

Annual Report 2010-2011

BASF India Limited



The Chemical Company

We create chemistry





Message from the Chairman & Managing Director

Dear Shareholders,

Rapid market developments in 2010 placed extraordinary demands on BASF India Limited (BIL). The early and decisive actions we took helped us not only to deliver good results for the current year, but also lay the foundation for a sustainable long term future.

Moving towards the Vision of having a Single Legal Entity in India, your Company successfully completed the merger of BASF Construction Chemicals (India) Private Limited (BCCIPL), BASF Coatings (India) Limited (BCIN) and BASF Polyurethanes India Limited (BPIL) in January 2011. Further, with the worldwide acquisition of Cognis Holding GmbH, I am happy to inform you that the business of Cognis Specialty Chemicals Pvt. Ltd. has been fully integrated with your Company effective July 1, 2011. The complementary business portfolio of Cognis will further strengthen BASF India's presence in value-added products.

Customer-centric approach, cost-efficiencies and increased exposure to high growth markets have helped BASF India Limited to achieve substantial increase in earnings in FY 2010-11. Sales reached Rs.30599 million. Subsequent to the merger of three BASF legal entities and after considering full year of operations of legacy Ciba Companies in India, Profit after Tax stood at Rs.1178 million. On a comparable basis, Sales have gone up by 35% and Profit after Tax by 22%.

BASF is a Global Sponsor of the International Year of Chemistry 2011 – an initiative to raise awareness on Chemistry among the general public, attract young people into the field, as well as highlight the role of chemistry in solving Global problems. To flag off the event in India, BASF organized an inter-collegiate competition on “Improving Science & Technology education and the quality of Research in India” in partnership with the Institute of Chemical Technology (ICT), followed by many other programs.

Our innovation-led business approach and focus on strengthening customer relationships led to expanding our presence across industry platforms, bringing in strong demand for our products and services. We continued to connect with our current and prospective customers through various touch points including trade fairs, seminars and events and won recognition and awards for innovations and service excellence. For the third time in a row, BASF has been ranked as the World's Most Admired Chemical Company, by U.S. business magazine, Fortune.

Committed to Sustainable Development and promoting Transparency, BASF released its first-ever consolidated report on Economic, Ecological and Societal performance – “BASF in India, In Brief 2009”. In line with BASF's global reporting guideline, the publication sets benchmarks in governance and triple bottom line reporting.

As we set our sights for the future, on behalf of the Board, the Executive Management Committee and the entire BASF team in India, I thank you for your valuable trust and seek your continued interest and support.

With Best Wishes,

Prasad Chandran

Friday, 26th August, 2011
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
 - 6-11. Special Business
- The Notice of the Meeting is enclosed.

BASF India Limited

Registered Office:

1st Floor, VIBGYOR Towers, Plot No.C-62, 'G' Block,
Bandra Kurla Complex, Mumbai-400 051.
Phone: 6661 8000
www.basf-india.com

Works

Ankleshwar

Unit I: Plot No. 6214/6216, GIDC Phase IV
Ankleshwar-393 002, Gujarat.

Unit II: Plot No. 8001, GIDC Phase VI
Ankleshwar-393 002, Gujarat.

Bangalore

Bommasundra Industrial Area,
Anekal Taluka, Bangalore, Karnataka.

Himachal Pradesh

Khasra No. 87/1, Village: Beer Plassis,
Nalagarh, District: Solan, Himachal Pradesh.

Kolkata

Gate No. 3, Jalan Industrial Complex,
46/48/49/53, Jangalpur, Howrah, West Bengal.

Mangalore

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

Navi Mumbai

- (1) Thane-Belapur Road, Turbhe, Navi Mumbai-400 705.
- (2) C-68, MIDC Industrial Area, Thane Belapur Road,
Turbhe, Navi Mumbai-400 613, Maharashtra.

Rajasthan

Plot No. F-218, Industrial Area IID Centre, Khushkera,
Bhiwadi District, Alwar, Rajasthan.

Branches

Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad,
Indore, Kolkata.

Registrar & 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. : 022-6772 0300, 6772 0400
Fax No. : 022-2859 1568
Email : sharepro@shareproservices.com

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Board of Directors

Mr. Prasad Chandran
Chairman and Managing Director

Dr. Rainer Diercks

Mr. R. Y. Vaidya (upto 31st August, 2011)
Alternate to Dr. Rainer Diercks

Dr. G. Ramaseshan (w.e.f. 1st September, 2011)
Alternate to Dr. Rainer Diercks

Ms. Saori Dubourg

Mr. Thilo Bischoff
Alternate to Ms. Saori Dubourg

Mr. Andrew Postlethwaite

Mr. S. Regunathan
Alternate to Mr. Andrew Postlethwaite

Mr. R. A. Shah

Mr. R. R. Nair

Mr. Pradip P. Shah

Mr. Arun Bewoor

Management Committee

Mr. Prasad Chandran

Mr. P. M. Balakrishnan

Mr. Thilo Bischoff

Mr. Pradeep Chandan

Mr. P. Ganguly

Dr. G. Ramaseshan

Mr. S. Regunathan

Mr. Deepak Thuse

Mr. R. Y. Vaidya

Director – Legal & Company Secretary

Mr. Pradeep Chandan

Auditors

Messrs B S R & Co.,
Chartered Accountants
Lodha Excelus
1st Floor, Apollo Mills Compound
N. M. Joshi Marg
Mahalakshmi
Mumbai-400 011

Solicitors

Messrs Crawford Bayley & Co.
Solicitors & Advocates
State Bank Building
N. G. N. Vaidya Marg
Mumbai-400 023.

Messrs Udwadia & Udeshi
Solicitors & Advocates
Elphinstone House, 1st Floor
17, Murzban Road
Mumbai-400 001.

Bankers

Citibank N.A
Deutsche Bank
HDFC Bank Limited
State Bank of India
BNP Paribas

Internal Auditors

Messrs Mahajan & Aibara
Chartered Accountants
1, Chawla House
62, Wodehouse Road
Colaba
Mumbai-400 005.

Cost Auditors

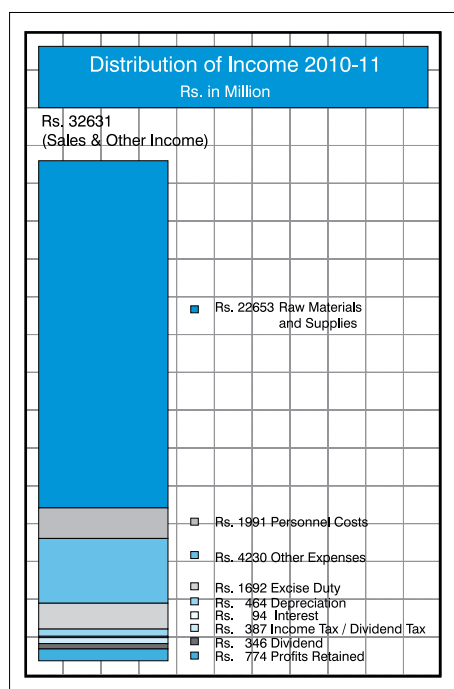
Messrs R. Nanabhoy & Co.
Cost Accountants
Jer Mansion, 70
August Kranti Marg,
Mumbai-400 036

Directors' Report



Dr. Kurt Bock, Chairman of the Board of Executive Directors, BASF SE (right) in a discussion with Mr. Prasad Chandran, Chairman & Managing Director, BASF India Limited, during his visit to India.

Your Directors have pleasure in presenting their Report for the financial year ended 31st March, 2011.



Financial Results

	(Rs. in Million)	
	Year ended 31.3.2011	Year ended 31.3.2010
Sales (net of excise)	30599.1	13816.9
Profit before tax	1507.5	1513.7
Tax	329.2	545.6
Profit after tax	1178.3	968.1
Balance brought forward	761.0	264.0
Addition on account of amalgamation	(194.5)	2218.3
Available for appropriation	1744.8	3450.4
This has been appropriated as follows:		
Proposed Dividend	346.3	326.2
Corporate Tax on Dividend	57.5	54.2
General Reserve	533.0	2309.0
Balance carried forward	808.0	761.0

Activities

The sales performance of your Company during the year under report registered significant growth over the previous year. Sales, net of excise at Rs. 30,599.1 million, represents an increase of 121%, over the previous year. These sales figures include the sales of the 3 BASF legal entities viz., BASF Coatings (India) Private Limited (BCIN), BASF Construction Chemicals (India) Private Limited (BCCIPL) and BASF Polyurethanes India Limited (BPIL) aggregating to Rs. 8,574.2 million, consequent to the merger. It also includes the sales of the full year of operation of the erstwhile relevant Ciba businesses.

Profit before tax stood at Rs. 1507.5 million during the year ended 31st March, 2011 as compared to Rs. 1513.7 million for the previous year.

Profit after tax at Rs. 1178.3 million was higher by 22% compared to the previous year.

Paper chemicals, dispersions and fine chemicals businesses in the Performance Chemicals segment, registered substantial increase in sales, both in volume and value terms.

The Chemicals business segment, which includes intermediates, inorganic chemicals, process catalysts and petrochemicals recorded significant increase in sales, both in volume and value terms, due to healthy growth in domestic demand from Indian manufacturers fuelled by growth in export of downstream products.

Financial Ratios		
	2010-11	2009-10
Equity vs Total Assets (%)	57.45	68.30
Return on Capital Employed (%)	16.32	26.46
before interest and taxes		
Current Ratio	2.46	2.71
current assets :		
short term liabilities and provisions		
Acid Test Ratio	1.32	1.76
short term receivables plus		
cash and cash items:		
short term liabilities and provisions		

The Construction Chemicals business, which became part of the Functional Solutions business of the Company consequent to the integration, recorded higher turnover & profits during the year.

The Coatings and Polyurethanes businesses have good long-term business prospects. Currently, there is stiff competition, which has impacted the profitability of the Company during the year.

The Agricultural Solutions business has shown growth in sales during the year ended 31st March, 2011 mainly due to higher volumes from the new products introduced in the market. However, the profits of the Agricultural Solutions business declined marginally on account of increase in sales promotion costs for launching new products as part of the growth strategy.

Although the Plastics business recorded higher sales, the profitability was affected on account of increase in fixed costs coupled with under-utilization of capacities in the newly commissioned Engineering Plastics Compounding plant at Navi Mumbai.

The export sales at Rs. 2,262 million during the year under report represented an increase of 271% over the previous year.

Merger of BASF Coatings (India) Private Limited (BCIN), BASF Construction Chemicals (India) Private Limited (BCC IPL) and BASF Polyurethanes India Limited (BPIL) with the Company

The Scheme of Amalgamation of BCIN, BCC IPL and BPIL, a wholly owned subsidiary of the Company was sanctioned by the Hon'ble High Court of Bombay vide its Order dated 14th January, 2011. Accordingly, BCIN, BCC IPL and BPIL were merged with your Company from the Appointed Date, 1st April, 2010. The shareholders of erstwhile BCIN and BCC IPL were issued 1 equity share and 10 equity shares of your Company for every 60 equity shares and 13 equity shares of BCIN and BCC IPL, respectively held by them. As a result, the subscribed and paid-up capital of your Company increased from Rs. 407.7 million to Rs. 432.9 million. The Authorised Share Capital of your Company increased from Rs. 450 million to Rs. 543.6 million. Post Merger, the financial statements of your Company for the year ended 31st March, 2011 includes the financials of BCIN, BCC IPL and BPIL.

Dividend

Your Directors are pleased to recommend a dividend of Rs. 8/- per equity share of Rs. 10/- each (i.e 80%) for the financial year ended 31st March, 2011. The dividend will absorb Rs. 346.3 million. The dividend distribution tax borne by the Company would amount to Rs. 57.5 million.

Finance & Accounts

With focus on cash flows and working capital management, your Company continued to minimize the bank borrowing during the year. Internal cash accruals were effectively used for funding working capital needs and capital expenditure requirements of the Company.

Your Company follows a prudent financing policy & aims to maintain optimum financial gearing at all times. Your Company's total debt to equity ratio was 0.11 as at 31st March, 2011.

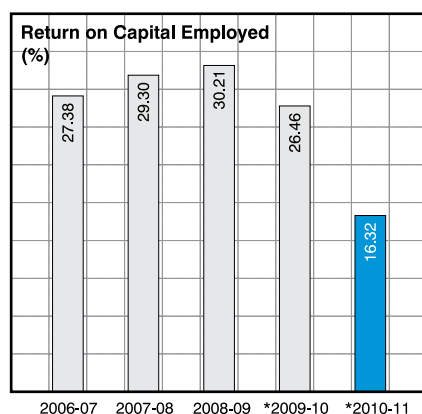
Capital Expenditure

Capital Expenditure incurred during the year aggregated to Rs. 965.6 million.

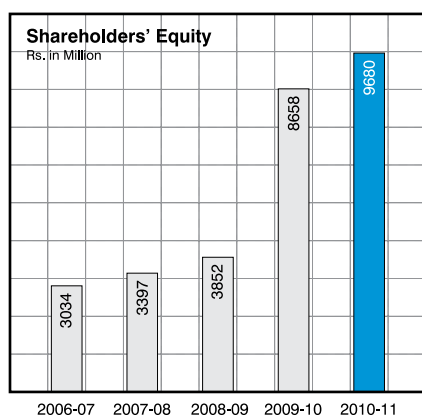
Fixed Deposits

Your Company continued to maintain the highest rating of 'AAA/Stable/P1+' on its short term & long term debt programs, awarded by CRISIL. During the year CRISIL reaffirmed the credit rating of your Company after taking into account the merger of BCIN, BCC IPL and BPIL with your Company, with effect from 1st April, 2010.

Your Company did not accept any fixed deposits during the year under report. There were no overdue deposits except unclaimed deposits of Rs. 0.12 million as at 31st March, 2011.



* Include Figures from amalgamated Companies.



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.

Corporate Governance

Your Company is committed to maintain the highest standard of 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 as stipulated under Clause 49 of the Listing Agreement 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 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, 2011 and of the profits of your Company for that year;
- (iii) that the Directors have 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.

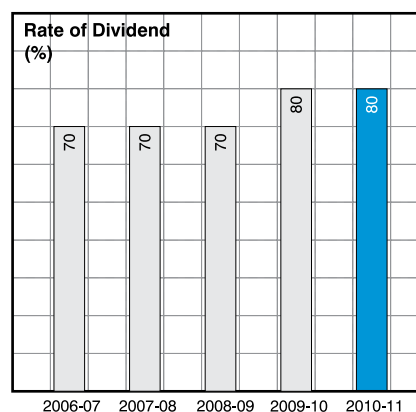
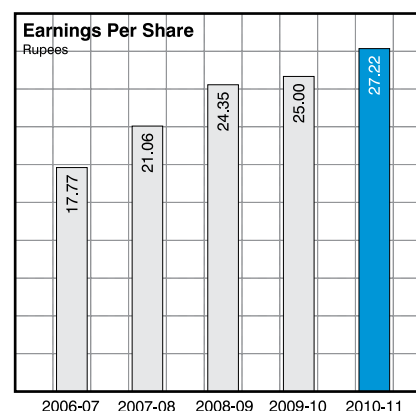
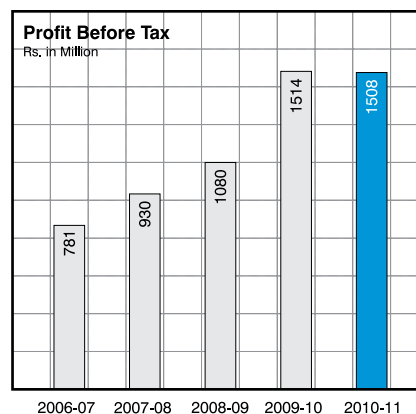
Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, 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. S. Ramnath resigned from the Board of the Company w.e.f. 16th July, 2010. Your Directors wish to place on record their sincere appreciation of the guidance and valuable contribution made by Mr. S. Ramnath in the growth and performance of the Company during his tenure as a Director. Consequent to the resignation of Mr. S. Ramnath from the Board, he ceased to be an Alternate Director to Mr. Hermann Althoff w.e.f. 16th July, 2010.

Mr. S. Regunathan was appointed as a Director of the Company on 16th July, 2010 in the casual vacancy caused by the resignation of Mr. S. Ramnath in terms of Article 108 of the Articles of Association of your Company and Section 262 of the Companies Act, 1956. Mr. S. Regunathan was appointed as an Alternate Director to Mr. Hermann Althoff, effective 16th July, 2010.

Mr. Deepak Thuse resigned from the Board of the Company w.e.f. 20th October, 2010. Consequent to the resignation of Mr. Deepak Thuse from the Board, he ceased to be an Alternate Director to Ms. Saori Dubourg w.e.f. 20th October, 2010. Mr. Thuse continues to be the Chief Executive of Plastics business of the Company and a Member of the Management Committee supporting the growth and strategic development of the Company.



Mr. Thilo Bischoff was appointed as a Director of the Company on 20th October, 2010 in the casual vacancy caused by the resignation of Mr. Deepak Thuse in terms of Article 108 of the Articles of Association of your Company and Section 262 of the Companies Act, 1956. Mr. Thilo Bischoff was appointed as an Alternate Director to Ms. Saori Dubourg, effective 20th October, 2010.

Mr. Hermann Althoff resigned from the Board of the Company w.e.f. 28th April, 2011 and Mr. Andrew Postlethwaite was appointed as Director of the Company in the causal vacancy caused by the resignation of Mr. Hermann Althoff, in terms of Article 108 of the Articles of Association of your Company and Section 262 of the Companies Act, 1956. Your Directors wish to place on record their sincere appreciation of the guidance and valuable contribution made by Mr. Hermann Althoff in the growth and performance of the Company during his tenure as a Director. Mr. S. Regunathan was appointed as an Alternate Director to Mr. Andrew Postlethwaite, effective 28th April, 2011.

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the details of Directors seeking re-appointment at the ensuing Annual General Meeting are 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 to the Order issued by the Central Government under Section 233B of the Companies Act, 1956, have appointed Messrs. R. Nanabhoy & Co., Cost Accountants, Mumbai, for conducting the audit of the cost accounting records maintained by the Company for the products "Insecticides and Dyes" for the financial year 2011.

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, as amended, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report excluding the Statement of Particulars of Employees, are being sent to all shareholders of the Company. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

Personnel and Welfare

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

Industrial Relations at all our factories remained cordial.

Acknowledgements

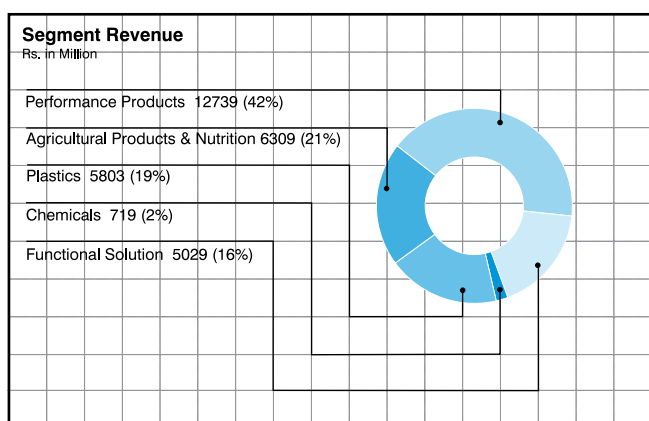
The Board of Directors take this opportunity to thank BASF SE, the parent Company, customers, suppliers, bankers, business partners and various regulatory & government authorities for their consistent support and co-operation to the Company. Your Directors thank the shareholders for their confidence in the Company.

On behalf of the Board of Directors

PRASAD CHANDRAN
Chairman & Managing Director

Mumbai

Dated : 28th April, 2011.



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, at its manufacturing facilities at Navi Mumbai, Mangalore, Ankleshwar, Bangalore, Howrah (Kolkata) and Nalagarh (Himachal Pradesh).

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

- Installation of new cross bar agitator for all the poly vessels.
- Installation of Variable Frequency Drive (VFD) to save electrical energy.
- Installation of Energy Efficient Air Compressor to replace existing one.
- Installation of energy efficient motors for cooling towers.
- Recycling of waste water inside the plant to reduce the chemical oxygen demand load.
- Replacement of existing air conditioners with new air conditioners for better environment and energy conservation.
- Bifurcation of high and low purity nitrogen steam to reduce energy consumption.
- Replacement of agitator gear boxes with high efficiency gear boxes.
- Reviving of solar panel to save the fuel consumption in steam boiler.
- ♦ Reduction in process water consumption in a plant by:
 - Reducing of Effluent water load from plants to Effluent Treatment Plant (ETP).
 - Recycling of wasted water inside the plants to reduce load.

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:

- Segregation of dust collectors to recover the powder products.
- Continuing with the idea generation program for greater involvement of employees to identify further energy saving measures.
- Installation of Pipe Natural Gas supply for consumption in boiler and spray dryer to save fuel and improve the environment.
- Creating awareness for self discipline in energy conservation among employees.
- Installation of energy efficient burners in steam boilers.

Requisite data in respect of Energy Consumption are given below:

	Current Year 1.4.2010 to 31.3.2011	Previous Year 1.4.2009 to 31.3.2010
(a) Power & Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (in '000 kwh)	26741	15941
Total amount (Rs. in million)	153.00	84.00
Rate per unit (Rs.)	5.73	5.26

	Current Year 1.4.2010 to 31.3.2011	Previous Year 1.4.2009 to 31.3.2010
(b) Own generation		
• Through diesel generator		
Units (in '000 kwh)	1531	545
Units per litre of oil	3.27	3.18
Cost per unit (Rs.)	10.84	9.83
• Through Steam Turbine/Generator units		
Units per litre of fuel oil/gas	N.A.	N.A.
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)	468	2851
Total Amount (Rs. in million)	18.00	64.00
Average rate (Rs. /litre)	37.8	22.50
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)	76	77
Furnace oil/fuels (litres)	32	29
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, coatings & construction chemicals.		
Unit M.T.		
Electricity (kwh)	311	217
Furnace oil/fuels (litres)	43	33
Coal (specify quality)	N.A.	N.A.
Others (specify)	N.A.	N.A.
Engineering Plastics Compounding Unit		
Unit M.T.		
Electricity (kwh)	547	718
Furnace oil/fuels (litres)	N.A.	N.A.
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 specialty chemicals/auxiliaries.
- Optimizing effluent treatment processes.
- Development of new formulations and products based on market and customer requirement with better quality and technology.
- Setting up of Industry Target Groups for developing new products/technologies for specific industries.
- Setting up of Innovation exchange groups for exchange of cross-business innovative ideas.
- Product localizations for products used in tiling applications which would comply with EN and IS standards.
- Collaborative research in the areas of performance chemicals, intermediates and other organic materials.
- New organic chemical intermediates for specific applications.
- Textile auxiliaries.