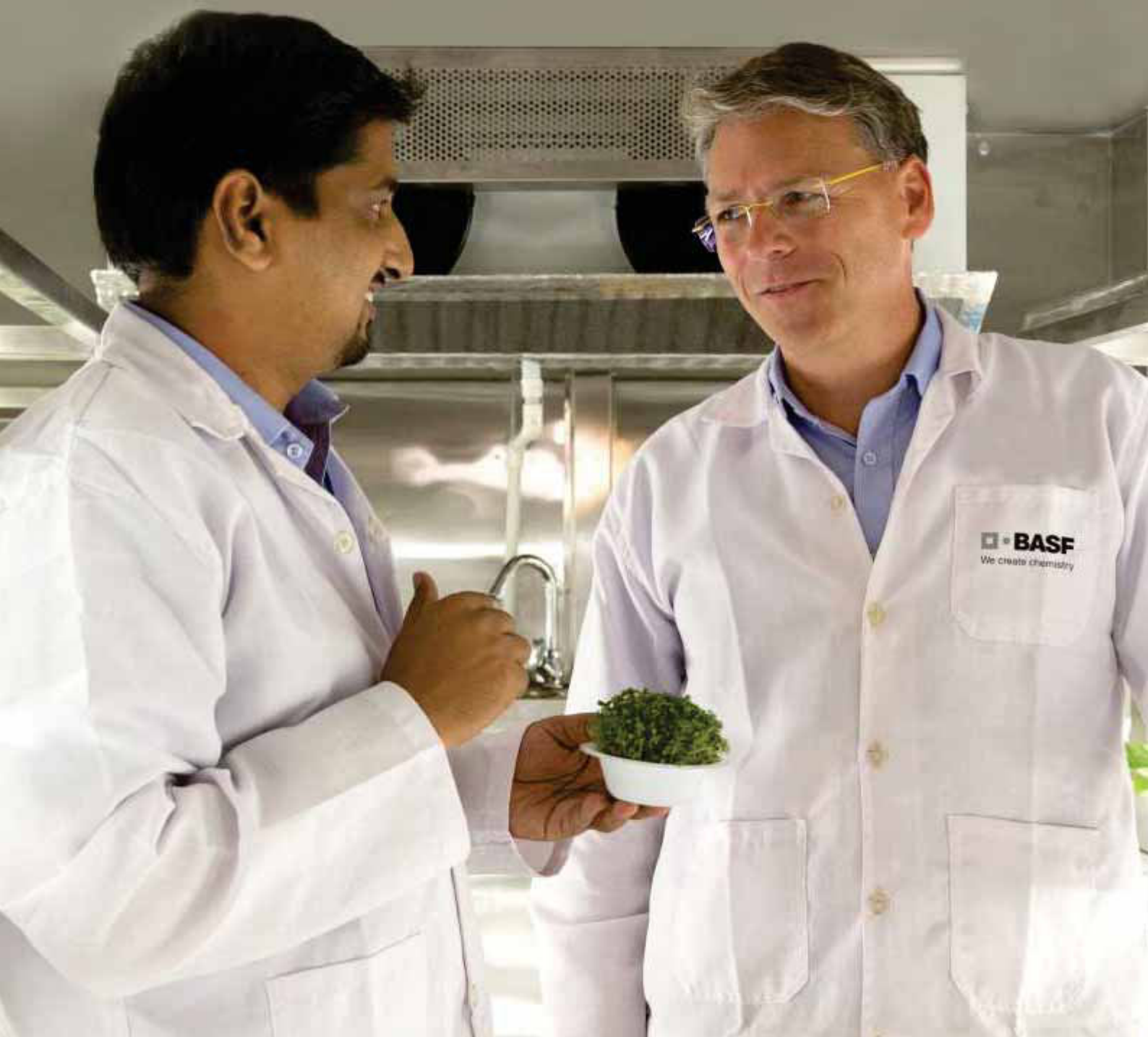


**We create chemistry
for a sustainable future**



Annual Report 2015-2016
BASF India Limited

BASF
We create chemistry

From L-R: Chandrashekhar Kulkarni and Dr. Reinhard Stierl prepare plants for testing new pesticides, at our recently inaugurated Agricultural Research Station, in Pune.



Message from the Chairman & Managing Director

Dear Shareholders,

Year 2015-16 has been one of the most challenging years in the recent past, giving us all a taste and first-hand experience of the Volatile, Uncertain, Complex and Ambiguous – better known as the ‘VUCA’ – world that we live in. Fall in crude oil price, volatile currency, second successive poor monsoon and stagnating growth in emerging markets, especially in China, impacted our business environment. Undaunted, we at BASF, continued to invest in growth, improved utilization of our assets, divested non-core business and assets, to become future-ready.

However, these adverse factors muted your Company's revenue growth to 1% over the previous year, to Rs. 47,517 million. Your Company recorded volume growth in the Construction Chemicals business and several products from Dahej related to Consumer Care, Dispersions, Performance Materials and Monomers businesses. Poor monsoon for the second consecutive year, impacted the Agricultural Solutions business, resulting in significant decline in revenue and profits. During the year, the Textile Chemicals business was also divested as a part of portfolio optimization. We have undertaken several measures to focus on improving utilization of existing capacities, faster ramp-up of new capacities and improving product quality to reduce costs and enhance efficiencies.

The year also witnessed the inauguration of your Company's fifth and largest Construction Chemicals plant at Nellore, Andhra Pradesh and the ground breaking of our sixth Construction Chemicals plant at Kharagpur, West Bengal – a strong reflection of our firm commitment in partnering the progress of our nation. Your Company also launched more than 15 products across various businesses this year. Furthermore, in continuation to the Creator Space™ Summit, an impactful event that flagged off our 150th anniversary celebrations, we released a whitepaper presenting solutions for Mumbai's water challenges. The Honourable Chief Minister of Maharashtra, Shri. Devendra Fadnavis unveiled the whitepaper. This initiative was appreciated by several stakeholders including Mr. Amitabh Kant, CEO of NITI Aayog, who posted it on a popular social media platform.

This year, our CSR projects were focused on Water, Sanitation and Hygiene (WASH) efforts at Dahej, Thane and Mangalore. At Dahej, we built more than 200 toilets as well as introduced a waste and water management program. At Thane, we donated a water purification unit to Navjeevan High School to provide children with potable drinking water. In Mangalore, we continued to create awareness on WASH. With these initiatives, we strengthened our commitment and contribution to the well-being of communities near our manufacturing plants.

Your Company received recognition from various organizations for excellence in operations and customer focus, this year. The Human Nutrition unit received Nutra Excellence Award; the Coatings team received the Best Supplier Award by Tata Autocomp during the Seventh Vendor Meet and a Certificate of Recognition from Ford for its efforts in reducing carbon footprint. The Care Chemicals team was named the ‘Best Supply Partner of 2014’ by Hindustan Unilever India Limited.

Your Company believes that employees make the difference between ‘success’ and ‘failure’, and between being ‘good’ and ‘great’. We therefore continued to invest in employee development and capability enhancement in areas such as sales excellence and leadership.

I believe, today, your Company is more efficient and agile. Our efforts to excel in this dynamic market environment will continue. We will drive profitable growth by launching sustainable innovations to help our partners be more successful, gain new customers, ramp-up utilization of our existing and new plants and optimize costs and working capital. As we set our sight on 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,

A handwritten signature in black ink, appearing to be 'Raman Ramachandran'.

Raman Ramachandran, Ph.D.

Thursday, 11 th August, 2016 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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Agenda	Management Discussion and Analysis Report	31
1. Presentation of Financial Statements and the Directors' / Auditors' Report	Report on Corporate Governance	36
2. Declaration of Dividend	Auditors' Report	50
3. Appointment of Director	Balance Sheet	58
4. Ratification of the appointment of Statutory Auditors	Statement of Profit & Loss	59
5-7. Special Business	Cash Flow Statement	60
The Notice of the Meeting is enclosed.	Notes to Financial Statements for the year ended March 31, 2016	62

BASF India Limited

Registered Office:

Plot No. 37, Chandivali Farm Road,
Chandivali, Andheri (East), Mumbai-400 072.
Telephone : +91 22 28580200
Website : www.basf.com/in

Corporate Identification Number:

L33112MH1943FLC003972

Works

Maharashtra (Navi Mumbai)

- (1) Plot Nos. 12 & 13, TTC Industrial Area, MIDC,
Thane-Belapur Road, Turbhe, Navi Mumbai-400 705.
- (2) Plot Nos. C-68 & C-68 Pt., TTC Industrial Area, MIDC,
Thane Belapur Road, Turbhe, Navi Mumbai-400 613.

Karnataka (Mangalore)

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

Gujarat

(1) Ankleshwar

Unit I: Plot Nos. 6214/6216, GIDC Phase IV
Ankleshwar-393 002, Gujarat.

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

(2) Dahej

4B, Dahej Industrial Estate, Village Dahej,
Taluka Vagra, District Bharuch, Gujarat-392 130.

Andhra Pradesh (Nellore)

Plot 1 & 1A, APIIC Industrial Park,
Menakur Village, Block B, Naidupet Mandal,
SPSR Nellore District, Andhra Pradesh.

Himachal Pradesh (Nalagarh)

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

West Bengal (Kolkata)

Plot No. F-7, Vidyasagar Industrial Park,
Kharagpur, Paschim Medinipur, West Bengal.

Offices

Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad,
Kolkata and Pune.

Registrar & Share Transfer Agent*

TSR Darashaw Limited
Unit : BASF India Limited,
6-10, H. M. Patrawala Industrial Estate,
Near Famous Studio, 20, Dr. E. Moses Road,
Mahalaxmi (West), Mumbai – 400 011.
Tel. No. : +91 22 66568484 Extn: 411/412/413
Fax No. : +91 22 66568494
Email : csg-unit@tsrdarashaw.com

*appointed with effect from 15th June, 2016.



This report is printed on
recycled paper

Board of Directors



Raman Ramachandran, Ph.D.
Chairman & Managing Director



Mr. R. A. Shah



Mr. R. R. Nair



Mr. Pradip P. Shah



Mr. Arun Bewoor



Dr. Rainer Diercks



Mr. Gops Pillay



Dr. Andrea Frenzel



Mr. Narendranath J. Baliga
Chief Financial Officer



Mr. Rajesh Naik
Director – Manufacturing

Management Committee

Dr. Raman Ramachandran

Dr. Rajan Venkatesh

Mr. Narendranath J. Baliga

Mr. Sylvain Huguenard

Mr. Pradeep Chandan

Mr. Rajesh Naik

Dr. Lakshmi Nadkarni

Ms. Sunita Sule (w.e.f. 1st June, 2016)

Mr. K. Thyagarajan (upto 31st May, 2016)

Auditors

B S R & Co. LLP
Chartered Accountants
5th Floor, Lodha Excelus,
Apollo Mills Compound,
N. M. Joshi Marg, Mahalaxmi,
Mumbai-400 011, India.

Mr. Pradeep Chandan
Director – Legal, General Counsel & Company Secretary

Advocates & Solicitors

Messrs Crawford Bayley & Co.
State Bank Building, 4th Floor,
N. G. N. Vaidya Marg, Fort,
Mumbai-400 023.

Messrs Dhruve Liladhar & Co.,
61 Free Press House,
215 Free Press Journal Marg,
Nariman Point, Mumbai-400 021.

Bankers

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

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.

Secretarial Auditors

HS Associates
206, 2nd Floor,
Tantia Jogani Industrial Estate,
J. R. Boricha Marg, Opp. Lodha Excelus,
Lower Parel (E), Mumbai-400 011.



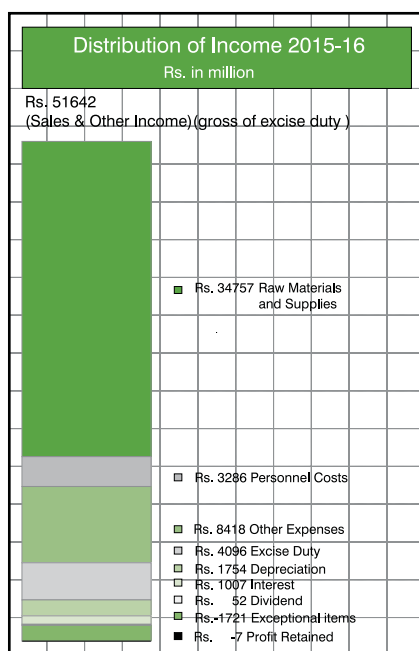
2016 marks 125 years of BASF's Leather Chemicals business. India was chosen as the first country to commemorate this occasion. Seen in this photo are Dr. Raman Ramachandran, CMD, BASF India Ltd., and Dr. Alex Wartini, Vice President, Leather Chemicals, BASF, in our booth at India International Leather Fair. Our booth exhibited products that help tanneries lower their carbon footprint, as well as their water and energy usage.

Directors' Report



Hon'ble Chief Minister of Maharashtra, Shri. Devendra Fadnavis introduces the BASF Creator Space™ whitepaper on Solutions for Mumbai's Water Challenges, with Dr. Rajan Venkatesh, Vice President, Chemicals and Performance Products, BASF, South Asia.

Your Directors have pleasure in presenting their Report for the financial year ended 31st March, 2016.



Financial Results

(Rs. in million)

Description	Year ended 31.3.2016	Year ended 31.3.2015
Revenue from operations (Net of excise)	47,517.3	47,057.6
Loss before tax and exceptional items	(1,676.6)	(950.5)
Exceptional items	1,721.1	291.9
Profit / (loss) before tax after exceptional items	44.5	(658.6)
Tax	—	10.4
Profit / (loss) after tax	44.5	(669.0)
Balance brought forward	122.6	1,000.0
Available for appropriation	167.1	331.0
This has been appropriated as follows:		
Proposed Dividend	43.3	173.1
Corporate Tax on Dividend	8.8	35.3
Balance carried forward	115.0	122.6

Performance

Revenue from operations (net of excise) at Rs. 47,517.3 million, represents a marginal increase of 1% over the previous year. Despite the challenging year, your Company reported a profit after tax (after exceptional items) of Rs. 44.5 million for the year ended 31st March, 2016 as compared to a loss after tax (after exceptional items) of Rs. 669 million in the previous year.

The performance of the Agricultural Solutions business of your Company was affected on account of advent of the second El Nino which resulted in a drought across significant parts of the country.

The Performance Products segment which includes the performance chemicals, dispersion & pigments, care chemicals, nutrition & health products and paper chemicals businesses recorded good growth in sales during the year under review.

The Chemicals segment of your Company comprising of the intermediates, petrochemicals & monomers businesses registered substantial increase in sales during the year mainly due to sales of monomer products manufactured at Dahej site.

The Functional Material & Solutions segment of your Company which comprises of the coatings, construction chemicals, performance materials and process catalysts technologies businesses registered growth in sales in volume terms during the year as compared to the previous year.

Exports sales (including sales to Nepal & Bhutan) stood at Rs. 5,595 million during the year under report.

Restructuring of businesses

Divestment of the textile chemicals business to Archroma

In July, 2015, your Company sold its textile chemicals business to Archroma India Private Limited pursuant to the global divestment of the said business by BASF SE, after receipt of the requisite approvals. Effective 1st July, 2015, your Company has entered into a long-term supply agreement with Archroma India Private Limited to manufacture & supply textile chemicals products in India.

Setting up of a new Global Business unit for all pigments businesses

In July, 2015, BASF SE, Germany announced the setting up of the new global business unit combining all its pigments activities effective January, 2016. The new unit would fully concentrate on the pigments business and help to further strengthen the support to its customers worldwide. The Pigments business of the Company belongs to the operating division Dispersions & Pigments, which forms part of the Performance Products segment. The Pigments business serves a variety of industries including paints & coatings, printing & packaging and plastics.

Sale of Industrial Coatings business to AkzoNobel

Globally, BASF and AkzoNobel reached a general agreement for sale of its industrial coatings business, subject to receipt of the requisite approvals. In India, your Company's industrial coatings business forms part of the Functional Materials & Solutions segment and mainly caters to coatings for the wind energy segment. With the divestiture of this business by end of 2016, your Company will continue to emphasize on core automotive OEM, automotive refinish coatings and decorative paints businesses.

Restructuring of Plant Biotechnology Research

BASF SE, Germany has decided to refocus its global plant biotechnology research portfolio and restructure the global operations of its Plant Science subsidiary. In India, the Company has been engaged in a project to develop yield enhancing traits in rice on behalf of BASF Plant Science Company, GmbH, Germany. Consequent upon the global restructuring, the yield enhancement project in rice will be discontinued and the field testing sites in India will be closed by end of the year 2016, subject to receipt of requisite approvals.

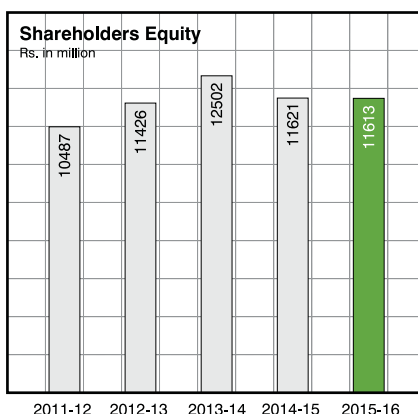
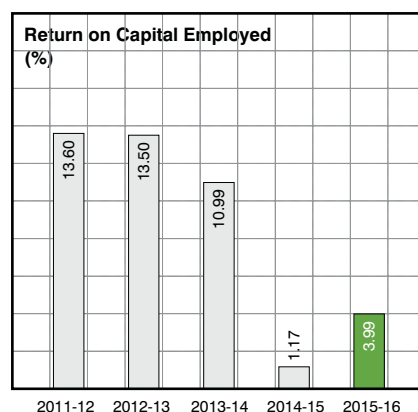
Divestment of Polyolefin Catalysts Business to W. R. Grace & Co.

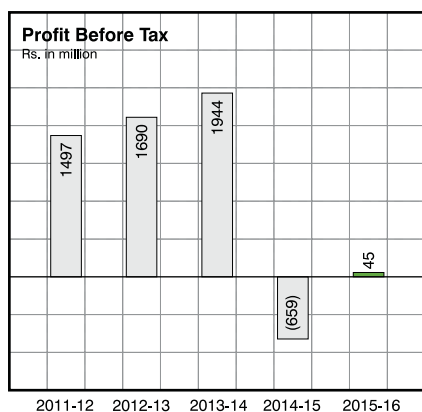
Globally, BASF SE, Germany announced the sale of its Polyolefin Catalysts business, to W.R. Grace & Co., subject to receipt of regulatory approvals. The Polyolefin Catalysts is part of the Process Catalysts business, which forms part of the Functional Materials & Solutions segment of the Company and caters to the petroleum refining, petrochemicals and downstream base and fine chemicals industries. With the divestment of this business by the second quarter of 2016, your Company will re-focus on key growth areas including its Chemical & Refinery Catalysts businesses.

Inauguration of the new Agricultural Research Station in Pune

In May, 2015, your Company inaugurated the new Agricultural Research Station in Pune. This new research & development center will focus on undertaking global research in the area of crop protection.

Financial Ratios		
	2015-16	2014-15
Equity vs Total Assets (%)	29.53	27.88
Return on Capital Employed (%) (before interest and taxes)	3.99	1.17
Current Ratio	1.37	1.39
Acid Test Ratio	0.63	0.59





Alteration of Memorandum & Articles of Association of the Company

During the year, your Company adopted new Articles of Association, which are in conformity with the provisions of the Companies Act, 2013 and the Rules framed thereunder.

The Company also modified the existing objects in the Memorandum of Association of the Company to align the same with the present business scenario and included new objects in line with your Company's long-term business strategy.

Change of Registered Office of the Company

The Registered Office of your Company is shifted from 3rd Floor, VIBGYOR Towers, Plot No. C-62, 'G'-Block, Bandra Kurla Complex, Mumbai-400 098 to Plot No. 37, Chandivali Farm Road, Chandivali, Andheri (East), Mumbai-400 072, with effect from 1st April, 2016.

Corporate Social Responsibility

As required under the provisions of the Companies Act, 2013, the Board of Directors of the Company constituted a Corporate Social Responsibility (CSR) Committee on 30th April, 2013.

Mr. R. R. Nair and Mr. Arun Bewoor, Independent Directors along with Mr. N. J. Baliga are members of the CSR Committee.

Mr. Pradeep Chandan, Director – Legal, General Counsel & Company Secretary is the Secretary of the CSR Committee.

The CSR Committee has formulated the CSR Policy and has recommended the activities to be undertaken by the Company as specified under the revised Schedule VII of the Companies Act, 2013.

On account of the challenging year, which impacted the overall performance of the Company, the Board of Directors of the Company approved an amount of Rs. 6.5 million towards CSR activities under the provisions of the Companies Act, 2013 and the Rules framed thereunder.

Your Company continued its efforts to drive sustainability and focused on activities of water, health, education, environment and resource efficiency.

Based on the above, your Company undertook CSR projects mainly in the area of community drinking water supply, waste management, sanitation facilities, education and hygiene and has spent an amount of Rs. 6.2 million as direct expenditure for projects or programs and Rs. 0.4 million on overheads aggregating to Rs. 6.6 million in the financial year 2015-2016, details of which are provided in the prescribed format forming part of this Report in **Annexure I**.

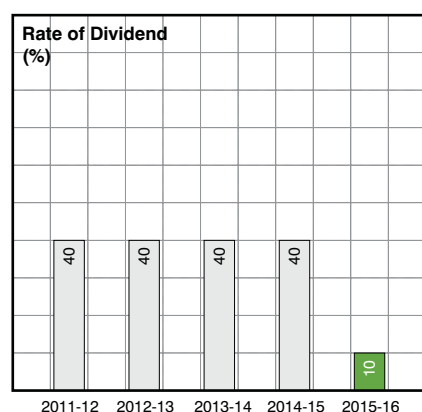
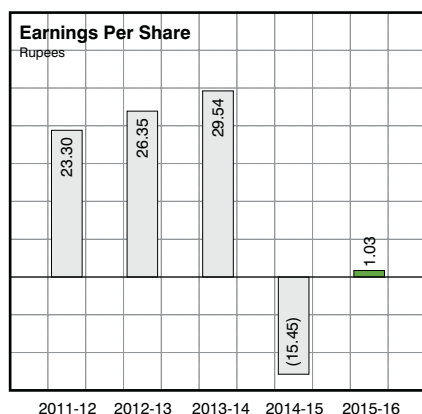
Dividend

In view of the difficult year which impacted the overall performance of the Company, your Directors have recommended a dividend of Re. 1/- per equity share of Rs. 10/- each (i.e 10%) for the financial year ended 31st March, 2016, subject to the approval of the Members at the forthcoming 72nd Annual General Meeting of the Company to be held on 11th August, 2016. The dividend will absorb Rs. 43.3 million. The dividend distribution tax to be borne by the Company would amount to Rs. 8.8 million.

Finance & Accounts

Your Company continued to optimise borrowings during the year by focusing on cash flows and working capital management. By availing of alternate funding options such as Commercial Papers, efficiency in borrowing costs was ensured.

Your Company follows a prudent financing policy and aims to maintain optimum financial gearing at all times. Your Company's debt equity ratio was 1.16 as at 31st March, 2016.



Capital Expenditure

Capital expenditure incurred during the year aggregated to Rs. 1,655.8 million.

Credit Rating

Your Company's credit rating is "AAA/ Negative/ A1+" as awarded by CRISIL on its long term & short term programs respectively.

Fixed Deposits

During the year, your Company has not invited, accepted or renewed any fixed deposits from the public as at 31st March, 2016 and accordingly, there is no principal or interest outstanding in respect thereof.

Management Discussion and Analysis Report

In terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Management Discussion and Analysis Report is appended to this Report.

Corporate Governance

Your Company is committed to maintaining the highest standards of Corporate Governance and has complied with the Corporate Governance requirements as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

A separate report on Corporate Governance as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 along with a Certificate of Compliance from the Statutory Auditors, forms part of this report.

Vigil Mechanism

The Company has established a vigil mechanism for Directors, employees and third parties to report their genuine concerns, details of which have been given in the Corporate Governance Report annexed to this Report. This policy is available on the Company's website and can be accessed at: <http://on.basf.com/28LPlls>

Directors' Responsibility Statement

Your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they 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, 2016 and of the profit of the Company for that period; and
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) they have prepared the annual accounts on a going concern basis; and
- (v) they have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively; and
- (vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

Information pursuant to Section 134(3)(m) of the Companies Act, 2013 read with sub-rule 3 of Rule 8 of the Companies (Accounts) Rules 2014, forms part of this Report as **Annexure II**.

Directors

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Dr. Rainer Diercks retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. As required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the details of the Director seeking re-appointment at the ensuing Annual General Meeting is provided on page no 44 in the Corporate Governance Report, forming part of this Annual Report.

Performance Evaluation of the Board

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has devised a policy containing criteria for evaluating the performance of the Executive, Non-Executive and Independent Directors, Board and its Committees based on the recommendation of the Nomination & Remuneration Committee. Feedback was sought by way of a structured questionnaire covering various aspects of the Board's functioning, such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance. The manner in which the evaluation has been carried out has been explained on page no. 41 in the Corporate Governance Report, forming part of this Annual Report.

Policy on Directors' appointment and remuneration

The policy on Directors' appointment and remuneration including the criteria for determining the qualifications, positive attributes, independence of a Director and other matters provided under Section 178(3) of the Companies Act, 2013, forms part of the Nomination & Remuneration Committee policy of the Company. This policy is available on the Company's website and can be accessed at: <http://on.basf.com/28MYFX6>

Auditors

M/s. B S R & Co. LLP, Chartered Accountants (Registration No. 101248W/W-100022), Mumbai, hold office until the conclusion of the Annual General Meeting to be held for the financial year 2016-17, subject to ratification of their appointment by the members at every Annual General Meeting. They have confirmed to the Company that their appointment, if ratified by the members at the ensuing 72nd Annual General Meeting, would be within the limits prescribed under Section 141 of the Companies Act, 2013 and that they are not disqualified from appointment within the meaning of the said Act.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Mr. Hemant S. Shetye of M/s. H. S. Associates, Practising Company Secretaries, Mumbai, having CP No. 1483, to conduct the Secretarial Audit of the Company for the financial year 2015-16 and to furnish the report to the Board. The Secretarial Audit Report dated 3rd May, 2016 forms part of this Report as **Annexure III**.

Auditors' Report & Secretarial Audit Report

There are no qualifications/reservations/emphasis of matter placed by the Statutory Auditors and the Secretarial Auditors in their respective reports for the financial year ended 31st March, 2016.

Cost Audit

The Board of Directors, in pursuance to the Orders issued by the Central Government under Section 148 of the Companies Act, 2013, have appointed M/s. R. Nanabhoy & Co., Cost Accountants, Mumbai, having Registration No. 000010, for conducting the audit of the cost accounting records maintained by the Company for the financial year 2016-17. The Cost Auditors have certified that their appointment is within the limits of Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified from appointment within the meaning of the said Act.

Composition of the Audit Committee

As required under Section 177(8) read with Section 134(3) of the Companies Act, 2013 and the Rules framed thereunder, the composition of the Audit Committee is in line with the provisions of the Companies Act, 2013, details of which are provided on page nos. 38 and 39 in the Corporate Governance Report, forming part of this Annual Report.

Related Party Transactions

All related party transactions that were entered into by the Company during the financial year were on arms' length basis. There are no materially significant related party transactions entered into by the Company with its Promoters, Directors, Key Managerial Personnel or other designated persons, which may have a potential conflict with the interest of the Company at large.

All related party transactions are placed before the Audit Committee for its approval. Prior omnibus approval of the Audit Committee is obtained for the transactions which are repetitive in nature. Such transactions are audited and a statement giving details of all related party transactions is placed before the Audit Committee and the Board of Directors for their approval on a quarterly basis. The policy on Related Party Transactions, as approved by the Board, is available on the Company's website and can be accessed at: <http://on.basf.com/28LPrtc>