals business (inclusive of the dyes activity) was marginally lower than the previous year consequent to the assignment of textile dyes business, w.e.f. 1st December 2000 to the DyStar Group, while the profits were higher compared to the previous year. The plastics business recorded increase in sales compared to the previous year. However, its profitability was adversely affected mainly on account of the sharp increase in the prices of styrene. The chemicals business registered lower technical service fee and profits during the year mainly on account of intense competition and the general slow down of the economy.

Export sales during the year was Rs. 250 million as compared to Rs. 344 million in the previous year. The reduction in exports was primarily on account of the transfer of the textile dyes business to DyStar and lower exports of crop protection chemicals. The Company is making concerted efforts to increase its exports during the current year.

Dividend

Your Directors recommend payment of dividend @ 50% (including a special dividend of 10% out of the compensation received for transfer of textile dyes business) on the equity shares.

Dematerialisation of Shares

During the year, 9384862 shares were held in dematerialised mode by the Shareholders of the Company of which 237543 shares were under Central Depository Services (India) Limited (CDSL) and balance 9147319 shares under the National Securities Depository Limited (NSDL).

Finance & Accounts

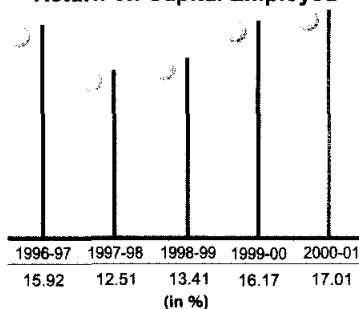
The continued use of Commercial Paper to access low cost funds together with the steps taken during the year to improve the cash flow position enabled the Company to reduce its interest costs.

Debentures

During the year your Company was successful in raising non convertible debentures of Rs. 200 million at competitive rates to augment its long term working capital requirements.

Credit Rating Information Services of India Limited (CRISIL) has assigned the rating of "AAA" for the debentures.

Financial Ratios	2000-01	1999-00
Equity vs Total Assets (%)	58.34	56.34
Return on Capital Employed (%)	17.01	16.17
before interest and taxes		
Profitability of total income (%)	10.79	11.97
before interest and taxes		
Current Ratio	2.37	1.90
current assets :		
short term liabilities and provisions		
Acid Test Ratio	1.58	1.19
short term receivables plus		
cash and cash items:		
short term liabilities and provisions		

Return on Capital Employed

Your Directors certify that the debentures of Rs. 100 million each, raised in 1997 and 2000 respectively, and Rs. 200 million raised in 2001 for working capital requirements, were only used for that purpose.

Commercial Papers

Commercial Papers of Rs. 1100 million were issued during the financial year ended 31st March 2001 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. 125.47 million.

Fixed Deposits

Your Company continued to maintain the highest rating of "FAAA" awarded by CRISIL. The Company has not received instructions from depositors for payment of deposit amount of Rs. 4.65 million as at 31st March 2001. Since then, deposits totaling Rs. 1.08 million have either been repaid or renewed.

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.

Transfer of Textile Dyes business

Pursuant to the approval accorded by the members of the Company for transfer of the textile dyes business to DyStar at the Extraordinary General Meeting held on 20th March 2001, the Company executed the Deeds of Assignment with DyStar India Limited and DyStar Textilfarben GmbH & Co. Deutschland KG, for transfer of the domestic and export businesses respectively, effective 1st December 2000, for an aggregate consideration of Rs. 70.16 million based on the valuation of the textile dyes business by the Valuers M/s.C.C.Chokshi & Co., Chartered Accountants, Mumbai. The entire consideration amount has been received from DyStar. The Company has commenced supply of textile dyes to DyStar on terms and conditions mutually agreed between the parties.

Amalgamation of Cyanamid Agro Limited with the Company

On 31st January 2001, the respective Boards of Cyanamid Agro Limited (CAL) and your Company decided on a proposal for the amalgamation of CAL with the Company and approved the Scheme of Amalgamation (the Scheme), subject to the receipt of necessary approvals. Considerable synergy and operational benefits arise out of the proposed amalgamation as explained in the Scheme. In terms of the Scheme, with effect from the appointed date viz 1st April 2001, the undertaking of CAL including its properties and assets of whatsoever nature, shall be transferred to and vested in the Company pursuant to the Order of the Hon'ble High Court. Likewise, all debts, liabilities, duties and obligations of CAL shall also be transferred to the Company so as to become the debts, liabilities and obligations of the Company.

The Shareholders of the two Companies at the respective General Meetings convened, pursuant to the directions of the Hon'ble High Court, on 19th March 2001 and 20th March 2001, approved the amalgamation proposal by an overwhelming majority. Necessary petitions have been filed before the Hon'ble High Court for confirmation of the Scheme and the matter is scheduled to be heard in the near future.

Increase in the Authorised Capital

The Authorised capital of the Company was increased from Rs. 250 million to Rs. 300 million with consequent changes in the Memorandum and Articles of Association of the Company after obtaining the approval of the shareholders at the Extraordinary General Meeting of the Company held on 20th March 2001. This is necessary to give effect to the proposed Scheme of Amalgamation of Cyanamid Agro Limited (CAL) with the Company after the approval of the High Court is received and for allotment of the 4035948 equity shares of the Company to the members of CAL.

Corporate Governance

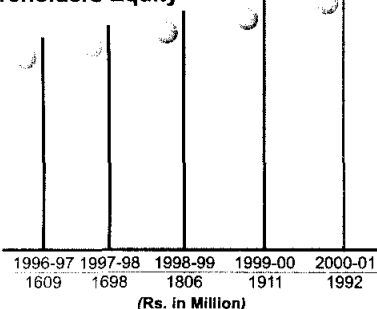
Your Company has always strived to incorporate appropriate standards for good Corporate Governance. It has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the Stock Exchanges, with which the Company is listed,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

A separate report on Corporate Governance is produced as a part of the Annual Report, along with the Auditor's Certificate on the compliance.

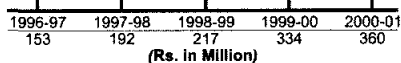
Directors' Responsibility Statement

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 judgments 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 2001 and of the profit of the 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 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.

Shareholders Equity

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Profit Before Tax**ISO 9002**

The Mangalore factory has obtained ISO 9002 certification w.e.f. 5th July 2000 in recognition of the sound quality management system implemented by the Company.

Gujarat Earthquake Relief

The massive earthquake which took place on 26th January 2001 in Bhuj and other parts of Gujarat resulted in immense loss of life and property. The Board at its meeting held on 31st January 2001 resolved to make a contribution of upto Rs. 43 lakhs towards earthquake relief. This included contribution of Rs. 15 lakhs to the Prime Minister's Relief Fund and Rs. 10 lakhs to the Gujarat Chief Minister's Relief Fund.

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.

Directors

Dr. W. Burgert was appointed as a Director on 1st October 1999 in the casual vacancy caused by the resignation of Dr. J. Feldmann in terms of Article 108 of the Articles of Association of the Company and Section 262 of the Companies Act, 1956 and he holds office up to the date of the ensuing Annual General Meeting.

Dr. F. Schmider resigned from the Board w.e.f. 1st March 2001. Your Directors wish to place on record their sincere appreciation of the guidance and advice received from Dr. F. Schmider in the deliberations of the Board during his tenure as a Director.

Mr. R. R. Nair was appointed as an Additional Director of the Company w.e.f. 30th March 2001 in terms of Article 108 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956 and he holds office up to the date of the ensuing Annual General Meeting.

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

Mr. S. G. Kulkarni resigned as an alternate Director to Dr. W. Praetorius w.e.f. 30th March 2001. Your Directors wish to place on record their sincere appreciation of the guidance and advice received from Mr. S. G. Kulkarni in the deliberations of the Board during his tenure as a Director.

Mr. S. Regunathan resigned from the Board w.e.f. 30th March 2001 and was appointed as an Alternate Director to Dr. W. Praetorius effective 30th March 2001.

Mr. R. A. Shah and Dr. W. Praetorius 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 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.

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 2001-2002.

Particulars of Employees

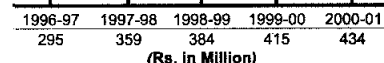
The information required to be published under the provisions of Section 217(2A) of the Companies Act, 1956 is given in the annexure to this report.

On behalf of the Board of Directors

PRASAD CHANDRAN
Chairman & Managing Director

Mumbai

Dated 19th June 2001

Cash Flow**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 and consumption and effective control on utilisation of energy. During the year, energy saving measures implemented include installation of variable speed drives in the air compressor and spray drier units, installation of low power mixers in the ETP neutralisation tank, installation of automatic blow down system on the boilers, installation of online

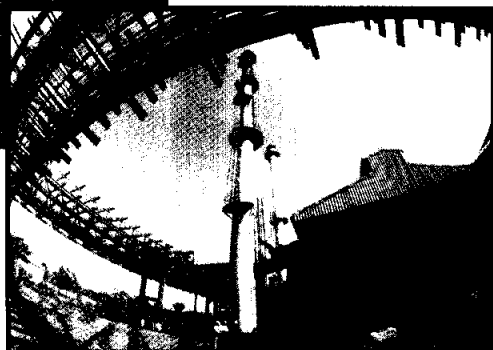
oxygen analyser in the boiler to improve combustion efficiency, improving the electrical system power factor by rearranging the capacitor banks, installation of FRP fans in cooling towers and thermostat temperature control, reduction in centrifuge operation by increasing concentration of slurry in effluent treatment plant.

The adoption of measures indicated above resulted in savings in the total energy consumed. In addition, the Company has plans:

- i) To install variable speed drives for various pumps in different plants and for spray drier to reduce energy consumption.
- ii) To install flash steam recovery system to bring down overall steam consumption.
- iii) For rationalisation of the cooling tower system.
- iv) To replace old window air conditioner units by energy efficient ones.
- v) For de-rating of boilers to achieve continuous operation so as to improve the generation efficiency.
- vi) For optimisation in the operation of blenders.
- vii) For optimisation of spray drier operations and change of heating media.

Requisite data in respect of Energy Consumption are given below:

	Current Year 1.4.2000 to 31.3.2001	Previous Year 1.4.1999 to 31.3.2000
A) Power & Fuel Consumption		
1. Electricity		
a) Purchased		
Units (in '000 kwh)	7383	7628
Total amount (Rs. in million)	30.41	33.50
Rate per unit (Rs.)	4.12	4.39
b) Own generation		
-Through Diesel Generator		
Units (in '000 kwh)	8150	9121
Units per litre of oil	3.43	3.44
Cost per unit (Rs.)	4.39	3.37
-Through Steam Turbine/ Generator units	N. A.	N. A.
Units per litre of fuel Oil/gas	N. A.	N. A.
Cost per unit	N. A.	N. A.
2. Coal (specify quality and where used)	N. A.	N. A.
Qty. (Tonnes)		
Total cost		
Average rate		
3. Furnace oil / fuels		
Qty. (k. Litres)	2892	2896
Total Amount (Rs. in million)	29.06	24.81
Average rate (Rs./ litre)	10.05	8.57
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)	153	162
Furnace oil / fuels (litres)	45	46
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)	425	571
Furnace oil / fuels (litres)	76	88
Coal (specify quality)	N.A.	N.A.
Others (specify)	N.A.	N.A.
Pesticides		
Unit M.T.		
Electricity (kwh)	426	396
Furnace oil / fuels (litres)	96	111
Coal (specify quality)	N.A.	N.A.
Others (specify)	N.A.	N.A.



Mangalore site: 'state-of-the-art' technology

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B. Technology Absorption

Research & Development (R&D)

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

Development of new products and cost effective processes in the area of crop protection chemicals, paper chemicals and leather/textile chemicals and optimisation of the effluent treatment process. R&D was also active in screening of effective pesticides from natural sources.

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

A number of leather, paper, textile and other speciality chemicals were developed during this year. A new cost effective process for an insecticide was developed.

3. Future plan of action:

Basic research in crop protection chemicals and process development / new product development in leather chemicals, paper chemicals, crop protection chemicals, textile chemicals, dye intermediates and other speciality chemicals.

4. Expenditure on R&D:

	Rs. in million
(a) Capital	3.4
(b) Recurring	10.3
(c) Total	13.7
(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 unit of the Company is recognised by the Ministry of Science & Technology, Government of India. In addition to the development of new products, the R&D unit is engaged in various developmental activities such as import substitution of raw materials, new cost effective technologies of the existing products, batch cycle time reduction as well as basic research in the field of isolation of pesticide from natural resources. R&D unit is also engaged in research activities pertaining to the adaptation of the process technologies from BASF AG at Thane & Mangalore factories. Various products have been developed upto the production plant scale and have been commercialised.

2. Benefits derived as a result of the above efforts:

A number of new products and processes were developed & commercialised during the year. Additional efforts in process optimisation of existing processes have resulted in significant cost reduction which has enabled the Company to maintain its competitive edge in the market.

3. Imported technology :

The Company entered into Agreements with BASF AG for supply of the following technical know-how:

- In 1995 for setting up plants together with development of infrastructural facilities to manufacture various products.
- In 1996 for expanding capacity to manufacture expandable polystyrene.
- In 1997 for manufacture of carboxylated styrene butadiene lattices.
- In 1997 and 1998 for manufacture of new products.

The Company received technical know-how from FMC Corporation USA for manufacture of alphacypermethrin.

Commercial production of the products had commenced in the earlier years as per schedule.

The Company maintains continuous interaction with its foreign collaborator BASF AG and receives on an ongoing basis valuable technical information, guidance and support. This has enabled the Company to introduce a wide range of new products and compete effectively in the market.

C. Foreign Exchange Earnings And Outgo

The particulars with regard to foreign exchange earnings and outgo appear on pages 32 and 33 of the Annual Report and Accounts.

On behalf of the Board of Directors

PRASAD CHANDRAN
Chairman & Managing Director

Mumbai
Dated: 19th June 2001



Thane site - ISO - 9001 certified

Management Discussion and Analysis Report

The size of the Indian chemical industry is about Rs. 1,20,000 crore. The production of chemical industry during the last financial year witnessed growth of 7.6% compared to 1999-2000. This was higher than the overall manufacturing sector growth of 5.2%.

Chemical industry is one of the major contributors to India's GDP and has 14% share in Indian manufacturing output. It contributes around 8% of exports from India, and accounts for 11% of import bill. This amply indicates the important place and role of the chemical industry in India's industrial as well as overall economic development and growth.

The chemical industry is going through slow but definitive restructuring process. With gradual reduction in import tariffs, competitiveness of operations has assumed primary focus. There will be improvement in scale of operations with upgradation of technology. The industry will go through a phase of consolidation, which could initially be a painful process, but there is no doubt that the industry will emerge stronger to face global competition.

With the expected acceleration in economic reforms and higher GDP growth the prospects for the chemical industry is bright.

Leather chemicals business

The leather chemicals industry in India can be grouped into local manufacturers (both organised and unorganised) and global companies, catering to different segments of the market. Though the leather chemicals industry has reached maturity stage globally, the growth in the Asian region is higher due to increasing exports from Asian countries of leather and leather products. The leather industry has moved from export of semi finished to high value added exports of finished leather and leather products. Among the users of leather chemicals, viz. tanneries, there is a trend towards consolidation with higher modernisation of production facilities and significant increase in capacities. The Tanneries are also connected to common effluent treatment plants. The leather industry can also now benefit from the Government's Technology Upgradation Fund. This augurs well for companies like BASF India Limited, which are well positioned to meet the requirements of large sized tanneries.

Any significant change in the global consumer spending patterns affects the demand for leather products, thereby impacting demand for leather chemicals.

The leather chemicals business recorded increase in sales volume and turnover of 14% and 16% respectively compared to the previous year against the 7% growth in leather production. This growth in business was mainly due to higher sale of dyes which are totally free of all banned amines, syntans and finishing chemicals. Exports of leather chemicals registered a significant increase of 134%, from Rs. 23 million last year to Rs. 53.8 million during the year ended 31st March 2001. Profit before tax registered a significant increase during the year ended 31st March 2001 compared to the earlier year.

The Company's Research & Development efforts and the know-how received from BASF AG resulted in introduction of several new products during the year, enabling the company to maintain its competitive edge in the market.

Textile chemicals business

The Indian textile industry contributes around 20% of industrial production and approximately 5% of India's Gross Domestic Product. The textile industry also has a large share in the total exports of the country. The cloth production is largely concentrated in the decentralised sector. Likewise, the textile chemicals industry is in the medium scale sector, with some presence of multinational companies. However, in the cotton fabric segment there is a movement towards better quality and higher value fabric through sophisticated processing equipment which require the use of speciality textile chemicals.

The major trends in the textile industry are as follows:

- Higher living standards would increase per capita consumption
- Trend towards higher value added goods
- Removal of quota restrictions by 2004
- Modernisation of existing units (usage of Government's Technology Upgradation Fund)
- Increased emphasis on the finishing segment

Technology upgradation of the textile industry is a key requirement to maintain and increase India's market share in the international markets. There is also some threat to local cloth manufacturers from imported fabrics. Both of these trends shall have a role in determining the demand for textile chemicals.

The textile chemicals business recorded increase in sales volume and turnover of 16% and 20% respectively compared to the previous year, while the Indian woven and hosiery sector grew by 7% during the same period. This growth was mainly due to:

- a) Higher sales of eco-friendly and multi functional speciality textile chemicals required by the industry to meet the stringent quality requirements of the overseas markets.
- b) Significant increase in sales to a tune of 38% of speciality auxiliaries for aqueous pigment printing systems which is the company's area of strength.
- c) Successful introduction of several new products jointly developed with the help of BASF AG and our own R&D efforts. Export sales of textile chemicals of Rs. 8.8 million during the year was lower compared to the



Dr. W. Burgert releasing Vision 2015