

Annual Report 2010-2011  
BASF India Limited

 **BASF**  
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, 26 <sup>th</sup> 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.		Page
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<b>BASF India Limited</b>		
<b>Registered Office:</b> 1st Floor, VIBGYOR Towers, Plot No.C-62, 'G' Block, Bandra Kurla Complex, Mumbai-400 051. Phone: 6661 8000 www.basf-india.com		
<b>Works</b>		
<b>Ankleshwar</b>		
<u>Unit I:</u> Plot No. 6214/6216, GIDC Phase IV Ankleshwar-393 002, Gujarat.		
<u>Unit II:</u> Plot No. 8001, GIDC Phase VI Ankleshwar-393 002, Gujarat.		
<b>Bangalore</b> Bommasundra Industrial Area, Anekal Taluka, Bangalore, Karnataka.		
<b>Himachal Pradesh</b> Khasra No. 87/1, Village: Beer Plassis, Nalagarh, District: Solan, Himachal Pradesh.		
<b>Kolkata</b> Gate No. 3, Jalan Industrial Complex, 46/48/49/53, Jangalpur, Howrah, West Bengal.		
<b>Mangalore</b> Bala/Thokur Village, Surathkal-Bajpe Road, Mangalore Taluka, Dakshina Kannada District, Karnataka-575 030.		
<b>Navi Mumbai</b> (1) Thane-Belapur Road, Turbhe, Navi Mumbai-400 705. (2) C-68, MIDC Industrial Area, Thane Belapur Road, Turbhe, Navi Mumbai-400 613, Maharashtra.		
<b>Rajasthan</b> Plot No. F-218, Industrial Area IID Centre, Khushkera, Bhiwadi District, Alwar, Rajasthan.		
<b>Branches</b> Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Indore, Kolkata.		
<b>Registrar &amp; Share Transfer Agents</b> Sharepro Services (India) Private Ltd., Unit : BASF India Limited 13AB, Samhita Warehousing Complex, 2 <sup>nd</sup> 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

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Mr. Prasad Chandran  
*Chairman and Managing Director*

Dr. Rainer Diercks

Mr. R. Y. Vaidya (upto 31<sup>st</sup> August, 2011)  
*Alternate to Dr. Rainer Diercks*

Dr. G. Ramaseshan (w.e.f. 1<sup>st</sup> 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 Udewadia & Udeshi  
*Solicitors & Advocates*  
Elphinstone House, 1<sup>st</sup> 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**

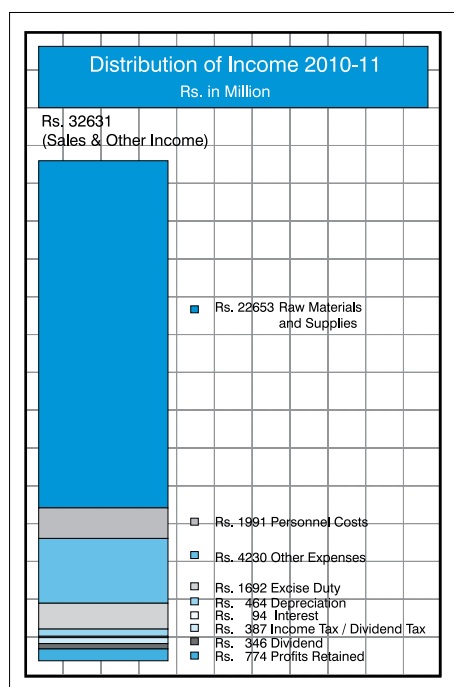
Messrs R. Nanabhoy & Co.  
*Cost Accountants*  
Jer Mansion, 70  
August Kranti Marg,  
Mumbai-400 036

# 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 31<sup>st</sup> 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 31<sup>st</sup> 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.

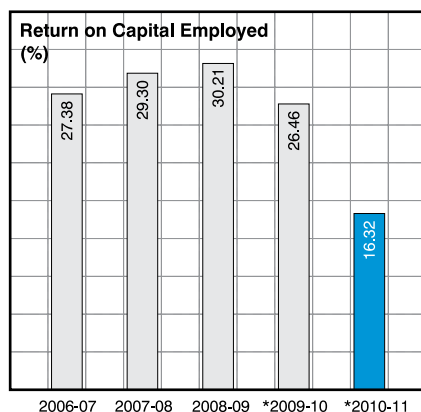
The Agricultural Solutions business has shown growth in sales during the year ended 31<sup>st</sup> March, 2011 mainly due to higher volumes from the new products introduced in the market. However, the profits of the Agricultural Solutions business declined marginally on account of increase in sales 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 (BCCIPL) and BASF Polyurethanes India Limited (BPIL) with the Company

The Scheme of Amalgamation of BCIN, BCCIPL and BPIL, a wholly owned subsidiary of the Company was sanctioned by the Hon'ble High Court of Bombay vide its Order dated 14<sup>th</sup> January, 2011. Accordingly, BCIN, BCCIPL and BPIL were merged with your Company from the Appointed Date, 1<sup>st</sup> April, 2010. The shareholders of erstwhile BCIN and BCCIPL were issued 1 equity share and 10 equity shares of your Company for every 60 equity shares and 13 equity shares of BCIN and BCCIPL, 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 31<sup>st</sup> March, 2011 includes the financials of BCIN, BCCIPL and BPIL.



\* Include Figures from amalgamated Companies.

### 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 31<sup>st</sup> 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 31<sup>st</sup> March, 2011.

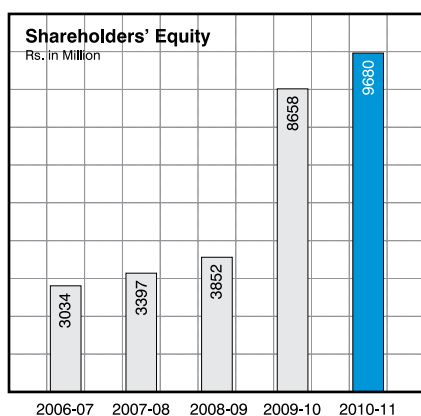
### Capital Expenditure

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, BCCIPL and BPIL with your Company, with effect from 1<sup>st</sup> 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 31<sup>st</sup> March, 2011.



## 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 31<sup>st</sup> 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.

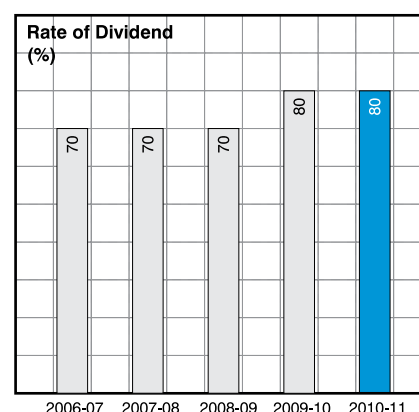
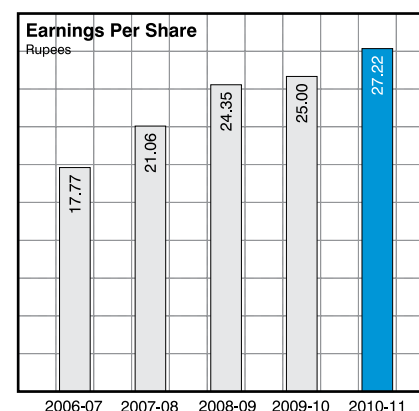
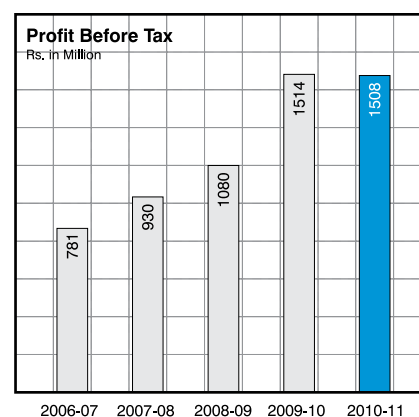
### Directors

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. 16<sup>th</sup> 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. 16<sup>th</sup> July, 2010.

Mr. S. Regunathan was appointed as a Director of the Company on 16<sup>th</sup> 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 16<sup>th</sup> July, 2010.

Mr. Deepak Thuse resigned from the Board of the Company w.e.f. 20<sup>th</sup> 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. 20<sup>th</sup> 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 20<sup>th</sup> 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 20<sup>th</sup> October, 2010.

Mr. Hermann Althoff resigned from the Board of the Company w.e.f. 28<sup>th</sup> 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 28<sup>th</sup> 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.

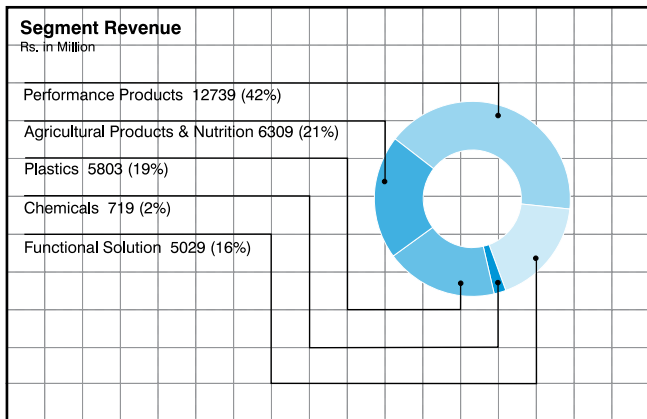
On behalf of the Board of Directors

PRASAD CHANDRAN  
*Chairman & Managing Director*

*Mumbai*

*Dated : 28<sup>th</sup> 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.

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

With its endeavor to explore and apply new and innovative chemistry for the benefit of customers, the R&D Centre developed new products during the year. Some of these new products were introduced in the market.

- New textile auxiliaries were developed as part of Global Research projects.
- Industry Target Groups worked on cross-functional innovations and came out with innovative products. One such product for waterproofing and insulation of buildings was successfully tried at several locations.
- New products were developed by Construction Chemicals and Coatings division.

3. **Future Plan of Action:**

Future plan of action of the R&D Centre include:

- Enhancing global collaborative research with BASF SE, BASF Schweiz AG and BASF Corporation, USA.
- Focusing on developmental projects for India and the South-Asian region.
- Development of innovative products and processes.
- Focusing on cross-functional innovations.
- Technical centre equipped with advance testing equipments and tools for Construction Chemicals business to be set up, which is intended to provide faster and advanced technical services to customers.
- Develop value added products, which would be customer and market oriented.

4. **Expenditure on R&D:** Rs. 104.5 million.

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

1. **Efforts in brief, towards technology absorption, adaptation and innovation:**

The R&D Centre of the Company is recognized by the Ministry of Science and Technology, Government of India. The Centre is ISO 9000 and 14000 certified and undertakes research in several areas including:

- New organic chemical intermediates for various applications.
- Process development and scale-up.
- Textile auxiliaries.
- Leather chemicals.
- Other specialty chemicals.
- Polymers & other chemicals.

The Centre is also engaged in developmental activities including new cost effective technologies for existing and new products, reduction in batch cycle time, etc., as also research activities pertaining to the adaptation of process technologies received from BASF SE.

Various trials are been undertaken to replace certain products with new products/processes, which are environment friendly.

2. **Benefits derived and the results of the above efforts:**

New products were developed and commercialized during the year. Efforts in process optimization led to cost reduction. This helped the businesses to remain cost competitive. Batch sizes and cycle times were optimized for better efficiency and manufacturing equipments were modified for overall improved productivity.

3. **Imported Technology:**

During the last 5 years, the Company entered into agreements with BASF SE for sourcing the following technical know-how:

- In 2006, 2007 & 2009 for manufacture of performance products.
- In 2006 & 2008 for manufacture of Plastics.
- In 2011 for manufacture of Functional Solutions.

The Company has excellent interaction with its parent Company, BASF SE and receives valuable technical information and support on an ongoing basis. As a result, the Company introduced a range of new products in different business segments.

C. **Foreign Exchange Earnings and Outgo:**

The particulars with regard to foreign exchange outgo and earnings appear on page 51 and 52 of the Annual Report and Accounts.

On behalf of the Board of Directors

PRASAD CHANDRAN  
Chairman & Managing Director

Mumbai  
Dated : 28<sup>th</sup> April, 2011.

# Management Discussion and Analysis Report



Dr. Martin Brudermeuller (right), Vice-Chairman of the BASF Board of Executive Directors, responsible for Asia-Pacific and Dr. Albert Heuser (left), President, Market and Business Development Asia Pacific, addressing employees in India on "Optimism and Excellence at BASF".

The Indian economy exhibited broad based recovery in the second half of 2009-2010 from the slowdown that was witnessed in 2008-2009. With a rebound in rural income due to increase in agricultural production and continued growth momentum in industrial and services sectors, the Indian economy is expected to register an impressive growth of 8.6% in 2010-2011. During the year, the Agricultural sector is expected to grow at 5.4% while the industrial and services sector is likely to register growth rates of 8.1% and 9.6%, respectively.

Your Company's products cater to many end-use industries including agriculture, paper, pharmaceuticals, consumer durables, electronics, automobiles, construction, leather and textiles etc. Strong performance of these end-use industries is a pre-requisite for the healthy performance of the Company. The improved output of food grains, fruits and vegetables boosted the demand of crop protection chemicals. On the demand side, a rise in the savings and investment coupled with pick up in private consumption resulted in higher demand for industrial products. The automotive industry witnessed a growth in excess of 30%. The rise in consumerism boosted the demand for FMCG products, consumer durables, personal care products, paper products, paints & packaging products, etc. The Pharmaceuticals sector continued to show robust growth of 20% due to demand in the local as well as international markets.

The Government's continued thrust on infrastructure development, by initiating a host of projects, led to higher demand for Construction Chemicals, which augers well for your Company.

The inflationary pressures, which remained at a high level during the previous year are expected to moderate in the year 2011-2012.

The improved Indian economic scenario and healthy growth in the industrial and manufacturing sectors is likely to result in an increase in demand for industrial goods. All these indicators are expected to generate an improved demand for chemical products. Thus, the outlook for the chemical industry remains optimistic.

## Agricultural Solutions

The Agricultural Solutions business includes agrochemicals like insecticides, herbicides, fungicides and specialties.

The Indian food grain production in 2010-2011 is likely to be 232 million tonnes as against the target of 245 million tonnes. Due to good monsoon in the year 2010-2011, the production of rice and wheat is expected to be higher as compared to the year 2009-2010. With continued government initiatives and a positive forecast for the monsoon, India's agriculture is expected to rebound in the current year. The increase in the cotton prices has been extremely beneficial to the farmers, who are expected to invest further in improving their productivity. Pro-farmer policies like National Food Security Mission and granting infrastructure status to cold storages announced by the Government, will enhance agricultural productivity.

In 2010, the crop protection industry achieved double digit growth due to growth in new chemistries. Fungicides and Herbicides segments, in which your Company offers a variety of products, registered good growth.

During the year, the Agricultural Solutions business of your Company continued to be on the growth path due to introduction of new products, expansion of marketing initiatives and consolidation and building on the various strategic measures initiated in the earlier years. The Samruddhi (prosperity) program, where your Company operates as a total solution provider for the farmers, continued during the year and was extended to newer geographies and crops. Due to this program, your Company has been viewed by the farming community as an important "Partner in their Progress".

During the year, your Company has successfully launched its new brand "Headline" in the Fungicide segment, which will add value to the existing product portfolio and also provide entry in new crops.

## Performance Products

The Performance Products business includes performance chemicals, dispersions & pigments, care chemicals, nutrition & health and paper chemicals. This business caters to the requirements of a wide spectrum of industries, including textile, leather, plastics and coatings, detergent formulators, automobile and oil.

The Leather Chemicals business witnessed a slow recovery, post the global economic crisis. After witnessing growth in the first half of 2010, the demand stabilized at a lower level in the second half of 2010. Sales of all the product groups of the leather chemicals business of your Company, in particular, retanning systems, water repellants, polyurethane binders and beam house auxiliaries were higher as compared to the previous year. During the year, the leather chemicals business division will focus on the promotion of new products.

Stringent pollution norms, higher input costs and power shortages in certain leather production areas are serious concerns for this business. Challenging conditions prevailing in the leather industry are forcing medium and small leather manufacturers to consider cheaper alternative products as against the quality products offered by your Company.

The Indian textiles chemicals market comprises of diverse players in terms of size, from single product suppliers to suppliers offering chemicals for the entire value chain, along with additional technical services such as process optimization, specialized fabric testing and certification. The Indian textile chemicals market is estimated to grow at 4-5% in coming years. During the year, your Company's textiles chemicals business achieved good growth, both in value and volume terms.

New opportunities are foreseen in the Home and Technical Textiles segments. Textiles with performance finishes such as water repellants, stain repellent, anti-bacterial finish are expected to do well in the domestic market. Eco-friendly chemicals, which offer savings in energy and water consumption, will be the key drivers for growth in the coming years.

The outlook for the Textiles Chemicals business looks challenging due to rising raw material prices and stiff competition in the domestic market.

The Care Chemicals business of your Company focuses on home and personal care and formulation technologies. During the year, significant growth was recorded in the Care Chemicals business as compared to the previous year due to addition of erstwhile Ciba products into this business. Substantial growth was also registered in Home Care & Formulation Technologies.

The Nutrition & Health business of your Company comprises of Human Nutrition, Animal Nutrition, Pharma Ingredients, Application Services and Flavours & Fragrances. During the year, the Nutrition & Health business registered good growth as compared to the previous year.

The Pharma Application Laboratory provides customer and industry focused activities to Industrial customers.

The Plastics additives, Fuels & Lubricant solutions, oil, water & mining solutions businesses recorded healthy sales as compared to the previous year. The Technical Application Laboratory, especially for fuels & lubricants and plastic additives contributed positively to the growth of the businesses.

The Dispersions & Pigments division of your Company caters to the needs of the coatings, paints, adhesives, printing, packaging and construction industries. The Dispersions & Pigments business registered strong growth in sales due to general economic upturn. New generation dispersions introduced in the automotive sector and overall growth in paints & coatings industries, contributed to the growth of this business.

The Paper Chemicals business has a comprehensive product portfolio and technical expertise. Your Company is able to cater to the needs of the industry from the wet-end to paper coatings chemicals. The Paper Chemicals business registered significant growth during the year due to its varied product range and better distribution network. However, increasing raw material and energy costs are causes of concern for this business.

With the local manufacturing facilities at Mangalore and Ankleshwar, the Paper Chemicals business is expected to further grow in the coming years.

The Refinery chemicals & chemical catalysts business achieved good sales for the year under review. However, increase in raw material prices remains a concern. In the coming years, your Company expects a moderate growth in this business.

## Plastics

The Plastics division comprises of Expandable Polystyrene (EPS), performance polymers (engineering plastics) and polyurethanes businesses.

During the year 2010-2011, the EPS business of your Company recorded healthy growth in volume & turnover. Growth in consumer electronics and home appliances are major demand drivers for the plastics business.

Volatile raw material prices, low import duty barriers and under-utilized capacities in Asia are major concerns.

Your Company has been continuously focusing on innovation, functionality, eco-compatibility and vital aesthetic to match fast changing attitudes and expand its business in growth-oriented markets.



Ms. Saori Dubourg (left) President, Regional Functions and Country Management Asia Pacific shares her thoughts on creating chemistry with stakeholders, during a top management meeting.

In the insulation segment, major consumers include cold storages and air-conditioned buildings. Your Company also launched the initiative "Building Envelop Concept" for construction of Green buildings.

Performance Polymers are primarily used in the automotive industry, electrical switchgear and accessories and barrier films for packaging. This business recorded significant growth as compared to the previous year, mainly on account of higher sales volume in compounded performance polymers.

Your Company's Engineering Plastics Compounding Plant, which was commissioned last year, successfully completed its first year of operation.

Overall, the outlook for Plastics business is favourable.

The Polyurethanes (PU) market witnessed significant growth during 2010 mainly due to fast development and growth of key PU end user industries such as furniture, automobiles, consumer durables and footwear.

The market for polyurethanes business in India in future looks positive as the current penetration levels are very low and there is a huge untapped potential for this business. However, rising raw material and energy costs are still a concern as the increased prices could not be fully passed on to the customers due to stiff competition in the market.

In order to cater to the strong growth of the Automobile production in India, your Company expanded the automotive system blending capacity by installing new reactors. During the year, your Company also commissioned the local production of footwear pre-polymer manufacturing at its Navi Mumbai site.

### Functional Solutions

Pursuant to the integration of businesses of erstwhile BASF Coatings (India) Private Limited and BASF Construction Chemicals (India) Private Limited, a new business segment called 'Functional Solutions', was created to include the Coatings and Construction Chemicals businesses.

The Coatings business comprises of three segments viz., automotive OEM coatings, automotive refinish coatings and industrial coatings. Your Company is one of the major players in the automotive coatings industry in India supplying to most of the major car and motorcycle manufacturers.

Your Company has been working jointly with automotive OEM customers to develop innovative coatings processes through its research and development initiatives and also providing technical services. Your Company's Coatings Application Center at Mangalore provides customized and timely coatings solutions to its automotive OEM customers.

During the year under review, the automotive refinish business of your Company showed favourable growth. Your Company's global premium refinish product brand "Glasurit" and local refinish brand "L2K" also demonstrated steady growth.

However, higher input costs and raw material availability would be the major challenges for this business. Rising fuel prices and high interest cost may hinder the growth of the automotive market.

The industrial coatings business includes pre-coatings which comprises of coil coatings, foil coatings and panel coatings.

With the current prospects of high growth in the automotive sector in India, the overall outlook for the coatings business of your Company looks optimistic.

The Construction Chemicals Business of your Company supplies chemical systems and formulations for customers in the construction industry.

The Admixture systems business caters to customers from the ready-mix, pre-fabrication, concrete products and underground mining industries.

The Construction systems business offers products for sports and industrial flooring, exterior insulation, facade systems, expansion joints, wood preserving agents and construction and repair products. During the year, the Construction Chemicals business of your Company recorded healthy growth both in turnover & volume. The Admixtures systems business recorded significant growth in turnover & volumes due to introduction of new technology products.

Introduction of new technology solutions provided by your Company such as UCRETE, Masterpen, Coniroof, MBrace, have been well accepted by the local customers.

Positive growth in demand is foreseen in the Construction Chemicals business due to the strong growth in construction industry viz., commercial, residential, infrastructure projects, power plants etc.



BASF showcased its automotive solutions at Volkswagen's manufacturing site in Pune.

## Chemicals

Your Company's Chemicals business includes intermediates, inorganics, petrochemicals and other process chemicals. The chemicals supplied by the BASF Group cater to the requirement of a wide range of user industries including coatings, life sciences, construction additives, food and feed, plastics and fibers, process chemicals & intermediates.

The performance of the intermediates business witnessed a steady recovery as compared to the previous year.

During the year under review, the focus areas such as coatings, life sciences and chemical processing were the growth drivers for the chemicals business, which was well supported by competitiveness and growth witnessed in associated industrial sectors such as automotive, durables, construction, healthcare and retail.

Your Company continues to concentrate on customer focused activities to achieve higher growth. Stronger logistics and supply chain support actions taken by your Company would support the business activity during the current year.

The product portfolio of the petrochemicals business includes acrylics, plasticizers & solvents. During the year, the petrochemicals business achieved substantial growth in turnover and volumes. Your Company expects good growth in the acrylics esters business in coming years. However, the continuing increase in crude oil prices and its effect on the down stream petrochemical industry is a major concern.

The performance of the inorganic chemicals business of your Company was significantly higher as compared to the previous year. New businesses and growth segments were identified with emphasis in life sciences, textiles, powder injection moulding and electronic related applications.

The outlook for the Chemicals business is positive.

## Technical Management

The efforts for optimum utilization of assets at all manufacturing sites continued during the year under review. This ensured optimal utilization of manpower and resources. These steps, coupled with energy conservation measures undertaken by your Company, resulted in cost reduction, higher yield, lower batch cycle time, better quality products, enhanced capacities and also had a positive impact on the environment. During the year, a number of technical initiatives and energy conservation measures were implemented at all production sites of your Company.

As part of the several steps undertaken globally in the sphere of climate protection, your Company has strived to reduce emissions and ensured effective utilization of resources like water & electricity, which led to decrease in emission of air pollutants.

All the production sites of your Company have achieved higher production and productivity as compared to the previous year.

Environment, Health and Safety management continued to receive priority at all sites.

Industrial relations in all the factories continue to remain cordial.

## Research and Development

During the year, your Company's Research and Development team was engaged in supporting the technology platforms of BASF, locally as well as globally, with multifold activities, which include research in the areas of:

- Performance chemicals, intermediates and fine chemicals
- Process development for active ingredients
- New product development for local businesses as well as global applications

Some of the future R&D plans envisage:

- Further strengthening the collaboration with the global technology platforms
- Integration of the new Indian research activities into the global research network
- Further modernization of equipment and facilities
- Contribution to the development of new and innovative products within the global network



BASF Thane site won the Award for "Industrial Safety Performance" under the "Large" category of companies.

### Internal Control Systems and their Adequacy

Your Company has established proper and adequate systems of internal control to ensure that all resources are put to optimum use and are well protected against loss, and that all transactions are authorized, recorded and reported correctly and there is proper adherence to policies, guidelines and processes in terms of efficiencies and effectiveness. The Company's internal control systems are supplemented by an extensive program of internal audit by an independent firm of Chartered Accountants. In line with BASF group policies, the group internal auditors also perform audits in specific areas of operations. The principles of risk avoidance, such as segregation of duties and dual control of important processes, are the basic foundation of internal monitoring.

The Company's internal control systems are periodically tested and certified by the Internal Auditors. The Audit Committee constituted by the Board also reviews the internal control systems on a regular basis.

### Developments in Human Resources and Industrial Relations

With the increase in the business growth, the challenge to recruit employees with the right knowledge, skill and competence was immense, especially due to the fact that the number of new hires increased dramatically during the year under report.

The organization change was implemented during the year to manage the increase in business opportunities.

Initiatives to identify and develop leadership talent were taken up intensively.

During the year, your Company has introduced the Champion of Internal Career Experience (CHOICE) programme which was launched at all the sites of the Company to understand and address the career development needs of the employees of the Company.

Consequent upon the merger of the erstwhile BASF Coatings (India) Private Limited, BASF Construction Chemicals (India) Private Limited & BASF Polyurethanes India Limited with your Company, all the employees of these Companies are now part of your Company.

A long term wage settlement was signed at Thane and Ankleshwar sites during the year.

Industrial Relations were cordial at all the sites of the Company during the year under report.

The Company employed 1790 persons as on 31<sup>st</sup> March, 2011.

On behalf of the Board of Directors

PRASAD CHANDRAN  
Chairman & Managing Director

Mumbai

Dated : 28<sup>th</sup> April, 2011.

### Events held to commemorate 2011: International Year of Chemistry



Release of a souvenir on "Steps the Chemical industry should take to enhance the quality of Science Education and Research in India" during the Inter-collegiate competition organized by BASF and Institute of Chemical Technology.



BASF joined hands with the Visvesvaraya Industrial & Technological Museum in Bangalore to hold its global educational programme – BASF Kids' Lab.





BASF India felicitated ex-super cop and Padma Bhushan recipient, Julio Ribeiro (second from left) as BASF's "Good Governance Icon" in November 2010.

# Report on Corporate Governance

The Company has complied with the requirements of Corporate Governance in terms of the revised Clause 49 of the Listing Agreement.

## 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on Corporate Governance is aimed at assisting the management in the efficient conduct of its business and in meeting its obligations to its stakeholders and is guided by a strong emphasis on transparency, accountability and integrity.

The commitment to good Corporate Governance is embodied in its Values Statement, comprising of the following:

- Sustainable Profitable Performance
- Innovation for the Success of Customers
- Environment, Health and Safety Responsibility
- Personal and Professional Competence
- Mutual Respect and Open Dialogue
- Integrity

For several years, the Company has shown a high level of commitment towards effective Corporate Governance and has been at the forefront of benchmarking its internal systems and policies with global standards. The Company maintains the highest business ethics and strives to comply with all statutory and regulatory requirements.

The Company's philosophy on Corporate Governance envisages attainment of higher levels of transparency, accountability and equity in all facets of its operations and its interactions with its stakeholders including shareholders, employees, customers, suppliers, government, lenders and the community at large. It aims to increase and sustain its corporate value through growth and innovation.

The Company believes that its operations and actions must serve the underlying goal of enhancing the interests of its stakeholders over a sustained period of time in a socially responsible way.

All employees are bound by a Code of Conduct that sets forth the Company's policies on important issues.

## 2. BOARD OF DIRECTORS AS ON 28<sup>th</sup> APRIL, 2011

A. Composition and category of the Board of Directors are as follows:

### EXECUTIVE DIRECTORS

Name	Date of Appointment	Designation	No. of Meetings held during the Last Financial Year	No. of Meetings Attended	Number of Memberships in Boards of Other Companies*	No. of Memberships/ Chairmanships in other Committees
Mr. Prasad Chandran	2 <sup>nd</sup> April, 2005 (re-appointed on 2 <sup>nd</sup> April 2010)	Chairman & Managing Director	6	6	1	2
Mr. S. Ramnath (Resigned as Director of the Company with effect from 16 <sup>th</sup> July, 2010)	1 <sup>st</sup> April, 2006	Chief Executive – Finance & Information Technology	6	2	NIL	NIL
Mr. S. Regunathan (Alternate to Mr. Andrew Postlethwaite) #	16 <sup>th</sup> July, 2010	Vice-President – South Asia, Finance & Corporate Processes	6	5 <sup>@</sup>	NIL	NIL
Mr. Thilo Bischoff (Alternate to Ms. Saori Dubourg)	20 <sup>th</sup> October, 2010	Vice-President – Business & Markets, South Asia	6	1	NIL	NIL
Mr. R. Y. Vaidya (Alternate to Dr. Rainer Diercks)	16 <sup>th</sup> April, 2008	Chief Executive – Manufacturing	6	5 <sup>@</sup>	NIL	NIL
Mr. Deepak Thuse (Resigned as Alternate to Ms. Saori Dubourg with effect from October 20, 2010)	23 <sup>rd</sup> January, 2006	Chief Executive – Plastics	6	4 <sup>@</sup>	NIL	NIL

\* Excludes Directorships in Private Limited Companies, Foreign Companies, Section 25 Companies, and Memberships of Managing Committees of various Chambers/Bodies.

@ Were present at the Meeting held on 12<sup>th</sup> August, 2010 as invitees.

# Mr. S. Regunathan was Alternate Director to Mr. Hermann Althoff, who resigned on 28<sup>th</sup> April, 2011. Pursuant to the resignation of Mr. Hermann Althoff, Mr. S. Regunathan was appointed as an Alternate Director to Mr. Andrew Postlethwaite as on that date.

### NON-EXECUTIVE DIRECTORS

Name	Date of Appointment	Designation	No. of Meetings held during the Last Financial Year	No. of Meetings Attended	Number of Memberships in Boards of Other Companies**	No. of Memberships/ Chairmanships in other Committees
Ms. Saori Dubourg	19 <sup>th</sup> January, 2010	Director	6	1	NIL	NIL
Dr. Rainer Diercks	23 <sup>rd</sup> January, 2006	Director	6	1	NIL	NIL
Mr. Andrew Postlethwaite	28 <sup>th</sup> April, 2011	Director	6	0	NIL	NIL
Mr. Hermann Althoff	16 <sup>th</sup> April, 2008 (Resigned w.e.f. 28 <sup>th</sup> April, 2011)	Director	6	1	NIL	NIL

\*\* Excludes Directorships in Private Limited Companies, Foreign Companies, Section 25 Companies and Bodies Corporate.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Name	Date of Appointment	Designation	No. of Meetings held during the Last Financial Year	No. of Meetings Attended	Number of Memberships in Boards of Other Companies*	No. of Memberships/ Chairmanships in other Committees
Mr. Pradip P. Shah	31 <sup>st</sup> January, 2000	Director	6	6	14	Membership – 5 Chairmanship – 2
Mr. R.A. Shah	25 <sup>th</sup> April, 1968	Director	6	6	14	Membership – 4 Chairmanship – 5
Mr. R.R. Nair	30 <sup>th</sup> March, 2001	Director	6	6	2	Membership – Nil Chairmanship – Nil
Mr. Arun Bewoor	19 <sup>th</sup> January, 2010	Director	6	4	2	Membership – Nil Chairmanship – Nil

\* Excludes Directorships in Private Limited Companies, Foreign Companies, Section 25 Companies, Bodies Corporate, Memberships of Managing Committees of various Chambers/Bodies and Alternate Directorships.

- **Number of Board Meetings held during the financial year alongwith the dates of the meetings:**

Six Board Meetings were held during the year 2010-11.

The dates on which the said Meetings were held are as follows:

- |   |   |
|---|---|
| (1) Thursday, 29 <sup>th</sup> April, 2010    | (2) Friday, 16 <sup>th</sup> July, 2010       |
| (3) Thursday, 12 <sup>th</sup> August, 2010   | (4) Thursday, 9 <sup>th</sup> September, 2010 |
| (5) Wednesday, 20 <sup>th</sup> October, 2010 | (6) Wednesday, 9 <sup>th</sup> February, 2011 |

**B. Pecuniary relationships or transactions of the non-executive Directors vis-à-vis, the Company.**

Mr. R. A. Shah, Mr. Pradip P. Shah, Mr. R. R. Nair and Mr. Arun Bewoor, non-executive independent Directors of the Company do not have any material pecuniary relationship with the Company other than the commission payable to them. Details of commission paid are given at Serial No. 4 of this report.

Ms. Saori Dubourg, Dr. Rainer Diercks and Mr. Hermann Althoff were not paid any commission during the financial year 2010-11. Ms. Saori Dubourg, Dr. Rainer Diercks and Mr. Andrew Postlethwaite represent BASF SE ("Holding Company" of the Company).

### 3. AUDIT COMMITTEE

The Board of Directors of the Company constituted an Audit Committee on 1<sup>st</sup> March, 2001. The Chairman of the Audit Committee is a Non-executive and Independent Director. During the financial year 2010-2011, 4 Audit Committee Meetings were held on 29<sup>th</sup> April, 2010, 16<sup>th</sup> July, 2010, 20<sup>th</sup> October, 2010 and 9<sup>th</sup> February, 2011, respectively.

The present composition of the Audit Committee is as follows:

Name	Date of Appointment	No. of Meetings during FY 2010-11	
		Held	Attended
Mr. R. R. Nair, Chairman	12 <sup>th</sup> July, 2006	4	4
Mr. R. A. Shah	1 <sup>st</sup> March, 2001	4	4
Mr. Pradip P. Shah	1 <sup>st</sup> March, 2001	4	4
Mr. Arun Bewoor	19 <sup>th</sup> January, 2010	4	2*

\* Mr. Arun Bewoor, was not present at the Audit Committee meetings held on 16<sup>th</sup> July, 2010 and 20<sup>th</sup> October, 2010, respectively.

Mr. S. Ramnath was present as Permanent Invitee at the Audit Committee Meeting held on 29<sup>th</sup> April, 2010. Mr. S. Regunathan, Vice-President – South Asia, Finance & Corporate Processes was nominated as a Permanent Invitee of the Audit Committee with effect from 16<sup>th</sup> July, 2010 in place of Mr. S.Ramnath, who has resigned as a Wholtime Director of the Company.

Mr. S. Regunathan, Permanent Invitee was present at all Audit Committee meetings except on 29<sup>th</sup> April, 2010.

Mr. Pradeep Chandan, Director – Legal & Company Secretary, was appointed as Secretary of the Audit Committee on 2<sup>nd</sup> April, 2010 and was present at all the Audit Committee meetings.

The constitution of Audit Committee also meets with the requirements of Section 292A of the Companies Act, 1956.

The Minutes of the Audit Committee Meetings were noted at the Board Meetings of the Company. The Chairman of the Audit Committee, Mr. R. R. Nair, was present at the 66<sup>th</sup> Annual General Meeting held on 12<sup>th</sup> August, 2010.

Mr. Thilo Bischoff, Vice President, Business & Markets, South Asia, Statutory Auditors, Internal Auditors and Cost Auditors, as needed, are invitees to the meetings.

The terms of reference stipulated by the Board to the Audit Committee contained under the revised Clause 49 of the Listing Agreement are briefly described below:

- a. Oversight of the Company's financial reporting process and disclosure of the financial information to ensure that the financial statements are correct, sufficient and credible.
- b. Recommend the appointment, re-appointment and, if required, replacement or removal of Statutory Auditors, fixation of the audit fees and approving payments for any other services.
- c. Review with Management, the annual and quarterly financial statements before submission to the Board, focusing primarily on:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - Changes, if any in accounting policies and practices and reasons for the same.
  - Major accounting entries based on exercise of judgement by the management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing & other legal requirements concerning financial statements.
  - Disclosure of any related party transactions.
  - Qualifications in draft audit report.
- d. Review with Management, performance of Statutory and Internal Auditors and adequacy of internal control systems.
- e. Review the adequacy of internal audit function, including if applicable, the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- f. Discussions with the Internal Auditors of any significant findings and follow-up thereon.
- g. Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h. Discussions with Statutory Auditors before the audit commences, of the nature and scope of audit as well as have post-audit discussion to ascertain any areas of concern.
- i. Look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors.
- j. Review the Company's financial and risk management policies.
- k. Review the following information:
  - Management discussion analysis of financial condition and results of operations;
  - Statement of significant related party transactions;
  - Management letters/letters of internal control weaknesses issued by the Statutory Auditors;
  - Internal audit reports relating to the internal control weaknesses;
  - The appointment, removal and remuneration of the chief internal auditors; and
  - The financial statements, in particular, the investment made by unlisted subsidiary companies.

The Audit Committee is vested with the necessary powers, as defined in its Charter, to achieve its objectives.

#### 4. REMUNERATION

- **Remuneration Committee**

As the Remuneration Committee is non-mandatory, the Board decided that this Committee be formed at an appropriate time.

- **Remuneration of Non-Executive Directors**

The remuneration of non-executive Directors is decided by the Board of Directors of the Company within the limits approved by the Members.

- **Criteria for payment of remuneration to the Non-Executive Directors**

The remuneration to Non-Executive Directors comprises of fixed commission. The criteria for payment of commission is broadly based on the Company's operations, responsibilities of the Non-Executive Directors, the time devoted by them towards the Company's affairs at the Audit Committee and Board Meetings, periodic advice given by these Directors to the management and the commission paid by comparable Companies.

- Details of remuneration paid to all the Directors during the year 2010-2011.

##### (a) EXECUTIVE DIRECTORS

(Amount in Rupees per annum)

Remuneration	Mr. Prasad Chandran	Mr. Thilo Bischoff (From 20 <sup>th</sup> October, 2010)	Mr. S. Regunathan (From 16 <sup>th</sup> July, 2010)	Mr. R. Y. Vaidya	Mr. Deepak Thuse (till 20 <sup>th</sup> October, 2010)	Mr. S. Ramnath (till 16 <sup>th</sup> July, 2010)	Total
Salary & Benefits@	1,69,00,224	55,62,947	93,14,738	1,02,31,384	59,29,724	23,00,561	5,02,39,578
Performance Linked Incentive #	73,88,750	15,83,280	15,17,500	14,80,085	8,53,030	2,83,144	1,31,05,789
Total	2,42,88,974	71,46,227	1,08,32,238	1,17,11,469	67,82,754	25,83,705	6,33,45,367

@ Salary & Benefits includes Salary, Benefits, Provident Fund and Superannuation but excluding provision for contribution to Gratuity Fund and Group Insurance, leave encashment & long service awards.

# Performance Linked Incentive is based on achievements against pre-agreed targets.

The agreement in respect of Mr. Prasad Chandran, Chairman and Managing Director (re-appointed w.e.f. from 2<sup>nd</sup> April, 2010) is for a period of 5 years. The agreements in respect of Mr. S. Regunathan and Mr. Thilo Bischoff are for a period from 16<sup>th</sup> July, 2010 to 31<sup>st</sup> May, 2014 and from 20<sup>th</sup> October, 2010 to 30<sup>th</sup> April, 2014, respectively. Mr. R. Y. Vaidya was re-appointed as a Whole-time Director w.e.f. 16<sup>th</sup> April, 2008 to 30<sup>th</sup> August, 2010 and his appointment has been extended till 1<sup>st</sup> April, 2013. Either of the parties to these agreements is entitled to terminate the agreements by giving six months notice in writing.

Presently, the Company does not have a Scheme for grant of stock options to the Directors/employees.

##### (b) INDEPENDENT NON-EXECUTIVE DIRECTORS

The Commission due to the independent non-executive Directors for the financial year ended 31<sup>st</sup> March, 2011 is as follows:

Mr. R. A. Shah #	Mr. Pradip P. Shah	Mr. R. R. Nair	Mr. Arun Bewoor
Rs. 8,00,000/-	Rs. 8,00,000/-	Rs. 8,00,000/-	Rs. 8,00,000/-

# M/s. Crawford Bayley & Co., one of the Solicitors of the Company in which Mr. R. A. Shah is a Senior Partner renders professional services to the Company.

Independent Non-Executive Directors do not hold any shares in the Company.

(c) No remuneration was paid to Non-Executive Foreign Directors during the financial year 2010-11.

## 5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Board of Directors of the Company constituted a Shareholders'/Investors' Grievance Committee on 1<sup>st</sup> March, 2001. The Chairman of the Shareholders'/Investors' Grievance Committee is a Non-executive and Independent Director. During the financial year 2010-2011, 2 Shareholders'/Investors' Grievance Committee Meetings were held on 16<sup>th</sup> July, 2010 and 9<sup>th</sup> February, 2011, respectively.

The present composition of the Shareholders'/Investors' Grievance Committee is as follows:

Name	Date of Appointment	No. of Meetings during FY 2010-11	
		Held	Attended
Mr. R. R. Nair, Chairman	7 <sup>th</sup> May, 2008	2	2
Mr. Prasad Chandran	1 <sup>st</sup> March, 2001	2	2
Mr. Arun Bewoor	19 <sup>th</sup> January, 2010	2	1*
Mr. S. Regunathan	16 <sup>th</sup> July, 2010	2	2

\* Mr. Arun Bewoor, Member of the Committee, was not present at the Shareholders'/Investors' Grievance Committee meeting held on 16<sup>th</sup> July, 2010.

Mr. S. Ramnath resigned as a member of the Shareholders'/Investors' Grievance Committee on and from 16<sup>th</sup> July, 2010 and Mr. S. Regunathan was appointed as a member of the Shareholders'/Investors' Grievance Committee with effect from 16<sup>th</sup> July, 2010 in place of Mr. S. Ramnath.

The Committee looks into redressal of shareholders' and investors' complaints/grievances. The Committee also looks into complaints concerning transfer of shares, non-receipt of balance sheet, non-receipt of dividends etc. The Committee oversees the performance of the Registrar and Share Transfer Agent and recommends measures for overall improvement in the quality of investor service.

The Company has a Share Transfer Committee comprising of Mr. Prasad Chandran as Chairman, Mr. Arun Bewoor and Mr. S. Regunathan as members which approve all matters related to shares, such as transfers, deletions, transmissions, dematerialization and rematerialization of shares etc. The Committee meets from time to time and approves the transfers and transmission of shares and deletion of names, issue of duplicate share certificates etc.

Name, designation and address of the Compliance Officer:

Mr. Pradeep Chandan  
Director – Legal & Company Secretary  
BASF India Limited  
1<sup>st</sup> Floor, VIBGYOR Towers,  
Plot No. C-62, 'G' Block, Bandra Kurla Complex,  
Mumbai-400 051, India.

During the year, 5 complaints were received from the shareholders and these have been resolved to date. Outstanding complaints as on 31<sup>st</sup> March, 2011 were Nil.

### CEO/CFO Certificate:

A certificate from the Chief Executive Officer (Managing Director) and the Chief Financial Officer on the financial statements and other matters of the Company for the financial year ended 31<sup>st</sup> March, 2011, was placed before the Board at its meeting held on 28<sup>th</sup> April, 2011.

## 6. GENERAL BODY MEETINGS

(a) During the last three years, your Company's Annual General Meetings (AGMs) were held at Yashwantrao Chavan Pratishthan Auditorium, Y. B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai 400 021 on the following dates:

1. Thursday 12<sup>th</sup> August, 2010 at 3.00 p.m.
2. Friday 21<sup>st</sup> August, 2009 at 3.00 p.m.
3. Tuesday 12<sup>th</sup> August, 2008 at 3.00 p.m.

All resolutions including the special resolutions at AGMs are generally passed by way of show of hands. No postal ballots were used for voting at these meetings.

(b) Attendance of Directors at AGM during the last financial year:  
All the Directors of the Company as at 12<sup>th</sup> August, 2010 were present.

- (c) During the year, the approval of the shareholders of the Company was obtained on the Scheme of Amalgamation of BASF Coatings (India) Private Limited, BASF Construction Chemicals (India) Private Limited and BASF Polyurethanes India Limited with the Company through Court Convened Meeting held on 3<sup>rd</sup> November, 2010 at 3.00 p.m at Yashwantrao Chavan Pratishthan Auditorium, Y. B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai 400 021 with requisite majority.

## 7. DETAILS OF DIRECTORS SEEKING APPOINTMENT/ RE-APPOINTMENT

Brief resumes of the Directors seeking appointment or re-appointment are as follows:

- Mr. R. A. Shah has been a Director on the Board of the Company since April 1968. Mr. R. A. Shah is a Solicitor and a senior partner of M/s. Crawford Bayley & Co., a reputed firm of Advocates & Solicitors, Mumbai. He has specialized in a broad spectrum of Corporate Laws in general with special focus on Foreign Investments, Joint Ventures, Technology and Licence Agreements, Intellectual Property rights, Mergers & Acquisitions, Industrial Licensing, Anti Trust and Competition Law.

Mr. R. A. Shah has been a Member of the Audit Committee of the Company and also the Member of Managing Committees of various Commerce & Industry Associations such as Bombay Chamber of Commerce and Industry, Indo German Chamber of Commerce and the President of the Society of Indian Law Firms (Western Region).

Presently, Mr. R. A. Shah is Chairman/Vice Chairman/Director of the following public limited companies viz.

1.	Godfrey Phillips India Limited (Phillip Morris affiliate)	Chairman
2.	Clariant Chemicals (India) Limited	Chairman
3.	Pfizer Limited	Chairman
4.	Procter & Gamble Hygiene and Healthcare Ltd.	Chairman
5.	Colgate Palmolive India Limited	Vice Chairman
6.	Abbott India Limited	Director
7.	Asian Paints Limited	Director
8.	ACC Limited	Director
9.	The Bombay Dyeing and Mfg. Co. Ltd.	Director
10.	Century Enka Limited	Director
11.	Deepak Fertilizers & Petrochemicals Corp. Ltd.	Director
12.	Jumbo World Holdings Ltd. (Foreign Company)	Director
13.	Lupin Limited	Director
14.	Piramal Healthcare Limited	Director
15.	Wockhardt Limited	Director
16.	Atul Limited	Alternate Director
17.	Modicare Limited	Alternate Director
18.	RPG Life Sciences Limited	Alternate Director
19.	Schrader Duncan Limited	Alternate Director
20.	Uhde India Limited	Alternate Director

Presently, Mr. R. A. Shah is Chairman/Member of the Audit Committees of the following public limited companies viz.,

1.	Pfizer Limited	Chairman
2.	Colgate Palmolive (India) Limited	Chairman
3.	Procter & Gamble Hygiene & Healthcare Ltd.	Chairman
4.	Piramal Healthcare Limited	Chairman
5.	Clariant Chemicals (India) Limited	Chairman
6.	Abbott India Limited	Member
7.	The Bombay Dyeing & Mfg. Co. Ltd.	Member
8.	Century Enka Ltd.	Member
9.	Wockhardt Limited	Member

- Mr. R. R. Nair has been a Director on the Board of the Company since March 2001. Mr. R. R. Nair is also the Chairman of the Audit Committee of the Company. Mr. Nair has a Masters Degree in Psychology with a 1<sup>st</sup> class and 1<sup>st</sup> rank from Kerala University and a Post Masters' Diploma with Distinction in Industrial Psychology from IIT Kharagpur. He is an alumnus of Stanford and Michigan Universities too through their executive education programmes. Mr. Nair's professional experience spanning over 30 years in Human Resource and Organisation Development was mainly with Hindustan Unilever Ltd. and later Unilever. He was the first HR professional who was seconded to Unilever London, where he was responsible for organization structure review and management development in over a dozen countries. He also served as Director HR in Brooke Bond Lipton India Ltd. and Unilever Arabia.

Widely exposed to businesses in Europe, Latin America, Central Asia and Middle East, Mr. Nair is a specialist in Business HR Strategy, Executive Coaching and Leadership Development. He contributes to teaching efforts at various B schools including the Indian School of Business. He therefore brings to the business and the academic scene both local and international perspectives. He is a Member of Schneider-Electric India's Advisory Board. He served on the Board of Union Bank of India, the HR Technical Committee of Reserve Bank of India and CII's HR Council. He was chosen by the National HRD Network for the National Award for outstanding contribution to the profession, and also conferred with the Lifetime Achievement Award. In 2009, he was chosen by CNBC-KPMG for their Lifetime Achievement Award. He is a co-editor of a publication entitled "Managing Transition". Mr. Nair is an Honorary Fellow of the Coaching Foundation India Ltd.

Presently, Mr. R. R. Nair is Director of the following public limited companies:

1. TVS Electronics Limited
  2. TVS Servicetec Limited
- Ms. Saori Dubourg has studied Strategic and Industrial Marketing at the University of Tier, Germany. Ms. Dubourg joined BASF SE's Regional Marketing Division, Europe in 1997. She was part of Global Strategy Co-ordination and took up assignments for BASF Corporation, USA and BASF Japan Limited in 1998 and 1999, respectively. In 2001, she was assistant to Board Ressor VIII, BASF South East Asia, Singapore and later in 2002 became Senior Manager, Fibre Bonding Business & Controlling, BASF South East Asia, Singapore. In 2004, Ms. Dubourg was appointed as Director, Business Management, Europe and Middle East and in 2008, she became Senior Vice President, Senior Project Leader Diversity and Inclusion. Presently, Ms. Dubourg is the President, Regional Functions and Country Management, Asia Pacific, BASF East Asia Regional Headquarters, Hong Kong. Ms. Dubourg was appointed as a Director of the Company, effective 19<sup>th</sup> January, 2010 in casual vacancy caused by the resignation of Dr. Tilman Krauch. Ms. Saori Dubourg does not hold any shares in the Company.
  - Mr. Andrew Postlethwaite has graduated from the University of New England, Australia with a Masters in Business Administration. He joined BASF New Zealand Limited as a Management Trainee in 1986 and then in 1993 worked as Industry Manager in Paper Chemicals business. He took up assignments in Sales & Material Management and Regional Information Systems of BASF South East Asia Pte. Ltd, Singapore in 1997 and 2000 before being appointed as Director, Life Science & Functional Polymers, Corporate Strategy, BASF Malaysia Sdn. Bhd. In 2005, Mr. Andrew was part of fine chemicals for BASF China Co. Ltd. In 2008, Mr. Andrew Postlethwaite became Vice President, Nutrition & Health, Asia Pacific, BASF East Asia Regional Head Quarters, Hong Kong. Presently, Mr. Andrew is the Senior Vice President, Engineering Plastics, Asia Pacific. Mr. Andrew was appointed as a Director of the Company on 28<sup>th</sup> April, 2011 in the casual vacancy caused by the resignation of Mr. Hermann Althoff. Mr. Andrew Postlethwaite does not hold any shares in the Company.

Non-Executive Directors seeking re-appointment do not hold any shares in the Company either in their own name or for any other person on a beneficial basis.

## 8. DISCLOSURES

- (a) There were no materially significant related party transactions made by the Company with its promoters, directors or relatives or the management, their subsidiaries etc., which have a potential conflict with the interests of the Company at large. The register of contracts containing the transactions in which Directors are interested is placed before the Board at every Board Meeting for approval.  
Transactions with related parties are disclosed in Note No. 23 of Schedule 20 to the Accounts in the Annual Report.
- (b) The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No strictures or penalties have been imposed on the Company either by SEBI or the Stock Exchanges or any other statutory authority for non-compliance of any matter related to the capital market.
- (c) The Company has complied with the mandatory requirements of the Code of Corporate Governance as stipulated under Clause 49 of the Listing Agreement.
- (d) Risk Management  
The Company has in place a mechanism to inform the Board about the risk assessment and minimization procedures and periodical review to ensure that management controls risk through means of a properly defined framework.
- (e) The Management Discussion & Analysis Report forms part of this Annual Report.

## 9. MEANS OF COMMUNICATION

- The Quarterly and Half-yearly Unaudited Financial results are generally published in the widely circulating national and local newspapers such as 'The Economic Times' (in English) and 'Maharashtra Times' (in Marathi). These results are not sent to each household of shareholders.
- The Company's Financial results/official news releases and other important Investor related information are periodically displayed and updated on the Company's web site, viz., [www.basf-india.com](http://www.basf-india.com).

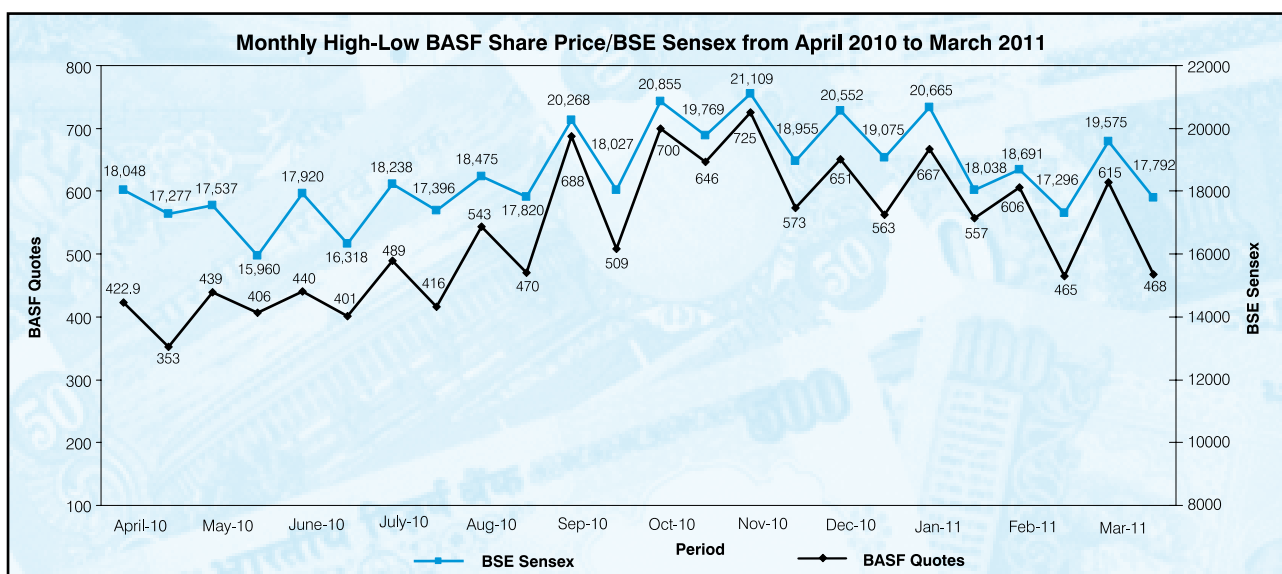


## 10. GENERAL SHAREHOLDERS INFORMATION

- (a) The Annual General Meeting of the Company will be held on Friday, 26<sup>th</sup> 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.
- (b) The Company's financial year begins on 1<sup>st</sup> April and ends on 31<sup>st</sup> March.
- |                                  |   |  |
|----------------------------------|---|--|
| Financial Calendar — (tentative) | Results for quarter ending June 30, 2011      | 3 <sup>rd</sup> /4 <sup>th</sup> week of July, 2011    |
|                                  | Annual General Meeting                        | 26 <sup>th</sup> August, 2011                          |
|                                  | Results for quarter ending September 30, 2011 | 2 <sup>nd</sup> /3 <sup>rd</sup> week of October, 2011 |
|                                  | Results for quarter ending December 31, 2011  | 3 <sup>rd</sup> /4 <sup>th</sup> week of January, 2012 |
|                                  | Results for the year ending March 31, 2012    | 3 <sup>rd</sup> /4 <sup>th</sup> week of April, 2012   |
- (c) Date of book closure: 22<sup>nd</sup> August, 2011 to 26<sup>th</sup> August, 2011 (both days inclusive) for the purposes of Annual General Meeting and payment of dividend.
- (d) Dividend payment date: 30<sup>th</sup> August, 2011.
- (e) Listing on Stock Exchanges: The equity shares of the Company are listed on The Stock Exchange, Mumbai (BSE) and The National Stock Exchange of India Limited (NSE). The Company has paid the annual listing fees for the financial year 2011-12 to both the Stock Exchanges.
- (f) Stock Code : 500042  
 SYMBOL : BASF  
 Demat ISIN No. in NSDL : INE373A01013  
 Demat ISIN No. in CDSL : INE373A01013
- (g) Market Price Data: High/low market price of the Company's equity shares traded on The Stock Exchange, Mumbai and the National Stock Exchange of India during each month in the last Financial Year ended on 31<sup>st</sup> March, 2011 is furnished below along with a graph indicating the performance of Company's share price in comparison with the BSE Sensex :

### SHARE PRICES (HIGH/LOW) OF BASF INDIA LIMITED FOR THE PERIOD APRIL 2010 TO MARCH 2011

AT BSE			AT NSE		
MONTH	HIGH (DATE)	LOW (DATE)	MONTH	HIGH (DATE)	LOW (DATE)
April	422.90 (28.04.2010)	353.00 (01.04.2010)	April	422.50 (28.04.2010)	358.00 (01.04.2010)
May	438.90 (18.05.2010)	406.00 (25.05.2010)	May	439.00 (19.05.2010)	405.00 (05.05.2010)
June	440.00 (29.06.2010)	401.30 (02.06.2010)	June	439.00 (29.06.2010)	400.00 (10.06.2010)
July	489.20 (12.07.2010)	416.00 (01.07.2010)	July	484.95 (30.07.2010)	412.55 (05.07.2010)
August	543.00 (25.08.2010)	470.00 (01.08.2010)	August	545.00 (25.08.2010)	466.70 (04.08.2010)
September	688.00 (30.09.2010)	509.00 (01.09.2010)	September	688.00 (30.09.2010)	507.00 (01.09.2010)
October	700.00 (04.10.2010)	646.45 (12.10.2010)	October	704.00 (13.10.2010)	646.00 (12.10.2010)
November	725.00 (09.11.2010)	573.00 (29.11.2010)	November	725.00 (09.11.2010)	571.40 (29.11.2010)
December	651.25 (30.12.2010)	562.85 (09.12.2010)	December	693.20 (09.12.2010)	560.05 (09.12.2010)
January	666.50 (04.01.2011)	556.60 (31.01.2011)	January	667.80 (04.01.2011)	551.60 (31.01.2011)
February	606.00 (09.02.2011)	465.05 (23.02.2011)	February	605.05 (09.02.2011)	469.95 (23.02.2011)
March	614.50 (31.03.2011)	467.50 (17.03.2011)	March	617.00 (31.03.2011)	468.00 (18.03.2011)



(h) Registrar & Share Transfer Agent: **Sharepro Services (India) Private Ltd. (Sharepro)**

**Registered Office**

Sharepro Services (India) Private Ltd.  
**Unit : BASF India Limited**  
 13AB, Samhita Warehousing Complex,  
 2<sup>nd</sup> 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

**Investors Relation Centre**

Sharepro Services (India) Private Ltd.  
**Unit : BASF India Limited**  
 912, Raheja Centre,  
 Free Press Journal Road,  
 Nariman Point,  
 Mumbai-400 021.

Tel. No. : 022-2282 5163

Email : sharepro@vsnl.com

The details of contact persons of Sharepro are as follows:

Name	Phone No.	Fax No.
Mr. G. R. Rao	022-6772 0301/0302	022-2859 1568
Mrs. Indira P. Karkera/Mr. Gopal	022-6772 0360/6772 0337	022-2859 1568

(i) Share Transfer System: Presently, the share transfers which are received in physical form are processed by the Registrar and Share Transfer Agent and approved by the Share Transfer Committee which meets twice in a month and the share certificates are returned within a period of 20 to 25 days from the date of lodgment, subject to the transfer instruments being valid and complete in all respects.

(j) The distribution of shareholdings of the Company as on 31<sup>st</sup> March, 2011 was as follows:

Category (No. of shares)	No. of shareholders	Percentage	No. of shares	Percentage
1 – 500	40,564	94.42%	27,46,247	6.35%
501 – 1000	1,263	2.94%	9,54,802	2.21%
1001 – 2000	638	1.48%	9,13,862	2.11%
2001 – 3000	185	0.43%	4,64,854	1.07%
3001 – 4000	81	0.19%	2,81,873	0.65%
4001 – 5000	65	0.15%	2,99,572	0.69%
5001 – 10000	100	0.23%	6,84,453	1.58%
10001 and above	67	0.16%	3,69,39,977	85.34%
<b>Total</b>	<b>42,963</b>	<b>100.00%</b>	<b>4,32,85,640</b>	<b>100.00%</b>

(k) The shareholding pattern of the Company as on 31<sup>st</sup> March, 2011 was as follows:

Category	No. of shares	% of total capital
Foreign Promoters	3,17,43,220	73.33%
Directors and relatives of Directors	100	0.00%
NRIs, OCBs and FIIs	5,87,784	1.36%
Financial Institutions and Mutual Funds	25,27,531	5.84%
Nationalised and other Banks	5,908	0.02%
Domestic Corporate Bodies/Trusts	19,77,416	4.57%
General Public including shares in transit	64,43,681	14.88%
<b>Total</b>	<b>4,32,85,640</b>	<b>100.00%</b>

(l) Dematerialization of shares: The Company's equity shares are held in dematerialized form by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) under ISIN INE373A01013. As on 31<sup>st</sup> March, 2011, 43.29% of the shareholding of the Company have been dematerialized.

(m) As of date, the Company has not issued GDRs/ADRs/Warrants or any convertible instruments.

(n) Plant locations:

<b>Ankleshwar</b>	
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.
<b>Bangalore</b> Bommasundra Industrial Area, Anekal Taluka, Bangalore, Karnataka.	<b>Himachal Pradesh</b> Khasra No. 87/1 Village: Beer Plassis, Nalagarh, District: Solan, Himachal Pradesh.
<b>Kolkata</b> Gate No. 3, Jalan Industrial Complex, 46/48/49/53 Jangalpur, Howrah, West Bengal.	<b>Mangalore</b> Bala/Thokur Village, Surathkal-Bajpe Road, Mangalore Taluka, Dakshina Kannada District, Karnataka-575 030.
<b>Navi Mumbai</b>	
Thane Belapur Road, Turbhe, Navi Mumbai-400 705, Maharashtra.	C-68, MIDC Industrial Area, Thane-Belapur Road, Turbhe, Navi Mumbai-400613.
<b>Rajasthan</b> Plot No. F-218, Industrial Area IID Centre, Khushkera, Bhiwadi District, Alwar, Rajasthan.	

(o) Address for correspondence:

Mr. Manohar Kamath  
BASF India Limited,  
VIBGYOR Towers, 1<sup>st</sup> Floor, 'G' Block,  
Plot No. C-62,  
Bandra Kurla Complex,  
Mumbai-400 051.  
Tel : 6661 8000 / Fax: 67582752-53.  
Email : [manohar.kamath@basf.com](mailto:manohar.kamath@basf.com)  
[investor-grievance-india@basf.com](mailto:investor-grievance-india@basf.com)

(p) Top Ten Shareholders of the Company as on 31<sup>st</sup> March, 2011

Sr. No.	Name of the shareholder(s)	Holdings	% in the total capital
1.	BASF SOCIETAS EUROPAEA	2,09,39,259	48.37%
2.	BASF Schweiz AG	89,07,900	20.58%
3.	BASF Construction Chemicals GmbH	18,96,061	4.38%
4.	Bajaj Allianz Life Insurance Company	12,39,184	2.86%
5.	General Insurance Corporation of India	6,99,999	1.62%
6.	LIC of India – Market Plus	6,52,680	1.51%
7.	LIC of India – Money Plus	3,42,504	0.79%
8.	United India Insurance Company Limited	2,99,967	0.69%
9.	The New India Assurance Company Limited	2,68,488	0.62%
10.	Atul Limited	2,61,396	0.60%

(q) Share price: Rs. 643.45/- per share on The Stock Exchange, Mumbai as on 28<sup>th</sup> April, 2011.

#### 11. CODE OF CONDUCT

The Company has established a Code of Conduct for its Board Members and Senior Management personnel.

The Code of Conduct for the Board Members and Senior Management personnel is posted on the Company's web site, [www.basf-india.com](http://www.basf-india.com).

All the Board members and senior management personnel have complied with the Code of Conduct.

On behalf of the Board of Directors

PRASAD CHANDRAN  
Chairman & Managing Director

Mumbai

Dated: 28<sup>th</sup> April, 2011.



Mr. Prasad Chandran along with Dr. S.Y. Quraishi (third from right) – Chief Election Commissioner of India and Mr. Satyanand Mishra (extreme left) – Chief Information Commissioner, at a panel discussion on "Bridging the Governance Deficit in India: Role of Corporates as Citizens" at the 175th AGM of the Bombay Chamber of Commerce & Industry.

**Certificate of compliance with the Corporate Governance requirements under Clause 49 of the Listing Agreement.**

To

The Members of BASF India Limited

We have examined the compliance of conditions of Corporate Governance by BASF India Limited ('the Company') for the year ended on 31 March 2011, as stipulated in Clause 49 of the Listing Agreement entered into by the Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **B S R & Co.**  
*Chartered Accountants*  
Firm's Registration No.: 101248W

**Vijay Mathur**  
*Partner*  
Membership No.: 046476

*Mumbai*  
Date: 28 April 2011.

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**BASF joined hands with UN-HABITAT on a Water, Sanitation and Disability project, making a difference to 23 villages in Cuddalore, Tamil Nadu**



1 pot of water meant a 5 kms walk for Shanthi. A handpump in her backyard has changed her life forever.



Anand can attend school today, thanks to the availability of medical and equipment support and access ramps built in his school.

# Auditors' Report to the Members of BASF India Limited

We have audited the attached Balance Sheet of BASF India Limited ('the Company') as at 31 March 2011, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) on the basis of written representations received from the directors of the Company, as on 31 March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
  - (f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2011;
    - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **B S R & Co.**  
*Chartered Accountants*  
Firm's Registration No.: 101248W

**Vijay Mathur**  
*Partner*  
Membership No.: 046476

28 April 2011

## Annexure to Auditors' Report – 31 March 2011

With reference to the Annexure referred to in our report of even date, we report that:

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.  
(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
2. (a) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.  
(b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, paragraphs 4(iii) (b), (c) and (d) are not applicable to the Company.  
(e) The Company has taken loans from 3 companies covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was Rs. 3,376 million and the year-end balance of such loans was Rs. Nil.  
(f) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies listed in the register maintained under Section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.  
(g) In the case of loans taken from companies listed in the register maintained under Section 301 of the Act, the Company has been regular in repaying the principal amounts as stipulated and in the payment of interest.
4. In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods sold and services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs. 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, except for purchases of certain items of inventories and fixed assets which are for the Company's specialised requirements and similarly sale of certain goods and services rendered which are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Act, and the rules framed thereunder with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Act in respect of manufacture of insecticides and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty, Investor Education and Protection Fund and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities.
- According to the information and explanations given to us, there were no dues on account of Cess under Section 441A of the Act since the date from which the aforesaid section comes into force has not been notified by the Central Government.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Investor Education and Protection Fund and other material statutory dues were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, Customs duty and Excise duty which have not been deposited with the appropriate authorities on account of any dispute other than those mentioned in the appendix to this report.
10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding debentures or dues to financial institutions during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the Company has applied the term loans for the purpose for which it was obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
18. The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Act.
19. The Company did not have any outstanding debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Co.**

*Chartered Accountants*

Firm's Registration No.: 101248W

**Vijay Mathur**

*Partner*

Membership No.: 046476

28 April 2011



**Appendix**

Name of the Statute	Nature of the Dues	Amounts (Rs. million)	Period	Forum where the dispute is pending
Central Excise Act, 1944	Duty interest and penalty	11.12	2005-2006	Supreme Court
		3.01	1992-1993	High Court
		2.06	2005-2008	Central Excise & Service Tax Appellate Tribunal
		2.04	2007-2008	Additional Commissioner of Central Excise
The Customs Act, 1962	Duty interest and penalty	11.38	2006-2007	Central Excise & Service Tax Appellate Tribunal
The Service Tax Act, 1975	Tax, interest and penalty	0.06	2005-2010	Asst. Commissioner of Central Excise
		8.41	2007-2009, 2009-2010	Additional Commissioner of Central Excise
The Income Tax Act, 1961	Tax, interest and penalty	1.13	AY 2000-2001, 2003-2004	High Court
		6.66	AY 2002-2003, 2003-2004, 2006-2007	Income Tax Appellate Tribunal
		23.65	AY 2002-2003, 2004-2005, 2006-2007, 2007-2008, 2008-2009	Commissioner of Income Tax (appeals)
		0.96	AY 2004-2005	Assessing Officer
State and Central Sales Tax Act	Non Submission of forms	8.86	1993-1994, 1994-1995, 2002-2003	Sales Tax Tribunal
		0.46	1999-2000, 2004-2005	Asstt. Commissioner of Sales Tax
		25.99	2004-2005, 2006-2007	Joint Commissioner of Sales Tax
		1.36	2007-2008	Deputy Commissioner of Commercial Tax
	Tax, interest and penalty	0.02	2000-2001	Assessing Officer
	Non Submission of forms and various disallowances	10.36	2004-2005	Deputy Commissioner of Sales Tax
		0.51	2005-2006	Additional Commissioner, Commercial Taxes
		4.10	2005-2006, 2007-2008	Asstt. Commissioner of Commercial Tax

## Balance Sheet as at March 31, 2011

Rs. in million

	Schedule	March 31, 2011	March 31, 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Share Capital	1	432.9	407.7
Reserves and Surplus	2	9,246.9	8,250.0
<b>Loan Funds</b>			
Unsecured Loans	3	1,284.6	—
<b>Total</b>		<b>10,964.4</b>	<b>8,657.7</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	4	7,624.9	6,296.2
Less: Depreciation		4,134.4	3,863.1
Net Block		3,490.5	2,433.1
Capital Work-in-Progress		368.6	95.2
		3,859.1	2,528.3
<b>Investments</b>	5	—	90.0
<b>Deferred Tax Assets (net)</b>	6	7.4	85.9
<b>Current Assets, Loans and Advances:</b>			
Inventories	7	6,220.9	3,495.1
Sundry Debtors	8	4,707.2	2,580.0
Cash and Bank Balances	9	172.6	1,638.4
Loans and Advances	10	2,307.1	2,287.7
		13,407.8	10,001.2
Less:			
<b>Current Liabilities and Provisions:</b>			
Current Liabilities	11	5,680.1	3,505.6
Provisions	12	629.8	542.1
		6,309.9	4,047.7
<b>Net Current Assets</b>		<b>7,097.9</b>	<b>5,953.5</b>
<b>Total</b>		<b>10,964.4</b>	<b>8,657.7</b>

For Accounting Policies and Notes to Accounts — Refer **Schedule 20**

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date attached

For B S R & Co.  
Chartered Accountants  
Firm's Registration No.: 101248W

Vijay Mathur  
Partner  
Membership No.: 046476  
Mumbai, 28<sup>th</sup> April 2011

For and on behalf of the Board of Directors

Prasad Chandran  
Chairman & Managing Director

Pradeep Chandan  
Company Secretary

R. R. Nair  
Pradip P. Shah  
Arun Bewoor  
S. Regunathan  
R. Y. Vaidya  
Thilo Bischoff  
Directors  
28<sup>th</sup> April 2011

## Profit and Loss Account for the year ended March 31, 2011

Rs. in million

	Schedule	March 31, 2011	March 31, 2010
<b>Income:</b>			
Sales and Services	13	32,291.0	14,654.8
Less: Excise Duty		1,691.9	837.9
		30,599.1	13,816.9
Other Income	14	340.1	124.5
		30,939.2	13,941.4
<b>Expenditure:</b>			
Materials Consumed	15	14,735.4	6,292.7
Purchase of Finished Goods		8,964.9	3,125.8
Other Expenses	16	6,221.1	3,215.9
Depreciation	4	464.0	260.8
Interest	17	93.5	8.4
		30,478.9	12,903.6
Increase in Stocks	18	1,047.2	475.9
<b>Profit Before Tax</b>		1,507.5	1,513.7
<b>Tax</b>	19	329.2	545.6
<b>Profit After Tax</b>		1,178.3	968.1
Surplus Brought Forward		761.0	264.0
Addition on account of amalgamation (Refer Schedule 20 (2) & (3))		(194.5)	2,218.3
Available for Appropriation		1,744.8	3,450.4
<b>Appropriations:</b>			
Proposed Dividend		346.3	326.2
Corporate Tax on Dividend		57.5	54.2
General Reserve		533.0	2,309.0
		936.8	2,689.4
Balance Carried Forward		808.0	761.0
Weighted average number of equity shares outstanding during the year		43,284,958	40,769,305
Basic and diluted earnings per share (in Rs.) (Refer Schedule 20 (25))		27.22	25.00
Face value per share (in Rs.)		10.00	10.00

For Accounting Policies and Notes to Accounts — Refer **Schedule 20**

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our report of even date attached

For B S R & Co.  
Chartered Accountants  
Firm's Registration No.: 101248W

Vijay Mathur  
Partner  
Membership No.: 046476  
Mumbai, 28<sup>th</sup> April 2011

For and on behalf of the Board of Directors

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R. Y. Vaidya  
Thilo Bischoff  
Directors  
28<sup>th</sup> April 2011

## Cash Flow Statement for the year ended March 31, 2011

Rs. in million

	March 31, 2011		March 31, 2010	
<b>A. Cash flow from operating activities</b>				
Net Profit Before Tax		1,507.5		1,513.7
Adjustments for:				
Depreciation	464.0		260.8	
Interest expense	93.5		8.4	
(Profit) on sale of fixed assets (net)	(114.0)		(21.4)	
Interest income	(93.1)		(51.7)	
Unrealised (Gain)/Loss on foreign exchange (net)	(20.4)		(24.6)	
Provision for Doubtful Debts	0.6	330.6	(22.0)	149.5
<b>Operating profit before working capital changes</b>		1,838.1		1,663.2
(Increase)/Decrease in:				
Trade and Other Receivables	(213.8)		171.9	
Inventories	(1,416.2)		(688.4)	
Trade and Other Liabilities	(718.6)	(911.4)	(17.2)	(499.3)
<b>Cash generated from operations</b>		926.7		1,163.9
Direct taxes paid (net)		(238.2)		(657.1)
<b>Net cash from operating activities</b>		688.5		506.8
<b>B. Cash flow from investing activities</b>				
Acquisition of fixed assets		(925.1)		(284.6)
Realisation on sale of fixed assets		121.2		55.8
Interest received		93.1		51.5
ICD placed with – BASF Polyurethanes India Limited (net)		—		(363.0)
<b>Net cash used in investing activities</b>		(710.8)		(540.3)
<b>C. Cash flow from financing activities</b>				
Proceeds from Loan Funds		(1,162.1)		—
Interest paid		(90.6)		(8.4)
Dividend paid		(326.2)		(197.3)
Tax paid on above dividend		(54.2)		(33.6)
<b>Net cash used in financing activities</b>		(1,633.1)		(239.3)
<b>Net increase/(decrease) in cash and cash equivalents</b>		(1,655.4)		(272.8)
Cash and cash equivalents (opening balance)		1,638.4		277.0
Cash & cash equivalents acquired on amalgamation (Refer Schedule 20(2))		189.6		1,634.2
Cash and cash equivalents (closing balance) (Refer Schedule 9 for Cash & cash equivalents)		172.6		1,638.4
Restricted cash and cash equivalents		6.2		7.9

The amalgamation of BASF Coatings (India) Private Limited, BASF Construction Chemicals (India) Private Limited and BASF Polyurethanes India Limited is a non cash transaction. (Refer Schedule 20(2))

As per our report of even date attached

For B S R & Co.  
Chartered Accountants  
Firm's Registration No.: 101248W

Vijay Mathur  
Partner  
Membership No.: 046476  
Mumbai, 28<sup>th</sup> April 2011

For and on behalf of the Board of Directors

Prasad Chandran  
Chairman & Managing Director

Pradeep Chandan  
Company Secretary

R. R. Nair  
Pradip P. Shah  
Arun Bewoor  
S. Regunathan  
R. Y. Vaidya  
Thilo Bischoff  
Directors

28<sup>th</sup> April 2011

## Schedules to Balance Sheet as at March 31, 2011

### 1. Share Capital

Rs. in million

	March 31, 2011	March 31, 2010
<b>Authorised:</b>		
<b>54,359,715</b> (Previous Year – 45,000,000) Equity Shares of Rs. 10/- each	<b>543.6</b>	450.0
<b>Issued:</b>		
<b>43,285,640</b> (Previous Year – 40,769,987) Equity Shares of Rs. 10/- each	<b>432.9</b>	407.7
<b>Subscribed and Paid-up:</b>		
<b>43,284,958</b> (Previous Year – 40,769,305) Equity Shares of Rs. 10/- each fully paid	<b>432.9</b>	407.7
Of the above –		
<u>Issued for consideration other than cash</u>		
– <b>700</b> Equity Shares were allotted as fully paid pursuant to a contract without payment being received in cash and <b>15,771,400</b> Equity Shares were allotted as fully paid Bonus Shares by way of capitalisation of Reserves.		
– <b>4,035,948</b> shares were allotted to the erstwhile shareholders of Cyanamid Agro Limited (CAL) consequent to the amalgamation w.e.f April 1, 2001.		
– <b>12,579,839</b> shares were allotted to the erstwhile shareholders of Ciba India Limited and Ciba Research (India) Private Limited consequent to the amalgamation w.e.f. February 1, 2010 (Refer Schedule 20(3)).		
– <b>2,515,653</b> shares were allotted to the erstwhile shareholders of BASF Coatings (India) Private Limited and BASF Construction Chemicals (India) Private Limited consequent to the amalgamation w.e.f. April 1, 2010 (Refer Schedule 20(2)).		
<u>Holding Company and its affiliates</u>		
– <b>20,939,259</b> (Previous Year – 20,319,667) Equity Shares are held by BASF SE, the Holding Company.		
– <b>8,907,900</b> (Previous Year – 8,907,900) Equity Shares are held by BASF Schweiz AG, an affiliate of the Holding Company.		
– <b>1,896,061</b> (Previous Year – Nil) Equity Shares are held by BASF Construction Chemicals GmbH, an affiliate of the Holding Company consequent to the amalgamation w.e.f April 1, 2010 (Refer Schedule 20(2)).		
	<b>432.9</b>	407.7

### 2. Reserves and Surplus

	Balance as on April 1,		Addition on Amalgamation (Refer Schedule 20(2)&(3))		Additions during the year		Balance as on March 31,	
	2010	2009	2010-11	2009-10	2010-11	2009-10	2011	2010
Share Premium Account	631.5	621.0	15.0	10.5	—	—	646.5	631.5
Amalgamation Reserve	0.5	0.5	371.2	—	—	—	371.7	0.5
General Reserve	6,857.0	2,684.9	30.7	1,863.1	533.0	2,309.0	7,420.7	6,857.0
Surplus as per Profit and Loss Account	761.0	264.0	(194.5)	—	241.5	497.0	808.0	761.0
	<b>8,250.0</b>	3,570.4	<b>222.4</b>	1,873.6	<b>774.5</b>	2,806.0	<b>9,246.9</b>	8,250.0

### 3. Unsecured Loans

	March 31, 2011	March 31, 2010
<b>Short term Loans</b>		
From Banks		
— Overdraft	<b>875.6</b>	—
<b>Other Loans</b>		
From Others		
— Loan from BASF SE	<b>181.4</b>	—
— Loan from BASF Construction GmbH	<b>227.6</b>	—
(Amount repayable within 1 year <b>Rs. 45.1 million</b> (Previous Year Rs. Nil))		
	<b>1,284.6</b>	—

## Schedules to Balance Sheet as at March 31, 2011

### 4. Fixed Assets

Rs. in million

	Freehold Land	Leasehold Land	Buildings*	Plant & Machinery and Computers#	Furniture, Fixtures and Equipment	Vehicles	Total	Previous Year
<b>Gross Block:</b>								
As at April 1, 2010	8.7	97.1	1,004.3	4,729.4	409.2	47.5	6,296.2	3,636.4
Addition on amalgamation (Refer Schedule 20(2))	12.1	9.6	332.6	781.6	28.3	6.3	1,170.5	2,425.7
Additions	43.4	162.1	118.7	287.8	46.7	33.5	692.2	411.9
Deductions	—	—	—	492.8	17.6	23.6	534.0	177.8
As at March 31, 2011	64.2	268.8	1,455.6	5,306.0	466.6	63.7	7,624.9	6,296.2
<b>Depreciation:</b>								
As at April 1, 2010	—	7.9	296.0	3,322.8	204.1	32.3	3,863.1	2,377.0
Addition on amalgamation (Refer Schedule 20(2))	—	1.1	29.5	283.4	15.6	4.5	334.1	1,368.7
Depreciation for the year	—	1.7	50.1	353.7	46.6	11.9	464.0	260.8
Deductions	—	—	—	487.3	16.1	23.4	526.8	143.4
As at March 31, 2011	—	10.7	375.6	3,472.6	250.2	25.3	4,134.4	3,863.1
<b>Net Block:</b>								
As at March 31, 2011	64.2	258.1	1,080.0	1,833.4	216.4	38.4	3,490.5	2,433.1
As at March 31, 2010	8.7	89.2	708.3	1,406.6	205.1	15.2	2,433.1	1,259.4
<b>Capital work in progress**</b>								
As at March 31, 2011	—	—	65.8	288.8	14.0	—	368.6	95.2
As at March 31, 2010	—	—	15.5	68.1	7.0	4.6	95.2	—

\* Buildings include Rs. 0.03 million (Previous Year Rs. 0.03 million) being the value of shares in various co-operative societies.

\*\* Capital work in progress includes capital advances Rs. 107.5 million (Previous Year Rs. 16.0 million) – Considered good.

# Plant & Machinery includes Gross Block Rs. 73.1 million (Previous Year Rs. 73.1 million), Accumulated Depreciation – Rs.73.1 million (Previous Year Rs. 73.1 million) and Net Block Rs. Nil (Previous Year Rs. Nil) being the Company's share of an asset jointly owned with another company.

### 5. Investments

	March 31, 2011	March 31, 2010
<b>(Non-Trade) — Unquoted — Long Term</b>		
<b>Investment in 100% Subsidiary Company at cost</b> (Refer Schedule 20 (2))		
BASF Polyurethanes India Limited	—	90.0
Nil Equity Shares (Previous Year 9,000,000) of Rs. 10/- each fully paid		
	—	90.0

Pursuant to the amalgamation, investments in shares of BASF Polyurethanes India Limited stand cancelled (Refer Schedule 20(2)).

### 6. Deferred Tax Assets (net)

	March 31, 2011	March 31, 2010
(Refer Schedule 20(9))		
Deferred tax assets	192.9	191.0
Deferred tax liabilities	(185.5)	(105.1)
	7.4	85.9

## Schedules to Balance Sheet as at March 31, 2011

### 7. Inventories

Rs. in million

	March 31, 2011	March 31, 2010
Raw Materials	2,720.1	1,574.3
Finished Goods	3,379.2	1,847.7
Stock-in-Process	27.7	23.7
Packing Materials	84.8	45.2
Fuel Oil	9.1	4.2
	<b>6,220.9</b>	<b>3,495.1</b>

### 8. Sundry Debtors

	March 31, 2011	March 31, 2010
Debts outstanding for a period exceeding six months		
Considered good:		
Secured	1.7	1.1
Unsecured	16.5	5.3
	<b>18.2</b>	<b>6.4</b>
Considered doubtful	137.2	55.6
Other debts		
Considered good:		
Secured	111.6	23.2
Unsecured	4,577.4	2,550.4
	<b>4,689.0</b>	<b>2,573.6</b>
Considered doubtful	46.2	23.2
	<b>4,890.6</b>	<b>2,658.8</b>
Less: Provision for doubtful debts*	183.4	78.8
	<b>4,707.2</b>	<b>2,580.0</b>

(Refer Schedule 20(11) — Dues from companies under the same management)  
 \* Includes Rs. 104 million (Previous year Rs. 9.5 million) on account of amalgamation (Refer Schedule 20 (2) & (3))

### 9. Cash and Bank Balances

	March 31, 2011	March 31, 2010
Cash on hand	0.1	0.2
Balances with Scheduled Banks :		
— In Current Accounts	171.4	272.6
— In Deposit Accounts	0.7	1,365.5
Balances with Non-Scheduled Banks :		
— In Current Account with		
The Municipal Co-operative Bank Limited, Mumbai Maximum balance during the year <b>Rs. 0.5 million</b> (Previous Year Rs. 0.3 million)	0.4	0.1
	<b>172.6</b>	<b>1,638.4</b>
Of the above		
Restricted cash and cash equivalents	6.2	7.9

## Schedules to Balance Sheet as at March 31, 2011

### 10. Loans and Advances (Unsecured) — Considered Good

Rs. in million

	March 31, 2011	March 31, 2010
Advances recoverable in cash or in kind or for value to be received	1,805.5	902.2
Includes due from — Directors <b>Rs. 0.63 million</b> (Previous Year Rs. 0.71 million). Maximum amount outstanding during the year <b>Rs. 0.71 million</b> (Previous Year Rs. 0.78 million). In the case of Directors, it represents loans given to them before they became Directors.		
Inter Corporate Deposit (ICD) to wholly owned subsidiary — BASF Polyurethanes India Limited Maximum amount outstanding during the year <b>Rs. Nil</b> (Previous Year Rs. 1000 million).	—	968.0
Minimum Alternate Tax (MAT) Credit	63.0	—
Interest accrued on ICD to subsidiary — not due	—	0.4
Asset held for disposal	—	72.7
Duty Drawback receivable	8.7	15.0
Balances with Excise authorities	3.0	0.6
Balances with Income Tax authorities (Net of Provisions)	426.9	328.8
	2,307.1	2,287.7
<b>— Unsecured, Considered doubtful</b>		
Advances recoverable in cash or in kind or for value to be received	—	46.2
Less: Provision for doubtful advances	—	(46.2)
	2,307.1	2,287.7

### 11. Current Liabilities

	March 31, 2011	March 31, 2010
Sundry Creditors		
— Micro & Small Enterprises (Refer Schedule 20 (10))	3.9	5.5
— Others	5,395.1	3,276.2
Deposits	203.2	172.9
Unclaimed Dividend*	5.8	6.9
Unclaimed matured fixed deposits*	0.1	0.6
Unclaimed Interest warrants*	0.3	0.4
* (There are no amounts due and outstanding to be credited to Investor Education and Protection Fund)		
Other Liabilities	71.7	43.1
	5,680.1	3,505.6

### 12. Provisions

	March 31, 2011	March 31, 2010
Proposed Dividend	346.3	326.2
Corporate Tax on Dividend	57.5	54.2
Long Service Award	25.6	26.7
Leave Encashment	161.2	129.8
Gratuity	39.2	5.2
	629.8	542.1



## Schedules to Profit & Loss account for the year ended March 31, 2011

### 13. Sales and Services

Rs. in million

	March 31, 2011	March 31, 2010
Sale of Goods	31,222.0	13,778.0
Indent Commission/Technical/Service Charges	1,069.0	876.8
	32,291.0	14,654.8

### 14. Other Income

	March 31, 2011	March 31, 2010
Interest (Gross)		
— Interest on ICD to subsidiary Tax deducted at source <b>Rs. NIL</b> (Previous Year Rs. 9.7 million)	—	45.4
— Others Tax deducted at source <b>Rs. 8.8 million</b> (Previous Year Rs. 2.6 million)	93.1	18.2
Provision for Doubtful Debts written back	—	22.0
Profit on sale of Fixed Assets (net)	114.0	21.4
Sale of Scrap	81.2	10.5
Sundries	51.8	7.0
	340.1	124.5

### 15. Materials consumed

	March 31, 2011	March 31, 2010
Raw Materials :		
Stock at Commencement	1,574.3	1,078.0
Addition on account of amalgamation	821.3	—
Purchases*	14,537.3	6,416.7
Stock at Close	(2,720.1)	(1,574.3)
	14,212.8	5,920.4
Packing Materials consumed	522.6	372.3
	14,735.4	6,292.7
* Includes Rs. NIL (Previous Year Rs. 276.2 million) on account of amalgamation. (Refer Schedule 20 (3))		

## Schedules to Profit & Loss account for the year ended March 31, 2011

### 16. Other Expenses

Rs. in million

	March 31, 2011	March 31, 2010
Salaries, Wages, Bonus and Commission	1,579.4	862.6
Workmen and Staff Welfare	257.2	144.4
Contribution to Provident and Other Funds (Refer Schedule 20 (12))	154.8	80.8
Consumption of Stores and Spare Parts	92.0	45.1
Power and Fuel	420.6	221.8
Rent (Refer Schedule 20 (8[b]))	287.2	189.3
Rates and Taxes — Excise Duty	79.2	(3.1)
— Others	(8.1)	56.4
Repairs — Machinery	63.7	30.7
— Buildings	47.8	21.3
— Others	32.1	10.6
Insurance	66.5	30.8
Bad Debts Written off	8.4	19.6
Provision for Doubtful Debts (Net)	0.6	—
Service Fees	90.5	36.4
Travelling	423.8	190.4
Freight and Handling Charges	725.1	365.3
Communication/System Expenses	293.2	247.1
Sales Promotion Expenses	292.0	158.5
Professional Charges	624.2	214.8
Royalty	238.9	44.6
Voluntary Retirement Scheme	38.3	9.1
Sundry Expenses	413.7	239.4
	<b>6,221.1</b>	<b>3,215.9</b>

### 17. Interest

	March 31, 2011	March 31, 2010
On Short Term Loans	32.2	—
On Overdrafts	46.8	—
On Others	14.5	8.4
	<b>93.5</b>	<b>8.4</b>

### 18. Increase in Stocks

	March 31, 2011	March 31, 2010
Stock at Close		
Finished Goods	3,379.2	1,847.7
Stock-in-Process	27.7	23.7
Sub-total	<b>3,406.9</b>	<b>1,871.4</b>
Stock at commencement		
Finished Goods	(1,847.7)	(856.0)
Stock-in-Process	(23.7)	(21.3)
Sub-total	<b>(1,871.4)</b>	<b>(877.3)</b>
On account of amalgamation (Refer Schedule 20 (2) & (3))	<b>(488.3)</b>	<b>(518.2)</b>
Increase in stocks	<b>1,047.2</b>	<b>475.9</b>

### 19. Tax

	March 31, 2011	March 31, 2010
Current Tax Expense (includes wealth tax <b>Rs. 2.5 million</b> (Previous Year Rs. 2.6 million))	303.1	530.7
Minimum Alternate Tax Credit (MAT)	(63.0)	—
Deferred Tax Charge	89.1	14.9
	<b>329.2</b>	<b>545.6</b>

## 20. Accounting Policies and Notes to Accounts

(Amounts are shown in Millions of Rupees, abbreviated as Rs. Mio.)

### 1. Accounting Policies

#### (a) Basis of Accounting

The financial statements are prepared under the historical cost convention, on accrual basis, in accordance with provisions of Companies Act, 1956 and the accounting principles generally accepted in India and comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable. The financial statements are presented in Millions of Indian Rupees.

#### (b) Use of estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialise.

#### (c) Revenue Recognition

Sales of products and Indent Commission are recognised when risk and rewards of ownership of the products are passed on to the customers, which is generally on despatch of goods. Revenue from technical and service charges are recognised as and when the services are provided. Sales include excise duty but exclude trade discounts, rebates and sales tax. Interest income is recognised on a time proportion basis taking into account the amounts invested and the rate of interest.

#### (d) Fixed assets and depreciation

Fixed Assets are recorded at cost net of Cenvat credit wherever eligible. Cost includes all expenses attributable to the acquisition and installation till the date the asset is ready to use.

Depreciation is charged on straight-line basis at the following rates:

Buildings	—	3.34%
Plant & Machinery	—	10.34% - 20%
Computers	—	25.00%
Vehicles	—	25.00%
Furniture, Fixtures & Equipment	—	12.50%
Assets Individually costing Rs. 5,000 or below	—	100.00%

Depreciation on additions/deletions is calculated on a monthly *pro-rata* basis. Accelerated depreciation is charged on certain assets based on periodic review of estimated useful life.

Leasehold land and Leasehold Improvements are amortised over the period of lease or useful life whichever is lower.

#### (e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date for any indication of impairment based on internal/external factors. Where the carrying value exceeds the estimated recoverable amount, provision for impairment is made to adjust the carrying value to the recoverable amount. The recoverable amount is the greater of the assets estimated net realizable value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discounting rate. If at the Balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

#### (f) Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

#### (g) Investments

Long-term Investments are stated at cost. Provision is made to recognise a decline, other than temporary, in the value of Long-term Investments. Current Investments are stated at lower of cost or fair value.

(h) **Inventories**

Inventories are valued at cost or estimated net realisable value, whichever is lower. The costs are worked out on weighted average basis. Fixed production overheads are allocated on the basis of normal capacity of production facilities. Excise duty on goods manufactured by the Company and remaining in inventory is included as a part of valuation of finished goods.

(i) **Foreign Currency**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary items in foreign currencies are stated at the closing exchange rate. All forward exchange contracts are backed by underlying transactions, premium or discount arising at inception of such a forward exchange contract is amortised as expense or income over the life of the contract and the difference between the year end rate and rate on the date of the contract is recognised as exchange difference in the Profit and Loss Account. Gains/losses on conversion/translation are recognised in the Profit and Loss Account.

(j) **Employee Benefits**

**(A) Short-Term Employee Benefits**

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and are recognized in the Profit and Loss Account as an expense at the undiscounted amount on an accrual basis.

**(B) Post Employment Employee Benefits**

Company's contributions to defined contribution plans such as Superannuation Fund, Family Pension Fund, Group Medclaim Insurance Policy, Employee State Insurance and Labour Welfare Fund are recognized in the Profit and Loss Account on an accrual basis.

Company's liability towards Gratuity, which is a defined benefit plan, is determined on the basis of valuations, as at balance sheet date, carried out by independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account.

Company's contribution to Provident Fund is recognised in the Profit and Loss Account on accrual basis.

**(C) Other Long-Term Employee Benefits**

Company's liabilities towards Compensated Absences & Long Service Awards to employees are determined on the basis of valuations, as at balance sheet date, carried out by independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account.

**(D) Termination Benefits**

Compensation paid to employees under Voluntary Retirement Scheme/Severance payments are recognised as an expense when employees accept.

(k) **Assets taken on lease**

Lease rentals payable as per agreements for assets taken on operating lease are charged as expenditure on Straight Line basis over the lease term.

(l) **Taxation**

Current tax is determined as the amount of tax payable in respect of taxable income for the year computed in accordance with relevant provisions of Income Tax Act, 1961.

In accordance with the guidance note issued by the Institute of Chartered Accountants of India ('ICAI') on accounting for credit available in respect of Minimum Alternate Tax (MAT) under the Income tax Act, 1961, the Company recognises MAT credit as an asset only when and to the extent there is convincing evidence that the Company will be liable to pay normal income tax during the specified period.

Deferred tax charge or credit and correspondingly deferred tax asset or liability is recognised using tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount i.e. reasonable/virtually certain (as the case may be) to be realised.

(m) **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised only when there is a present obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent Assets are not recognised in the financial statements.

(n) **Research & Development Expenditure**

Revenue expenditure is recognised as an expense in the period in which it is incurred and the expenditure on capital assets is depreciated over the useful lives of the assets.

(o) **Earning per share**

The basic and diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year, by the weighted average number of equity shares outstanding during the year.

2. **Amalgamation of BASF Coatings (India) Private Limited (BCIN), BASF Construction Chemicals (India) Private Limited (BCC) and BASF Polyurethanes India Limited (BPIL) with BASF India Limited (BIL or the Company)**

Pursuant to the Scheme of Amalgamation ('the scheme') as approved in the court convened shareholder meeting held on 3<sup>rd</sup> November, 2010 and subsequently sanctioned by the Honourable High Court of Bombay vide its order dated 14<sup>th</sup> January, 2011, BCIN, BCC, BPIL (wholly owned subsidiary of the Company) (collectively referred to as the amalgamating companies) have been merged with the Company. The amalgamating companies were engaged in the business of manufacturing and trading of resins, thinners and varnishes, building & construction materials & polyurethane systems house and polyesterols.

As provided in the Scheme of Amalgamation, 619,589 equity shares of BIL (representing 1.43% of equity share capital as at 31<sup>st</sup> March, 2011) are issued against 37,175,399 shares of BCIN (representing 100% of equity share capital as at 1<sup>st</sup> April, 2010) and 1,896,064 equity shares of BIL (representing 4.38% of equity share capital as at 31<sup>st</sup> March, 2011) are issued against 2,464,885 shares of BCC (representing 100% of equity share capital as at 1<sup>st</sup> April, 2010). 9,000,000 equity shares (representing 100% of equity share capital as at 1<sup>st</sup> April, 2010 of BPIL) and BIL's investment in such equity shares held by the Company stands cancelled. Accordingly 2,515,653 equity shares of Rs. 10/- each fully paid up have been issued to the equity share holders of the BCIN and BCC without payment being received in cash.

As per the Scheme of Amalgamation, the 'Appointed Date' is 1<sup>st</sup> April, 2010. The amalgamation has been accounted under the "pooling of interests" method as prescribed by Accounting Standard 14 on "Accounting for Amalgamations". Accordingly:

- (i) All the assets and liabilities of BCIN, BCC and BPIL have been transferred and vested in the Company at book values with effect from 1<sup>st</sup> April, 2010. The reserves of the amalgamating companies appear in the same form in the financial statements of the Company.
- (ii) As specified in the scheme of amalgamation, the difference between the amount recorded as share capital issued (Rs. 25.2 Mio.) and the amount of share capital of the amalgamating companies (Rs. 396.4 Mio.) aggregating to Rs. 371.2 mio is adjusted in amalgamation reserves.
- (iii) The book values of the intercompany balances and holdings stand cancelled.

In view of the aforesaid amalgamation with effect from 1<sup>st</sup> April, 2010, the figures for the current year are not strictly comparable to those of the prior year.

3. **Amalgamation of Ciba India Limited (CIL), Diamond Dye-Chem Limited (DDL) and Ciba Research India Private Limited (CRIPL) with the Company**

Pursuant to the Scheme of Amalgamation ('the scheme') as approved in the court convened shareholder meeting held on 16<sup>th</sup> December, 2009 and subsequently sanctioned by the Honourable High Court of Bombay vide its order dated on 26<sup>th</sup> February, 2010, CIL, DDL (wholly owned subsidiary of CIL) and CRIPL (collectively referred to as the amalgamating companies) have been merged with the Company. The amalgamating companies were engaged in the business of manufacturing and trading of specialty chemicals and in commoditized products.

As provided in the Scheme of Amalgamation, 10,637,927 equity shares of BIL (representing 26.1% of equity share capital as at 31<sup>st</sup> March, 2010) were issued against 13,280,819 shares of CIL (representing 100% of equity share capital as at 1<sup>st</sup> February, 2010) and 1,941,912 equity shares of BIL (representing 4.76% of equity share capital as at 31<sup>st</sup> March, 2010) were issued against 10,788,401 shares of CRIPL (representing 100% of equity share capital as at 1<sup>st</sup> February, 2010). Accordingly 12,579,839 equity shares of Rs. 10/- each fully paid up have been issued to the equity share holders of the CIL, CRIPL whose names appear in the register of members on record date i.e 18<sup>th</sup> March, 2010, without payment being received in cash.

As per the Scheme of Amalgamation, the 'Appointed Date' is 1<sup>st</sup> February, 2010. The amalgamation has been accounted under the "pooling of interests" method as prescribed by Accounting Standard 14 on "Accounting for Amalgamations". Accordingly:

- (i) All the assets and liabilities of CIL, DDL and CRIPL have been transferred and vested in the Company with effect from 1<sup>st</sup> February, 2010.
- (ii) As specified in the scheme of amalgamation, the difference between the amount recorded as share capital issued (Rs. 125.7 Mio.) and the amount of share capital of the amalgamating companies (Rs. 269.7 Mio.) aggregating to Rs.144.0 Mio. is adjusted in General Reserves.
- (iii) The book values of the intercompany balances and holdings stand cancelled.

4. Contingent Liabilities not provided for:

- (a) Claims against the Company not acknowledged as debts: **Rs. 31.1 Mio.** (Previous Year Rs. 30.2 Mio.) in respect of which the Company has counter claims of **Rs. 67.0 Mio.** (Previous Year Rs. 67.0 Mio.)
- (b) Demands for taxes and duties in respect of which the Company has preferred appeals with appropriate authorities
  - a. Income tax : **Rs. 32.0 Mio.** (Previous Year Rs. 66.6 Mio.)
  - b. Customs, Excise and Sales tax : **Rs. 142.7 Mio.** (Previous Year Rs. 131.0 Mio.)

5. Estimated amount of contracts remaining to be executed on capital account and not provided (net of advances) for **Rs. 257.2 Mio.** (Previous Year Rs. 70.2 Mio.).

6. The exchange loss of **Rs. 220.7 Mio.** (Previous Year loss of Rs. 48.1 Mio.) has been included in the Profit and Loss Account for the year.

7. Expenditure on Research and Development charged to Profit and Loss Account **Rs. 104.5 Mio.** (Previous Year Rs. 80.0 Mio.).

8. The Company has taken certain assets under operating leases.

- (a) Total minimum lease payments in respect of non cancellable leases are as follows:

**Rs. Mio.**

	2010-11	2009-10
<b>Due</b>		
Not later than one year	125.9	96.7
Later than one year but not later than five years	458.7	357.4
Later than five years	235.0	205.4
<b>Total</b>	<b>819.6</b>	<b>659.5</b>

- (b) Lease rent of **Rs. 287.2 Mio.** (Previous Year Rs. 189.3 Mio.) has been included under 'Rent' in the Profit and Loss Account.

9. Deferred Tax:

The break up of Deferred Tax Assets (Net) as at March 31, 2011 is as under:

**Rs. Mio.**

	2010-11	2009-10
<b>Deferred Tax Assets</b>		
Timing differences on account of:		
Provision for doubtful debts	60.9	26.8
Expenditure under Voluntary Retirement Scheme	40.5	35.0
Others (Amounts allowable on a payment basis under the Income Tax Act, 1961)	91.5	129.2
<b>Total Deferred Tax Assets</b>	<b>192.9</b>	<b>191.0</b>
<b>Deferred Tax Liabilities</b>		
Timing difference on account of:		
Fixed Assets	(185.5)	(105.1)
<b>Total Deferred Tax Liabilities</b>	<b>(185.5)</b>	<b>(105.1)</b>
<b>Deferred Tax Assets (Net)</b>	<b>7.4</b>	<b>85.9</b>

10. Micro, Small and Medium Enterprises Development Act, 2006 (MSME).

On the basis of the information and records available with the Management, the following disclosures pursuant to the above Act are made for the amounts due to the Micro and Small enterprises, who have registered with the competent authorities:

Rs. Mio.

Particulars	2010-11	2009-10
The principal amount and the interest due thereon remaining unpaid to any Micro/ Small supplier.	3.9	5.5
The interest paid by the buyer as above, along with the amount of payments made beyond the appointed date during each accounting year.	—	—
The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified.	0.4	0.1
The amount of interest accrued and remaining unpaid at the end of each accounting year.	—	—
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small/micro enterprise.	1.0	0.6

11. (a) Sundry debtors, unsecured and considered good, include the following amounts due from companies/body corporates under the same management:

Rs. Mio.

	2010-11	2009-10
BASF Construction Chemicals (India) Private Ltd.	—	50.3
BASF Coatings (India) Private Ltd.	—	20.5
Styrolution India Private Limited	3.4	3.5
BASF Kanoo Gulf FZE	—	2.2
BASF Catalysts India Pvt. Ltd.	0.1	1.5
BASF Polyurethanes India Ltd.	—	6.2
BASF East Asia Regional Headquarters Limited	3.8	—
BASF Asia Pacific (India) Private Ltd.	—	0.6
BASF Fine Chemicals Switzerland S.A.	1.6	1.5
BASF Corporation	—	3.7
BASF (China) Company Ltd.	—	0.5
BASF Belgium S.A.	—	4.4
BASF Plant Science GmbH	—	1.1
BASF Quimica Columbiana S.A.	—	2.0
BASF Japan Ltd.	1.4	2.4
BASF Schweiz AG	—	36.5
BASF Bangladesh Ltd.	2.4	—
BASF (Thai) Limited	0.6	—
BASF Pakistan (Private) Ltd.	5.8	—
BASF S.A.	26.1	—
Iranian BASF Construction Chemicals	3.0	—
Shanghai BASF Polyurethane Company Ltd.	0.2	—
BASF Paper Chemicals (Jiangsu) Co. Ltd.	1.2	—
Elastogran Kanoo Polyurethane Systems LLC	1.2	—
BASF Lanka (Private) Limited	0.2	—
BASF Coatings International Trade (Shanghai)	0.4	—
BASF Polyurethanes (Thailand) Ltd.	1.4	—
CIBA Middle east W.L.L.	—	1.6
<b>Total</b>	<b>52.8</b>	<b>138.5</b>

(b) Debts include Rs. 40.2 Mio. taken over from amalgamating company being the value of material filled in the CED tank with the customer, which is receivable upon termination of the contract.

12. Employees Benefits:

Defined contribution plans:

Company's contribution to defined contribution funds amounting to **Rs. 125.7 Mio.** (Previous Year Rs. 71.0 Mio.) has been charged to the Profit & Loss Account.

Defined benefit plans and other Long term employee benefits :

Gratuity is payable to all eligible employees of the Company on superannuation, death, permanent disablement and resignation in terms of provisions of the Payment of Gratuity Act, 1972, or as per the Company's scheme whichever is more beneficial. The Company irrevocably contributes funds to a separate Gratuity Trust which is recognised by Income Tax authorities.

Eligible employees can carry forward and encash leave on superannuation, death, permanent disablement and resignation as per Company's policy.

Long Service Awards are payable to employees on completion of specified years of service at the rate of 0.5 month to 1.5 months eligible salary for every completed year.

**Rs. Mio.**

	Gratuity Funded	
	2010-11	2009-10
<b>A. Expenses recognised in the Profit &amp; Loss account for the year ended 31<sup>st</sup> March</b>		
Current Service Cost	27.6	15.8
Interest Cost	17.0	14.3
Expected Return on Plan Assets	(19.5)	(15.1)
Net Actuarial (gain)/ loss recognised in the year	1.4	(6.7)
Past Service Cost	—	2.2
Losses/ Gains on "Curtailement and Settlements"	(0.4)	0.6
Effect of the Limit in Para 59(b)	—	—
<b>Expenses Recognised in the statement of Profit &amp; Loss</b>	<b>26.1</b>	<b>11.1</b>
<b>B. Balance Sheet Recognition as at 31<sup>st</sup> March</b>		
Present Value of Obligation	295.1	219.1
Fair Value of Plan Assets	255.9	213.9
Amount not recognised as an asset (Limit in Para 59(b))	—	—
Net Asset/ (Liability)	(39.2)	(5.2)
<b>Net Asset/ (Liability) recognised in the Balance Sheet</b>	<b>(39.2)</b>	<b>(5.2)</b>
<b>C. Change in obligation during the year ended 31<sup>st</sup> March</b>		
Present Value of obligation Beginning of the Year	219.1	173.3
Addition from Amalgamating Companies	41.7	35.7
Interest Cost	17.0	14.3
Current Service Cost	27.6	15.8
Past Service Cost	—	2.2
Benefits Paid	(28.6)	(12.9)
Actuarial (gain)/ loss on Obligation	18.4	(6.5)
Liabilities Extinguished on settlement	(0.1)	(2.8)
<b>Present Value of obligation end of the Year</b>	<b>295.1</b>	<b>219.1</b>
<b>D. Change in fair value of assets during the year ended 31<sup>st</sup> March</b>		
Fair value of plan Assets Beginning of the Year	213.9	172.2
Addition from Amalgamating Companies	28.4	32.9
Expected Return on plan assets	19.5	15.1
Contributions	5.4	9.9
Benefits Paid	(28.6)	(12.9)
Actuarial gain/ (loss) Plan Assets	17.0	0.2
Assets Distributed on Settlements	0.3	(3.5)
Fair value of plan Assets end of the Year	255.9	213.9
Total Actuarial gain/ (loss) to be recognised	(1.4)	6.7



Rs. Mio.

	Gratuity Funded	
	2010-11	2009-10
<b>E. Actual Return on Plan Assets</b>		
Expected Return on Plan Assets	19.5	15.1
Actuarial gain/(loss) Plan Assets	17.0	0.2
Actual Return on Plan Assets	36.5	15.3
<b>F. Movement in the net Liability recognised in the Balance Sheet</b>		
Opening net Liability	5.2	1.1
Addition from Amalgamating Companies	13.3	2.9
Expenses	26.1	11.1
Contribution	(5.4)	(9.9)
<b>Closing Net Liability</b>	<b>39.2</b>	<b>5.2</b>

Rs. Mio.

Experience Adjustments	2011	2010	2009	2008
Defined Benefit obligations	295.1	219.1	173.3	146.0
Plan Assets	255.9	213.9	172.2	158.1
Surplus/(Deficit)	(39.2)	(5.2)	(1.1)	12.1
Exp. Adj. on Plan Liabilities	(18.4)	(6.5)	18.1	19.7
Exp. Adj. on Plan Assets	(17.0)	0.2	7.4	0.9

The Company is in the process of merging the funds of amalgamating companies.

The contribution expected to be made by the Company during the Financial Year 2011-12 has not been ascertained.

The plan assets under the Gratuity scheme are deposited under approved securities. The major categories of plan assets as a percentage of total plan assets are provided below:

	2010-11	2009-10
GOI Securities	21%	38%
State Government Securities	15%	13%
PSU Bonds	41%	41%
Private Sector Bonds	6%	4%
Fixed Deposit and others	1%	4%
Special Deposit Scheme	16%	—
<b>Total</b>	<b>100%</b>	<b>100%</b>

The assumptions used for actuarial valuation as at 31<sup>st</sup> March, 2011 are as follows:

	2010-11	2009-10
Expected rate of return on plan assets	8.3% p.a.	8.3% p.a.
Discount Rate	8.3% p.a.	8.3% p.a.
Expected salary increase rate	6% – 8% p.a.	6% – 8% p.a.
In-service mortality rates	LIC 1994-96 ultimate table	LIC 1994-96 ultimate table

The expected rate of return on assets is based on the expectation of the average long term rate of return on investment of the fund, during the estimated term of obligation.

The obligations are measured at the present value of estimated future cash flows by using a discount rate that is determined with reference to the market yields at the Balance Sheet date on Government Bonds which is consistent with the estimated terms of the obligation.

The estimate of future salary increase, considered in the actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

The Guidance Note on implementing AS 15, Employee Benefits (revised 2005) issued by the Accounting Standards Board (ASB) states that provident funds set up by employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan. Pending the issuance of the Guidance Note from Actuarial Society of India, the required information can not be determined/exhibited as confirmed by the Company's actuary.

13. Managerial Remuneration under Section 198 of the Companies Act, 1956, (excluding provision for contribution to Gratuity Fund, Leave Encashment, Group Insurance and Long Service Awards) is **Rs. 66.5 Mio.** (Previous Year Rs. 48.4 Mio.).

**Rs. Mio.**

	2010-11	2009-10
Salaries	50.2	32.8
Contribution to Provident and Superannuation Funds	5.5	5.2
Monetary Value of other perquisites	7.6	7.9
Commission to non-whole time directors	3.2	2.5
<b>Total</b>	<b>66.5</b>	48.4

14. Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956:

**Rs. Mio.**

	2010-11	2009-10
Profit before Tax	1,507.5	1,513.7
<i>Add:</i> Managerial remuneration	66.5	48.4
	1,574.0	1,562.1
<i>Less:</i> Profit on sale of assets	114.0	21.4
Provision for doubtful debts written back	—	22.0
	114.0	43.4
Net profit u/s 349 for the purpose of Directors' Commission	1,460.0	1,518.7
Maximum remuneration permissible to whole-time directors under the Act at 10%	146.0	151.8
Commission payable to non-whole time directors at 1%	14.6	15.2
Commission restricted as determined by the Board of Directors	3.2	2.5

15. Auditors' Remuneration (excluding service tax):

**Rs. Mio.**

	2010-11	2009-10
As Auditors	8.4	4.2
In other capacity (limited reviews, tax audit and certification)	4.0	2.3
Reimbursement of out of pocket expenses	1.2	0.6
<b>Total</b>	<b>13.6</b>	7.1

16. Segment Information for the year ended March 31, 2011:

(a) **PRIMARY SEGMENT INFORMATION (by Business Segments)**

The previous year's figures are given in light type below each item

Rs. Mio.

	Agricultural Solution	Performance Products	Plastics	Chemicals	Functional solutions	Others	Un-allocated	Total
Segment Revenue	6,308.9	12,739.2	5803.0	431.7	5,029.2	287.1		30,599.1
	4,862.8	6,640.6	1,708.2	260.1	—	345.2	—	13,816.9
Less: Inter-segment revenue	—	—	—	—	—	—	—	—
<b>Sales/Income from operations</b>	<b>6,308.9</b>	<b>12,739.2</b>	<b>5,803.0</b>	<b>431.7</b>	<b>5,029.2</b>	<b>287.1</b>		<b>30,599.1</b>
	4,862.8	6,640.6	1,708.2	260.1	—	345.2	—	13,816.9
<b>Segment Result</b>	<b>712.6</b>	<b>1,024.4</b>	<b>(144.7)</b>	<b>213.8</b>	<b>27.7</b>	<b>39.3</b>		<b>1,873.1</b>
	863.1	662.7	51.0	82.5	—	12.5	—	1,671.8
Interest Expense							93.5	93.5
							8.4	8.4
Interest Income							93.1	93.1
							63.6	63.6
Other un-allocable expenditure net of un-allocable income							365.2	365.2
							213.3	213.3
<b>Profit Before Tax</b>								<b>1,507.5</b>
								1,513.7
<b>Tax</b>							324.5	<b>329.2</b>
							545.6	545.6
<b>Profit After Tax</b>								<b>1,178.3</b>
								968.1
<b>OTHER INFORMATION</b>								
Segment Assets	3,299.9	6,878.1	2,776.9	228.2	3,347.3	74.5	669.4	17,274.3
	2,330.3	5,918.4	1,060.4	190.4	—	65.3	3,111.7	12,676.5
Segment Liabilities	1,299.0	2,231.1	1,394.1	32.6	1,349.3	—	1,288.4	7,594.5
	1,537.7	1,587.9	470.5	31.1	—	1.9	389.7	4,018.8
Capital Expenditure	60.1	345.5	148.3	8.8	402.9	—	—	965.6
	28.3	191.9	69.2	6.2	—	—	—	295.6
Depreciation	27.1	283.3	60.2	6.3	87.1	—	—	464.0
	46.9	182.3	27.8	3.8	—	—	—	260.8

(b) **SECONDARY SEGMENT INFORMATION (by Geographic Segments)**

Rs. Mio.

	Domestic	Exports	Total
Revenues	27,316.8	3,282.3	30,599.1
	12,516.6	1,300.3	13,816.9
Total Assets	16,545.8	728.5	17,274.3
	12,620	56.5	12,676.5
Capital Expenditure	965.6	—	965.6
	295.6	—	295.6

**Notes on Segment Information:**

- Segments have been identified in accordance with the Accounting Standard on Segment Reporting (AS-17). Business Segments have been considered as primary segments.
- Details of type of products included in each segment —
  - **Agricultural Solution** – Includes Agrochemicals. Agricultural solution which is seasonal in nature.
  - **Performance Products** – Tanning agents, Leather Chemicals, Textile Chemicals, Dispersion Chemicals, Speciality Chemicals and high-value fine chemicals for the food, pharmaceuticals, animal feed and cosmetics industries.
  - **Plastics** – Expandable Polystyrene (EPS), Engineering Plastics and Polyurethanes.
  - **Chemicals** – Chemicals includes inorganic chemicals, intermediates and petrochemicals.
  - **Functional Solution** – Functional Solution includes coatings & construction chemicals.
  - **Others** – includes technical and service charges.
- Un-allocable Corporate Assets include Investments, Net Deferred Tax Assets and other un-allocable assets.
- Un-allocable Corporate Liabilities include Proposed dividend and other un-allocable liabilities.

17. Capacities, Production, Purchases turnover and Stocks:

(The previous year's figures are given in light type below each item)

Class of Goods	Quantitative denomination	Capacity		Production/ Purchases Quantity	Stock at Commencement Quantity	Stock at Close Quantity	Turnover	
		Licensed	Installed				Quantity	Amount (Mio.)
<b>(a) Manufactured goods:</b>								
Expandable Polystyrene (Styropor)	M.T.	**	30,000 30,000	22,079 21,227	251 68	349 251	21,981 21,044	1,754.9 1,490.9
Engineering Plastics	M.T.	**	9,000 9,000	2,127 860	82 —	118 82	2,091 778	331.6 114.8
Leather Auxiliaries (Organic Chemicals)	M.T.	**	15,000 15,000	12,448 13,029	113 448	745 113	11,816 13,364	1,170.0 986.1
Leather Auxiliaries, Finishing Agents and Pigments	M.T.	**	7,350 7,350	5,344 6,176	559 617	456 559	5,447 6,234	952.3 1,074.3
Leather Chemicals and Auxiliaries including Metal Complex Dyes & Acrylic Polymers and Carboxylated Styrene Butadiene Lattices	M.T.	**	67,225 67,225	48,105 43,151	2,140 2,378	1,396 2,140	48,849 43,389	3,508.8 2,815.9
Pesticides – Formulation	M.T.			377 757	23 166	121 23	279 900	85.3 379.3
	K.L.			2,484 4,833	530 714	786 530	2,228 5,017	1,856.3 2,265.2
Optical brightening agents	M.T.	**	6,700 6,700	3,925 2,163	512 —	192 512	4,245 1,651	1,323.7 177.9
Thermal Developers and Colour Former	M.T.	**	905 905	523 136	101 —	64 101	560 35	458.7 21.5
Other Polyurethanes ***	M.T.	**	27,500 —	19,617 —	796 —	795 —	19,618 —	2,384.0 —
Paints ***	M.T.	**	13,000 —	12,798 —	1,187 —	1,132 —	12,853 —	2,387.1 —
Construction Chemicals ***	M.T.	**	102,550 —	62,160 —	1,307 —	1,415 —	62,052 —	2,086.8 —
<b>(b) Traded Goods:</b>								
Agro Chemicals	M.T./K.L.	Not Applicable		6,400 3,246	767 355	1,687 767	5,480 2,834	3,497.7 2,289.1
Pigments for Coating & inks	M.T./K.L.	Not Applicable		1,560 332	240 105	248 240	1,552 197	1,678.9 206.5
Isocyanate- Others ****	M.T./K.L.	Not Applicable		7,672 —	930 —	1,163 —	7,439 —	1,118.3 —
Other Chemicals ****	M.T./K.L.	Not Applicable		24,283 7,898	2,066 934	3,236 2,995	23,113 5,837	4,935.7 1,118.6
Value of Purchases – Rs. 8,964.9 Mio. (Previous year Rs. 3,125.8 Mio.)								

\* The capacity varies depending on the product mix.

\*\* De-licensed vide Gazette Notification No. S.O. 477(E) dated 25.07.91.

\*\*\* Production facility of amalgamating company at Navi Mumbai, Mangalore, Bangalore, Nalagarh and Kolkata.

\*\*\*\* Includes trading activity of amalgamating company.

Notes:

(a) Value of stocks in Rs. Mio.:

	2010-11	2009-10
Closing Stock	3,379.2	1,847.7
Opening Stock	1,847.7	856.0

(b) The installed capacity has been certified by Technical Management of the Company and not verified by the Auditors, this being a technical matter.

(c) The figures of production are excluding captive consumption.

(d) The Company has licenses to manufacture 300 M.T. of Expanded Polystyrene (Thermocole) and 200 M.T. of Dimethoate.

18. Consumption of Raw Materials, Components and Spare Parts:

(a) Raw Materials:

	2010-11		2009-10	
	%	Rs. Mio.	%	Rs. Mio.
Imported	68.0	9,664.8	70.0	4,146.4
Indigenous	32.0	4,548.0	30.0	1,774.0
	100.0	14,212.8	100.0	5,920.4
	M.T.	Rs. Mio.	M.T.	Rs. Mio.
Monomer	38,266	2,641.1	34,361	2,178.2
Agro Technical	272	1,356.5	143	593.6
Napthalene	3,402	191.9	3,188	146.0
Phenol	1,107	108.7	897	61.4
Lupranol	6,709	636.5	—	—
Resins	4,496	728.7	—	—
Beta Napthalene Sulphonate	23,495	462.2	—	—
Others	—	8,087.2	—	2,941.2
		14,212.8		5,920.4

(b) Components and Spare Parts:

	2010-11		2009-10	
	%	Rs. Mio.	%	Rs. Mio.
Imported	2.8	2.6	4.7	2.1
Indigenous	97.2	89.4	95.3	43.0
	100.0	92.0	100.0	45.1

19. Value of direct import on C.I.F. basis during the year (including in-transit):

Rs. Mio.

	2010-11	2009-10
Raw Materials	8,225.7	4,772.4
Capital Goods	121.8	71.5
Components and Spare Parts	2.6	2.1
Finished Goods	6,151.4	1,504.2
	14,501.5	6,350.2

20. Expenses in foreign currencies during the year (on accrual basis):

Rs. Mio.

	2010-11	2009-10
Royalty (net of tax)	215.0	39.9
Communication/System Expenses (net of tax)	261.7	190.5
Foreign Travel	36.0	13.3
Service Fees	19.5	10.5
Professional charges	470.3	141.9
Interest (net of tax)	2.9	—
Others	51.5	23.1
	1,056.9	419.2

21. Amount remitted in foreign currencies during the year on account of dividends (after tax):

Rs. Mio.

	2010-11	2009-10
<b>Equity Shares:</b>		
Amount remitted (Rs. Mio.)	233.8	140.5
Number of non-resident shareholders	2	1
Number of Equity Shares of Rs. 10/- each held by non-resident on which dividends were due	29,227,567	20,066,242
Year to which dividend relates	2009-2010	2008-2009

22. Earnings in foreign currencies during the year (on accrual basis):

Rs. Mio.

	2010-11	2009-10
Exports of goods calculated on FOB basis (Excludes Rupee Exports to Nepal & Bhutan – <b>Rs. 57.3 Mio.</b> – Previous Year Rs. 10.1 Mio.)	2,204.2	598.9
Indent Commission/Technical/Service Charges	966.1	676.9
Others (Freight/Insurance/Claims)	54.7	14.4
	3,225.0	1,290.2

23. **Related Party Disclosures:**

(a) **Parties where control exists**

BASF SE	Holding Company
BASF Polyurethanes India Ltd*.	100% Subsidiary

(b) **Other related parties with whom transactions have taken place during the year**

**Fellow Subsidiaries**

BASF PLC	BASF Philippines, Inc.
BASF Asia Pacific Service Centre Sdn. Bhd.	BASF Chemtrade Gesellschaft Mbh
BASF CANADA INC	BASF Coating S.A.
BASF Bangladesh Ltd.	BASF South East Asia Pte. Ltd.
BASF Chemicals Company Ltd.	Styrolution India Private Limited (Previously known as BASF Styrenics Private Limited)
BASF Chemicals and Polymers Pakistan (Pvt) Ltd.	BASF Tuerk Kimya Sanayi Ve Ticaret Ltd.Sti.
BASF China Limited	BASF Finlay (Private) Limited
BASF Coatings (India) Private Ltd.*	BASF Coating S.A.S.
BASF Company Ltd.	BASF Color Solutions Germany GmbH
BASF Construction Chemicals (India) Private Ltd.*	BASF Italia SPA
BASF Corporation	Construction Research & Technology GmbH
BASF Curtex S.A.	P.T. BASF Indonesia
BASF East Asia Regional Headquarters Limited	BASF Antwerpen N. V.
BASF Construction Chemicals, Dubai	BASF Agrochemical Products B.V.
BASF IT Services Holding GmbH	BASF Australia Ltd.
BASF Construction	BASF South Africa (Pty) Ltd.
BASF Kanoo Gulf FZE	BASF Polyurethane Specialties (China) Company Ltd.
BASF Construction Polymers GmbH	BASF Asia Pacific (India) Pvt. Ltd.
BASF Coatings GmbH	BASF Fine Chemicals Switzerland S.A.
BASF Japan Ltd.	BASF Catalysts India Pvt. Ltd.

Styrolution South East Asia	BASF East Asia Regional
BASF Construction Systems (China)	BASF Espanola S.L
BASF Construction Chemicals GmbH	BASF Schweiz AG
BASF Coatings Japan Ltd.	BASF S.A.
BASF YPC Company Ltd.	BASF Taiwan Ltd.
BASF (China) Co. Ltd.	BASF (Malaysia) Sdn. Bhd.
BASF A/S.	BASF (Thai) Ltd.
BASF Agro B.V.	BASF Agro B.V. – Wadenswil
BASF Agro B.V.Arnheim (NL)	BASF Asia-Pacific Service Center
BASF Auxillary Chemicals	BASF Auxillary Chemicals Co. Ltd.
BASF Belgium S.A.	BASF CHEM Trade GmbH
BASF Chemicals & Polymers	BASF Chemicals & Polymers Pakistan
BASF Coatings Spa	BASF Coatings International Trade (Shanghai)
BASF Construction Chemicals, (Europe) A.G.	BASF Construction Chemicals, (Shanghai) Co. Ltd.
BASF Construction Chemicals, (UK) Ltd.	BASF INOAC Polyurethanes Ltd.
BASF Iran AG	BASF Italia Srl
BASF JCIC Neopentylglycol Co. Ltd.	BASF Lanka (Pvt) Ltd.
BASF Oy	BASF Pakistan (Private) Ltd.
BASF Paper Chemicals	BASF Paper Chemicals (Jiangsu) Co. Ltd.
BASF Performance Products LLC	BASF Performance Products PLC.
BASF Performance Products Trading	BASF Peruana S.A.
BASF Petronas Chemicals Sdn. Bhd.	BASF Pharma (Evionnaz) S.A.
BASF Polyurethane (China) Co. Ltd.	BASF Qingdao Pigments Co. Ltd.
BASF Singapore PTE. Ltd.	BASF Speciality Chemicals
BASF Vietnam Co. Ltd.	BASF Vitamins Company Limited
Elastogran Kanoo Polyurethane Systems LLC	Iranian BASF Construction Chemicals
RELIUS Coatings GmbH & Co. KG	Shanghai BASF Polyurethanes Company Ltd.
BASF FZE	BASF Hongkong Ltd.
BASF Mexican S.A DE. C.V	BASF Netherland B.V.
BASF Poliurethani Italia SPA	BASF Polyurethane Licensing GmbH
BASF Polyurethane Specialities	BASF Polyurethane (Malaysia)
BASF Polyurethane (Thailand) Ltd.	BASF Polyurethane GmbH
BASF Shanghai Coatings Co. Ltd.	BASF YAPI Kimyasallari
PCI Augsburg GmbH	Shanghai Gao QIAO

\* Merged with the Company w.e.f. 01<sup>st</sup> April, 2010.

(c) **Key Management Personnel**

**Chairman & Managing Director**

Mr. Prasad Chandran

**Whole-Time Directors**

Mr. S. Regunathan (Alternate to Mr. Hermann Althoff) w.e.f. 16<sup>th</sup> July, 2010

Mr. R. Y. Vaidya (Alternate to Dr. Rainer Diercks)

Mr. Thilo Bischoff (Alternate to Ms. Saori Dubourg) w.e.f. 20<sup>th</sup> October, 2010

Mr. Deepak Thuse (Alternate to Ms. Saori Dubourg) until 20<sup>th</sup> October, 2010

Mr. S. Ramnath (Alternate to Mr. Hermann Althoff) until 16<sup>th</sup> July, 2010

(d) Details of transactions of Holding Company/Subsidiary and Fellow subsidiaries for the year ended March 31, 2011:

Rs. Mio.

Nature of Transactions	Holding Company/ Subsidiary		Fellow Subsidiaries		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
<b>Sale of Goods</b>						
BASF SE	4.5	42.3	—	—	4.5	42.3
BASF Polyurethanes India Ltd.	—	0.2	—	—	—	0.2
BASF South East Asia Pte. Ltd.	—	—	1,680.6	272.7	1,680.6	272.7
BASF Coatings (India) Private Ltd.	—	—	—	103.0	—	103.0
BASF Construction Chemicals (India) Private Ltd.	—	—	—	187.9	—	187.9
Others	—	—	210.6	92.9	210.6	92.9
<b>Sub-Total</b>	<b>4.5</b>	<b>42.5</b>	<b>1,891.2</b>	<b>656.5</b>	<b>1,895.7</b>	<b>699.0</b>
<b>Services Rendered (including reimbursements)</b>						
BASF SE	189.7	110.1	—	—	189.7	110.1
BASF Polyurethanes India Ltd.	—	75.8	—	—	—	75.8
BASF South East Asia Pte. Ltd.	—	—	536.8	434.9	536.8	434.9
BASF Coatings (India) Private Ltd.	—	—	—	84.3	—	84.3
BASF Petronas Chemicals Sdn. Bhd.	—	—	148.2	82.6	148.2	82.6
BASF Company Ltd.	—	—	233.2	—	233.2	—
Others	—	—	145.3	131.5	145.3	131.5
<b>Sub-Total</b>	<b>189.7</b>	<b>185.9</b>	<b>1,063.5</b>	<b>733.3</b>	<b>1,253.2</b>	<b>919.2</b>
<b>Interest Income on Loans</b>						
BASF Polyurethanes India Ltd.	—	45.4	—	—	—	45.4
<b>Interest Expense on ICD</b>						
BASF Catalyst India Pvt Ltd	—	—	10.5	—	10.5	—
Styrolution India Private Limited	—	—	11.6	—	11.6	—
BASF Asia Pacific (India) Pvt. Ltd.	—	—	4.5	—	4.5	—
<b>Sub-Total</b>	<b>—</b>	<b>—</b>	<b>26.6</b>	<b>—</b>	<b>26.6</b>	<b>—</b>
<b>Interest Expense on ECB Loan</b>						
BASF SE	0.8	—	—	—	0.8	—
BASF Construction GmbH	—	—	1.8	—	1.8	—
<b>Sub-Total</b>	<b>0.8</b>	<b>—</b>	<b>1.8</b>	<b>—</b>	<b>2.6</b>	<b>—</b>
<b>Purchase of Goods/Materials</b>						
BASF SE	1,219.2	662.5	—	—	1,219.2	662.5
BASF South East Asia Pte. Ltd.	—	—	5,448.2	2,327.9	5,448.2	2,327.9
BASF AGRO B.V. Arnhem (NL)	—	—	561.0	720.8	561.0	720.8
BASF Agrochemical Products B.V.	—	—	1,729.4	866.7	1,729.4	866.7
Others	—	—	3,669.5	529.9	3,669.5	529.9
<b>Sub-Total</b>	<b>1,219.2</b>	<b>662.5</b>	<b>11,408.1</b>	<b>4,445.3</b>	<b>12,627.3</b>	<b>5,107.8</b>



Nature of Transactions	Holding Company/ Subsidiary		Fellow Subsidiaries		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
<b>Services Received</b>						
BASF SE	459.4	96.3	—	—	459.4	96.3
BASF South East Asia Pte. Ltd.	—	—	185.5	218.2	185.5	218.2
BASF Asia Pacific Service Centre Sdn. Bhd.	—	—	112.1	70.7	112.1	70.7
Others	—	—	41.7	47.5	41.7	47.5
<b>Sub-Total</b>	<b>459.4</b>	<b>96.3</b>	<b>339.3</b>	<b>336.4</b>	<b>798.7</b>	<b>432.7</b>
<b>Purchase of Assets</b>						
BASF SE	—	1.9	—	—	—	1.9
BASF Corporation	—	—	5.0	—	5.0	—
Styrolution India Private Limited	—	—	128.9	—	128.9	—
<b>Sub-Total</b>	<b>—</b>	<b>1.9</b>	<b>133.9</b>	<b>—</b>	<b>133.9</b>	<b>1.9</b>
<b>Sale of Assets</b>						
BASF Corporation	—	—	14.0	—	14.0	—
<b>Royalty and Technical Fees</b>						
BASF SE	74.7	44.6	—	—	74.7	44.6
BASF Polyurethanes Licencing GmbH	—	—	44.5	—	44.5	—
BASF Coatings GmbH	—	—	36.0	—	36.0	—
Construction Research & Technology GmbH	—	—	83.7	—	83.7	—
<b>Sub-Total</b>	<b>74.7</b>	<b>44.6</b>	<b>164.2</b>	<b>—</b>	<b>238.9</b>	<b>44.6</b>
<b>Dividend</b>						
BASF SE	162.5	104.0	—	—	162.5	104.0
BASF Schweiz AG	—	—	71.3	—	71.3	—
<b>Sub-Total</b>	<b>162.5</b>	<b>104.0</b>	<b>71.3</b>	<b>—</b>	<b>233.8</b>	<b>104.0</b>
<b>Equity Shares Issued on merger</b>						
BASF SE	6.2	2.5	—	—	6.2	2.5
BASF Schweiz AG	—	—	—	89.1	—	89.1
BASF Construction Chemicals GmbH (Refer Schedule 20(2) & (3))	—	—	18.9	—	18.9	—
<b>ICD Given</b>						
BASF Polyurethanes India Ltd.	—	21,802.8	—	—	—	21,802.8
<b>ICD Recovered</b>						
BASF Polyurethanes India Ltd.	—	21,439.8	—	—	—	21,439.8
<b>ICD Taken</b>						
BASF Catalysts India Private Limited	—	—	6,491.0	—	6,491.0	—
Styrolution India Private Limited	—	—	4,765.0	—	4,765.0	—
BASF Asia Pacific (India) Private Limited	—	—	1,066.0	—	1,066.0	—
<b>Sub-Total</b>	<b>—</b>	<b>—</b>	<b>12,322.0</b>	<b>—</b>	<b>12,322.0</b>	<b>—</b>
<b>ICD Repaid</b>						
BASF Catalysts India Private Limited	—	—	6,491.0	—	6,491.0	—
Styrolution India Private Limited	—	—	4,765.0	—	4,765.0	—
BASF Asia Pacific (India) Private Limited	—	—	1,066.0	—	1,066.0	—
<b>Sub-Total</b>	<b>—</b>	<b>—</b>	<b>12,322.0</b>	<b>—</b>	<b>12,322.0</b>	<b>—</b>
<b>Interest accrued on ICD</b>						
BASF Polyurethanes India Ltd.	—	0.4	—	—	—	0.4

Nature of Transactions	Holding Company/ Subsidiary		Fellow Subsidiaries		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
<b>Outstanding Receivables</b>						
BASF Polyurethanes India Ltd.	—	6.2	—	—	—	6.2
BASF Schweiz AG	—	—	—	36.5	—	36.5
BASF Construction Chemicals Private Ltd.	—	—	—	50.3	—	50.3
BASF Coatings (India) Private Ltd.	—	—	—	20.5	—	20.5
BASF S.A.	—	—	26.1	—	26.1	—
BASF Pakistan (Private) Ltd.	—	—	5.8	—	5.8	—
Others	—	—	20.9	25.1	20.9	25.1
<b>Sub-Total</b>	—	6.2	52.8	132.4	52.8	138.6
<b>Payables</b>						
BASF SE	287.4	200.3	—	—	287.4	200.3
BASF Agrochemical Products B.V.	—	—	—	508.2	—	508.2
BASF Agro B.V. Arnhem (NL)	—	—	17.8	77.6	17.8	77.6
BASF South East Asia Pte Ltd	—	—	592.9	742.7	592.9	742.7
BASF Coatings GmbH	—	—	131.1	—	131.1	—
BASF Taiwan Ltd.	—	—	61.1	—	61.1	—
BASF Petronas Chemicals Sdn. Bhd.	—	—	199.7	—	199.7	—
BASF Company Ltd.	—	—	344.7	—	344.7	—
BASF Coatings Japan Ltd.	—	—	60.9	—	60.9	—
BASF Construction Chemicals	—	—	67.5	—	67.5	—
Styrolution South East Asia	—	—	376.0	—	376.0	—
Construction Research & Technology GmbH	—	—	77.4	—	77.4	—
Others	—	—	277.6	180.1	277.6	180.1
<b>Sub-Total</b>	287.4	200.3	2,206.7	1,508.6	2,494.1	1,708.9
<b>ICD Outstanding</b>						
BASF Polyurethanes India Ltd.	—	968.0	—	—	—	968.0

Transfer Pricing Regulations:

The management is of the opinion that the company's international transaction are at an arms length so that aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

(e) **Details of transactions of Key Management Personnel:**

Rs. Mio.

Nature of Transactions	Key Management Personnel	
	2010-11	2009-10
<b>Interest Income on Loans</b>	0.03	0.04
<b>Remuneration</b>	63.3	45.9
<b>Outstanding Loan :</b>		
Receivable	0.6	0.6

Details of remuneration to Directors are given in Schedule 20(13).

Amounts due from directors and interest recovered thereon have been included under Schedule 10 of the Balance Sheet and Schedule 14 of the Profit and Loss Account under Interest — Others respectively.

24. As on 31<sup>st</sup> March, 2011, the Company has 38 forward contracts totalling to USD 56.10 Mio (**Rs. 2,536.98 Mio.**) for the purposes of hedging its foreign currency exposure. The unamortized premium of **Rs. 33.40 Mio.** pertaining to the same will be recognized subsequently. Foreign currency exposure that is not hedged as at 31<sup>st</sup> March, is as follows:

Foreign Currency	2010-11			
	Receivable		Payable	
	Foreign Currency Amount	Rs. in Mio.	Foreign Currency Amount	Rs. in Mio.
EURO	—	—	1,401,699	90.2
AUD	10,956	0.49	—	—
USD	—	—	2,847,086	128.6
JPY	—	—	549,763	0.3
CHF	—	—	47,981	2.4
GBP	—	—	49,689	3.6
SGD	811	0.03	—	—
CAD	—	—	3,789	0.2
HKD	—	—	343,500	2.0

Foreign Currency	2009-10			
	Receivable		Payable	
	Foreign Currency Amount	Rs. in Mio.	Foreign Currency Amount	Rs. in Mio.
EURO	84,415	5.03	—	—
AUD	5,862	0.24	—	—
USD	3,194,074	143.16	—	—
JPY	—	—	1,414,848	0.7
CHF	—	—	10,399	0.4
GBP	—	—	39,789	2.7

25. Earnings Per Share.

The Earnings per share has been worked out as under:

Rs. Mio.

Profit attributable to Equity Shareholders:	2010-11	2009-10
Profit After Tax of the Company	1,178.3	968.1
Profit of the amalgamating companies for the period 1 <sup>st</sup> April, 2009 to 31 <sup>st</sup> January, 2010	—	51.3
	1,178.3	1,019.4
Number of Shares	43,284,958	40,769,305
Earnings Per Share (Rs.)	27.22	25.00

26. The Previous Year's figures have been regrouped and rearranged wherever necessary.

Signatures to Schedules 1 to 20

For B S R & Co.  
Chartered Accountants  
Firm's Registration No.: 101248W

Vijay Mathur  
Partner  
Membership No.: 046476  
Mumbai, 28<sup>th</sup> April 2011

For and on behalf of the Board of Directors

Prasad Chandran  
Chairman & Managing Director

Pradeep Chandan  
Company Secretary

R. R. Nair  
Pradip P. Shah  
Arun Bewoor  
S. Regunathan  
R. Y. Vaidya  
Thilo Bischoff  
Directors

28<sup>th</sup> April 2011

## Balance Sheet Abstract and General Business Profile

### I. Registration Details :

Registration No. : 3972	State Code :	11
Balance Sheet Date : 31.03.2011		

### II. Capital Raised during the Period :

(Amount in Rs. million)

Public Issue :	Nil	Rights Issue : Capital raised :	Nil
Bonus Issue :	Nil	Private Placement :	Nil

### III. Position of Mobilisation and Deployment of Funds :

(Amount in Rs. million)

Total Liabilities :	10964.4	Total Assets :	10964.4
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#### Sources of Funds :

Paid Up Capital :	432.9	Reserves & Surplus :	9246.9
Secured Loans :	—	Unsecured Loans :	1284.6

#### Application of Funds :

Net Fixed Assets :	3859.1	Investments :	—
Net Current Assets :	7097.9	Deferred Tax Assets – Net	7.4
Accumulated Losses:	Nil		

### IV. Performance of Company :

(Amount in Rs. million)

Turnover (including Other Income) :	30939.2	Total Expenditure	29431.7
Profit Before Tax :	1507.5	Profit After Tax	1178.3
Earning Per Share in Rs. :	27.22	Dividend Rate %	80

### V. Generic Names of Principal Products of the Company :

(As per monetary terms)

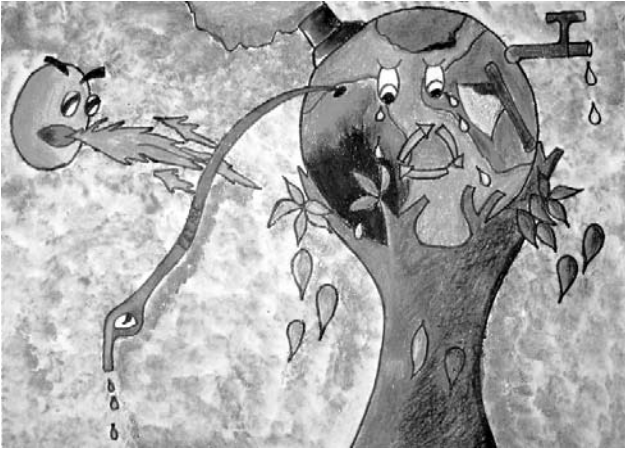
Item Code No. (ITC Code)	Product Description
32021000	Synthetic Organic Tanning Substances
39031100	Expandable Polystyrene
38089390	Others

For and on behalf of the Board of Directors

Prasad Chandran <i>Chairman &amp; Managing Director</i>	R. R. Nair Pradip P. Shah Arun Bewoor S. Regunathan R. Y. Vaidya
Pradeep Chandan <i>Company Secretary</i>	Thilo Bischoff <i>Directors</i>

Mumbai 28<sup>th</sup> April 2011

## Creating chemistry with employees



BASF India held a painting competition for employees' children to create awareness on environment protection on World Environment Day on June 5, 2010.



Employees dressed in traditional attire take part in Diwali celebrations at BASF's Chandivali office in Mumbai.



Employees take part in Christmas Celebrations at BASF's Bandra-Kurla Head Office in Mumbai.



Employees from BASF's Mangalore team participating in the Mangalore Half Marathon.



Dussehra celebrations in progress at BASF's Thane site.



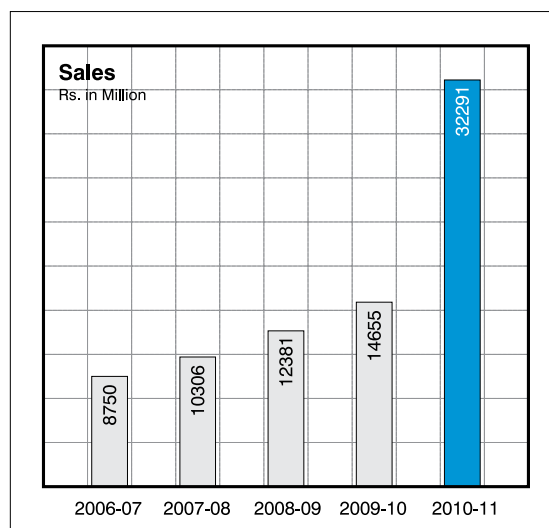
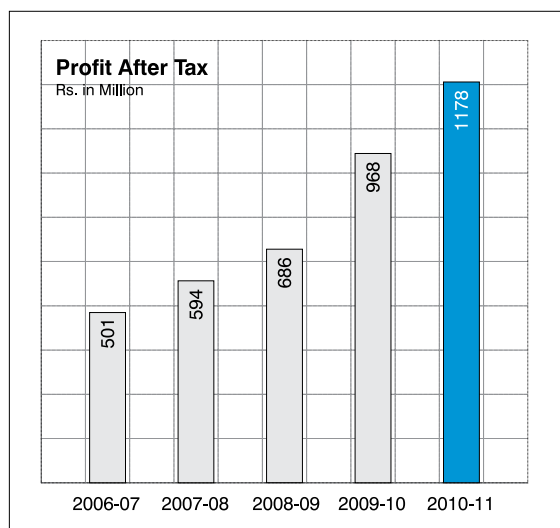
Employees celebrate Independence Day at BASF's Navi Mumbai Office.



## BASF India Limited Financial Highlights – At a glance

Rs. in Million

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Sales	5844	5894	6533	7402	7716	8750	10306	12381	14655	<b>32291</b>
Profit before tax	386	463	513	601	706	781	930	1080	1514	<b>1508</b>
Profit after tax	282	334	341	380	454	501	594	686	968	<b>1178</b>
Total assets	4321	4606	4046	4138	3986	4594	5246	6509	12677	<b>17274</b>
Borrowings	1080	1323	670	100	13	5	—	—	—	<b>1285</b>
Shareholders' equity	2012	2139	2318	2535	2764	3034	3397	3852	8658	<b>9680</b>
Depreciation	220	214	212	244	221	109	136	152	261	<b>464</b>
Capital expenditure	45	117	47	76	143	451	301	408	285	<b>925</b>
Exports	584	620	511	564	252	320	373	571	609	<b>2259</b>
R & D cost	14	13	16	20	37	48	76	96	80	<b>105</b>
Personnel cost (Total)	408	417	456	486	572	684	817	887	1088	<b>1991</b>
Dividend amount	141	141	169	169	197	197	197	197	326	<b>346</b>
Dividend in %	50	50	60	60	70	70	70	70	80	<b>80</b>
Number of employees	990	928	917	833	817	801	836	858	1224	<b>1790</b>
Number of shareholders	37422	34421	32831	29493	29684	33042	29631	25606	44184	<b>42963</b>



BASF wins "Social Business Company of the Year" Award at the CSR Thought Leadership Conclave presided by Nobel Laureate Dr. Muhammad Yunus and Union Minister, Mr. Salman Khurshid.



BASF in partnership with UN-HABITAT launched a Water Education project to be implemented by TERI in Mangalore.

**FORTUNE once again rates BASF as...**

## **Top Company in Global Chemical Industry**

BASF is ranked as the most admired chemical company in the global chemical industry for the third year in a row. This is the result of a survey carried out by the renowned U.S. business magazine, Fortune in cooperation with the management consulting firm Hay Group.

Industry experts ranked around 700 companies worldwide in the categories of product and service quality, global competitiveness and quality of management. BASF is voted as the top company in the global chemical industry – the same position as in the previous two years.