

Annual Report 2008-2009

BASF India Limited



WE SHAPE THE FUTURE

 **BASF**
The Chemical Company



Message from the Chairman & Managing Director

Dear Shareholders,

The global financial crisis and its implications on the developed world are still unravelling. However, India, with its robust domestic-oriented economy, coupled with well-timed fiscal and monetary measures taken by the government, is already rebounding. At BASF, although sales and profitability of some of our segments got affected during 2008-2009, our balanced portfolio helped us remain resilient. With a strong business foundation and one of the best teams on board, we have been operating with excellent cost efficiency and budget discipline.

Your company derived opportunities from the current situation and the sales and profit have grown by 20% and 16% respectively.

Our focus on nurturing Partnerships and Excellence has won us accolades across platforms. Being rated as the World's Most Admired Chemical Company by the Fortune Magazine has not only made us all proud but also further motivated us to raise our standards of performance. BASF Kids' Lab aboard the Science Express is now part of the Limca Book of Records 2009 for hosting a mobile laboratory, where 15,000 students performed live experiments.

Employee engagement has been taken a notch higher, by launching the C.A.R.E. initiative, which emphasized the importance of Behavioral Safety at all times.

Together, we are confident of setting higher standards for ourselves and the Chemical industry.

Thank you for your trust and confidence and I look forward to your continued interest and support.

Warm Wishes,

Prasad Chandran

65th Annual General Meeting

Contents

Friday, 21st August, 2009
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. Declaration of Dividend
- 3-4. Appointment of Directors
5. Appointment of Auditors
- 6-9. Special Business

The Notice of the Meeting is enclosed.

BASF India Limited

Registered Office:

RBC, Mahindra Towers,
1st Floor, 'A' Wing,
Dr. G.M. Bhosale Marg, Worli,
Mumbai - 400 018.
Phone : 6661 8000
www.basf-india.com

Works

Thane-Belapur Road,
Turbhe, Navi Mumbai - 400 705, Maharashtra.

Bala/Thokur Village,
Surathkal-Bajpe Road,
Mangalore Taluka,
Dakshina Kannada District,
Karnataka - 575 030.

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 Agents

Sharepro Services (India) Private Ltd.,
Unit : BASF India Limited,
13AB, Samhita Warehousing Complex,
2nd Floor, Sakinaka Telephone Exchange Lane,
Off. Andheri Kurla Road,
Andheri (East), Mumbai - 400 072
Tel. No. : 022-2851 1872, 6772 0300, 6772 0400
Fax No. : 022-2859 1568
Email : sharepro@shareproservices.com

	Page
Board of Directors	2
Directors' Report	3
Management Discussion and Analysis Report	10
Report on Corporate Governance	15
Auditors' Report	25
Balance Sheet	28
Profit & Loss Account	29
Cash Flow Statement	30
Schedules to Balance Sheet	31
Schedules to Profit & Loss Account	34
Accounting Policies and Notes to Accounts	36
Balance Sheet Abstract and General Business Profile	51
Information pertaining to BASF Polyurethanes India Limited (Subsidiary)	
Directors' Report	52
Auditors' Report	57
Balance Sheet	60
Profit & Loss Account	61
Cash Flow Statement	62
Schedules to Balance Sheet	63
Schedules to Profit & Loss Account	66
Accounting Policies and Notes to Accounts	68
Balance Sheet Abstract and General Business Profile	78
Information pertaining to Consolidated Financial Statements	
Auditors' Report	79
Balance Sheet	80
Profit & Loss Account	81
Cash Flow Statement	82
Schedules to Balance Sheet	83
Schedules to Profit & Loss Account	87
Accounting Policies and Notes to Accounts	89

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

Executive Committee

Mr. Prasad Chandran

Mr. P.M. Balakrishnan

Mr. M.R. Iyer

Mr. Narayan Krishnamohan

Mr. P. Ganguly

Mr. Sandeep Gadre

Dr. G. Ramaseshan

Mr. S. Ramnath

Mr. Deepak Thuse

Mr. R.Y. Vaidya

Mr. Vivek Bapat

Mr. Murli Ramalingam

Mr. Mandar Joshi

Company Secretary

Mr. M.R. Iyer

Auditors

Messrs B S R & 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

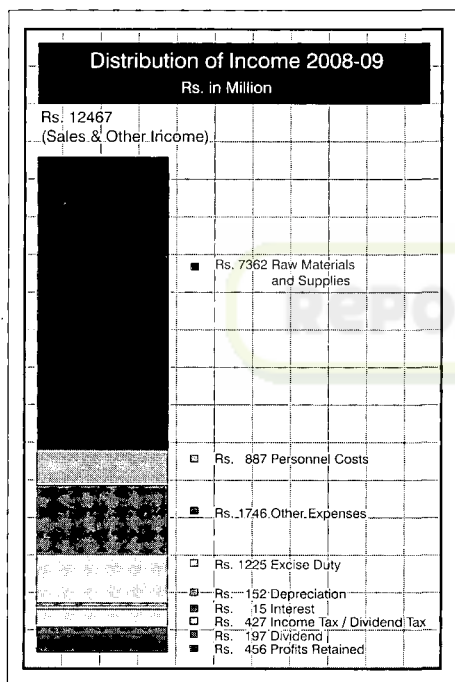
Messrs Mahajan & Aibara
Chartered Accountants

Directors' Report



Mr. Prasad Chandran inaugurates Chemspec India 2009, the annual exhibition organized by Chemical Weekly.

Your Directors have pleasure in presenting their Report for the financial year ended 31st March, 2009.



Financial Results

(Rs. in Million)

	Year ended 31.3.2009	Year ended 31.3.2008
Sales	12381.1	10360.2
Profit before tax	1080.1	930.0
Tax	393.7	336.3
Profit after tax	686.4	593.7
Balance brought forward	264.0	231.0
Available for appropriation	950.4	824.7
This has been appropriated as follows:		
Proposed Dividend	197.3	197.3
Corporate Tax on Dividend	33.6	33.6
General Reserve	455.5	329.8
Balance carried forward	264.0	264.0

Activities

The performance of your Company during the year under report registered an improvement over the previous year. Sales at Rs. 12381 million and Profit before tax at Rs. 1080 million during the year ended 31st March, 2009 represent an increase of 20% and 16% respectively, over the previous year. This increase was mainly on account of higher capacity utilization, improved operating results of the Agricultural Solutions, Performance Products and Chemicals businesses.

Profit after tax at Rs. 686.4 million was higher by 16% compared to the previous year.

The Agricultural Solutions business recorded higher sales and profits during the year ended 31st March, 2009 mainly due to higher realizations, effective working capital management and marketing initiatives, undertaken during the year under report.

The Plastics business registered marginal increase in sales as compared to the previous year. The Performance Products segment which include textiles, dispersions, specialty and leather chemical businesses registered increase in sales, both in volume and value terms. Dispersions business registered substantial increase in sales and profits as compared to previous year.

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

Financial Ratios		
	2008-09	2007-08
Equity vs Total Assets (%)	59.20	64.75
Return on Capital Employed (%)	30.21	29.30
before interest and taxes		
Profitability of total income (%)	8.78	9.11
before interest and taxes		
Current Ratio	2.02	2.38
current assets :		
short term liabilities and provisions		
Acid Test Ratio	1.20	1.62
short term receivables plus		
cash and cash items:		
short term liabilities and provisions		

Capacity utilization in all segments of business was higher compared to the previous year. The global economic slowdown resulted in weak demand and pressure on sale prices and margins. The export sales at Rs. 570.7 million during the year under report represented an increase of 53% over the previous year.

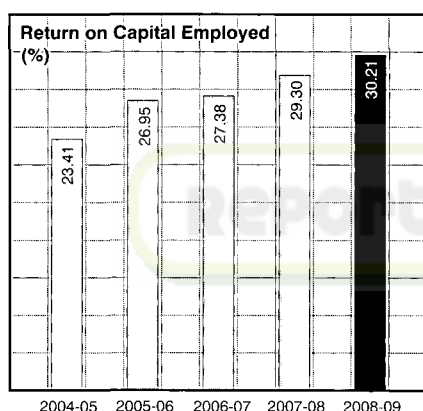
During the year under report, the Company has initiated steps to set up Engineering Plastics compounding plant at its existing site at Navi Mumbai. This plant will have the capacity of 9000 TPA which will cater to automobile, electrical switchgear and telecommunication industries. A Computer Aided Engineering laboratory was also set up to design & optimize new engineering plastics parts in close co-ordination with customers.

Dividend

Your Directors recommend payment of dividend on the equity shares @70% (Rs. 7/-per share) for the financial year ended 31st March, 2009. The dividend will absorb Rs. 197.3 million.

Consolidation of holding

BASF SE, the parent Company of your Company, has increased its stake from the present 52.69% to 71.18% of the voting capital of your Company through open offer process during the year under report.



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.

Capital Expenditure

Capital Expenditure incurred during the year aggregated to Rs. 415.6 million.

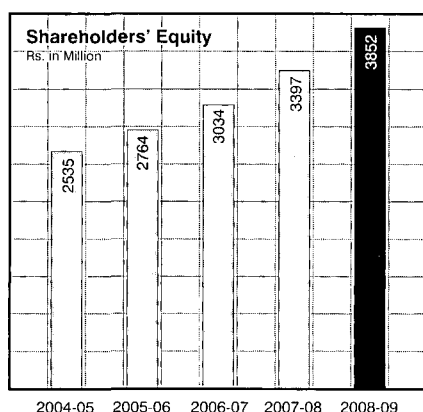
Fixed Deposits

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. 0.6 million as at 31st March 2009.

Your Company transferred unclaimed fixed deposit of Rs. 0.1 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 (BPIL), the wholly owned subsidiary of your Company, recorded Sales at Rs. 2185.4 million as against Rs. 1567.7 million in the previous year. However, BPIL posted a loss of Rs. 200.5 million during the year ended 31st March, 2009 mainly on account of high fluctuations in raw material prices.

BASF SE had a discretion to acquire the Company's holding in BPIL. During the year under report, BASF SE had exercised its discretion to acquire the entire equity shareholding in BPIL vide its letter dated 30th October, 2008 subject to conditions detailed therein. A committee constituted by the Board is examining the matter and would recommend further course of action.

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.

Directors' Responsibility Statement

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year ended 31st March, 2009 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.

Directors

Dr. Tilman Krauch and Mr. Pradip P. Shah retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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

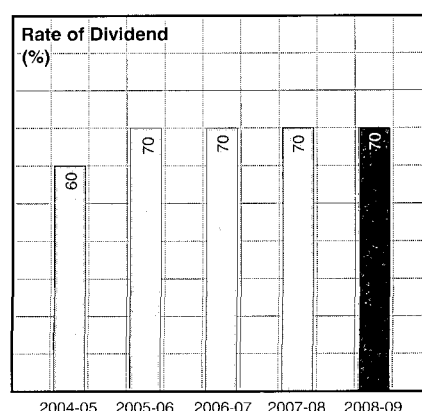
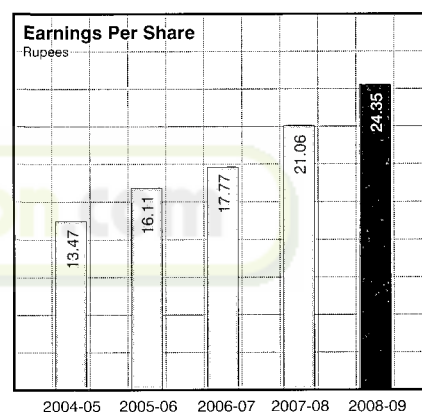
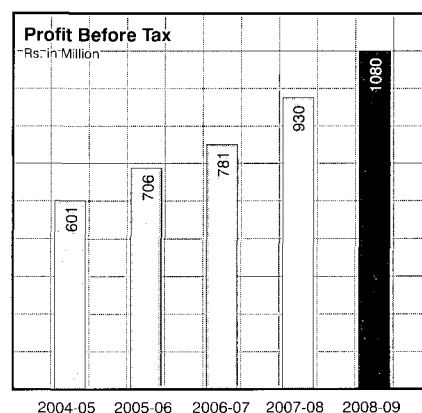
M/s. B S R & Co., Chartered Accountants, Mumbai retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

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 2009-10.

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

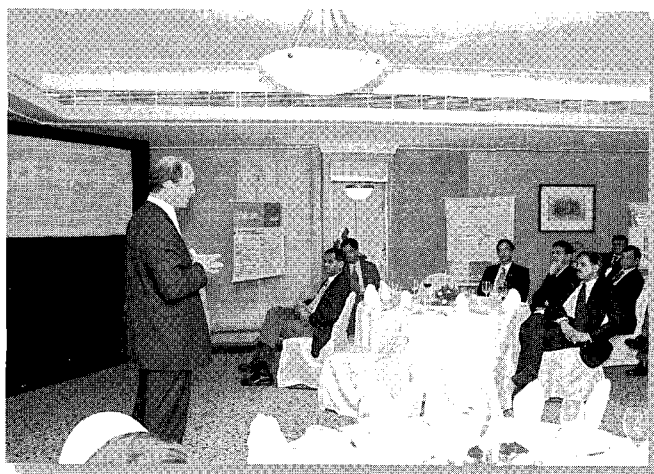
The Consolidated Financial Statements of your Company in this Annual Report are inclusive of the results of its subsidiary, BASF Polyurethanes India Limited.

On behalf of the Board of Directors

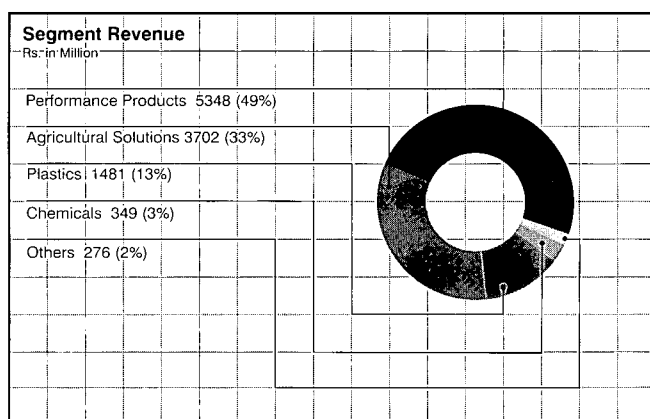
PRASAD CHANDRAN
Chairman & Managing Director

Mumbai

Dated : 16th April, 2009.



Dr. Martin Brudermueller, Member of the Board of Executive Directors – BASF SE, discusses the way forward with the Senior Management of BASF India in July 2008.



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 Navi Mumbai, 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.
- Installation of energy efficient steam traps.
- Installation of energy efficient motors at some places.
- 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 in specific power consumption in a plant by incorporating following measures/carrying out modifications viz.,:
 - Incorporating measures for switching certain equipment as per batch requirements.
 - Reducing run hours of an equipment, so as to have campaign production.
 - Rationalise process parameters to reduce batch cycle time of energy intensive production processes.
 - Reduce working hours by improving machine efficiencies and new packing modules/process.
 - Installation of VFDs in utilities section and optimizing compressed air in nitrogen usage.
 - Installation of new PL lamps for reduction in power consumption in warehouses.
 - Rationalise the system by optimizing the burner nozzle.
 - Optimizing the cooling water circuit.
- Reduction of energy consumption in a plant by:
 - Installation of a steam meters for close monitoring and better steam traps.
 - Installation of power saving CF Lights.
 - Installation of variable speed drives.
- Reduction in process water consumption in a plant by installation of flow meters at different locations.

The above measures not only resulted in significant savings 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 N2 plant with new air compressor.
- Installation of steam meters and better traps to rationalise steam consumption.
- Conversion of spray dryer and boiler into gas firing instead of oil firing,
- Creating awareness for self discipline in energy conservation.

Requisite data in respect of Energy Consumption are given below:

	Current Year 1.4.2008 to 31.3.2009	Previous Year 1.4.2007 to 31.3.2008
(a) Power & Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (in '000 kwh)	14517	15421
Total amount (Rs. in million)	69.06	73.96
Rate per unit (Rs.)	4.76	4.80

	Current Year 1.4.2008 to 31.3.2009	Previous Year 1.4.2007 to 31.3.2008
(b) Own generation		
• Through diesel generator		
Units (in '000 kwh)	1005	1205
Units per litre of oil	3.18	3.22
Cost per unit (Rs.)	11.36	11.36
• Through Steam Turbine/Generator units		
Units per litre of fuel	N.A.	N.A.
Oil/gas		
Cost per unit		
2. Coal (specify quality and where used)	N.A.	N.A.
Qty. (tonnes)		
Total cost		
Average rate		
3. Furnace oil/fuels		
Qty. (k.litres)	3262	3665
Total Amount (Rs. in million)	87.22	69.52
Average rate (Rs./litre)	26.74	18.97
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)	82	87
Furnace oil/fuels (litres)	33	26
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)	249	275
Furnace oil/fuels (litres)	44	42
Coal (specify quality)	N.A.	N.A.
Others (specify)	N.A.	N.A.
Pesticides		
Unit M.T.		
Electricity (kwh)	N.A.	58
Furnace oil/fuels (litres)	N.A.	105
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 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 paper chemicals, leather chemicals, textile chemicals and other speciality chemicals/auxiliaries.
- Optimizing effluent treatment processes
- Support indenting activities.

The facilities at the R&D Centre were further augmented. A state of art new Pharma excipients formulations research and application laboratory was established to carry out research on new Pharma formulations.

Work on Global Research projects include:

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