

Annual Report 2011-2012

BASF India Limited



The Chemical Company

We create chemistry
for a sustainable future





Message from the Chairman & Managing Director

Dear Shareholders,

Year 2011-12 witnessed huge fluctuations and turbulence in the international capital markets. Debt crisis in Europe, increasing raw material costs and slowing industrial demand have been few areas of concern. But this has not affected BASF's long-term commitment and investment plans in India.

In line with BASF's new global strategy "We create chemistry", where the focus is on emerging markets, your Company is strengthening its local manufacturing activities to create competitive advantages for its customers and facilitate faster growth. The new investment of INR 1000 crores in Dahej, Gujarat, is a step in that direction. The Dahej site, besides offering proximity to raw materials and customers, complements the existing manufacturing set-up of your Company, thus supporting business growth in important northern and western regions of India. Additionally, to build on existing competencies and ensure operational excellence, your Company has also undertaken facility expansion and implemented process enhancement techniques at its Mangalore and Ankleshwar sites during the year.

Your Company's innovation-led business approach and focus on cost-efficiency has helped to gain exposure to high growth markets. With support of Industry Target Groups and implementation of new business initiatives like Base of Pyramid and Business Synergy Group, your Company has been able to organize the sales efforts and improve sales. In FY 2011-12, your Company achieved good growth in sales; Sales reached INR 35159 million and Profit after Tax stood at INR 1009 million.

On the people front, BASF launched the Employee Development programme in 2011. The programme will further unfold this year and pan out as a much more robust and concrete career development platform.

BASF is the Official Partner to the initiative – Germany & India: Infinite Opportunities 2011-12. The highlight of the event is the Indo-German Urban Mela, which started in Mumbai and will further travel across Bangalore, Chennai, Delhi and Pune. Your Company is using the platform to showcase its innovative and technologically advanced solutions in the areas of Mobility, Health & Nutrition and Construction, in line with the theme of the Urban Mela, which addresses issues posed by rapid urbanization. BASF Kids' Lab, with focus on water-related experiments, is also featuring at the Mela.

To ensure sustainable development, BASF is committed to partnering society, in which your Company operates, through various corporate social responsibility projects that benefit the local communities. In 2011, BASF in association with UN-HABITAT and TERI, launched the Water Education Project in Mangalore involving 5000 students from 25 schools in Mangalore. The objective of this project is to promote water education in schools and to improve water quality monitoring in Mangalore.

Despite the current difficult business environment, your Company is well poised to sustain growth in the long term. 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, 24 th August, 2012 at 3.00 p.m. at Yashwantrao Chavan Pratishthan Auditorium, Y. B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai-400 021.		Page
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BASF India Limited		
Registered Office: 1 st Floor, VIBGYOR Towers, Plot No. C-62, 'G' Block, Bandra Kurla Complex, Mumbai-400 051. Phone: 6661 8000 www.india.basf.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

Board of Directors

Mr. Prasad Chandran
Chairman and Managing Director

Ms. Saori Dubourg

Mr. Thilo Bischoff
Alternate to Ms. Saori Dubourg

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

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. Sandeep Gadre

Mr. Ajay Gupta

Dr. G. Ramaseshan

Mr. S. Regunathan

Mr. P. P. Srees

Mr. Deepak Thuse

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 & Argus Partners
Solicitors & Advocates
Elphinstone House, 1st Floor
17, Murzban Road
Mumbai-400 001.

Bankers

Citibank N.A
Deutsche Bank AG
The Hongkong and Shanghai Banking Corporation Limited
HDFC Bank Limited
BNP Paribas

Internal Auditors

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

Cost Auditors

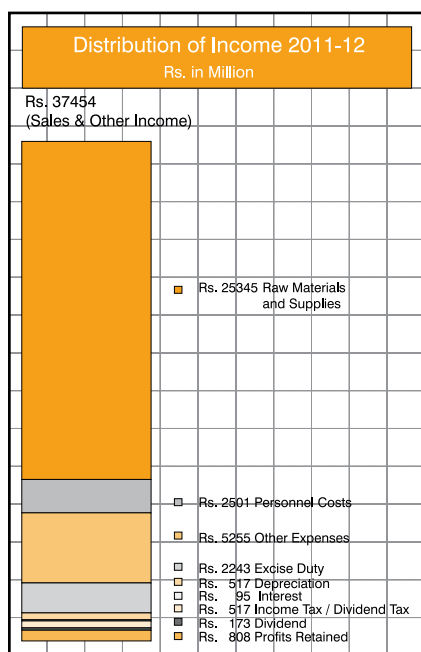
Messrs R. Nanabhoy & Co.
Cost Accountants
Jer Mansion, 70
August Kranti Marg,
Mumbai-400 036.

Directors' Report



On April 11, 2012, BASF announced an investment of INR 1000 crores for setting up of a new chemical production site at Dahej, Gujarat. Seen above from L-R: Mr. Prasad Chandran, Chairman & Managing Director, BASF India Limited; Dr. Martin Brudermueller, Vice Chairman of the Board of Executive Directors, BASF SE and Dr. Albert Heuser, President, Market and Business Development Asia Pacific, at the ground breaking ceremony of the new site at Dahej on the subsequent day.

Your Directors have pleasure in presenting their Report for the financial year ended 31st March, 2012.



Financial Results

(Rs. in Million)

	Year ended 31.3.2012	Year ended 31.3.2011*
Sales (net of excise)	35159.4	30638.8
Profit before tax	1497.2	1505.0
Tax	488.6	326.7
Profit after tax	1008.6	1178.3
Balance brought forward	808.0	761.0
Addition on account of amalgamation	—	(194.5)
Available for appropriation	1816.6	1744.8
This has been appropriated as follows:		
Proposed Dividend	173.1	346.3
Corporate Tax on Dividend	28.1	57.5
General Reserve	807.4	533.0
Balance carried forward	808.0	808.0

* Due to change in the format of Schedule VI, previous years' figures have been re-grouped.

Activities

The sales of your Company during the year under report registered good growth over the previous year. Sales, net of excise at Rs. 35,159.4 million, represent an increase of 14.8%, over the previous year. However, profit before tax remained constant at Rs. 1,497.2 million during the year ended 31st March 2012 as compared to Rs. 1,505 million for the previous year.

Profit after tax at Rs. 1,008.6 million during the year ended 31st March, 2012 was lower by 14.4% as compared to the previous year mainly due to benefit of carry forward tax losses of merged entities which was available in the previous year.

The Agricultural Solutions business has shown substantial growth in sales and profits during the year ended 31st March 2012 on account of introduction of new products, adoption of innovative marketing initiatives and extension to new crop geographies.

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

Financial Ratios		
	2011-12	2010-11
Equity vs Total Assets (%)	47.81	53.95
Return on Capital Employed (%)	13.60	16.29
before interest and taxes		
Current Ratio	1.51	1.83
current assets :		
short term liabilities and provisions		
Acid Test Ratio	0.80	0.97
short term receivables plus		
cash and cash items:		
short term liabilities and provisions		

Paper Chemicals and Dispersions & Pigments businesses, part of the Performance Products segment, registered an increase in sales and profits, during the year under review.

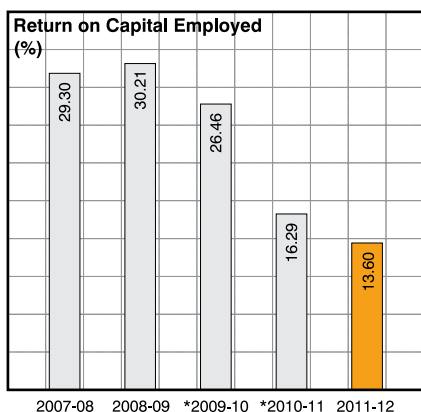
Plastics segment, which comprises of Styropor, Engineering Plastics and Polyurethanes businesses, registered good growth in sales, both in volume and value terms.

The sales of the Chemicals business during the year under review were lower compared to the previous year mainly on account of weak global outlook coupled with reduced price realization in certain segments and exchange rate fluctuations.

Exports sales stood at Rs. 2,230 million during the year under report as compared to Rs. 2,262 million for the previous year.

Acquisition of business of Cognis in India

Consequent upon the world wide acquisition of Cognis Holding GmbH by BASF SE in December, 2010, your Company acquired the business of Cognis Specialty Chemicals Pvt. Ltd ("Cognis") in India for a lumpsum consideration of Rs. 134 million. The business of Cognis was integrated with your Company with effect from 1st July, 2011. Your Company's product portfolio was strengthened with the addition of Cognis products, which were complementary to your Company's existing products. This has provided the customers with a better value proposition.



* Include Figures from amalgamated Companies.

Investment in a new chemical production site in Dahej, India

Your Company will invest Rs. 1,000 crores (Euro 150 million) to set up a new chemical production site at the Dahej Petroleum, Chemicals and Petrochemicals Investment Region, located in Gujarat. The new site will be an integrated hub for polyurethane manufacturing and will also house production facilities for care chemicals and polymer dispersions for coatings and paper. Commencement of production is scheduled during the year 2014 and the project will be financed by the Company through internal accruals and loans.

Dividend

Considering the proposed investment of Rs. 1,000 crores for setting up of a new chemicals production site at Dahej and to augment the future capital requirements of the Company, your Directors recommend a dividend of Rs. 4/- per equity share of Rs. 10/- each (i.e. 40%) for the financial year ended 31st March 2012, subject to the approval of the shareholders at the forthcoming 68th Annual General Meeting of the Company to be held on 24th August, 2012. The dividend will absorb Rs. 173.1 million. The dividend distribution tax borne by the Company would amount to Rs. 28.1 million.

Finance & Accounts

Your Company continued to minimize bank borrowings during the year by focusing on cash flows and working capital management. Internal cash accruals were effectively used for funding working capital needs and capital expenditure requirements of the Company.

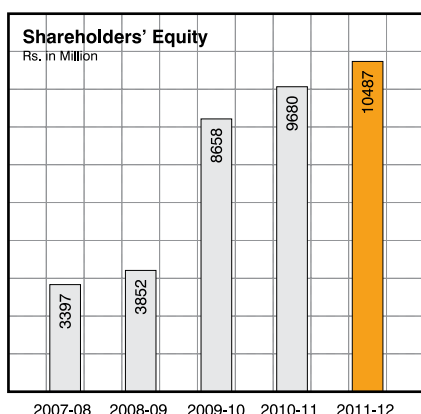
Your Company follows a prudent financing policy & aims to maintain optimum financial gearing at all times. Your Company's total debt to equity ratio was 0.18 as at 31st March, 2012.

Capital Expenditure

Capital Expenditure incurred during the year aggregated to Rs. 1,798.3 million.

Fixed Deposits

Your Company continued to maintain the highest rating of 'AAA/Stable/P1+' awarded by CRISIL on its short term & long term debt programs.



Your Company did not accept any fixed deposits during the year under report. There were no deposits except unclaimed interest on deposits of Rs. 0.26 million as at 31st March 2012.

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 maintaining the highest standards 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 2012 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:

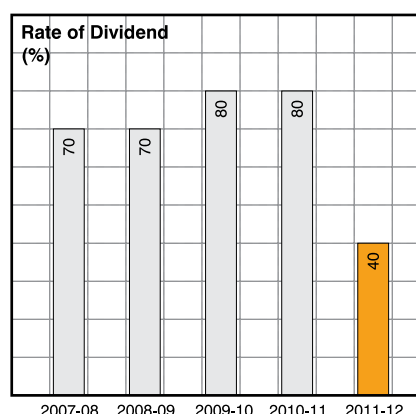
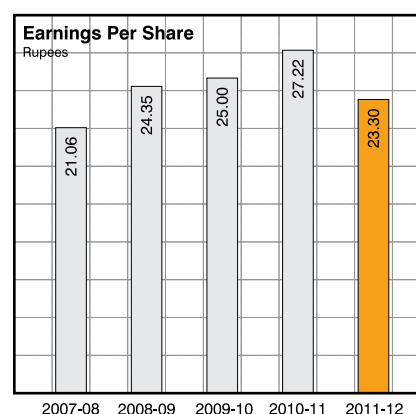
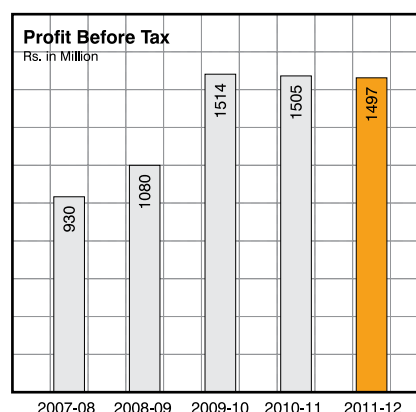
Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in the annexure to this Report.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Pradip P. Shah and Dr. Rainer Direcks retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. R. Y. Vaidya resigned from the Board of the Company w.e.f 31st August, 2011. Your Directors wish to place on record their sincere appreciation of the guidance and valuable contribution made by Mr. Vaidya in the growth and performance of the Company during his tenure as a Director. Consequent to the resignation of Mr. R. Y. Vaidya from the Board, he ceased to be an Alternate Director to Dr. Rainer Diercks w.e.f 31st August, 2011.

Dr. G. Ramaseshan was appointed as a Director of the Company w.e.f 1st September, 2011 in the casual vacancy caused by the resignation of Mr. R. Y. Vaidya in terms of Article 108 of the Articles of Association of your Company and Section 262 of the Companies Act, 1956. Dr. G. Ramaseshan was appointed as an Alternate Director to Dr. Rainer Diercks, effective 1st September, 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 Orders issued by the Central Government under Section 233B of the Companies Act, 1956, have appointed M/s. R. Nanabhoy & Co., Cost Accountants, Mumbai, for conducting the audit of the cost accounting records maintained by the Company for the products "Insecticides & Dyes", "Paints & Varnishes" and "Chemicals" for the financial year 2012-2013.

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, is 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 place on record their sincere appreciation for the contribution made by the employees of the Company at all levels.

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 / associates, Central and State Governments and various regulatory 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

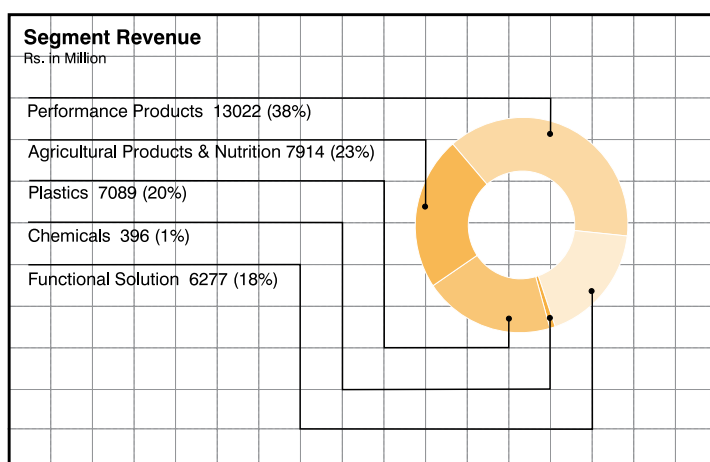
Dated : 25th April, 2012.



India was chosen to host BASF's Asia Pacific Conference in November 2011, where BASF's new global strategy was unveiled for the first time. Seen above from R-L: Dr. Kurt Bock, Chairman of the Board of Executive Directors, BASF SE, Dr. Martin Brudermueller and Mr. Prasad Chandran at the conference held in New Delhi.



At the conference, Mrs. Saori Dubourg, President, Regional Functions & Country Management, BASF Asia Pacific invited opinions on how BASF can live up to its new corporate purpose, "We create chemistry for a sustainable future".



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, Ankleshwar, Bangalore, Howrah (Kolkata), Nalagarh (Himachal Pradesh) and Khushkera (Rajasthan).

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

- Installation of Energy Efficient agitator in reaction vessels to save power.
- Reduction of steam consumption by recovery and reuse of jacket heating hot water.
- Installation of PNG (Piped Natural Gas) connection for consumption in boiler and spray dryer to save fuel and improve the environment.
- Installation of energy efficient burners in steam boilers.
- Optimum utilisation of admixture blenders to save electric energy.
- Installation of energy efficient steam traps to reduce consumption of steam.
- Installation of air diffuser system in Bio aerator to improve performance.
- Reduction of batch cycle time.
- Replacement of old Compressor with new Energy Efficient Air Compressor.
- Installation of eco-friendly central air conditioners to reduce power consumption.
- Reduction of power consumption in plants by incorporating the following measures/carrying out modifications viz.:
 - Optimization of compressor to reduce power consumption.
 - Replacement of motor driven ventilators with gravity ventilators.
 - Segregation of air-conditioned area to reduce load.
- Reduction in process water consumption in plants by:
 - Reducing of Effluent water load from plants to Effluent Treatment Plant (ETP).
 - Recycling of waste water inside the plants to reduce load.
 - Installation of hot water recovery and re-use leading to reduction of cooling water 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.
- Installation of gas train and burners in boiler.
- Installation of waste heat recovery unit to improve efficiency and conserve energy.
- Installation of Solar water heating system for hot water in plants.
- Implement measures to replace fossil fuel with bio fuel in steam generation to achieve fuel conservation and reduce carbon emission.
- Implement measures for rain water harvesting.
- Installation of energy efficient agitators in admixture plant.
- Installation of Variable Frequency Drive (VFD).
- Installation of high capacity air compressors to save electrical energy.

Requisite data in respect of Energy Consumption are given below:

	Current Year 1.4.2011 to 31.3.2012	Previous Year 1.4.2010 to 31.3.2011
(a) Power & Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (in '000 kwh)	29282	26741
Total amount (Rs. in million)	186	153
Rate per unit (Rs.)	6.34	5.73
(b) Own generation		
• Through diesel generator		
Units (in '000 kwh)	896	1531
Units per litre of oil	3.38	3.27
Cost per unit (Rs.)	12.78	10.84
• Through Steam Turbine/Generator units		
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)	1993	3624
Total Amount (Rs. in million)	72.92	94.00
Average rate (Rs. /litre)	36.59	25.94
4. Natural Gas		
Qty. (KNCM)	5502	3389
Total Amount (Rs. in million)	151	60
Average rate (Rs. /m3)	27.41	17.59
5. 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)	69	76
Furnace oil/fuels (litres)	23	32
Coal (specify quality)	N.A.	N.A.
Others - Natural Gas (M3)	28	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)	192	236
Furnace oil/fuels (litres)	N.A.	N.A.
Coal (specify quality)	N.A.	N.A.
Others - Natural Gas (M3)	30	N.A.
Engineering Plastics Compounding Unit		
Unit M.T.		
Electricity (kwh)	470	513
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.
- Introduction of new products in existing production lines.
- Development of new products/formulations.