



# Shaping The Future

Annual Report 2006 - 2007

BASF India Limited

 **BASF**

The Chemical Company



## Message from the Chairman & Managing Director

The India growth story continues – empowered by the manufacturing and services sectors. However, inflation and increasing raw material cost have been a cause for concern.

In spite of the severe competition, the Company has performed well, with increased sales and cost control measures, enabling recommendation of 70% dividend.

The Company places high emphasis on Environment, Health and Safety (EHS). Benchmarking against global best practices, continuous improvement programmes and Responsible Care initiatives have ensured safe operations at all our sites.

I take this opportunity to reiterate that our Professional, Passionate and Pioneering employees will continue to contribute to the success and growth of our customers and other stakeholders.

Best Wishes,

A handwritten signature in black ink, which appears to read 'Prasad Chandran'. The signature is written in a cursive style and is underlined with a thick black line.

**Prasad Chandran**

# 63rd Annual General Meeting

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| Tuesday, 31st July 2007<br>at 3.00 p.m. at Yashwantrao Chavan<br>Pratishthan Auditorium, Y. B. Chavan Centre,<br>General Jagannath Bhosale Marg,<br>Nariman Point, Mumbai - 400 021.  |      |
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| <b>Registered Office:</b><br>RBC, Mahindra Towers,<br>1st Floor, 'A' Wing,<br>Dr. G.M. Bhosale Marg, Worli,<br>Mumbai - 400 018.<br>Phone : 022-6661 8000<br>www.basf-india.com   | 29   |
| <b>Works</b><br>Thane-Belapur Road,<br>Turbhe, Navi Mumbai - 400 705, Maharashtra.<br>Bala/Thokur Village,<br>Surathkal-Bajpe Road,<br>Mangalore Taluka,<br>Dakshina Kannada District,<br>Karnataka - 575 030.<br>83/2, Demni Village,<br>Dena Bank Road,<br>Dadra - 396 191.<br>Union Territory of Dadra & Nagar Haveli  | 31   |
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| <b>Registrar and Share Transfer Agents</b><br>Sharepro Services (India) Private Ltd.,<br>Unit : BASF India Limited,<br>Satam Estate, 3rd Floor,<br>Above Bank of Baroda,<br>Cardinal Gracious Road, Chakala,<br>Andheri (East), Mumbai - 400 099<br>Tel. No. : 022-2821 5168, 2832 9828, 2821 5991,<br>2834 7719, 2834 8218<br>Fax No. : 022-2837 5646<br>Email : sharepro@vsnl.com | 36   |
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## Board of Directors

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Mr. Prasad Chandran  
*Chairman and Managing Director*

Dr. Rainer Diercks

Dr. Raman Ramachandran  
*Alternate to Dr. Rainer Diercks*

Dr. Tilman Krauch

Mr. Deepak Thuse  
*Alternate to Dr. Tilman Krauch*

Mr. Boon Yeow Yee

Mr. S. Ramnath  
*Alternate to Mr. Boon Yeow Yee*

Mr. K.R. Coorlawala

Mr. R.R. Nair

Mr. Pradip P. Shah

Mr. R.A. Shah

### **Executive Committee**

Mr. Prasad Chandran

Mr. P.M. Balakrishnan

Mr. M.R. Iyer

Mr. S. Khanolkar

Mr. Ravi Nair

Dr. Raman Ramachandran

Dr. G. Ramaseshan

Mr. S. Ramnath

Mr. Deepak Thuse

Mr. R.Y. Vaidya

### **Company Secretary**

Mr. M.R. Iyer

### **Auditors**

Messrs BSR & Co.,  
*Chartered Accountants*

### **Solicitors**

Messrs Crawford Bayley & Co.  
Messrs Udawadia & Udeshi

### **Bankers**

ABN Amro Bank N.V.  
Citibank N.A.  
Deutsche Bank  
HDFC Bank Limited  
Standard Chartered Bank

### **Internal Auditors**

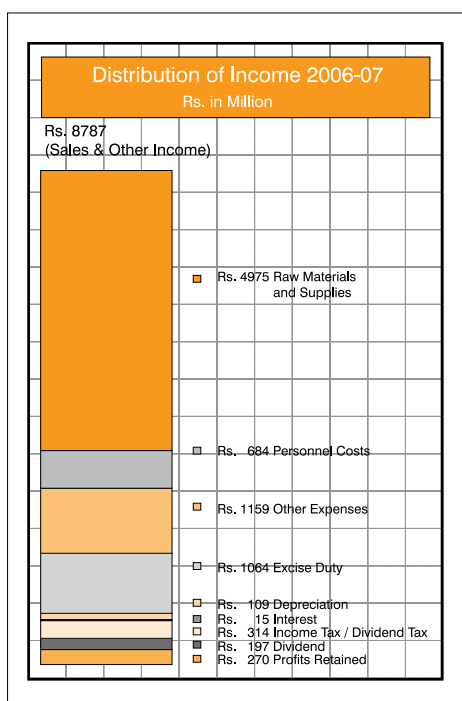
Messrs Mahajan & Aibara  
*Chartered Accountants*

# Directors' Report



Mr. Prasad Chandran receives the prestigious IGCC Champions Award for BASF India from Minister Michael Glos, German Minister for Economics & Technology. Dr. Jürgen Hambrecht, Chairman of the Board of Executive Directors, BASF AG, also the Chairman of Asia Pacific Council for German Business (seated first on left) witnessed this important moment.

Your Directors have pleasure in presenting their Report for the financial year ended 31st March 2007.



## Financial Results

|  | (Rs. in Million)        |                         |
|--|-------------------------|-------------------------|
|  | Year ended<br>31.3.2007 | Year ended<br>31.3.2006 |
| Sales                                  | <b>8749.6</b>           | 7716.4                  |
| Profit before tax                      | <b>781.0</b>            | 705.7                   |
| Tax                                    | <b>280.1</b>            | 251.6                   |
| Profit after tax                       | <b>500.9</b>            | 454.1                   |
| Balance brought forward                | <b>225.0</b>            | 193.0                   |
| Available for appropriation            | <b>725.9</b>            | 647.1                   |
| This has been appropriated as follows: |                         |                         |
| Proposed Dividend                      | <b>197.3</b>            | 197.3                   |
| Corporate Tax on Dividend              | <b>33.6</b>             | 27.7                    |
| General Reserve                        | <b>264.0</b>            | 197.1                   |
| Balance carried forward                | <b>231.0</b>            | 225.0                   |

## Activities

The performance of your Company during the year under report registered an improvement over the previous year. Sales at Rs. 8749.6 million and Profit before tax at Rs. 781 million during the year ended 31st March 2007 represent an increase of 13.4% and 10.7% respectively, over the previous year. This increase was mainly on account of reduction in interest cost, higher capacity utilization and improved operating results of the Performance Products, Expandable Polystyrene (EPS) and Agricultural Products businesses. Chemicals business registered higher sales compared to the previous year.

Profit after tax at Rs. 500.9 million was higher by 10% compared to the previous year.

The EPS business registered growth in sales compared to the previous year. The Agricultural Products business recorded higher sales and profits during the year ended 31st March 2007 mainly due to higher realizations and rationalization measures undertaken by this business, during the year.

The Performance Products segment which include textiles, dispersions, speciality and leather chemicals businesses registered increase in sales and profits compared to the previous year. Capacity utilization in all segment of Performance Products business was higher compared to the previous year. However, margins were under pressure.

The export sales at Rs. 320.1 million during the year under report, represented an increase of 27% over the previous year.

| Financial Ratios                      |         |         |
|---------------------------------------|---------|---------|
|                                       | 2006-07 | 2005-06 |
| Equity vs Total Assets (%)            | 66.04   | 69.34   |
| Return on Capital Employed (%)        | 27.38   | 26.95   |
| before interest and taxes             |         |         |
| Profitability of total income (%)     | 9.06    | 9.38    |
| before interest and taxes             |         |         |
| Current Ratio                         | 2.46    | 3.06    |
| current assets :                      |         |         |
| short term liabilities and provisions |         |         |
| Acid Test Ratio                       | 1.63    | 2.01    |
| short term receivables plus           |         |         |
| cash and cash items:                  |         |         |
| short term liabilities and provisions |         |         |

## Dividend

Your Directors recommend payment of dividend on the equity shares @ 70% (Rs. 7/- per share) for the financial year ended 31st March 2007. The dividend will absorb Rs. 197.3 million.

## Finance & Accounts

With focus on cash flows and working capital management, your Company continued to reduce its total borrowings. This coupled with access to low cost funds, resulted in overall reduction in interest costs for the year under report by 36%.

## Capital Expenditure

Capital Expenditure incurred during the year aggregated to Rs. 451.2 million.

## Reduction in Borrowings

Strong cash accruals and control over working capital enabled your Company to reduce its borrowing levels to Rs. 5.1 million, compared to Rs. 13 million in the previous year.

## Fixed Deposits

Your Company continued to maintain the highest rating of 'FAAA' awarded by CRISIL. Your Company did not accept any fixed deposits during the year under report. There were no overdue deposits except unclaimed deposits of Rs. 1.16 million as at 31st March 2007.

Your Company transferred unclaimed fixed deposit of Rs. 0.46 million during the year to the Investor Education and Protection Fund.

## Management Discussion & Analysis Report

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, the Management Discussion & Analysis Report is appended to this Report.

## Wholly owned Subsidiary

The indenting and trading activity relating to the Polyurethane Systems business of the Company was transferred to your Company's wholly owned subsidiary, BASF Polyurethanes India Limited (BPIL), effective 1st July 2006. BPIL commenced commercial production from June 2006. The Audited Accounts of the Subsidiary and the Auditors' Report thereon form part of this Annual Report.

## Expansion of Polymer Dispersions Capacity

Your Company expanded its polymer dispersions capacity at Mangalore from 20000 tpa to 65000 tpa. The new dispersions plant of 45000 tpa capacity was commissioned on 9th March 2007.

## Competence Centre/Application Laboratory

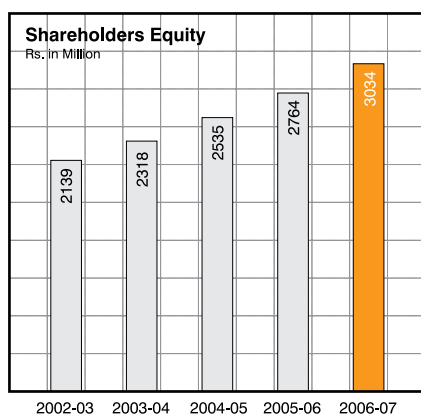
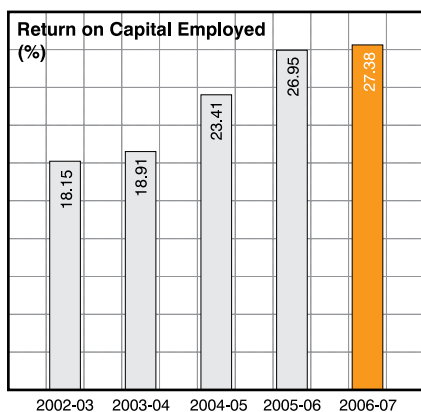
Your Company started a technical support centre viz., BASF Leather Competence Centre in September 2006, for the leather industry, at Bantala Leather Complex, Kolkata. This state of the art Centre will cater to the needs of all types of finished leather used in leather goods and footwear. Further, to augment the technical service capabilities of the dispersions business, an application laboratory for architectural coatings was set up at Mangalore.

## Cessation of agrochemicals production at Thane

As part of the rationalization measures undertaken by the Company at its Thane site, the production activity at the agrochemicals plant in Thane was discontinued, effective 1st January 2007.

## Corporate Governance

Your Company always strived to incorporate appropriate standards for good corporate governance. Your Company has complied with the Corporate Governance requirements as per Clause 49 of the Listing Agreements with the Stock Exchanges.

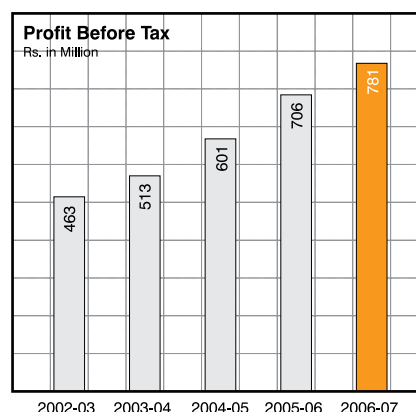


A separate report on Corporate Governance along with a Certificate of Compliance from the Auditors, forms part of this report.

### Directors' Responsibility Statement

Your Directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year ended 31st March 2007 and of the profits of your Company for that year;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.



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

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

### Directors

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

Dr. Rainer Diercks was appointed as Director of the Company on 23rd January 2006 in the casual vacancy caused by the resignation of Dr. E. Baumgartner. In terms of Section 262 of the Companies Act, 1956, Dr. Rainer Diercks holds office upto the date of the forthcoming Annual General Meeting, being the date on which Dr. E. Baumgartner would have retired by rotation had he continued to be a Director of the Company. Notice has been received under Section 257 of the Companies Act, 1956 from a shareholder proposing Dr. Rainer Diercks as a Director of the Company.

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 is provided in the Corporate Governance Report, forming part of this Annual Report.

### Auditors

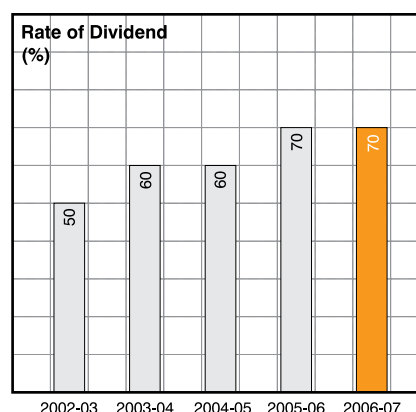
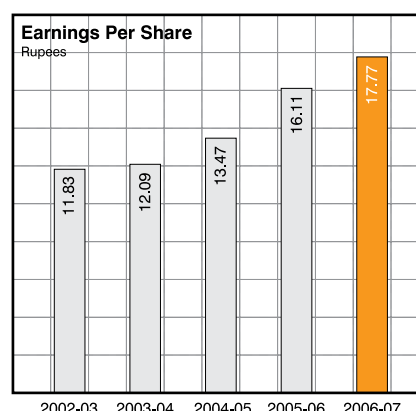
M/s. BSR & Co., Chartered Accountants, Mumbai retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

### Auditors Report

Your Directors would like to refer to Para 2 of the Auditors' Report dated 6th June 2007. We invite your attention to Note 4 of Schedule 20 attached to these accounts with respect to accounting of Voluntary Retirement Scheme. Taking into consideration the amount involved and on a conservative view of the matter, your directors have decided to write off the amount of Rs. 39.2 million incurred, during the year. In your Directors' opinion, the Note is self-explanatory.

### Cost Audit

The Board of Directors in pursuance of an order under Section 233B of the Companies Act, 1956, issued by the Government have appointed M/s. R. Nanabhoj & Co., Cost Accountants, Mumbai as Cost Auditors of



your Company for conducting audit of the cost accounts maintained by the Company in respect of Insecticides for the financial year 2007-08.

### **Particulars of Employees**

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders, excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company.

### **Personnel and Welfare**

Industrial relations in the Mangalore, Thane & Dadra factories remained cordial.

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

### **General**

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



Dr. Martin Bruder Müller, Member of the Board of Executive Directors, BASF AG, responsible for Asia Pacific, shared his optimism about BASF India's growth, with employees.

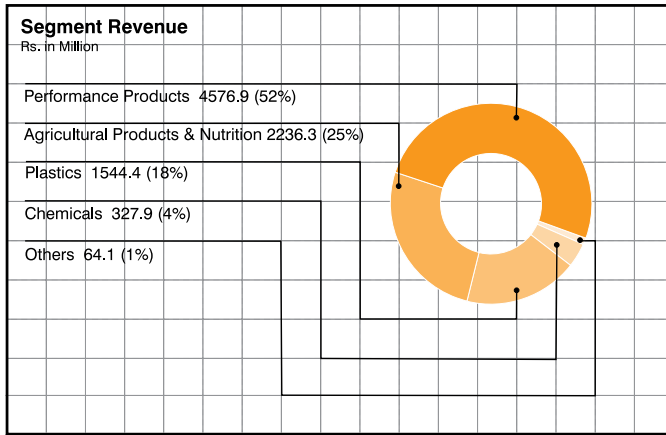
On behalf of the Board of Directors

**PRASAD CHANDRAN**  
*Chairman & Managing Director*

*Mumbai*

*Dated : 6th June 2007.*





## Annexure to the Directors' Report

Statement containing particulars pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

### A. Conservation of Energy

The Company continued its policy of giving priority to energy conservation measures including regular review of energy generation, distribution and consumption and effective control on utilization of energy, in its manufacturing facilities at Thane, Mangalore & Dadra.

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

- Installation of energy efficient stirrers at its plants.
- Installation of energy efficient light fittings at its factory.
- Installation of energy and water meters at various locations in a factory.
- Lower power cost by obtaining power from the State Grid.
- Increasing set temperature of air-conditioners to save on power.
- Reduction in specific power consumption in a plant by incorporating following measures/carrying out modifications viz.:
  - Incorporating measures for switching certain equipment as per batch requirements.
  - Reducing run hours of an equipment, so as to have campaign production.
  - Rationalise process parameters to reduce batch cycle time of energy intensive production processes.
  - Reduce working hours by improving machine efficiencies.

The above measures not only resulted in significant savings in the total energy consumed but also had a positive impact on improvement in the environment.

In addition, the Company plans to implement the following energy conservation measures:

- Replacement of existing boiler with a new energy efficient boiler.
- Installation of energy efficient split and window air-conditioners in place of existing air-conditioners at its plants.
- To replace old air compressors in a plant by energy efficient new compressors having energy monitoring device to optimize power consumption.
- To carry out audit of various processes in its plants in view of changing product profile so as to achieve optimal power consumption.
- To carry out feasibility studies for:
  - Adoption of rain water harvesting to improve underground water table level.
  - Implementation of drip irrigation for gardening.
  - Installation of energy efficient gear boxes in existing reactors.

Requisite data in respect of Energy Consumption are given below:

|                               | Current Year<br>1.4.2006 to<br>31.3.2007 | Previous Year<br>1.4.2005 to<br>31.3.2006 |
|-------------------------------|--|---|
| (a) Power & Fuel Consumption  |  |   |
| 1. Electricity                |  |   |
| (a) Purchased                 |  |   |
| Units (in '000 kwh)           | 12988                                    | 7427                                      |
| Total amount (Rs. in million) | 61.29                                    | 27.60                                     |
| Rate per unit (Rs.)           | 4.72                                     | 3.72                                      |
| (b) Own generation            |  |   |
| • Through diesel generator    |  |   |
| Units (in '000 kwh)           | 2886                                     | 7721                                      |
| Units per litre of oil        | 3.55                                     | 3.67                                      |
| Cost per unit (Rs.)           | 8.70                                     | 7.39                                      |

|  | Current Year<br>1.4.2006 to<br>31.3.2007 | Previous Year<br>1.4.2005 to<br>31.3.2006 |
|--|--|---|
| • Through Steam Turbine/Generator units  |  |   |
| Units per litre of fuel  | N.A.                                     | N.A.                                      |
| Oil/gas  |  |   |
| Cost per unit  |  |   |
| 2. Coal (specify quality and where used)   | N.A.                                     | N.A.                                      |
| Qty. (tonnes)  |  |   |
| Total cost   |  |   |
| Average rate   |  |   |
| 3. Furnace oil/fuels   |  |   |
| Qty. (k.litres)  | 3473                                     | 2673                                      |
| Total Amount (Rs. in million)  | 57.71                                    | 40.96                                     |
| Average rate (Rs./litre)   | 16.62                                    | 15.32                                     |
| 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)  | 77                                       | 61  |
| Furnace oil/fuels (litres)   | 23                                       | 24  |
| Coal (specify quality)   | N.A.                                     | N.A.                                      |
| Others (specify)   | N.A.                                     | N.A.                                      |
| Leather chemicals, auxiliaries, pigments tanning and finishing agents including metal complex dyes, acrylic polymers and carboxylated styrene butadiene lattices |  |   |
| Unit M.T.  |  |   |
| Electricity (kwh)  | 294                                      | 343                                       |
| Furnace oil/fuels (litres)   | 50                                       | 52  |
| Coal (specify quality)   | N.A.                                     | N.A.                                      |
| Others (specify)   | N.A.                                     | N.A.                                      |
| Pesticides   |  |   |
| Unit M.T.  |  |   |
| Electricity (kwh)  | 247                                      | 290                                       |
| Furnace oil/fuels (litres)   | 193                                      | 170                                       |
| 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 under report, the R&D Centre of the Company was engaged in supporting 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/leather/textile/other specialty chemicals and auxiliaries
- Optimizing effluent treatment processes

As part of the Global Technology platform, the facilities at the R&D Centre were upgraded. Work on Global research projects include:

- Collaborative research with BASF AG in the areas of performance chemicals, fine chemicals, intermediates and other organic materials, ionic liquids and metal organic frameworks
- Improvement of existing laboratories

- New organic chemical intermediates for different applications
- Textile auxiliaries
- Isolation of potential pesticides from natural sources
- Novel methods in leather application

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

With its endeavour to explore and apply new and innovative chemistry for the benefit of customers, the R&D Centre developed several new products during the year. Also as part of global collaborative research efforts, new products were introduced in the market during the year.

3. **Future Plan of Action:**

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

- Enhancing global collaborative research with BASF AG
- Focus on developmental projects for India and the South-Asian region
- Modernizing laboratory space
- Development of innovative products and processes

4. **Expenditure on R&D:**

|   | Rs. in million |
|---|----------------|
| (a) Capital   | 28.8           |
| (b) Recurring   | 48.4           |
| (c) Total   | 77.2           |
| (d) Total R&D Expenditure as a percentage of total turnover | 1.0%           |

**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 9014 certified and undertakes research in the areas of:

- New organic chemical intermediates for various applications
- Process development and scale up
- Textile auxiliaries
- Leather chemicals

The Centre is also engaged in developmental activities, viz., 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 AG.

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 in the market.

3. **Imported Technology:**

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

- In 2002 and 2004 for manufacture of new products
- In 2004 for manufacture of expandable polystyrene
- In 2006 for manufacture of engine coolant

The Company has excellent interaction with its parent Company BASF AG and receives on an ongoing basis, valuable technical information and support. 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 earnings and outgo appear on page 42 and 43 of the Annual Report and Accounts.

On behalf of the Board of Directors

PRASAD CHANDRAN  
Chairman & Managing Director

Mumbai

Dated : 6th June, 2007.

# Management Discussion and Analysis Report



Dr. Tilman Krauch, President, Regional Functions and Market Efficiency, Asia Pacific, lights the traditional lamp to inaugurate the Polyurethanes System House.

The Indian economy grew at a healthy rate of 9.2% in 2006-07 as compared to 9% in the previous year. Thus, in last four years, average economic growth has been 8.5% p.a. Initiatives taken by manufacturing companies to make themselves more efficient have been a success. The manufacturing sector grew by 12%. The agricultural sector showed improved performance and registered a growth of 2.7% in the year under review.

The performance of the chemical industry was in line with the manufacturing sector. The chemical industry maintained its growth trajectory and grew by 9% during the year under report.

The demand for chemical products is derived, based on the growth of its end-use industries. Automobile, consumer goods, pharmaceuticals, paper, textile and other industries catered to by the Company – contributed to the manufacturing growth in 2006-07. Another redeeming feature of the Indian economy has been the upbeat investment scenario. In the manufacturing sector, projects under implementation increased by 86% by December 2006 compared to December 2005. Substantial capacity build up is taking place in the relevant end use industries catered to by BASF. This augurs well for the demand for chemicals.

## Plastics

The plastics business comprise of expandable polystyrene (Styropor) and performance polymers (engineering plastics). Styropor is primarily being used in the areas of packaging and insulation. The major end users in the packaging segment include consumer electronics, white goods, fruits and vegetables and export packaging. In the insulation segment, consumers include cold storage and buildings requiring air conditioning. Performance plastics are primarily used in the automotive, electrical switchgear and accessories and barrier films for packaging.

The expandable polystyrene market is catered by four manufacturers. The processors (moulders) convert the raw material into finished product viz., expanded polystyrene. Given the growth in the end user industry, many of the processors are up grading their capacities to cater to the increased volume of business, in a cost effective manner.

Electronics and consumer durable packaging is a major customer segment. With the advent of technology, consumer durables like refrigerators, televisions are turning into fast consumption products. Favourable demographic profile of India with more than 60% population below 30 years, is spearheading the demand growth. This in turn has resulted in manufacturers going for expansion programmes.

However, underutilized capacities in South East Asia market could result in additional pressures on prices and margins.

Lower import duties have reduced available margins. Volatile raw material prices and stronger domestic and global competition will continue to be a feature of plastics business.

Despite strong competition, the plastics business of the Company recorded good growth in turnover and volume compared to the previous year. Improved productivity along with the cost reduction measures and better working capital management resulted in improved performance of the business during the year under report.

## Performance Products

The performance products business of the Company include performance chemicals and functional polymers. The performance chemicals business caters to the requirement of a wide spectrum of industries namely, textile, leather, plastics and coatings, detergent formulators and automobile and oil. During the year under report, the textile, leather, automotive and plastic industries showed steady growth. Together with innovative marketing strategies, the Company increased the sales of performance products.

In the leather chemicals business, turnover and volume grew significantly compared to previous year. The core group products viz., syntans, drum dyes and fatliquors, propelled the growth. Exports of leather chemicals increased by over 100% compared to the previous year.

A technical support centre for the leather industry viz; BASF Leather Competence Centre (BLCC) was started in September 2006 at Bantala Leather Complex, Kolkata. BLCC is a state of the art competence centre catering to the needs of all types of finished leather required for leather goods and footwear.

Keeping with the need for prompt technical service, the Company expanded its field force with cluster specific focus, equipping its branches with experienced technical force in the textile chemicals business. As part of the market driven innovation process programme, 'Customer Innovation Workshops' were held with key customers.

The global status for the R&D Centre at Thane gave the much needed impetus for the textile chemicals business. This allowed for development of new products tailored to meet the needs of the Indian market. The Asia Technical Centre for Textiles located at Thane, is equipped with the latest equipment for textile processing for rendering value added services to the customers and would also function as a training centre for employees and customers.

Turnover and volume, including exports, of textile chemical products increased significantly compared to the previous year.

With regard to speciality chemicals, the sale of pigments and UV stabilizers for plastics increased significantly compared to the previous year. Regulation compliant pigments for automotive applications and newer applications of UV stabilizers for packaging assisted the growth in sales.

Robust growth in automotive sales during 2006 ensured significant increase in the sale of pigments for automotive coatings.

The major achievement during the year under report has been the growth in sales of eco friendly surfactants catering to textile formulators. Agrochemicals would be another thrust area for BASF's eco friendly surfactants and the concept of using ecofriendly surfactants as adjuvants are being pursued during the current year.

The Company is also promoting chemicals for the oil and automobile industry. The demand for quality fuel additives, radiator coolants are picking up, which is expected to lead to increased engine performance, tighter emission control norms and reduced maintenance cost for vehicles.

The volatility in the prices of key raw materials, import of textile chemicals and processed fabric, drop in the duty rates and currency fluctuations are some of the areas of concern that needs to be taken note of.

The functional polymers viz., dispersion chemicals business cater to a wide range of industries that include paper, construction, paints and adhesives. During the year, investment plans were being announced by industries like paints and paper. Most of the paper mills and paint companies are undertaking expansion activities. Some of the major paint companies have announced plans to commence local manufacture in India. A large section of paper mills are improving their technology, quality and product mix for export and domestic markets. Paper mills are making efforts to tie up key raw materials like pulp, on a sustained basis.

The thrust for infrastructure development from the Government continued this year. Coupled with developments envisaged in the housing sector, there is growth in construction and paint industry in India. Our customers, the construction chemical companies, are also participating in this boom and have shown excellent growth. The demand for state of the art technology products in construction and paint industry is high.

Large paper and board producers in India are installing machines with higher capacities as also scouting for the latest technology to compete on cost and quality. The Company manufactures new generation products in all segments of paper making and paper coating applications. BASF is augmenting its technical services to match the customer needs. Increased disposable income with the consumers are helping sectors like construction, paints and adhesives to grow.

Opportunities for construction chemical suppliers in local and export markets are increasing. The rising demand for paints has created opportunities for BASF in the Indian market.

To capture the growth in the user industries as also maintain the growth momentum, the Company completed expansion of capacity of its dispersions plant at Mangalore. The expanded capacity, built with the state of the art technology from BASF AG, would help in exploring new opportunities. The dispersions business enlarged its technical service capability by setting



'The BASF Leather Competence Centre' has been initiated at Kolkata to work closely with customers for their technical service needs and to provide complete solutions.



The Dispersions plant with expanded capacity is ready to cater to the growth in the user industries, such as paper, construction, paints and adhesives.

up a local application laboratory for architectural coatings. With the opening of the Indian economy, competition from large paper chemical companies are growing. The Company launched several new products. Most of the launches were in paper chemical and architectural coating segments. Architectural coatings business also grew significantly. Construction chemicals business grew as compared to previous year. Paper business grew significantly over last year.

The turnover and volume of specialities (including dispersion chemicals) registered good growth during the year ended 31st March 2007 compared to the previous year. Exports during the year under report was marginally lower.

The dispersions business is expected to steadily grow in the coming years, riding on the growth opportunities, in all segments of the business. With BASF's timely expansion

in local manufacturing capabilities, dispersions business is expected to continue its growth momentum.

### Chemicals

The chemicals business include organic and inorganic chemicals, intermediates and petro chemicals. The chemicals supplied by BASF Group cater to the requirement of a wide range of user industries including crop protection, pharma, food and feed, plastics and fibers, refining, water treatment and coatings. These industries produce industrial and consumer products in the primary and secondary sectors.

Coatings and plastics industry witnessed rapid growth due to growth in construction, automotive and household goods segments. Animal feed industry witnessed a marginal fall in business, mainly due to culling, following the bird flu and reduced availability of poultry. Pharma industry, the main contributor for growth and usage of intermediates, registered strong growth in the active pharma ingredients segment. The intermediates used for pharma applications are expected to increase.

The merchandise activity strengthened during the year and registered significant increase in value and volume terms. The outlook for the business is favourable.

### Agricultural Products and Nutrition

The Agricultural products business include agrochemicals like pesticides and herbicides. Agriculture sector is estimated to have grown at 2.7% over the previous year. Food grain production in 2006-07 estimated at 209.2 million tons; registered an increase compared to the previous year. Agriculture is heralding the country's second green revolution, one that will give impetus to migrate from supply driven to demand led agriculture. Many States have amended the Agricultural Produce Marketing Committee (APMC) Act this year, in line with the Model APMC Act, which allow farmers to sell their produce directly to buyers, thereby offering them the best price. New market pressures viz., the potential for exports and a growing domestic demand for reliable produce from supermarket chains is heralding the change. The Government has liberalized the scheme for strengthening Agriculture Marketing Infrastructure by allowing state agencies to utilize their funds for this purpose instead of bank credit.

In 2006, the crop protection chemicals market continued to witness change, heralded by rapid adoption of genetically modified cotton and its unfavourable impact on the insecticides market, the largest segment in the agro chemicals industry. Early estimates indicate that the crop protection market was flat or had marginally declined in 2006 because of the decline in the insecticides market. However, on account of decreasing rural labour availability and the quest for higher production efficiencies, the herbicides market has shown a healthy growth. Likewise, demand for quality agricultural produce lead to the increase in the use of fungicides. Herbicides and fungicides are the two segments in which your Company has products to offer.

The crop protection market is expected to grow marginally in the mid term as growth forecasted in the fungicide and herbicide treated areas would be offset by decline in insecticides usage, due to penetration of GMO crops. However, in the long term, the high agricultural growth targeted by the government coupled with focused corporate involvement, is expected to increase the market for innovative new crop protection chemical products.

With the government's continued commitment to safeguarding intellectual property rights and the legislation to be enacted for Data Protection, the business environment for Research & Development based agrochemical companies like BASF, continue to be favourable.

The agricultural products business grew profitably by consolidating and building on the various strategic measures adopted in 2005. The strategy to emphasize demand generation through extensive farmer contact programmes was a success. With this approach, the business was able to consolidate on its brand awareness programme

and reduce receivables in the market. The business continued to significantly invest in premarketing activities for the next wave of new product launches in 2007-2008. Turnover and net realizations in agrochemicals increased significantly compared to the previous year. Exports during the year was lower compared to the previous year.

The Nutrition business products include vitamins for human and animal nutrition, actives and excipients for pharmaceuticals, aroma chemicals and ingredients for the cosmetic industry.

The introduction of product patents in India has renewed interest of global pharmaceutical companies towards India. Indian pharma companies have strength across the value chain and have a distinctive edge in custom synthesis and process development activities. This has opened opportunities for undertaking contract research and manufacturing.

Changing consumer lifestyle, economic growth, greater purchasing power of consumers are driving the innovation and growth in the cosmetic industry.

The nutrition business has strengthened its position in the pharmaceuticals, excipients and cosmetic solutions market. New business opportunities were identified with emphasis on vitamins, cartenoids, enzymes and organic acids.

The nutrition business is well poised to take advantage of the changing market scenario with portfolio that is cyclically resilient and is expected to grow in line with its customers' business.

#### **Technical Management**

The efforts of the Company to implement cost optimisation measures at all the manufacturing sites continued during the year under report. As part of the rationalization measures undertaken by the company at Thane, the production activity at one of the plants viz., the agrochemicals plant, was discontinued. Restructuring initiatives undertaken at Thane resulted in greater focus on optimal utilization of manpower and thrust towards process optimization. These steps coupled with energy conservation measures, resulted in cost reduction, high yield, lower batch cycle time, better quality products and enhanced capacities. These measures led to reduction in pollution load, thereby serving the cause of environmental protection and sustainable development.

At Thane factory a number of technical initiatives and energy conservation measures were implemented during the year.

The Mangalore factory continued to work efficiently and achieved record production in dispersion products. The dyes plant worked at optimum efficiency. The new dispersions plant of 45000 tpa was successfully commissioned in March 2007.

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

Industrial relations in Thane, Mangalore and Dadra factories continue to remain cordial.

#### **Internal Control Systems and their Adequacy**

The Company has established a proper and adequate system of internal control to ensure that all resources are put to optimum use and are well protected against loss and all transactions are authorised, recorded and reported correctly. The Company's internal control systems are supplemented by an extensive programme of internal audit by an independent firm of Chartered Accountants. In line with the BASF group policies, the group internal auditors also perform audits in specific areas of operations.

The Company's internal control systems are periodically tested and certified by the Company's statutory and internal auditors. The Audit Committee constituted by the Board constantly reviews the internal control systems.

#### **Development in Human Resources and Industrial Relations front**

The following were some of the initiatives undertaken during the year under report:

##### **Leadership Compass**

The BASF Leadership Compass, indicates the key directions for leadership that will lead a company to global success. The four directions of the BASF Leadership Compass being:

- Clarity and a Sense of Reality
- Performance and Speed
- Enthusiasm and Inspiration
- Strategic and Operational Leadership



The BASF Paints Working Group showcases the entire range of offerings for the Paint industry at the 'Colour Show' of the Indian Paint Association (IPA), Kolkata.

The Company has developed a tool kit to communicate and establish the concept of the Leadership Compass to all employees.

### Hiring

The Company continues to hire Management talent from premier campuses. The selected candidates will be undergoing internship in the local and international offices of the BASF Group.

### Job Evaluation

All jobs of the Company were evaluated as per the Strata points. We use Strata, a job evaluation tool, which helps to align jobs and compensation across companies of BASF Group.

### Training

Training programmes in India and abroad were conducted for the sales, technical and other personnel of the business units and functions to develop and upgrade knowledge and competencies.

### Industrial Relations

Industrial Relations were cordial at all sites during the year under report. Long term settlement was signed at our Thane site. Manpower rationalization through Voluntary Retirement Scheme was also carried out at our manufacturing site at Thane and other locations, to improve overall productivity.

The Company employed 801 persons as on 31st March 2007.

On behalf of the Board of Directors

PRASAD CHANDRAN  
Chairman & Managing Director

Mumbai

Dated : 6th June 2007.



On the occasion of the Golden Jubilee of the Indo-German Chamber of Commerce, Mr. Prasad Chandran, as its President, invites Mr. Somnath Chatterjee, Hon'ble Lok Sabha Speaker, to release a special commemorative postal cover.



# Report on Corporate Governance



Kids join hands with BASF to make a difference. An inter school essay writing competition on 'Fighting Corruption' was organised at Bangalore. 150 students from 11 schools were part of this competition.

The Company has complied with the requirements of Corporate Governance in terms of 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 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
- Safety, Health & Environmental 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 highest business ethics and complies 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 in all 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 6TH JUNE 2007

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  | April 2, 2000 (re-appointed on 2nd April 2005) | Chairman & Managing Director                       | 5   | 5                        | 1   | NIL   |
| Mr. Deepak Thuse<br>Alternate to<br>Dr. Tilman Krauch        | January 23, 2006                               | Chief Executive — Plastics                         | 5   | 4 \$                     | 1   | NIL   |
| Mr. S. Ramnath,<br>Alternate to<br>Mr. Boon Yeow Yee         | April 1, 2006                                  | Chief Executive — Finance & Information Technology | 5   | 5 \$                     | 1   | 1   |
| Dr. Raman Ramachandran<br>Alternate to<br>Dr. Rainer Diercks | April 1, 2006                                  | Chief Executive — Agricultural Products            | 5   | 4 \$                     | 1   | NIL   |

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

\$ Were present at the meeting held on 10th August, 2006 as invitees

## 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 |
|--------------------|---------------------|-------------|---|--------------------------|--|---|
| Dr. Tilman Krauch  | April 17, 2006      | Director    | 5   | 1                        | 1  | NIL   |
| Dr. Rainer Diercks | January 23, 2006    | Director    | 5   | 1                        | 1  | NIL   |
| Mr. Boon Yeow Yee  | April 21, 2004      | Director    | 5   | 1                        | 1  | NIL   |

\*\* Excludes Directorships in Private Limited 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. K. R. Coorlawala | February 10, 1975   | Director    | 5   | 5                        | 1   | 1   |
| Mr. Pradip P. Shah   | January 31, 2000    | Director    | 5   | 4                        | 12  | Membership – 7<br>Chairmanship – 1                    |
| Mr. R. A. Shah       | April 25, 1968      | Director    | 5   | 5                        | 13  | Membership – 7<br>Chairmanship – 5                    |
| Mr. R. R. Nair       | March 30, 2001      | Director    | 5   | 4                        | 3   | 1   |

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

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

Five Board Meetings were held during the year 2006-07. The dates on which the said Meetings were held are as follows:

- |                                   |                                   |
|-----------------------------------|-----------------------------------|
| (1) Tuesday, 2nd May, 2006        | (2) Tuesday, 11th July, 2006      |
| (3) Thursday, 10th August, 2006   | (4) Wednesday, 11th October, 2006 |
| (5) Wednesday, 10th January, 2007 |                                   |

**B. All pecuniary relationship or transactions of the non-executive Directors vis-à-vis, the Company.**

M/s. K. R. Coorlawala, R. A. Shah, Pradip P. Shah and R. R. Nair, non-executive independent Directors of the Company do not have any 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.

Dr. Tilman Krauch, Dr. Rainer Diercks and Mr. Boon Yeow Yee were not paid any commission during the financial year 2006-07.

### 3. AUDIT COMMITTEE

The Board of Directors of the Company constituted an Audit Committee on 1st March 2001 comprising of three independent non-executive Directors viz., Mr. K. R. Coorlawala as Chairman, Mr. R. A. Shah and Mr. Pradip P. Shah as Members and Mr. M. R. Iyer as Secretary of the Committee. Mr. S. Ramnath, Chief Executive, Finance & Information Technology was nominated as a Permanent Invitee on 25th September, 2001. Mr. R. R. Nair was nominated as the Chairman of the Audit Committee, by the Board of Directors on and from 12th July, 2006 in place of Mr. K. R. Coorlawala. The constitution of Audit Committee also meets with the requirements of Section 292A of the Companies Act, 1956.

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

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and if required, replacement or removal of statutory auditor, fixation of audit fees and also approval for payment for any other services.

- Reviewing with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval, 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 judgment 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.
  - ❖ Qualification in draft audit report.
- Reviewing the following information
  - ❖ Management discussion and analysis of financial condition and result of operations
  - ❖ Statement of significant related party transactions submitted by the management
  - ❖ Management letters/letters of internal control weaknesses
  - ❖ Internal Audit reports relating to internal control weaknesses
  - ❖ Financial statements, in particular, the investments made by the unlisted Subsidiary Company
  - ❖ Appointment, removal & terms of remuneration of the Chief Internal Auditor.
- Reviewing with the management, performance of statutory and internal auditors and the adequacy of the internal control systems.
- Reviewing 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.
- Discussion with the internal auditors any significant findings and follow up thereon.
- Reviewing 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.
- Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.
- Looking into the reasons for substantial defaults, if any, in the payments to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

The Audit Committee meetings were held on 2nd May, 2006, 11th July, 2006, 11th October, 2006 and 10th January, 2007 during the financial year 2006-07. Mr. K. R. Coorlawala and Mr. R. A. Shah, Members of the Committee, Mr. S. Ramnath, Permanent Invitee and Mr. M. R. Iyer, Secretary of the Committee were present at all the meetings. Mr. Pradip P. Shah, Member of the Committee, was not present at the meeting held on 11th October, 2006. Mr. R. R. Nair was not present at the meeting held on 10th January, 2007. The Statutory Auditors, Cost Auditors and Internal Auditors, as needed, were invitees to the meetings.

#### 4. REMUNERATION

- **Remuneration Committee**

As the Remuneration Committee is non-mandatory, the Board decided that the formation of this Committee be taken 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 the time spent by the Non-Executive Directors at the Audit Committee and Board Meetings, periodical 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 2006-2007.

(a) EXECUTIVE DIRECTORS

(Amount in Rupees per annum)

| Remuneration                   | Mr. Prasad Chandran | Mr. Deepak Thuse | Mr. S. Ramnath | Dr. Raman Ramachandran | Total         |
|--------------------------------|---------------------|------------------|----------------|------------------------|---------------|
| Salary & Benefits@             | 89,20,436/-         | 38,92,551/-      | 42,86,438/-    | 42,66,076/-            | 2,13,65,501/- |
| Performance Linked Incentive # | 50,10,000/-         | 8,54,257/-       | 9,37,229/-     | 9,33,621/-             | 77,35,107/-   |
| Total                          | 1,39,30,436/-       | 47,46,808/-      | 52,23,667/-    | 51,99,697/-            | 2,91,00,608/- |

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

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

The agreements in respect of Mr. Prasad Chandran, Chairman and Managing Director, Mr. Deepak Thuse (appointed w.e.f. 23rd January 2006), Mr. S. Ramnath (appointed w.e.f. 1st April 2006) and Dr. Raman Ramachandran, (appointed w.e.f. 1st April 2006), Whole-time Directors, are for a period of five years. 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.

(b) INDEPENDENT NON-EXECUTIVE DIRECTORS

The Commission due to the independent non-executive Directors for the financial year ended 31st March 2007 is as follows:

| Mr. K. R. Coorlawala | Mr. R. A. Shah # | Mr. Pradip P. Shah | Mr. R. R. Nair |
|----------------------|------------------|--------------------|----------------|
| Rs. 5,00,000/-       | Rs. 5,00,000/-   | Rs. 5,00,000/-     | Rs. 5,00,000/- |

# 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 2006-07.

5. **SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE**

The Board of Directors of the Company constituted a Shareholders'/Investors' Grievance Committee on 1st March 2001 currently comprising of Mr. K. R. Coorlawala as Chairman, Mr. Prasad Chandran and Mr. S. Ramnath as Members.

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 Board has designated Mr. M. R. Iyer, Chief Executive, Legal & Company Secretary as the Compliance Officer.

The Company has a Share Transfer Committee comprising of Mr. Prasad Chandran as Chairman, Mr. K. R. Coorlawala and Mr. S. Ramnath as members which approves all matters related to shares vis-à-vis 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.

During the year, 29 complaints were received from the shareholders and these have been resolved to date.

Outstanding complaints as on 31st March 2007 were Nil.

There were no requests for dematerialization/transfer of shares pending as on 31st March 2007.

**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 31st March, 2007, was placed before the Board at its meeting held on 6th June, 2007.

6. **GENERAL BODY MEETINGS**

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 10th August 2006 at 3.00 p.m
2. Friday 5th August 2005 at 3.00 p.m.
3. Thursday 5th August 2004 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.

**Attendance of Directors at AGMs during the last financial year:**

10th August 2006 (AGM) All Directors were present.

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

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

- Mr. K. R. Coorlawala has been a Director on the Board of the Company since February 10, 1975. After obtaining a B.Sc. degree, Mr. Coorlawala joined the Indian Army as a regular commissioned officer. He took early retirement and joined ACC Limited as a Wholetime Director looking after Personnel and Industrial Relations, Marketing & Publicity Divisions. Since, 1971, he has been a Trustee of the Breach Candy Hospital, subsequently Chairman and Chairman Emeritus of the Trust. Mr. Coorlawala completed the 51st Advanced Management Programme of the Harvard Business School, Harvard University, having earlier attended the Executive Development Programme of the Indian Institute of Management, Ahmedabad, as also the Advance Management Programme of the All India Management Association.

He is also a member of the Audit Committee of BASF Polyurethanes India Limited, a wholly owned subsidiary of the Company.

- Mr. Pradip P. Shah has been a Director on the Board of the Company since 31st January 2000. Mr. Shah holds an MBA degree from the Harvard Business School and a Bachelor of Commerce degree from Sydenham College, Mumbai. He is a qualified Chartered Accountant and Cost Accountant and ranked first in India in the Chartered Accountancy examinations.

He is the founder Managing Director of CRISIL, India's first and largest credit rating agency. He has served as a member of various committees of the Government on matters concerning Finance. Mr. Shah is the Chairman of IndAsia Fund Advisors Private Ltd., a private equity investment and corporate finance advisory company.

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

|   |          |
|---|----------|
| 1. Shah Foods Limited                           | Chairman |
| 2. Asset Reconstruction Company (India) Limited | Director |
| 3. Godrej & Boyce Mfg. Limited                  | Director |
| 4. Grindwell Norton Limited                     | Director |
| 5. Gokuldas Exports Limited                     | Director |
| 6. Kansai Nerolac Paints Limited                | Director |
| 7. Pfizer Limited                               | Director |
| 8. Patni Computer Systems Limited               | Director |
| 9. Panasonic Battery India Co. Ltd.             | Director |
| 10. Sonata Software Limited                     | Director |
| 11. Vakrangee Softwares Limited                 | Director |
| 12. Wartsila India Ltd.                         | Director |

- Dr. Rainer Diercks was appointed as a Director of the Company on 23rd January, 2006 in the casual vacancy caused by the resignation of Dr. E. Baumgartner.

Dr. Rainer Diercks has over 20 years of experience in the BASF Group. He was appointed as President, Inorganics Division in 2001 and President, Chemicals Research & Engineering Division in 2003.

Dr. Rainer Diercks, is also a Director in BASF Polyurethanes India Limited, a wholly owned subsidiary of the Company.

The Non-Executive Directors seeking re-appointment do not hold any shares in the Company either in their own name or for other persons on 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 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) During the last three years, there were no strictures or penalties 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  
An analysis of the Company's risks covering, strategic (business), financial, legal & compliance risks as perceived by the management are being made and reviewed. Appropriate measures for mitigating these risks are being initiated.
- (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'/'Financial Express' (in English), 'Maharashtra Times' and 'Tarun Bharat' (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).
- EDIFAR filing:  
As required under clause 51 of the Listing Agreements with Stock Exchanges, all data relating to quarterly financial results, shareholding pattern etc. are being electronically filed on the EDIFAR web site, [www.sebidifar.nic.in](http://www.sebidifar.nic.in) within the timeframe prescribed in this regard.

## 10. GENERAL SHAREHOLDERS INFORMATION

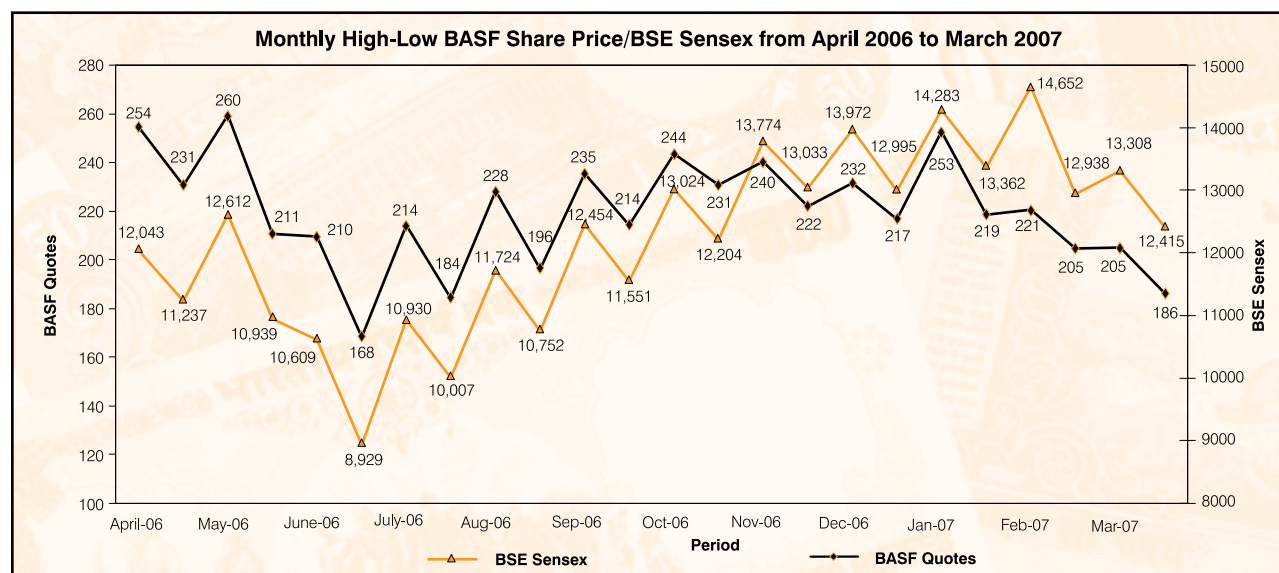
- (a) The Annual General Meeting of the Company will be held on Tuesday, 31st July 2007 at 3.00 p.m. at Yashwantrao Chavan Pratishthan Auditorium, Y. B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai - 400 021.
- (b) The Company's financial year begins on 1st April and ends on 31st March.

|                      |   |                              |
|----------------------|---|------------------------------|
| Financial Calendar — | Results for quarter ending June 30, 2007      | 3rd week of July 2007        |
|                      | Annual General Meeting                        | 31st July 2007               |
|                      | Results for quarter ending September 30, 2007 | 2nd/3rd week of October 2007 |
|                      | Results for quarter ending December 31, 2007  | 2nd/3rd week of January 2008 |
|                      | Results for the year ending March 31, 2008    | 2nd/3rd week of June 2008    |

- (c) Date of book closure: 20th July 2007 to 31st July 2007 (both days inclusive) for the purposes of Annual General Meeting and payment of dividend.
- (d) Dividend payment date: 4th August 2007
- (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 2007-08 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 31st March 2007 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 2006 TO MARCH 2007

| AT BSE    |                      |                      | AT NSE    |                      |                      |
|-----------|----------------------|----------------------|-----------|----------------------|----------------------|
| MONTH     | HIGH (DATE)          | LOW (DATE)           | MONTH     | HIGH (DATE)          | LOW (DATE)           |
| April     | 254.45<br>(10.04.06) | 230.6<br>(03.04.06)  | April     | 254.55<br>(10.04.06) | 231.05<br>(03.04.06) |
| May       | 259.6<br>(10.05.06)  | 210.7<br>(22.05.06)  | May       | 258.7<br>(10.05.06)  | 208.85<br>(22.05.06) |
| June      | 209.8<br>(01.06.06)  | 168.4<br>(14.06.06)  | June      | 208.5<br>(01.06.06)  | 166.65<br>(14.06.06) |
| July      | 214.1<br>(11.07.06)  | 184.15<br>(10.07.06) | July      | 214.75<br>(11.07.06) | 184.95<br>(10.07.06) |
| August    | 228.45<br>(21.08.06) | 196.2<br>(03.08.06)  | August    | 228.65<br>(21.08.06) | 195.8<br>(01.08.06)  |
| September | 235.35<br>(25.09.06) | 214.35<br>(07.09.06) | September | 235.5<br>(25.09.06)  | 213.95<br>(07.09.06) |
| October   | 243.65<br>(23.10.06) | 230.9<br>(11.10.06)  | October   | 242.7<br>(23.10.06)  | 231.8<br>(04.10.06)  |
| November  | 240.35<br>(27.11.06) | 222.15<br>(17.11.06) | November  | 240.2<br>(27.11.06)  | 223.1<br>(17.11.06)  |
| December  | 231.5<br>(06.12.06)  | 216.65<br>(12.12.06) | December  | 231.4<br>(27.12.06)  | 216.05<br>(12.12.06) |
| January   | 252.75<br>(08.01.07) | 218.5<br>(31.01.07)  | January   | 252.4<br>(08.01.07)  | 217.6<br>(31.01.07)  |
| February  | 220.5<br>(06.02.07)  | 204.55<br>(28.02.07) | February  | 220.55<br>(07.02.07) | 204.85<br>(23.02.07) |
| March     | 205<br>(01.03.07)    | 186.3<br>(28.03.07)  | March     | 204.1<br>(01.03.07)  | 186.7<br>(28.03.07)  |



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

**Registered Office**

**Sharepro Services (India) Private Ltd.,**  
Unit : BASF India Limited,  
Satam Estate, 3rd Floor, Above Bank of Baroda,  
Cardinal Gracious Road, Chakala, Andheri (East),  
Mumbai-400 099.

Tel. No. : 022-2821 5168, 2832 9828,  
2821 5991, 2834 7719, 2834 8218

Fax No. : 022-2837 5646

Email : sharepro@vsnl.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. : 022-2288 1568/69,  
2282 5163, 2288 4527

Fax No. : 022-2282 5484

Email : sharepro\_services@roltanet.com

The details of contact persons of Sharepro are as follows:

| Name                             | Phone No.               | Fax No.       |
|----------------------------------|-------------------------|---------------|
| Mr. G. R. Rao                    | 022 2821 5168/2821 5169 | 022 2837 5646 |
| Mrs. Indira P. Karkera/Mr. Gopal | 022 2832 9828/2821 5169 | 022 2837 5646 |

- (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 31st March, 2007 was as follows:

| Category (No. of shares) | No. of shareholders | Percentage    | No. of shares   | Percentage    |
|--------------------------|---------------------|---------------|-----------------|---------------|
| 1-500                    | 29952               | 90.65         | 2763285         | 9.80          |
| 501-1000                 | 1606                | 4.86          | 1246200         | 4.42          |
| 1001-2000                | 828                 | 2.50          | 1228878         | 4.36          |
| 2001-3000                | 259                 | 0.78          | 657692          | 2.34          |
| 3001-4000                | 96                  | 0.29          | 338668          | 1.20          |
| 4001-5000                | 89                  | 0.27          | 418081          | 1.48          |
| 5001-10000               | 131                 | 0.40          | 922327          | 3.27          |
| 10001 and above          | 81                  | 0.25          | 20615017        | 73.13         |
| <b>Total</b>             | <b>33042</b>        | <b>100.00</b> | <b>28190148</b> | <b>100.00</b> |

- (k) The shareholding pattern of the Company as on 31st March, 2007 was as follows:

| Category                                   | No. of shares   | % of total capital |
|--|-----------------|--------------------|
| Foreign Promoters                          | 14853020        | 52.69              |
| Directors and relatives of Directors       | 215             | 0.00               |
| NRIs, OCBs and FIIs                        | 768483          | 2.72               |
| Financial Institutions and Mutual Funds    | 3939146         | 14.00              |
| Nationalised and other Banks               | 54819           | 0.19               |
| Domestic Corporate Bodies/Trusts           | 960495          | 3.40               |
| General Public including shares in transit | 7613970         | 27.00              |
| <b>Total</b>                               | <b>28190148</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. Over 52.92% of the shareholding of the Company have been dematerialized as on 31st March 2007.
- (m) As of date, the Company has not issued GDRs/ADRs/Warrants or any convertible instruments.
- (n) Plant locations:
- |   |  |  |
|---|--|--|
| <b>Thane</b><br>Thane Belapur Road,<br>Turbhe,<br>Navi Mumbai 400 705.<br>Maharashtra | <b>Mangalore</b><br>Bala/Thokur Village,<br>Surathkal-Bajpe Road,<br>Mangalore Taluka,<br>Dakshina Kannada District,<br>Karnataka 575 030. | <b>Dadra</b><br>83/2, Dena Bank Road,<br>Demni Village,<br>Dadra 396 191.<br>Union Territory of Dadra &<br>Nagar Haveli. |
|---|--|--|
- (o) Address for correspondence:  
Mr. Pradeep Chandan/Mr. Rajeev Limaye  
BASF India Limited,  
RBC, Mahindra Towers,  
1st Floor, A Wing,  
Dr. G. M. Bhosale Marg,  
Worli, Mumbai 400 018.  
Tel : 6661 8000  
Fax : 2495 0512.  
Email : [pradeep.chandan@basf.com](mailto:pradeep.chandan@basf.com)  
[rajeev.limaye@basf.com](mailto:rajeev.limaye@basf.com)  
[investor-grievance-india@basf.com](mailto:investor-grievance-india@basf.com).



(p) Top Ten Shareholders of the Company as on 31st March, 2007

| Sl. No. | Name of the shareholder(s)  | Holdings | % in the total capital |
|---------|---|----------|------------------------|
| 1.      | BASF Aktiengesellschaft   | 14853020 | 52.69                  |
| 2.      | Reliance Capital Trustee Co. Ltd. A/c. Reliance Tax Saver (ELSS) Fund | 1316614  | 4.67                   |
| 3.      | United India Insurance Company Ltd.                                   | 766771   | 2.72                   |
| 4.      | General Insurance Corporation of India                                | 595602   | 2.11                   |
| 5.      | The New India Assurance Company Ltd.                                  | 379012   | 1.34                   |
| 6.      | Reliance Capital Trustee Co. Ltd. Reliance Longterm Equity Fund       | 374411   | 1.33                   |
| 7.      | The Oriental Insurance Company Ltd.                                   | 300603   | 1.07                   |
| 8.      | National Insurance Company Limited                                    | 202883   | 0.72                   |
| 9.      | Himalayan India Holdings  | 170799   | 0.61                   |
| 10.     | U. C. Rai Holdings Pvt. Ltd.  | 119655   | 0.42                   |

(q) Share price: Rs. 253.55 per share on The Stock Exchange, Mumbai as on 6th June 2007.

#### 11. CODE OF CONDUCT

The Company has established 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: 6th June 2007

## **Certification 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 31st March, 2007, as stipulated in Clause 49 of the Listing Agreements 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 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 Agreements.

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 BSR & Co.  
*Chartered Accountants*

Akeel Master  
*Partner*  
Membership No. 46768

*Mumbai,*  
*Date: 6th June 2007*

# 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 2007, the Profit and Loss Account and the 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. *We draw reference to note 4 to Schedule 20 to the financial statements with respect to accounting of Voluntary Retirement Scheme ('VRS') cost incurred by the Company aggregating Rs 39.2 million. The management has written off the entire amount incurred during the year as against the existing policy of amortising such expense over a period of 36 months from the month of incurrence. Had the VRS cost been amortised over 36 months in line with its existing accounting policy, other expenses would have been lower by Rs 34.9 million, Provision for taxation and Net Profit would have been higher by Rs 11.9 million and Rs 23 million respectively.*
3. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all 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 is 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 as on 31 March 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and
  - (f) *subject to our comment in (2) above, 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 case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2007.
    - ii. in case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - iii. in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For BSR & Co.  
*Chartered Accountants*  
Akeel Master  
*Partner*  
Membership No.: 46768  
*Mumbai*  
Date: 6th June 2007

## Annexure to Auditors' Report – 31st March 2007

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. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, 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 which are for the Company's specialised requirements and similarly for sale of certain goods and services for the specialised requirements of the buyers and for which 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 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 2007 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 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. 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. The Company did not have any term loans outstanding during the year.
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 BSR & Co.  
*Chartered Accountants*  
 Akeel Master  
*Partner*  
 Membership No.: 46768  
 Mumbai  
 Date: 6th June 2007

## 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 | 69.93*               | March 2002 to Nov 2004 | Customs, Excise, Service Tax Appellate Tribunal |
|                                   | Duty, Interest and Penalty | 2.24                 | 2001                   | Customs, Excise, Service Tax Appellate Tribunal |
| States and Central Sales Tax Acts | Tax, Interest and Penalty  | 9.82*                | 2001-2002              | Deputy Commissioner                             |
|                                   |                            | 17.7                 | 2002-2003              | Deputy Commissioner                             |
|                                   |                            | 0.67                 | 2003-2004              | Deputy Commissioner                             |
|                                   |                            | 11.02*               | 2004-2005              | Deputy Commissioner                             |
|                                   |                            | 3.68                 | 2004-2005              | Deputy Commissioner                             |

\* The Company has obtained a stay order with respect to these demands.

## Balance Sheet as at March 31, 2007

Rs. in million

|  | Schedule | March 31, 2007 | March 31, 2006 |
|--|----------|----------------|----------------|
| <b>SOURCES OF FUNDS</b>                    |          |                |                |
| <b>Shareholders' Funds:</b>                |          |                |                |
| Share Capital                              | 1        | 281.9          | 281.9          |
| Reserves and Surplus                       | 2        | 2,752.1        | 2,482.1        |
|  |          | 3,034.0        | 2,764.0        |
| <b>Loan Funds:</b>                         |          |                |                |
| Unsecured Loans                            | 3        | 5.1            | 13.0           |
|  |          | 5.1            | 13.0           |
| <b>Total</b>                               |          | <b>3,039.1</b> | <b>2,777.0</b> |
| <b>APPLICATION OF FUNDS</b>                |          |                |                |
| <b>Fixed Assets:</b>                       |          |                |                |
| Gross Block                                |          | 3,265.9        | 2,813.5        |
| Less: Depreciation                         |          | 2,270.9        | 2,174.5        |
| Net Block                                  | 4        | 995.0          | 639.0          |
| Capital Work-in-Progress                   |          | 49.9           | 65.9           |
|  |          | 1,044.9        | 704.9          |
| <b>Investments</b>                         | 5        | <b>119.0</b>   | 29.5           |
| <b>Deferred Tax Assets (net)</b>           | 6        | <b>19.9</b>    | 34.7           |
| <b>Current Assets, Loans and Advances:</b> |          |                |                |
| Inventories                                | 7        | 1,152.6        | 1,105.8        |
| Sundry Debtors                             | 8        | 1,450.8        | 1,521.4        |
| Cash and Bank Balances                     | 9        | 24.4           | 9.2            |
| Loans and Advances                         | 10       | 782.6          | 580.5          |
|  |          | 3,410.4        | 3,216.9        |
| Less:                                      |          |                |                |
| <b>Current Liabilities and Provisions:</b> |          |                |                |
| Current Liabilities                        | 11       | 1,259.3        | 926.7          |
| Provisions                                 | 12       | 295.8          | 282.3          |
|  |          | 1,555.1        | 1,209.0        |
| <b>Net Current Assets</b>                  |          | <b>1,855.3</b> | <b>2,007.9</b> |
| <b>Total</b>                               |          | <b>3,039.1</b> | <b>2,777.0</b> |

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

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

As per our report attached

Prasad Chandran  
Chairman & Managing Director

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Pradip P. Shah  
Deepak Thuse  
Directors

For BSR & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 46768

M. R. Iyer  
Company Secretary

Mumbai, 6th June 2007

6th June 2007

## Profit and Loss Account for the year ended March 31, 2007

Rs. in million

|  | Schedule | March 31, 2007 | March 31, 2006 |
|--|----------|----------------|----------------|
| <b>Income:</b>   |          |                |                |
| Sales  | 13       | 8,749.6        | 7,716.4        |
| Less: Excise Duty  |          | 1,064.3        | 890.7          |
|  |          | 7,685.3        | 6,825.7        |
| Other Income   | 14       | 37.1           | 55.3           |
|  |          | 7,722.4        | 6,881.0        |
| <b>Expenditure:</b>  |          |                |                |
| Materials Consumed   | 15       | 4,229.1        | 3,391.2        |
| Purchase of Finished Goods   |          | 711.7          | 818.9          |
| Other Expenses   | 16       | 1,842.5        | 1,599.3        |
| Depreciation   |          | 108.7          | 220.5          |
| Interest   | 17       | 15.1           | 23.6           |
|  |          | 6,907.1        | 6,053.5        |
| Increase/(Decrease) in Stocks  | 18       | (34.3)         | (121.8)        |
| <b>Profit Before Tax</b>   |          | 781.0          | 705.7          |
| <b>Tax</b>   | 19       | 280.1          | 251.6          |
| <b>Profit After Tax</b>  |          | 500.9          | 454.1          |
| Surplus Brought Forward  |          | 225.0          | 193.0          |
| Available for Appropriation  |          | 725.9          | 647.1          |
| <b>Appropriations:</b>   |          |                |                |
| Proposed Dividend  |          | 197.3          | 197.3          |
| Corporate Tax on Dividend  |          | 33.6           | 27.7           |
| General Reserve  |          | 264.0          | 197.1          |
|  |          | 494.9          | 422.1          |
| Balance Carried Forward  |          | 231.0          | 225.0          |
| Weighted average number of equity shares outstanding during the year |          | 28,189,466     | 28,189,466     |
| Basic and diluted earnings per share (in Rs.)                        |          | 17.77          | 16.11          |
| 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 integral part of the Profit and Loss Account.

As per our report attached

For BSR & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 46768

Mumbai, 6th June 2007

Prasad Chandran  
Chairman & Managing Director

M. R. Iyer  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Pradip P. Shah  
Deepak Thuse  
Directors

6th June 2007

## Cash Flow Statement for the year ended March 31, 2007

Rs. in million

|   | March 31, 2007 |         | March 31, 2006 |         |
|---|----------------|---------|----------------|---------|
| <b>A. Cash flow from operating activities</b>               |                |         |                |         |
| Net profit before Tax                                       |                | 781.0   |                | 705.7   |
| Adjustments for:  |                |         |                |         |
| Depreciation  | 108.7          |         | 220.5          |         |
| Interest expense  | 15.1           |         | 23.6           |         |
| Compensation on transfer of Phorate business                | —              |         | (28.8)         |         |
| Compensation on transfer of Textile Dyes business           | —              |         | (1.3)          |         |
| (Profit)/Loss on sale of fixed assets (net)                 | (0.4)          |         | (1.4)          |         |
| Interest income   | (15.2)         |         | (2.8)          |         |
| Unrealised (Gain)/Loss on foreign exchange (net)            | (3.1)          |         | (2.9)          |         |
| Bad debts written off                                       | 3.0            |         | 8.3            |         |
| Provision for Doubtful Debts                                | (9.4)          | 98.7    | 13.8           | 229.0   |
| <b>Operating profit before working capital changes</b>      |                | 879.7   |                | 934.7   |
| (Increase)/Decrease in:                                     |                |         |                |         |
| Trade and Other Receivables                                 | (45.4)         |         | 103.9          |         |
| Inventories   | (46.8)         |         | 92.6           |         |
| Trade and Other Liabilities                                 | 337.0          | 244.8   | (314.2)        | (117.7) |
| <b>Cash generated from operations</b>                       |                | 1,124.5 |                | 817.0   |
| Direct taxes paid (net)                                     |                | (286.7) |                | (283.4) |
| <b>Net cash from operating activities</b>                   |                | 837.8   |                | 533.6   |
| <b>B. Cash flow from investing activities:</b>              |                |         |                |         |
| Acquisition of fixed assets                                 |                | (443.5) |                | (142.8) |
| Realisation on sale of fixed assets                         |                | 2.9     |                | 1.9     |
| Interest received   |                | 15.4    |                | 2.6     |
| Investment in Subsidiary – BASF Polyurethanes India Limited |                | (89.5)  |                | (0.5)   |
| ICD placed with – BASF Polyurethanes India Limited          |                | (60.0)  |                | (100.0) |
| Purchase of Investment                                      |                | —       |                | (29.0)  |
| Proceeds from transfer of Phorate business                  |                | —       |                | 28.8    |
| <b>Net cash used in investing activities</b>                |                | (574.7) |                | (239.0) |
| <b>C. Cash flow from financing activities</b>               |                |         |                |         |
| (Repayment of)/Proceeds from loan funds (net)               |                | (7.7)   |                | (85.9)  |
| Interest paid   |                | (15.2)  |                | (25.2)  |
| Dividend paid   |                | (197.3) |                | (169.1) |
| Tax paid on above dividend                                  |                | (27.7)  |                | (23.7)  |
| <b>Net cash used in financing activities</b>                |                | (247.9) |                | (303.9) |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |                | 15.2    |                | (9.3)   |
| Cash and cash equivalents (opening balance)                 |                | 9.2     |                | 18.5    |
| Cash and cash equivalents (closing balance)                 |                | 24.4    |                | 9.2     |

As per our report attached

For BSR & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 46768

Mumbai, 6th June 2007

Prasad Chandran  
Chairman & Managing Director

M. R. Iyer  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Pradip P. Shah  
Deepak Thuse  
Directors

6th June 2007



## Schedules to Balance Sheet as at March 31, 2007

### 1. Share Capital

Rs. in million

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| <b>Authorised:</b>   |                |                |
| <b>30,000,000</b> (Previous Year – 30,000,000) Equity Shares of Rs. 10/- each  | <b>300.0</b>   | 300.0          |
| <b>Issued:</b>   |                |                |
| <b>28,190,148</b> (Previous Year – 28,190,148) Equity Shares of Rs. 10/- each  | <b>281.9</b>   | 281.9          |
| <b>Subscribed and Paid-up:</b>   |                |                |
| <b>28,189,466</b> (Previous Year – 28,189,466) Equity Shares of Rs. 10/- each fully paid   | <b>281.9</b>   | 281.9          |
| Of the above–  |                |                |
| – <b>700</b> (Previous Year – 700) Equity Shares were allotted as fully paid pursuant to a contract without payment being received in cash and <b>15,771,400</b> (Previous Year – 15,771,400) 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>14,853,020</b> (Previous Year – 14,853,020) Equity Shares are held by BASF AG, the holding company.   |                |                |
|  | <b>281.9</b>   | 281.9          |

### 2. Reserves and Surplus

|                                      | Balance as on April 1, |         | Additions during the year |         | Balance as on March 31, |         |
|--------------------------------------|------------------------|---------|---------------------------|---------|-------------------------|---------|
|                                      | 2006                   | 2005    | 2006-07                   | 2005-06 | 2007                    | 2006    |
| Share Premium Account                | 621.0                  | 621.0   | —                         | —       | 621.0                   | 621.0   |
| General Reserve                      | 1,635.6                | 1,438.5 | 264.0                     | 197.1   | 1,899.6                 | 1,635.6 |
| Amalgamation Reserve                 | 0.5                    | 0.5     | —                         | —       | 0.5                     | 0.5     |
| Surplus as per Profit & Loss Account | 225.0                  | 193.0   | 6.0                       | 32.0    | 231.0                   | 225.0   |
|                                      | <b>2,482.1</b>         | 2,253.0 | <b>270.0</b>              | 229.1   | <b>2,752.1</b>          | 2,482.1 |

### 3. Unsecured Loans

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| Bank Facilities<br>Repayable within one year <b>Rs. 5.1 million</b> (Previous Year Rs. 10.5 million) | <b>5.1</b>     | 10.5           |
| Fixed Deposits<br>Repayable within one year <b>Rs. Nil</b> (Previous Year Rs. 2.3 million)           | —              | 2.3            |
| Interest accrued and due thereon   | —              | 0.2            |
|  | <b>5.1</b>     | 13.0           |

### 4. Fixed Assets

|                                   | Freehold Land | Leasehold Land | Buildings and Ownership Flats* | Plant and Machinery# | Furniture, Fixtures and Equipment | Vehicles | Total   | Previous Year |
|-----------------------------------|---------------|----------------|--------------------------------|----------------------|-----------------------------------|----------|---------|---------------|
| <b>Cost:</b>                      |               |                |                                |                      |                                   |          |         |               |
| As at April 1, 2006               | 18.6          | 55.9           | 485.3                          | 2,138.6              | 102.4                             | 12.7     | 2,813.5 | 2,735.6       |
| Additions                         | —             | —              | 62.8                           | 398.3                | 6.1                               | —        | 467.2   | 90.3          |
| Deductions                        | —             | —              | —                              | 10.6                 | 2.5                               | 1.7      | 14.8    | 12.4          |
| As at March 31, 2007              | 18.6          | 55.9           | 548.1                          | 2,526.3              | 106.0                             | 11.0     | 3,265.9 | 2,813.5       |
| <b>Depreciation:</b>              |               |                |                                |                      |                                   |          |         |               |
| As at April 1, 2006               | —             | 2.1            | 176.0                          | @1,933.4             | 54.3                              | 8.7      | 2,174.5 | 1,965.9       |
| Depreciation for the year         | —             | 0.2            | 19.1                           | 77.8                 | 10.3                              | 1.3      | 108.7   | 220.5         |
| Deductions                        | —             | —              | —                              | 10.1                 | 1.5                               | 0.7      | 12.3    | 11.9          |
| As at March 31, 2007              | —             | 2.3            | 195.1                          | 2,001.1              | 63.1                              | 9.3      | 2,270.9 | 2,174.5       |
| <b>Written Down Value:</b>        |               |                |                                |                      |                                   |          |         |               |
| As at March 31, 2007              | 18.6          | 53.6           | 353.0                          | 525.2                | 42.9                              | 1.7      | 995.0   | 639.0         |
| As at March 31, 2006              | 18.6          | 53.8           | 309.3                          | 205.2                | 48.1                              | 4.0      | 639.0   | 769.7         |
| <b>Capital work in progress**</b> |               |                |                                |                      |                                   |          |         |               |
| As at March 31, 2007              | —             | —              | 19.7                           | 15.2                 | 15.0                              | —        | 49.9    | 65.9          |
| As at March 31, 2006              | —             | —              | 13.2                           | 52.4                 | 0.3                               | —        | 65.9    | 13.6          |

\* 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 advances **Rs. 34.9 million** (Previous Year Rs. 36.2 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.

@ Includes Rs. 70.0 million on account of impairment of assets done in 2001-02.

## Schedules to Balance Sheet as at March 31, 2007

### 5. Investments

Rs. in million

|   | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| <b>(Non-Trade) — Unquoted — Long Term</b>                       |                |                |
| <b>Investment in 100% Subsidiary Company at cost</b>            |                |                |
| BASF Polyurethanes India Limited                                | 90.0           | 0.5            |
| — 9,000,000 Equity shares (Previous Year 50,000) of Rs. 10 each |                |                |
| <b>Other Investments</b>  |                |                |
| National Bank for Agriculture & Rural Development               | 29.0           | 29.0           |
| — 2900 Bonds (Previous Year — 2900 ) of Rs. 10000 each          |                |                |
|   | <b>119.0</b>   | <b>29.5</b>    |

### 6. Deferred Tax Assets/(Liabilities) — net

|                          | March 31, 2007 | March 31, 2006 |
|--------------------------|----------------|----------------|
| (Ref. note 8)            |                |                |
| Deferred tax assets      | 60.0           | 55.1           |
| Deferred tax liabilities | (40.1)         | (20.4)         |
|                          | <b>19.9</b>    | <b>34.7</b>    |

### 7. Inventories

|                        | March 31, 2007 | March 31, 2006 |
|------------------------|----------------|----------------|
| Raw Materials          | 558.8          | 472.5          |
| Finished Goods         | 527.4          | 567.5          |
| Stock-in-Process       | 28.2           | 22.4           |
| Packing Materials      | 33.7           | 28.6           |
| Stores and Spare Parts | 4.5            | 14.8           |
|                        | <b>1,152.6</b> | <b>1,105.8</b> |

### 8. Sundry Debtors — (Unsecured)

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| Considered good  |                |                |
| Over 6 months  | 10.6           | 22.1           |
| Others   | 1,440.2        | 1,499.3        |
|  | <b>1,450.8</b> | <b>1,521.4</b> |
| Considered doubtful  |                |                |
| Over 6 months  | 102.9          | 112.3          |
| Others   | —              | —              |
|  | <b>102.9</b>   | <b>112.3</b>   |
|  | <b>1,553.7</b> | <b>1,633.7</b> |
| Less: Provision for doubtful debts                             | 102.9          | 112.3          |
|  | <b>1,450.8</b> | <b>1,521.4</b> |
| (Ref. note 10 — Dues from companies under the same management) |                |                |

## Schedules to Balance Sheet as at March 31, 2007

### 9. Cash and Bank Balances

Rs. in million

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| Cash on hand   | 0.4            | 0.3            |
| Balances with Scheduled Banks:   |                |                |
| — In Current Accounts  | 22.5           | 7.5            |
| — In Deposit Accounts  | 1.3            | 1.3            |
| Balances with Non-Scheduled Banks:   |                |                |
| — In current account with The Municipal Co-operative Bank Limited, Mumbai [Maximum balance during the year <b>Rs. 0.3 million</b> (Previous Year Rs. 0.2 million)] | 0.2            | 0.1            |
|  | <b>24.4</b>    | 9.2            |

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

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| Advances recoverable in cash or in kind or for value to be received<br>Includes due from<br>— Directors <b>Rs. 0.85 million</b> (Previous Year Rs. 0.93 million)<br>Maximum amount during the year <b>Rs. 0.93 million</b><br>(Previous Year Rs. 3.9 million)<br>representing loans together with accrued interest. In the case of Directors,<br>it represents loans given to them before they became Directors. | 520.5          | 396.2          |
| Loan to wholly owned subsidiary — BASF Polyurethanes India Limited<br>— Maximum amount during the year <b>Rs. 300.0 million</b><br>(Previous Year Rs 100.0 million)  | 160.0          | 100.0          |
| Interest accrued on loan to subsidiary — not due   | —              | 0.2            |
| Duty Drawback  | 5.8            | 9.7            |
| Balances with Excise authorities   | 1.7            | 1.2            |
| Income Tax (Net of Provisions)   | 94.6           | 73.2           |
|  | <b>782.6</b>   | 580.5          |

### 11. Current Liabilities

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| Acceptances  | 4.2            | 3.3            |
| Sundry Creditors   |                |                |
| — Small Scale Industrial Undertakings (Ref. note 9)  | 18.3           | 16.4           |
| — Others   | 1,103.7        | 771.5          |
| Deposits   | 111.4          | 112.7          |
| Unclaimed Dividend*  | 3.9            | 3.8            |
| Unclaimed matured fixed deposits*  | 1.2            | 1.6            |
| Unclaimed Interest warrants*   | 0.7            | 0.9            |
| * (There are no amounts due and outstanding to be credited to<br>Investor Education and Protection fund) |                |                |
| Interest accrued but not due   | 1.4            | 1.3            |
| Other Liabilities  | 14.5           | 15.2           |
|  | <b>1,259.3</b> | 926.7          |

### 12. Provisions

|                                | March 31, 2007 | March 31, 2006 |
|--------------------------------|----------------|----------------|
| Proposed Dividend              | 197.3          | 197.3          |
| Corporate Tax on Dividend      | 33.6           | 27.7           |
| Provision for Leave Encashment | 64.9           | 57.3           |
|                                | <b>295.8</b>   | 282.3          |



Mumbai was host to the Regional Asia Pacific Process Safety Working Group meeting. The meetings are a good platform to share best practices across the region and to set Environment, Health and Safety targets.

## Schedules to Profit & Loss account for the year ended March 31, 2007

### 13. Sales

Rs. in million

|                                     | March 31, 2007 | March 31, 2006 |
|-------------------------------------|----------------|----------------|
| Sale of Goods                       | 8,381.5        | 7,342.8        |
| Indent Commission/Technical Charges | 368.1          | 373.6          |
|                                     | 8,749.6        | 7,716.4        |

### 14. Other Income

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| Interest (Gross)   |                |                |
| — Delayed Payment Charges  | 5.2            | 5.2            |
| — Others   | 4.5            | 6.8            |
| Tax deducted at source <b>Rs. 2.0 million</b><br>(Previous Year Rs. 1.9 million) |                |                |
| Interest on loan to subsidiary   | 12.7           | 1.3            |
| Tax deducted at source <b>Rs. 2.6 million</b><br>(Previous Year Rs. 0.3 million) |                |                |
| Interest on Investments (Gross) — Non-Trade and Long Term                        | 1.6            | —              |
| Tax deducted at source <b>Rs. Nil</b> (Previous Year Rs. Nil)                    |                |                |
| Compensation on transfer of Phorate business (Ref. Note 11)                      | —              | 28.8           |
| Compensation on transfer of Textile Dyes business                                | —              | 1.3            |
| Profit on sale of Fixed Assets (net)   | 0.4            | 1.4            |
| Discount   | 3.3            | 1.7            |
| Sale of Scrap  | 9.1            | 6.4            |
| Sundries   | 0.3            | 2.4            |
|  | 37.1           | 55.3           |

### 15. Materials consumed

|                       | March 31, 2007 | March 31, 2006 |
|-----------------------|----------------|----------------|
| Raw Materials:        |                |                |
| Stock at Commencement | 472.5          | 444.6          |
| Purchases             | 4,115.4        | 3,270.4        |
| Stock at Close        | (558.8)        | (472.5)        |
|                       | 4,029.1        | 3,242.5        |
| Packing Materials     | 200.0          | 148.7          |
|                       | 4,229.1        | 3,391.2        |

## Schedules to Profit & Loss account for the year ended March 31, 2007

### 16. Other Expenses

Rs. in million

|   | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| Salaries, Wages, Bonus and Commission     | 514.2          | 441.1          |
| Workmen and Staff Welfare                 | 86.4           | 73.2           |
| Contribution to Provident and Other Funds | 83.5           | 57.2           |
| Consumption of Stores and Spare Parts     | 40.7           | 31.3           |
| Power and Fuel                            | 221.9          | 189.0          |
| Rent (Ref. note 7(b))                     | 92.4           | 76.1           |
| Rates and Taxes — Excise Duty             | (9.5)          | (4.0)          |
| — Others                                  | 3.5            | 2.5            |
| Repairs — Machinery                       | 25.5           | 18.7           |
| — Buildings                               | 11.8           | 9.5            |
| — Others                                  | 18.6           | 18.7           |
| Insurance                                 | 24.2           | 23.9           |
| Bad Debts Written Off                     | 3.0            | 8.3            |
| Provision for Doubtful Debts              | (9.4)          | 13.8           |
| Service Fees                              | 64.9           | 63.9           |
| Travelling                                | 102.3          | 92.7           |
| Freight and Handling Charges              | 201.2          | 177.0          |
| Communication/ System Expenses            | 61.2           | 60.2           |
| Royalty                                   | 9.4            | 19.2           |
| Voluntary Retirement Scheme (Ref. note 4) | 39.2           | —              |
| Sundry Expenses                           | 257.5          | 227.0          |
|   | 1,842.5        | 1,599.3        |

### 17. Interest

|                                  | March 31, 2007 | March 31, 2006 |
|----------------------------------|----------------|----------------|
| On Fixed Deposits and Term Loans | 1.0            | 0.8            |
| On Others                        | 14.1           | 22.8           |
|                                  | 15.1           | 23.6           |

### 18. Increase/(Decrease) in Stocks

|                                   | March 31, 2007 | March 31, 2006 |
|-----------------------------------|----------------|----------------|
| Stock at Close                    |                |                |
| Finished Goods                    | 527.4          | 567.5          |
| Stock-in-Process                  | 28.2           | 22.4           |
| Sub-total                         | 555.6          | 589.9          |
| Stock at commencement             |                |                |
| Finished Goods                    | (567.5)        | (685.5)        |
| Stock-in-Process                  | (22.4)         | (26.2)         |
| Sub-total                         | (589.9)        | (711.7)        |
| Net increase/(decrease) in stocks | (34.3)         | (121.8)        |

### 19. Tax

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| Current Tax Expense (includes wealth tax <b>Rs. 2.0 million</b> Previous year Rs. 2.0 million) | 250.3          | 272.3          |
| Deferred Tax Charge/(Credit)   | 14.8           | (42.4)         |
| Fringe Benefit Tax   | 15.0           | 21.7           |
|  | 280.1          | 251.6          |

## 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 accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956. 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 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 or when the services are provided. Sales include excise duty but exclude trade discounts, rebates and sales tax. Interest on investments is booked on a time proportion basis taking into account the amounts invested and the rate of interest.

#### (d) Fixed Assets

Fixed Assets are recorded at cost net of Cenvat credit wherever eligible. Cost includes all expenses and interest attributable to the project till the date of commissioning. Impairment is done when the carrying amount of the asset exceeds its recoverable amount. Impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

#### (e) Depreciation

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

|                                   |   |         |
|-----------------------------------|---|---------|
| Factory Buildings                 | — | 3.34%   |
| Residential Flats                 | — | 5.00%   |
| Plant & Machinery                 | — | 10.34%  |
| Computers                         | — | 25.00%  |
| Vehicles                          | — | 25.00%  |
| Furniture, Fixtures & Equipment   | — | 12.50%  |
| Assets 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 is amortised over the period of lease.

#### (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

Current investments are valued at lower of cost and fair value. Long-term investments are stated at cost less provision, if any, for permanent diminution in value.

#### (h) Inventories

Inventories are valued at cost or 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. In the case of forward exchange contracts, the premium or discount arising at the 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 have been recognised in the Profit and Loss Account or adjusted in the value of fixed assets as applicable.

#### (j) Employee Benefits

Contribution to Provident Fund, Family Pension Fund and Superannuation Fund are provided on accrual basis. Contribution to Gratuity Fund and provision for leave encashment liability are based on actuarial valuation.

#### (k) Assets taken on lease

Lease rentals payable as per agreements on vehicles and other assets are charged as expenditure on Straight Line basis over the lease term.

#### (l) Deferred Revenue Expenditure

Compensation to employees under Voluntary Retirement Scheme is written off over a period of 36 months from the month of incurrence.

(m) **Taxes on Income**

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

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.

(n) **Fringe benefit tax**

Provision for fringe benefit tax (FBT) has been recognised on the basis of harmonious contextual interpretation of the provisions of Income Tax Act, 1961.

(o) **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 since this may result in the recognition of income that may never be realised.

(p) **Research & Development Expenditure**

Revenue expenditure on research & development is charged against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

(q) **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. Contingent Liabilities not provided for:

- (a) Claims against the Company not acknowledged as debts: **Rs. 264.7 Mio.** (Previous Year Rs. 264.8 Mio.) in respect of which the Company has counter claims of **Rs. 434.7 Mio.** (Previous Year Rs. 434.7 Mio.).

The Company is a party to various legal proceedings in the normal course of business, including one proceeding concerning acquisition of office premises. The Company does not expect the outcome of these proceedings to have a material adverse effect on the Company's financial conditions, results of operations or cash flows.

- (b) Demands for taxes and duties in respect of which the Company has preferred appeals with appropriate authorities

- a. Income tax : **Rs. 58.6 Mio.** (Previous Year Rs. 39.9 Mio.)  
b. Others : **Rs. 4.5 Mio.** (Previous Year Rs. 5.8 Mio.)

3. Estimated amount of contracts remaining to be executed on capital account and not provided for **Rs. 100.9 Mio.** (Previous Year Rs. 145.6 Mio.).

4. The Company has incurred an expenditure of **Rs. 39.2 Mio.** under a Voluntary Retirement Scheme (VRS). As stated in Accounting Policies as per Schedule 20(1)(l), the compensation paid to employees under VRS is written off over a period of 36 months from the month of incurrence. However, during the current year, the management on a conservative basis, has decided to write off the entire amount incurred during the year. Had the Company followed its usual accounting policy of amortising the VRS expense over a period of 36 months from the month of incurrence, the profit before tax for the year ended 31st March 2007 and the miscellaneous expenditure (to the extent not written off or adjusted) as at 31st March 2007 would have been higher by **Rs. 34.9 Mio.**

5. The exchange loss of **Rs. 16.9 Mio.** (Previous Year loss of Rs. 4.7 Mio.) has been included in the Profit and Loss Account for the year.

6. Expenditure on Research and Development charged to Profit and Loss Account **Rs. 48.4 Mio.** (Previous Year Rs. 37.0 Mio.).

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

- (a) Total minimum lease payments in this respect are as follows:

|   | <b>Rs. Mio.</b> |                |
|---|-----------------|----------------|
|   | <b>2006-07</b>  | <b>2005-06</b> |
| Due   |                 |                |
| Not later than one year                           | <b>15.5</b>     | 14.0           |
| Later than one year but not later than five years | <b>27.1</b>     | 32.6           |
| Later than five years                             | <b>2.6</b>      | 3.2            |
| <b>Total</b>                                      | <b>45.2</b>     | 49.8           |

- (b) Lease rent of **Rs. 21.8 Mio.** (Previous Year Rs. 16.2 Mio.) has been included under 'Rent' in the Profit and Loss Account.

## 8. Deferred Tax:

The break up of Deferred Tax Assets/(Liabilities) as at March 31, 2007 is as under:

Rs. Mio.

|  | 2006-07       | 2005-06       |
|--|---------------|---------------|
| <b>Deferred Tax Assets</b>                     |               |               |
| Timing differences on account of:              |               |               |
| Provision for doubtful debts                   | 35.0          | 37.8          |
| Expenditure under Voluntary Retirement Scheme  | 11.6          | 6.8           |
| Others   | 13.4          | 10.5          |
| <b>Total Deferred Tax Assets</b>               | <b>60.0</b>   | <b>55.1</b>   |
| <b>Deferred Tax Liabilities</b>                |               |               |
| Timing difference on account of:               |               |               |
| Fixed Assets                                   | (40.1)        | (20.4)        |
| <b>Total Deferred Tax Liabilities</b>          | <b>(40.1)</b> | <b>(20.4)</b> |
| <b>Deferred Tax Assets/(Liabilities) – Net</b> | <b>19.9</b>   | <b>34.7</b>   |

9. Sundry creditors include **Rs. 9.4 Mio.** (Previous Year Rs. 6.4 Mio.) due to small scale industrial undertakings (as given below) where amounts are outstanding for more than 30 days.

Act Infraport Ltd., Asian Oil Company, Bharat Tin Works, Chemox Industrial Corporation, Cosmo Plast Fabricators, Himalaya Terpenes Pvt. Ltd., Indo Borax & Chemicals Limited, Joss Enterprises, New Alliance Dye Chem Pvt. Ltd., Pragji Gopalji & Sons, Prefect Packaging, Purab Printers, R S B Chemical Industries, Rachna Plasticizers, Urvashi Chemical Agencies, Rajyog Industries, Tasc Chemical Industries Pvt. Ltd., Nirja Chem, Sohan Dye Chem Pvt. Ltd., United Clearing & Forwarding Pvt. Ltd., Surya Plast Industries, Maruti Dal Mill.

As per the terms of contract, the credit period is generally up to 60 days.

Dues to micro, small & medium – scale enterprises **Rs. Nil.**

The above information regarding small-scale industrial undertakings, micro, small & medium – scale enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

10. Sundry debtors, considered good, include the following amounts due from companies under the same management:

Rs. Mio.

|  | 2006-07     | 2005-06     |
|--|-------------|-------------|
| BASF Construction Chemicals (India) Private Ltd. | 22.0        | —           |
| BASF Coatings (India) Private Ltd.               | 17.2        | —           |
| BASF Polyurethanes India Ltd.                    | 13.3        | —           |
| BASF Aktiengesellschaft                          | 7.3         | 3.0         |
| BASF Asia Pacific Service Centre Sdn. Bhd.       | 3.2         | 2.8         |
| BASF Auxiliary Chemicals Co. Ltd.                | 1.2         | 0.2         |
| BASF China Limited                               | 1.1         | 1.1         |
| BASF Japan Ltd. (BJL)                            | 0.4         | 0.4         |
| BASF Polyurethanes (Taiwan) Co. Ltd.             | 0.6         | —           |
| BASF JCIC Neopentylglycol Co. Ltd.               | 0.6         | 0.6         |
| BASF-Finlay (Private) Limited                    | 0.6         | 0.2         |
| BASF (Thai) Ltd.                                 | 0.5         | 0.2         |
| BASF East Asia Regional Headquarters Limited     | 0.5         | 0.8         |
| BASF Company Ltd.                                | 0.1         | 19.9        |
| BASF Agro B.V. Arnhem (NI)                       | —           | 4.3         |
| BASF Polyurethanes (Malaysia) Sdn. Bhd.          | —           | 0.1         |
| BASF Corporation                                 | —           | 1.0         |
| P.T. BASF Indonesia                              | —           | 0.3         |
| BASF Chemtrade Gesellschaft MBH                  | —           | 0.1         |
| Elastogran Italia Spa (Elit)                     | —           | 2.5         |
| BASF Philippines, Inc.                           | —           | 0.4         |
| BASF Tuerk Kimya Sanayi Ve Ticaret Ltd. Sti.     | —           | 0.3         |
| <b>Total</b>                                     | <b>68.6</b> | <b>38.2</b> |



11. During the previous year, in line with the global divestiture of Phorate activity, assets relating to this product were transferred to AMVAC Chemical Corporation on October 31, 2005 for a consideration of Rs. 28.8 Mio.
12. A wholly-owned subsidiary of the Company, BASF Polyurethanes India Ltd. (BPIL) was incorporated on April 06, 2005. BPIL has set up the system house at Turbhe for manufacture of Polyurethane Products and commenced the manufacturing activity during the year. The business of the company relating to Polyurethane Products has been transferred at book values for a consideration of Rs.165.2 Mio. with effect from 1st July 2006 on a going concern basis. The consideration includes value for Fixed assets (gross block Rs. 0.6 Mio., net block Rs. 0.4 Mio.) and Current assets comprising of Inventories (Rs. 60.3 Mio.) and Sundry debtors (Gross Debts Rs. 115.0 Mio., Net debts Rs. 104.5 Mio.).
13. Managerial Remuneration under Section 198 of the Companies Act, 1956, (excluding provision for contribution to Gratuity Fund and Group Insurance) is **Rs. 31.1 Mio.** (Previous Year Rs. 21.1 Mio.).

**Rs. Mio.**

|  | 2006-07     | 2005-06 |
|--|-------------|---------|
| Salaries   | 21.1        | 14.1    |
| Contribution to Provident and Superannuation Funds | 3.2         | 2.1     |
| Monetary Value of other perquisites                | 4.8         | 3.3     |
| Commission to non-whole time directors             | 2.0         | 1.6     |
| <b>Total</b>                                       | <b>31.1</b> | 21.1    |

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

**Rs. Mio.**

|   | 2006-07      | 2005-06 |
|---|--------------|---------|
| Profit before Tax   | 781.0        | 705.7   |
| <i>Add:</i> Provision for doubtful debts                                      | —            | 13.8    |
| Managerial remuneration   | 31.1         | 21.1    |
|   | <b>31.1</b>  | 34.9    |
| <i>Less:</i> Profit on sale of assets   | 0.4          | 1.4     |
| Provision for doubtful debts  | 9.4          | —       |
| Compensation on Transfer of Phorate Business                                  | —            | 28.8    |
| Compensation on transfer of Textile Dyes business                             | —            | 1.3     |
|   | <b>9.8</b>   | 31.5    |
| Net profit u/s 349 for the purpose of Directors' Commission                   | <b>802.3</b> | 709.1   |
| Maximum remuneration permissible to whole-time directors under the Act at 10% | <b>80.2</b>  | 70.9    |
| Commission payable to non-whole time directors at 1%                          | <b>8.0</b>   | 7.1     |
| Commission restricted as determined by the Board of Directors                 | <b>2.0</b>   | 1.6     |

15. Auditors' Remuneration:

**Rs. Mio.**

|   | 2006-07    | 2005-06 |
|---|------------|---------|
| As Auditors                                     | 3.2        | 3.0     |
| In other capacity (tax audit and certification) | 0.8        | 1.6     |
| Reimbursement of out of pocket expenses         | 0.2        | 0.2     |
| <b>Total</b>                                    | <b>4.2</b> | 4.8     |

16. Segment Information for the year ended March 31, 2007:

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

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

Rs. Mio.

|   | Agricultural Products & Nutrition | Performance Products | Plastics       | Chemicals    | Others      | Un-allocated   | Total          |
|---|-----------------------------------|----------------------|----------------|--------------|-------------|----------------|----------------|
| Segment Revenue   | <b>2,236.3</b>                    | <b>4,576.9</b>       | <b>1,544.4</b> | <b>327.9</b> | <b>64.1</b> | —              | <b>8,749.6</b> |
|   | 1,926.9                           | 3,835.5              | 1,632.0        | 273.4        | 48.6        | —              | 7,716.4        |
| Less : Inter-segment revenue                              | —                                 | —                    | —              | —            | —           | —              | —              |
| <b>Sales/ Income from operations</b>                      | <b>2,236.3</b>                    | <b>4,576.9</b>       | <b>1,544.4</b> | <b>327.9</b> | <b>64.1</b> | —              | <b>8,749.6</b> |
|   | 1,926.9                           | 3,835.5              | 1,632.0        | 273.4        | 48.6        | —              | 7,716.4        |
| <b>Segment Result</b>                                     | <b>364.1</b>                      | <b>455.7</b>         | <b>128.7</b>   | <b>93.7</b>  | <b>3.6</b>  | —              | <b>1,045.8</b> |
|   | 337.4                             | 390.2                | 157.8          | 104.5        | 12.1        | —              | 1,002.0        |
| Interest Expense  |                                   |                      |                |              |             | <b>15.1</b>    | <b>15.1</b>    |
|   |                                   |                      |                |              |             | 23.6           | 23.6           |
| Interest Income   |                                   |                      |                |              |             | <b>24.0</b>    | <b>24.0</b>    |
|   |                                   |                      |                |              |             | 13.3           | 13.3           |
| Other un-allocable expenditure net of un-allocable income |                                   |                      |                |              |             | <b>273.7</b>   | <b>273.7</b>   |
|   |                                   |                      |                |              |             | 286.0          | 286.0          |
| <b>Profit Before Tax</b>                                  |                                   |                      |                |              |             |                | <b>781.0</b>   |
|   |                                   |                      |                |              |             |                | 705.7          |
| Tax   |                                   |                      |                |              |             | <b>280.1</b>   | <b>280.1</b>   |
|   |                                   |                      |                |              |             | 251.6          | 251.6          |
| <b>Profit After Tax</b>                                   |                                   |                      |                |              |             |                | <b>500.9</b>   |
|   |                                   |                      |                |              |             |                | 454.1          |
| <b>OTHER INFORMATION</b>                                  |                                   |                      |                |              |             |                |                |
| Segment Assets  | <b>528.9</b>                      | <b>2,420.7</b>       | <b>449.2</b>   | <b>71.1</b>  | —           | <b>1,124.3</b> | <b>4,594.2</b> |
|   | 624.2                             | 1,763.0              | 743.4          | 98.6         | 0.2         | 756.6          | 3,986.0        |
| Segment Liabilities                                       | <b>345.3</b>                      | <b>679.7</b>         | <b>237.4</b>   | <b>40.1</b>  | —           | <b>257.7</b>   | <b>1,560.2</b> |
|   | 276.8                             | 441.4                | 219.6          | 23.2         | 0.2         | 260.8          | 1,222.0        |
| Capital Expenditure                                       | <b>3.6</b>                        | <b>376.6</b>         | <b>8.7</b>     | <b>0.2</b>   | —           | <b>62.1</b>    | <b>451.2</b>   |
|   | 7.0                               | 92.4                 | 16.4           | 0.8          | —           | 26.0           | 142.6          |
| Depreciation  | <b>26.7</b>                       | <b>50.3</b>          | <b>9.4</b>     | <b>0.6</b>   | —           | <b>21.7</b>    | <b>108.7</b>   |
|   | 23.5                              | 157.0                | 18.5           | 0.7          | —           | 20.8           | 220.5          |

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

Rs. Mio.

|                     | Domestic       | Exports      | Total          |
|---------------------|----------------|--------------|----------------|
| Revenues            | <b>8,051.1</b> | <b>698.5</b> | <b>8,749.6</b> |
|                     | 7,075.7        | 640.7        | 7,716.4        |
| Total Assets        | <b>4,530.4</b> | <b>63.8</b>  | <b>4,594.2</b> |
|                     | 3,936.9        | 49.1         | 3,986.0        |
| Capital Expenditure | <b>451.2</b>   | —            | <b>451.2</b>   |
|                     | 142.6          | —            | 142.6          |

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 Products & Nutrition** – Agrochemicals like pesticides and herbicides and high-value fine chemicals for the food, pharmaceuticals, animal feed and cosmetics industries.
  - **Performance Products** – Tanning agents, Leather Chemicals, Textile Chemicals, Dispersion Chemicals and Speciality Chemicals.
  - **Plastics** – Expandable Polystyrene (EPS), engineering plastics and polyurethane business.
  - **Chemicals** – Chemicals includes inorganic chemicals, intermediates and Petrochemicals.
  - **Others** – Indent Commission income not relating to any of the above segments and other recoveries.

3. Un-allocable Corporate Assets include Administration Assets, Investments and Net Deferred Tax Assets.
4. Un-allocable Corporate Liabilities include Secured and Unsecured Loans, Net Deferred Tax Liabilities, 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/<br>Purchases<br>Quantity | Stock at<br>Commencement<br>Quantity | Stock at<br>Close<br>Quantity |
|---|---------------------------|----------------|-------------------------|--------------------------------------|--------------------------------------|-------------------------------|
|   |                           | Licensed       | Installed               |                                      |                                      |                               |
| <b>(a) Manufactured goods:</b>  |                           |                |                         |                                      |                                      |                               |
| Expandable Polystyrene (Styropor)   | M.T.                      | ***            | <b>20,000</b><br>20,000 | <b>16,277</b><br>15,324              | <b>171</b><br>19                     | <b>170</b><br>171             |
| Leather Auxiliaries (Organic Chemicals)   | M.T.                      | ***            | <b>15,000</b><br>15,000 | <b>11,943</b><br>10,288              | <b>614</b><br>883                    | <b>791</b><br>614             |
| Leather Auxiliaries, Finishing Agents and Pigments  | M.T.                      | ***            | <b>7,350</b><br>7,350   | <b>7,067</b><br>6,362                | <b>810</b><br>808                    | <b>698</b><br>810             |
| Leather Chemicals and Auxiliaries including Metal Complex Dyes & Acrylic Polymers and Carboxylated Styrene Butadiene Lattices | M.T.                      | ***            | <b>67,225</b><br>22,225 | <b>22,653</b><br>21,903              | <b>677</b><br><b>1,064</b>           | <b>1,575</b><br>677           |
| Pesticides  |                           |                |                         |                                      |                                      |                               |
| – Basic Production  | M.T.                      | ***            | **<br>1,670             | <b>668</b><br>728                    | <b>43</b><br>106                     | <b>19</b><br>43               |
| – Formulation   | M.T.                      |                | *                       | <b>1,603</b><br>1,774                | <b>240</b><br>178                    | <b>129</b><br>240             |
|   | K.L.                      |                | *                       | <b>4,514</b><br>3,599                | <b>1,313</b><br>1,256                | <b>525</b><br>1,313           |
| <b>(b) Traded Goods:</b>  |                           |                |                         |                                      |                                      |                               |
| Agro and Other Chemicals  | M.T./K.L.                 | Not Applicable |                         | <b>7,820</b><br>12,687               | <b>2,078</b><br>2,127                | <b>1,714</b><br>2,078         |
| Value of Purchases – <b>Rs. 711.7 Mio.</b> (Previous year Rs. 818.9 Mio.)   |                           |                |                         |                                      |                                      |                               |

\* The capacity varies depending upon the product mix.

\*\* Production activity of agrochemicals at Thane site discontinued during the year.

\*\*\* Delicensed vide Gazette Notification No. S.O.477(E) dated 25.07.91.

Notes:

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

|               | 2006-07      | 2005-06 |
|---------------|--------------|---------|
| Closing Stock | <b>527.4</b> | 567.5   |
| Opening Stock | <b>567.5</b> | 685.5   |

- (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 and the figures of stocks are after adjustment of shortages/excesses.
- (d) The Company has licenses to manufacture 300 M.T. of Expanded Polystyrene (Thermocole) and 200 M.T. of Dimethoate.
- (e) The Department of Company Affairs, Government of India vide its Order No.46/109/2007-CL-III dated May 29, 2007 issued under Section 211(4) of the Companies Act, 1956 has exempted the Company from disclosure of quantitative details relating to turnover in the Profit and Loss Account under para 3(i)(a) of Part-II, Schedule VI to the Companies Act, 1956.

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

(a) **Raw Materials:**

|            | 2006-07 |          | 2005-06 |          |
|------------|---------|----------|---------|----------|
|            | %       | Rs. Mio. | %       | Rs. Mio. |
| Imported   | 64.4    | 2,593.4  | 63.3    | 2,052.8  |
| Indigenous | 35.6    | 1,435.7  | 36.7    | 1,189.7  |
|            | 100.0   | 4,029.1  | 100.0   | 3,242.5  |

Note:

The Department of Company Affairs, Government of India vide its Order No.46/109/2007-CL-III dated May 29, 2007 issued under Section 211(4) of the Companies Act, 1956 has exempted the Company from disclosure of quantitative details relating to consumption of raw materials in the Profit and Loss Account under para 3(ii)(a)(1) of Part-II, Schedule VI to the Companies Act, 1956.

(b) **Components and Spare Parts:**

|            | 2006-07 |          | 2005-06 |          |
|------------|---------|----------|---------|----------|
|            | %       | Rs. Mio. | %       | Rs. Mio. |
| Imported   | —       | —        | —       | —        |
| Indigenous | 100.0   | 40.7     | 100.0   | 31.3     |
|            | 100.0   | 40.7     | 100.0   | 31.3     |

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

Rs. Mio.

|                | 2006-07 | 2005-06 |
|----------------|---------|---------|
| Raw Materials  | 2,047.0 | 1,656.9 |
| Capital Goods  | 104.2   | 3.0     |
| Finished Goods | 602.0   | 508.9   |
|                | 2,753.2 | 2,168.8 |

20. Expenses in foreign currencies during the year:

Rs. Mio.

|   | 2006-07 | 2005-06 |
|---|---------|---------|
| Royalty (net of tax)                        | 8.1     | 17.6    |
| Communication/ System Expenses (net of tax) | 51.1    | 49.6    |
| Foreign Travel                              | 10.9    | 9.9     |
| Interest (net of tax)                       | —       | 0.7     |
| Commission                                  | 14.5    | 9.6     |
| Consultancy charges                         | 5.4     | 3.3     |
| Others                                      | 13.1    | 3.2     |
|   | 103.1   | 93.9    |

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

Rs. Mio.

|   | 2006-07    | 2005-06    |
|---|------------|------------|
| <b>Equity Shares:</b>   |            |            |
| Amount remitted (Rs. Mio.)  | 104.0      | 89.1       |
| Number of non-resident shareholders   | 1          | 1          |
| Number of Equity Shares of Rs. 10/- each held by non-resident on which dividends were due | 14,853,020 | 14,853,020 |
| Year to which dividend relates  | 2005-2006  | 2004-2005  |

22. Earnings in foreign currencies during the year:

|  | <b>Rs. Mio.</b> |                |
|--|-----------------|----------------|
|  | <b>2006-07</b>  | <b>2005-06</b> |
| Exports of goods calculated on FOB basis<br>(Excludes Rupee Exports to Nepal & Bhutan –<br><b>Rs. 3.1 Mio.</b> – Previous Year Rs. 5.1 Mio.) | <b>317.0</b>    | 246.9          |
| Indent Commission / Technical Charges  | <b>368.1</b>    | 373.6          |
| Freight and Insurance  | <b>10.3</b>     | 15.1           |
|  | <b>695.4</b>    | 635.6          |

23. **Related Party Disclosures:**

(a) **Parties where control exists**

|                               |  |
|-------------------------------|--|
| BASF Aktiengesellschaft       | Holding Company (holds 52.7% of the equity share capital as on March 31, 2007) |
| BASF Polyurethanes India Ltd. | 100% Subsidiary  |

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

Fellow Subsidiaries

|  |   |
|--|---|
| BASF S.A.  | BASF Espanola, S.L.                         |
| BASF (China) Company Ltd.                        | BASF Japan Ltd. (BJL)                       |
| BASF (Malaysia) Sdn Bhd                          | BASF JCIC Neopentylglycol Co. Ltd.          |
| BASF (Thai) Ltd.                                 | BASF Pakistan (Private) Ltd.                |
| BASF Agro B.V. Arnhem (NI)                       | BASF Petronas Chemicals Sdn. Bhd.           |
| BASF Agro B.V.-Wädenswil Branch                  | BASF Philippines, Inc.                      |
| BASF Asia Pacific Service Centre Sdn .Bhd.       | BASF Polyurethanes (Malaysia) Sdn Bhd       |
| BASF Auxiliary Chemicals Co. Ltd.                | BASF Polyurethanes (Taiwan) Co. Ltd.        |
| BASF Bangladesh Ltd.                             | BASF South East Asia Pte. Ltd.              |
| BASF Chemtrade Gesellschaft MBH                  | BASF Styrenics Private Ltd.*                |
| 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.               | BTC Speciality Chemical Distribution Gmbh   |
| BASF Company Ltd.                                | Elastogran GMBH                             |
| BASF Construction Chemicals (India) Private Ltd. | Elastogran Italia Spa (Elit)                |
| BASF Corporation                                 | K+S Aktiengesellschaft                      |
| BASF Curtex S.A.                                 | P.T. BASF Indonesia                         |
| BASF East Asia Regional Headquarters Limited     |   |

\* Group company 100% held by BASF Styrenics Holding Company, Mauritius which is 100% held by BASF AG.

(c) **Key Management Personnel**

**Chairman & Managing Director**

Mr. Prasad Chandran

**Whole-Time Directors**

Mr. S. Ramnath (Alternate to Mr. Boon Yeow Yee)

Dr. Raman Ramachandran (Alternate to Dr. Rainer Diercks)

Mr. Deepak Thuse (Alternate to Dr. Tilman Krauch)

(d) **Relatives of Key Managerial Persons**

N.A.

(e) Details of transactions of Holding Company/Subsidiary and Fellow subsidiaries for the year ended March 31, 2007:

Rs. Mio.

| Nature of Transactions                           | Holding Company/<br>Subsidiary |              | Fellow Subsidiaries |                | Total          |                |
|--|--------------------------------|--------------|---------------------|----------------|----------------|----------------|
|  | 2006-07                        | 2005-06      | 2006-07             | 2005-06        | 2006-07        | 2005-06        |
| <b>Sale of Goods</b>                             |                                |              |                     |                |                |                |
| BASF Aktiengesellschaft                          | 33.5                           | 22.1         | —                   | —              | 33.5           | 22.1           |
| BASF Polyurethanes India Ltd.                    | 2.2                            | —            | —                   | —              | 2.2            | —              |
| BASF South East Asia Pte. Ltd.                   | —                              | —            | 56.1                | 16.0           | 56.1           | 16.0           |
| BASF Coatings (India) Private Ltd.               | —                              | —            | 130.4               | 23.0           | 130.4          | 23.0           |
| BASF Construction Chemicals (India) Private Ltd. | —                              | —            | 63.7                | —              | 63.7           | —              |
| Others   | —                              | —            | 35.5                | 57.2           | 35.5           | 57.2           |
| <b>Sub-Total</b>                                 | <b>35.7</b>                    | <b>22.1</b>  | <b>285.7</b>        | <b>96.2</b>    | <b>321.4</b>   | <b>118.3</b>   |
| <b>Services Rendered</b>                         |                                |              |                     |                |                |                |
| BASF Aktiengesellschaft                          | 104.0                          | 80.2         | —                   | —              | 104.0          | 80.2           |
| BASF Polyurethanes India Ltd.                    | 17.2                           | —            | —                   | —              | 17.2           | —              |
| BASF South East Asia Pte. Ltd.                   | —                              | —            | 206.6               | 205.3          | 206.6          | 205.3          |
| BASF Petronas Chemicals Sdn. Bhd.                | —                              | —            | 46.3                | 38.4           | 46.3           | 38.4           |
| Others   | —                              | —            | 33.1                | 49.7           | 33.1           | 49.7           |
| <b>Sub-Total</b>                                 | <b>121.2</b>                   | <b>80.2</b>  | <b>286.0</b>        | <b>293.4</b>   | <b>407.2</b>   | <b>373.6</b>   |
| <b>Interest Income on Loans</b>                  |                                |              |                     |                |                |                |
| BASF Polyurethanes India Ltd.                    | 12.7                           | 1.3          | —                   | —              | 12.7           | 1.3            |
| <b>Purchase of Goods/Materials</b>               |                                |              |                     |                |                |                |
| BASF Aktiengesellschaft                          | 123.7                          | 50.3         | —                   | —              | 123.7          | 50.3           |
| BASF Polyurethanes India Ltd.                    | 71.7                           | 50.9         | —                   | —              | 71.7           | 50.9           |
| BASF South East Asia Pte. Ltd.                   | —                              | —            | 1,612.6             | 936.8          | 1,612.6        | 936.8          |
| Others   | —                              | —            | 651.7               | 628.6          | 651.7          | 628.6          |
| <b>Sub-Total</b>                                 | <b>195.4</b>                   | <b>101.2</b> | <b>2,264.3</b>      | <b>1,565.4</b> | <b>2,459.7</b> | <b>1,666.6</b> |
| <b>Services Received</b>                         |                                |              |                     |                |                |                |
| BASF Aktiengesellschaft                          | 36.0                           | 7.8          | —                   | —              | 36.0           | 7.8            |
| BASF South East Asia Pte. Ltd.                   | —                              | —            | 63.0                | 50.6           | 63.0           | 50.6           |
| Others   | —                              | —            | 13.5                | 8.5            | 13.5           | 8.5            |
| <b>Sub-Total</b>                                 | <b>36.0</b>                    | <b>7.8</b>   | <b>76.5</b>         | <b>59.1</b>    | <b>112.5</b>   | <b>66.9</b>    |
| <b>Purchase of Assets</b>                        |                                |              |                     |                |                |                |
| BASF Aktiengesellschaft                          | 0.5                            | 0.1          | —                   | —              | 0.5            | 0.1            |
| P.T. BASF Indonesia                              | —                              | —            | —                   | 0.1            | —              | 0.1            |
| <b>Sub-Total</b>                                 | <b>0.5</b>                     | <b>0.1</b>   | <b>—</b>            | <b>0.1</b>     | <b>0.5</b>     | <b>0.2</b>     |
| <b>Royalty and Technical Fees</b>                |                                |              |                     |                |                |                |
| BASF Aktiengesellschaft                          | 9.4                            | 19.2         | —                   | —              | 9.4            | 19.2           |
| <b>Dividend</b>                                  |                                |              |                     |                |                |                |
| BASF Aktiengesellschaft                          | 104.0                          | 89.1         | —                   | —              | 104.0          | 89.1           |
| <b>ICD Placed</b>                                |                                |              |                     |                |                |                |
| BASF Polyurethanes India Ltd.                    | 1,330.0                        | 100.0        | —                   | —              | 1,330.0        | 100.0          |
| <b>Repayment of ICD received</b>                 |                                |              |                     |                |                |                |
| BASF Polyurethanes India Ltd.                    | 1,270.0                        | —            | —                   | —              | 1,270.0        | —              |
| <b>Outstanding</b>                               |                                |              |                     |                |                |                |
| Receivables                                      | 20.6                           | 3.0          | 48.0                | 35.2           | 68.6           | 38.2           |
| Payables   | —                              | 2.0          | 328.5               | 249.7          | 328.5          | 251.7          |
| <b>ICD outstanding</b>                           |                                |              |                     |                |                |                |
| BASF Polyurethanes India Ltd.                    | 160.0                          | 100.0        | —                   | —              | 160.0          | 100.0          |

## (f) Details of transactions of Key Management Personnel and Relatives of Key Management Personnel:

Rs. Mio.

| Nature of Transactions      | Key Management Personnel |         | Relatives of Key Management Personnel |         | Total   |         |
|-----------------------------|--------------------------|---------|---------------------------------------|---------|---------|---------|
|                             | 2006-07                  | 2005-06 | 2006-07                               | 2005-06 | 2006-07 | 2005-06 |
| Interest Income on Loans    | 0.1                      | 0.2     | —                                     | —       | 0.1     | 0.2     |
| Remuneration                | 29.1                     | 19.5    | —                                     | —       | 29.1    | 19.5    |
| Rent Paid                   | —                        | —       | —                                     | 0.8     | —       | 0.8     |
| Outstanding :<br>Receivable | 0.9                      | 0.9     | —                                     | 0.2     | 0.9     | 1.1     |

Details of remuneration to Directors are given in Note 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 31st March 2007, the company has 10 forward contracts totaling to USD 8.4 Mio. **(Rs. 377.6 Mio.)** for the purposes of hedging its foreign exposure. The unamortised premium of Rs. 1.9 Mio. pertaining to the same will be recognised subsequently. There are no open exposures as on that date.
25. The Previous Year's figures have been regrouped and rearranged wherever necessary.
26. The Previous Year's figures have been audited by a firm of Chartered Accountants other than BSR & Co.

Signatures to Schedules 1 to 20

Prasad Chandran  
Chairman & Managing Director

M. R. Iyer  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Pradip P. Shah  
Deepak Thuse  
Directors

Mumbai, 6th June 2007

## Balance Sheet Abstract and General Business Profile

### I. Registration Details :

Registration No. : 3972 State Code : 11  
Balance Sheet Date : 31.03.2007

### 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 : 3,039.1 Total Assets : 3,039.1

#### Sources of Funds :

Paid Up Capital : 281.9 Reserves & Surplus : 2,752.1

Secured Loans : — Unsecured Loans : 5.1

#### Application of Funds :

Net Fixed Assets : 1,044.9 Investments : 119.0

Net Current Assets : 1,855.3 Deferred Tax Assets - Net 19.9

Accumulated Losses: Nil

### IV. Performance of Company :

(Amount in Rs. million)

Turnover (including Other Income) : 7,722.4 Total Expenditure 6,941.4

Profit Before Tax : 781.0 Profit After Tax 500.9

Earning Per Share in Rs. : 17.77 Dividend Rate % 70

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

(As per monetary terms)

#### Item Code No.

(ITC Code)

320210.00

390311.00

380220.90

#### Product Description

Synthetic Tanning Agent

Expandable Polystyrene

Carbendazim

Prasad Chandran  
Chairman & Managing Director

M.R. Iyer  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Pradip P. Shah  
Deepak Thuse  
Directors

Mumbai, 6th June 2007

## Statement pursuant to Section 212 of the Companies Act, 1956

| Name of the Subsidiary Company   | Financial Year ending of the Subsidiary | Number of equity shares held    | Extent of holding | For the Financial Year of the Subsidiary  |   | For the Previous Financial Years since it became a Subsidiary   |   |
|----------------------------------|---|---------------------------------|-------------------|---|---|---|---|
|                                  |   |                                 |                   | Profit/(losses) so far as it concerns the members of the holding Company and not dealt with in the holding Company's accounts | Profit/(losses) so far as it concerns the members of the holding Company and dealt with in the holding Company's accounts | Profit/(losses) so far as it concerns the members of the holding Company and not dealt with in the holding Company's accounts | Profit/(losses) so far as it concerns the members of the holding Company and dealt with in the holding Company's accounts |
|                                  |   |                                 |                   | (Rs. in million)  | (Rs. in million)  | (Rs. in million)  | (Rs. in million)  |
| BASF Polyurethanes India Limited | 31.03.2007                              | 9,000,000 shares of Rs. 10 each | 100%              | 0.7   | —   | 0.3   | —   |

Prasad Chandran  
Chairman & Managing Director

M.R. Iyer  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Pradip P. Shah  
Deepak Thuse  
Directors

Mumbai, 6th June 2007



# Directors' Report

## BASF Polyurethanes India Limited

The Directors have pleasure in presenting their Report for the financial year ended 31st March 2007.

### Activities

The Company commenced commercial production of Polyurethane products from June 2006 at the System House set up at Turbhe, after receipt of the requisite approvals. The Company registered net sales of Rs. 852 million and profit after tax of Rs. 0.66 million.

### Dividend

The Directors do not recommend any dividend on the equity shares for the financial year ended 31st March 2007.

### Capital Expenditure

Capital Expenditure incurred during the year aggregate to Rs. 36.9 million.

### Directors

Mr. K.R. Coorlawala and Mr. Boon Yeow Yee retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### 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' Responsibility Statement

The 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 the Company at the end of the financial year ended 31st March 2007 and of the profits of your Company for that year;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

### Share Capital

During the period under report 89,50,000 equity shares of Rs.10/- each aggregating to Rs. 8,95,00,000/- were issued to the holding Company BASF India Limited.

### Auditors

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

### Particulars of Employees

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report.

Your directors express their sincere appreciation for the dedicated efforts put in by all the employees.

On behalf of the Board of Directors

PRASAD CHANDRAN  
*Chairman & Managing Director*

Mumbai

*Dated: 6th June 2007*

## 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 commenced manufacturing activity from June 2006 and formulated its policy of giving priority to energy conservation measures, including regular review of energy distribution and consumption and effective control on utilization of energy in its facility at Turbhe.

During the year under report, some energy saving initiatives were implemented in the Company's factory at Turbhe, which include:

Reduction in specific power consumption by incorporating the following measures viz;

- Rationalizing process parameters to bring down batch cycle time of production process.
- Maintaining feasible batch size.

The above measures resulted in savings in the total energy consumed.

In addition, the Company plans to implement the following energy conservation measure viz; to carry out feasibility study for:

- o Installation of auto switching system in the plant

Requisite data in respect of Energy Consumption are given below:

|   | During the period<br>22.6.2006 to 31.3.2007 |
|---|---|
| <b>(a) Power &amp; Fuel Consumption</b>       |   |
| 1. Electricity                                |   |
| (a) Purchased                                 |   |
| Units (in '000 kwh)                           | <b>448</b>                                  |
| Total amount (Rs. in '000')                   | <b>2,048</b>                                |
| Rate per unit (Rs.)                           | <b>4.57</b>                                 |
| (b) Own generation                            | <b>NA</b>                                   |
| • Through diesel generator                    |   |
| Units (in '000 kwh)                           |   |
| Units per litre of oil                        |   |
| Cost per unit (Rs.)                           |   |
| • Through Steam Turbine/                      |   |
| Generator units                               |   |
| Units per litre of fuel                       |   |
| oil/gas                                       |   |
| Cost per unit                                 |   |
| 2. Coal (specify quality and where used)      | <b>NA</b>                                   |
| Qty. (tonnes)                                 |   |
| Total cost                                    |   |
| Average rate                                  |   |
| 3. Furnace oil/fuels                          |   |
| Qty. (k.litres)                               | <b>103</b>                                  |
| Total Amount (Rs. in '000')                   | <b>2,225</b>                                |
| Average rate (Rs./litre)                      | <b>21.71</b>                                |
| 4. Others/Internal Generation (Qty.)          | <b>NA</b>                                   |
| Total cost rate/unit                          |   |
| <b>(b) Consumption per unit of production</b> |   |
| Polyurethane's System Products                |   |
| Unit M.T.                                     |   |
| Electricity (kwh)                             | <b>129</b>                                  |
| Furnace oil/fuels(litres)                     | <b>29</b>                                   |
| Coal (specify quality)                        | <b>NA</b>                                   |
| Others (specify)                              | <b>NA</b>                                   |

**B. Technology Absorption  
RESEARCH & DEVELOPMENT (R&D)**

The Company commenced manufacturing activity from June 2006. During the year the Company was engaged in supporting the business by initiating development work in various areas.

1. Specific Areas in which the Company carried out R&D : Not Applicable
2. Benefits derived as a result of the above R&D. : Not Applicable
3. Future plan of action : The Company is considering various options.
4. Expenditure on R&D : NIL

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

The Company commenced its operations from June 2006.

1. Efforts in brief, towards technology absorption, adaptation and innovation : Under process.
2. Benefits derived and results of the above efforts : Not Applicable
3. Imported technology:  
During the year 2006, the Company entered into an agreement with BASF Polyurethane Licensing GmbH, Germany for sourcing the technical know-how in respect of the following products:
  - Polyesters & additives
  - Rigid and flexible polyol formulations

**C. Foreign Exchange Earnings and Outgo**

The particulars with regard to foreign exchange earnings and outgo appear on page 63 of the Annual Report and Accounts.

On behalf of the Board of Directors  
PRASAD CHANDRAN  
Chairman & Managing Director

Mumbai  
Dated: 6th June 2007

## Annexure to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the financial year ended 31st March, 2007

|     | Name of employee  | Designation and Nature of Duties     | Gross Remuneration Rupees | Qualification      | Date of Commencement of employment | Age/ Experience Years | Particulars of last employment, Last employer, Post last held, No. of years         |
|-----|---|--------------------------------------|---------------------------|--------------------|------------------------------------|-----------------------|---|
| (a) | Employed throughout the Financial Year under review and were in receipt of remuneration for the Financial Year in the aggregate of not less than Rs. 24,00,000/-.       |                                      |                           |                    |                                    |                       |   |
|     | Mr Udo Schilling  | General Manager                      | 10,351,055                | Engineer-Chemistry | 01.06.2005                         | 52/30                 | BASF Elastogran GmbH, Lemforde, Manager – Technical Service Marine Applications (1) |
| (b) | Employed for part of the Financial Year under review and were in receipt of remuneration for any part of the year, at a rate of not less than Rs. 2,00,000/- per month. |                                      |                           |                    |                                    |                       |   |
|     | Mr. Gian Luca Celli   | Manager Technical Services, Footwear | 3,848,900                 | Engineer-Chemistry | 15.05.2006                         | 39/14                 | Elastogran Italia spa- technician R&D footwear department (8)                       |

- (i) All appointments are/were contractual and terminable by notice on either side.
- (ii) The employments are subject to the rules and regulations of the Company in force from time to time.
- (iii) Gross remuneration includes Salary, allowances, leave encashment but excludes Medical Expenses and Group Insurance Premium.
- (iv) None of the employees is related to any Director of the Company. None of the employees hold more than 2% of the paid-up equity capital of the Company.

On behalf of the Board of Directors  
PRASAD CHANDRAN  
Chairman & Managing Director

Mumbai  
Dated: 6th June 2007

## Auditors' Report to the Members of BASF Polyurethanes India Limited

We have audited the attached Balance Sheet of BASF Polyurethanes India Limited ('the Company') as at 31 March 2007, 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 as at 31 March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2007 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 2007;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For BSR & Co.  
*Chartered Accountants*  
Akeel Master  
*Partner*  
Membership No: 46768

Mumbai  
Date: 6th June 2007

## Annexure to the Auditors' Report – March 31, 2007

With reference to the annexure referred to in the report of the Auditors to the members of the Company on the financial statements for the year ended 31 March 2007, we report that:

- (i)
  - (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) The Company has not disposed off any fixed assets during the year.
- (ii)
  - (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.
- (iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the register required under Section 301 of the Act. Accordingly, paragraph 4(iii) of the Order is not applicable.

- (iv) In our opinion and according to the information and explanations given to us, 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.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The paid up share capital and reserves as at the commencement of the financial year does not exceed Rupees Fifty lakhs. Accordingly the clause 4(vii) of the Order relating to internal audit system is not applicable to the Company.
- (viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Act for any of the products manufactured/services rendered by the Company.
- (ix) (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, Service tax, Customs duty, Excise duty and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund and Wealth tax.
- 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 yet 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, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2007 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, Service tax, Customs duty and Excise duty which have not been deposited with the appropriate authorities on account of any dispute.
- (x) 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.
- (xi) 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 dues to any financial institutions or any outstanding debentures during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) 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.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) 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.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (xvii) 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.
- (xviii) As stated in paragraph (v) above, there are no companies/firms/parties covered in the register required to be maintained under Section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) 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 BSR & Co.  
Chartered Accountants  
Akeel Master  
Partner  
Membership No: 46768

Mumbai  
Date: 6th June 2007

## Balance Sheet as at March 31, 2007

Rs. in 000's

|  | Schedule | March 31, 2007 | March 31, 2006 |
|--|----------|----------------|----------------|
| <b>SOURCES OF FUNDS</b>                    |          |                |                |
| <b>Shareholders' Funds:</b>                |          |                |                |
| Share Capital                              | 1        | 90,000         | 500            |
| Reserves and Surplus                       | 2        | 977            | 318            |
|  |          | 90,977         | 818            |
| <b>Loan Funds:</b>                         |          |                |                |
| Unsecured Loans                            | 3        | 472,942        | 136,856        |
|  |          | 472,942        | 136,856        |
| <b>Total</b>                               |          | <b>563,919</b> | <b>137,674</b> |
| <b>APPLICATION OF FUNDS</b>                |          |                |                |
| <b>Fixed Assets:</b>                       |          |                |                |
| Gross Block                                |          | 115,977        | 321            |
| Less: Depreciation                         |          | 8,446          | 71             |
| Net Block                                  | 4        | 107,531        | 250            |
| Capital Work-in-Progress                   |          | 381            | 79,118         |
| Expenditure during Construction            | 5        | —              | 16,773         |
|  |          | 107,912        | 96,141         |
| <b>Deferred Tax Assets (net)</b>           | 6        | <b>1,175</b>   | <b>259</b>     |
| <b>Current Assets, Loans and Advances:</b> |          |                |                |
| Inventories                                | 7        | 225,692        | 72,768         |
| Sundry Debtors                             | 8        | 274,023        | 2,041          |
| Cash and Bank Balances                     | 9        | 48,676         | 20,980         |
| Loans and Advances                         | 10       | 73,795         | 29,304         |
|  |          | 622,186        | 125,093        |
| Less:                                      |          |                |                |
| <b>Current Liabilities and Provisions:</b> |          |                |                |
| Current Liabilities                        | 11       | 165,973        | 82,783         |
| Provisions                                 | 12       | 1,381          | 1,036          |
|  |          | 167,354        | 83,819         |
| <b>Net Current Assets</b>                  |          | <b>454,832</b> | <b>41,274</b>  |
| <b>Total</b>                               |          | <b>563,919</b> | <b>137,674</b> |

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

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

As per our report attached

Prasad Chandran  
Chairman & Managing Director

For BSR & Co.  
Chartered Accountants

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Deepak Thuse  
Directors

Akeel Master  
Partner  
Membership No. : 46768

Pradeep Chandan  
Company Secretary

Mumbai, 6th June 2007

6th June 2007

## Profit and Loss Account for the year ended March 31, 2007

Rs. in 000's

|  | Schedule | March 31, 2007 | March 31, 2006 |
|--|----------|----------------|----------------|
| <b>Income:</b>   |          |                |                |
| Sales  | 13       | 891,568        | 50,871         |
| Less: Excise Duty  |          | 39,191         | –              |
|  |          | 852,377        | 50,871         |
| Other Income   | 14       | 794            | –              |
|  |          | 853,171        | 50,871         |
| <b>Expenditure:</b>  |          |                |                |
| Materials Consumed   | 15       | 343,393        | –              |
| Purchase of Finished Goods   |          | 478,456        | 55,435         |
| Other Expenses   | 16       | 112,873        | 1,361          |
| Depreciation   |          | 8,337          | –              |
| Interest   | 17       | 23,876         | –              |
|  |          | 966,935        | 56,796         |
| Increase in Stocks   | 18       | 116,114        | 6,484          |
| <b>Profit Before Tax</b>   |          | 2,350          | 559            |
| <b>Tax</b>   | 19       | 1,691          | 241            |
| <b>Profit After Tax</b>  |          | 659            | 318            |
| Surplus Brought Forward  |          | 318            | –              |
| Balance Carried Forward  |          | 977            | 318            |
| Weighted average number of equity shares outstanding during the year |          | 6,523,425      | 50,000         |
| Basic and diluted earnings per share (in Rs.)                        |          | 0.10           | 6.36           |
| 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 integral part of the Profit and Loss Account.

As per our report attached

Prasad Chandran  
Chairman & Managing Director

For BSR & Co.  
Chartered Accountants

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Deepak Thuse  
Directors

Akeel Master  
Partner  
Membership No. : 46768

Pradeep Chandan  
Company Secretary

Mumbai, 6th June 2007

6th June 2007

## Cash Flow Statement for the year ended March 31, 2007

Rs. in 000's

|   | March 31, 2007 |                  | March 31, 2006 |                 |
|---|----------------|------------------|----------------|-----------------|
| <b>A. Cash flow from operating activities</b>                                 |                |                  |                |                 |
| Net profit before Tax   |                | 2,350            |                | 559             |
| Adjustments for:  |                |                  |                |                 |
| Depreciation  | 8,337          |                  | –              |                 |
| Interest expense  | 23,876         |                  | –              |                 |
| Unrealised (Gain)/Loss on foreign exchange (net)                              | (4,025)        |                  | (2,191)        |                 |
| Provision for Doubtful Debts written back                                     | (500)          | 27,688           | –              | (2,191)         |
| <b>Operating profit before working capital changes</b>                        |                | <b>30,038</b>    |                | <b>(1,632)</b>  |
| (Increase)/Decrease in:   |                |                  |                |                 |
| Trade and Other Receivables   | (311,286)      |                  | (30,047)       |                 |
| Inventories   | (152,924)      |                  | (72,768)       |                 |
| Trade and Other Liabilities   | 84,765         | (379,445)        | 83,776         | (19,039)        |
| <b>Cash used in operations</b>  |                | <b>(349,407)</b> |                | <b>(20,671)</b> |
| Direct taxes paid (net)   |                | (5,787)          |                | (450)           |
| <b>Net cash used in operating activities</b>                                  |                | <b>(355,194)</b> |                | <b>(21,121)</b> |
| <b>B. Cash flow from investing activities:</b>                                |                |                  |                |                 |
| Acquisition of Fixed Assets   |                | (18,730)         |                | (91,139)        |
| <b>Net cash used in investing activities</b>                                  |                | <b>(18,730)</b>  |                | <b>(91,139)</b> |
| <b>C. Cash flow from financing activities</b>                                 |                |                  |                |                 |
| Proceeds from loan funds (net)  |                | 336,086          |                | 136,856         |
| Proceeds from issue of equity shares  |                | 89,500           |                | 500             |
| Interest paid*  |                | (23,966)         |                | (4,116)         |
| <b>Net cash generated from financing activities</b>                           |                | <b>401,620</b>   |                | <b>133,240</b>  |
| <b>Net increase in cash and cash equivalents</b>                              |                | <b>27,696</b>    |                | <b>20,980</b>   |
| Cash and cash equivalents (opening balance)                                   |                | 20,980           |                | –               |
| Cash and cash equivalents (closing balance)                                   |                | <b>48,676</b>    |                | 20,980          |
| * Includes T.Rs. 2,264 (Previous Year T.Rs. 4,116) which has been capitalised |                |                  |                |                 |

As per our report attached

For BSR & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No. : 46768

Mumbai, 6th June 2007

Prasad Chandran  
Chairman & Managing Director

Pradeep Chandan  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Deepak Thuse  
Directors

6th June 2007



## Schedules to Balance Sheet as at March 31, 2007

### 1. Share Capital

Rs. in 000's

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| <b>Authorised:</b><br>15,000,000 (Previous Year – 15,000,000) Equity Shares of Rs.10/- each  | 150,000        | 150,000        |
| <b>Issued:</b><br>9,000,000 (Previous Year – 50,000) Equity Shares of Rs. 10/- each  | 90,000         | 500            |
| <b>Subscribed and Paid-up:</b><br>9,000,000 (Previous Year – 50,000) Equity Shares of Rs. 10/- each fully paid<br>– All the above Equity shares are held by BASF India Limited, the holding Company and its nominees.<br>BASF AG is the ultimate holding company of BASF Polyurethanes India Limited | 90,000         | 500            |
|  | 90,000         | 500            |

### 2. Reserves and Surplus

|                                      | Balance as on April 1, |      | Additions during the year |         | Balance as on March 31, |      |
|--------------------------------------|------------------------|------|---------------------------|---------|-------------------------|------|
|                                      | 2006                   | 2005 | 2006-07                   | 2005-06 | 2007                    | 2006 |
| Surplus as per Profit & Loss Account | 318                    | –    | 659                       | 318     | 977                     | 318  |
|                                      | 318                    | –    | 659                       | 318     | 977                     | 318  |

### 3. Unsecured Loans

|   | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| <b>Term Loan:</b><br>Loan from BASF AG<br>Repayable within one year <b>T.Rs. Nil</b> (Previous Year T.Rs. Nil)<br>Maximum amount outstanding at any time during the year <b>T.Rs. 36,856</b> (Previous Year T.Rs. 36,856) | 34,776         | 36,856         |
| <b>Other Loan:</b><br>Bank Facilities<br>Repayable within one year <b>T.Rs. 278,166</b> (Previous Year T.Rs. Nil)   | 278,166        | –              |
| Loan from BASF India Ltd.<br>Repayable within one year <b>T.Rs. 160,000</b> (Previous Year T.Rs. 100,000)<br>Maximum amount outstanding at any time during the year <b>T.Rs. 300,000</b> (Previous Year T.Rs. 100,000)    | 160,000        | 100,000        |
|   | 472,942        | 136,856        |

## Schedules to Balance Sheet as at March 31, 2007

### 4. Fixed Assets

Rs. in 000's

|                                  | Buildings | Plant and Machinery | Furniture, Fixtures and Equipment | Total    | Previous Year |
|----------------------------------|-----------|---------------------|-----------------------------------|----------|---------------|
| <b>Cost:</b>                     |           |                     |                                   |          |               |
| As at April 1, 2006              | –         | 295                 | 26                                | 321      | –             |
| Additions                        | 21,241    | 93,401**            | 1,014                             | 115,656# | 321           |
| As at March 31, 2007             | 21,241    | 93,696              | 1,040                             | 115,977  | 321           |
| <b>Depreciation:</b>             |           |                     |                                   |          |               |
| As at April 1, 2006              | –         | 59                  | 12                                | 71       | –             |
| Depreciation for the year***     | 675       | 7,608               | 92                                | 8,375    | 71            |
| As at March 31, 2007             | 675       | 7,667               | 104                               | 8,446    | 71            |
| <b>Written Down Value:</b>       |           |                     |                                   |          |               |
| As at March 31, 2007             | 20,566    | 86,029              | 936                               | 107,531  | 250           |
| As at March 31, 2006             | –         | 236                 | 14                                | 250      | –             |
| <b>Capital work in progress*</b> |           |                     |                                   |          |               |
| As at March 31, 2007             | –         | 381                 | –                                 | 381      | 79,118        |
| As at March 31, 2006             | –         | 79,118              | –                                 | 79,118   | –             |

\* Capital Work-in-Progress includes advances T.Rs. 381 (Previous Year T.Rs. 663 ) – considered good.

\*\* Additions include exchange gain of T.Rs. 1,142

\*\*\* Includes T.Rs. 38 (Previous Year T.Rs. 71) of expenditure during construction period. (Ref. Schedule 5)

# Includes T.Rs. 6,380 towards capitalisation of Interest

### 5. Expenditure during Construction

(Refer note 7)

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| <b>(A) Opening Balance</b>                           | 16,773         | –              |
| <b>Expenditure incurred during the year</b>          |                |                |
| (B) Depreciation                                     | 38             | 71             |
| (C) Interest   | 1,378          | 5,002          |
| (D) Other Expenses:                                  |                |                |
| Salaries, Wages, Bonus and Commission                | 2,367          | 6,919          |
| Workmen and Staff Welfare                            | 78             | 182            |
| Contribution to Provident and Other Funds            | 118            | 66             |
| Consumption of Stores and Spare Parts                | 1,437          | 212            |
| Rent   | 703            | 1,924          |
| Repairs – Machinery                                  | 114            | 2              |
| – Buildings  | 119            | –              |
| – Others   | –              | 5              |
| Insurance  | 1              | 2              |
| Travelling   | 684            | 2,321          |
| Freight and Handling Charges                         | –              | 52             |
| Communication/ System Expenses                       | 1              | 70             |
| Sundry Expenses                                      | 180            | 1,087          |
| Total Other Expenses                                 | 5,802          | 12,842         |
| (E) Less: Exchange gain on Foreign currency loan     | –              | 1,142          |
| <b>(F) Net Expenditure during the year (B+C+D-E)</b> | 7,218          | 16,773         |
| <b>Total (A) + (F)</b>                               | 23,991         | 16,773         |
| Amount allocated to Fixed Assets                     | 23,991         | –              |
| <b>Balance Carried forward</b>                       | –              | 16,773         |

## Schedules to Balance Sheet as at March 31, 2007

### 6. Deferred tax Assets/(Liabilities) – net

Rs. in 000's

|                          | March 31, 2007 | March 31, 2006 |
|--------------------------|----------------|----------------|
| (Refer note 4)           |                |                |
| Deferred tax assets      | 3,919          | 315            |
| Deferred tax liabilities | (2,744)        | (56)           |
|                          | 1,175          | 259            |

### 7. Inventories

|                   | March 31, 2007 | March 31, 2006 |
|-------------------|----------------|----------------|
| Raw Materials     | 101,881        | 66,092         |
| Finished Goods    | 119,453        | 6,484          |
| Stock-in-Process  | 3,145          | –              |
| Packing Materials | 1,213          | 192            |
|                   | 225,692        | 72,768         |

### 8. Sundry Debtors – (Unsecured)

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| Considered good  |                |                |
| Over 6 months  | –              | –              |
| Others   | 274,023        | 2,041          |
|  | 274,023        | 2,041          |
| Considered doubtful  |                |                |
| Over 6 months  | 10,000         | –              |
| Others   | –              | –              |
|  | 10,000         | –              |
|  | 284,023        | 2,041          |
| Less : Provision for doubtful debts (Transferred from BASF India Ltd.) | 10,000         | –              |
|  | 274,023        | 2,041          |
| (Ref. note 6 – Dues from companies under the same management)          |                |                |

### 9. Cash and Bank Balances

|                                | March 31, 2007 | March 31, 2006 |
|--------------------------------|----------------|----------------|
| Balances with Scheduled Banks: |                |                |
| – In Current Accounts          | 48,676         | 20,980         |
|                                | 48,676         | 20,980         |

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

|   | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| Advances recoverable in cash or in kind or for value to be received | 67,343         | 29,304         |
| Duty Drawback   | 3,322          | –              |
| Income Tax (Net of Provisions)                                      | 3,130          | –              |
|   | 73,795         | 29,304         |

## Schedules to Balance Sheet as at March 31, 2007

### 11. Current Liabilities

Rs. in 000's

|   | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| Sundry Creditors                                    |                |                |
| – Small Scale Industrial Undertakings (Ref. note 5) | 309            | 74             |
| – Others  | 157,191        | 81,401         |
| Interest accrued but not due                        | 2,174          | 886            |
| Other Liabilities                                   | 6,299          | 422            |
|   | 165,973        | 82,783         |

### 12. Provisions

|                                | March 31, 2007 | March 31, 2006 |
|--------------------------------|----------------|----------------|
| Provision for income tax (net) | –              | 50             |
| Provision for Leave Encashment | 1,381          | 986            |
|                                | 1,381          | 1,036          |

## Schedules to Profit & Loss account for the year ended March 31, 2007

### 13. Sales

|                   | March 31, 2007 | March 31, 2006 |
|-------------------|----------------|----------------|
| Sale of Goods     | 841,528        | 50,871         |
| Indent Commission | 50,040         | –              |
|                   | 891,568        | 50,871         |

### 14. Other Income

|   | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| Interest (Gross)  |                |                |
| – Others  | 10             | –              |
| Tax deducted at source <b>T.Rs. Nil</b> (Previous Year T.Rs. Nil) |                |                |
| Provision for Doubtful Debts written back                         | 500            | –              |
| Sale of Scrap   | 282            | –              |
| Exchange gain on Foreign currency loan                            | –              | 1,142          |
| Sundries  | 2              | –              |
|   | 794            | 1,142          |
| Less : Exchange gain during construction (Ref. Schedule 5)        | –              | 1,142          |
|   | 794            | –              |

### 15. Materials consumed

|                       | March 31, 2007 | March 31, 2006 |
|-----------------------|----------------|----------------|
| Raw Materials :       |                |                |
| Stock at Commencement | 66,092         | –              |
| Purchases             | 364,293        | 66,092         |
| Stock at Close        | (101,881)      | (66,092)       |
|                       | 328,504        | –              |
| Packing Materials     | 14,889         | –              |
|                       | 343,393        | –              |

## Schedules to Profit & Loss account for the year ended March 31, 2007

### 16. Other Expenses

Rs. in 000's

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| Salaries, Wages, Bonus and Commission                    | 24,789         | 6,919          |
| Workmen and Staff Welfare                                | 1,727          | 182            |
| Contribution to Provident and Other Funds                | 2,265          | 66             |
| Directors' Sitting Fees                                  | 150            | 60             |
| Consumption of Stores and Spare Parts                    | 3,044          | 212            |
| Power and Fuel   | 3,784          | –              |
| Rent   | 6,029          | 1,924          |
| Rates and Taxes – Excise Duty                            | 2,804          | –              |
| Repairs – Machinery                                      | 303            | 2              |
| – Buildings  | 195            | –              |
| – Others   | 177            | 5              |
| Insurance  | 1,760          | 2              |
| Service Fees   | 8,235          | –              |
| Travelling   | 5,109          | 2,321          |
| Freight and Handling Charges                             | 26,499         | 52             |
| Professional Services                                    | 18,877         | –              |
| Communication/System Expenses                            | 1,344          | 70             |
| Sundry Expenses  | 11,584         | 2,388          |
|  | 118,675        | 14,203         |
| Less : Expenditure during construction (Ref. Schedule 5) | 5,802          | 12,842         |
|  | 112,873        | 1,361          |

### 17. Interest

|   | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| On Term Loans   | 2,404          | 720            |
| On Others   | 22,850         | 4,282          |
|   | 25,254         | 5,002          |
| Less : Interest during construction (Ref. Schedule 5) | 1,378          | 5,002          |
|   | 23,876         | –              |

### 18. Increase/(Decrease) in Stocks

|                                   | March 31, 2007 | March 31, 2006 |
|-----------------------------------|----------------|----------------|
| Stock at Close                    |                |                |
| Finished Goods                    | 119,453        | 6,484          |
| Stock-in-Process                  | 3,145          | –              |
| Sub-total                         | 122,598        | 6,484          |
| Stock at commencement             |                |                |
| Finished Goods                    | (6,484)        | –              |
| Stock-in-Process                  | –              | –              |
| Sub-total                         | (6,484)        | –              |
| Net increase/(decrease) in stocks | 116,114        | 6,484          |

### 19. Tax

|                     | March 31, 2007 | March 31, 2006 |
|---------------------|----------------|----------------|
| Current Tax Expense | 1,695          | 448            |
| Deferred Tax Credit | (916)          | (259)          |
| Fringe Benefit Tax  | 912            | 52             |
|                     | 1,691          | 241            |

## 20. Accounting Policies and Notes to Accounts

(Amounts are shown in Thousands of Rupees, abbreviated as T.Rs.)

### 1. Accounting Policies

#### (a) Basis of Accounting

The financial statements are prepared under the historical cost convention, on accrual basis, in accordance with accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956. The financial statements are presented in Indian Rupees rounded off to the nearest thousand.

#### (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 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 or when the services are provided. Sales include excise duty but exclude trade discounts, rebates and sales tax. Interest on investments is booked on a time proportion basis taking into account the amounts invested and the rate of interest.

#### (d) Fixed Assets

Fixed Assets are recorded at cost net of Cenvat credit wherever eligible. Cost includes all expenses and interest attributable to the project till the date of commissioning. Impairment is done when the carrying amount of the asset exceeds its recoverable amount. Impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

All expenditure incurred during the project construction period are accumulated and shown as Expenditure during Construction until the assets are ready for commercial use.

#### (e) Depreciation

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

|                                   |   |         |
|-----------------------------------|---|---------|
| Factory Buildings                 | – | 3.34%   |
| Plant & Machinery                 | – | 10.34%  |
| Computers                         | – | 25.00%  |
| Furniture, Fixtures & Equipment   | – | 12.50%  |
| Assets 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 is amortised over the period of lease.

#### (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) Inventories

Inventories are valued at cost or 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.

#### (h) 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. In the case of forward exchange contracts, the premium or discount arising at the 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 have been recognised in the Profit and Loss Account or adjusted in the value of fixed assets as applicable.

(i) **Employee Benefits**

Contribution to Provident Fund, Family Pension Fund and Superannuation Fund are provided on accrual basis. Contribution to Gratuity Fund and provision for leave encashment liability are based on actuarial valuation.

(j) **Taxes on Income**

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

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.

(k) **Fringe benefit tax**

Provision for fringe benefit tax (FBT) has been recognised on the basis of harmonious contextual interpretation of the provisions of Income Tax Act, 1961.

(l) **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 since this may result in the recognition of income that may never be realised.

(m) **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. Estimated amount of contracts remaining to be executed on capital account and not provided for **T.Rs. 818** (Previous Year T.Rs. 4392)

3. The exchange loss of **T.Rs. 3,164** (Previous Year T.Rs. 257) has been included in the Profit and Loss Account for the year.

4. Deferred Tax:

The break up of Deferred Tax Assets / (Liabilities) as at March 31, 2007 is as under:

**T.Rs.**

|  | 2006-07      | 2005-06 |
|--|--------------|---------|
| <b>Deferred Tax Assets</b>                     |              |         |
| Timing differences on account of:              |              |         |
| Provision for doubtful debts                   | 3,399        | –       |
| Preliminary Expenses                           | 318          | 315     |
| Others   | 202          | –       |
| <b>Total Deferred Tax Assets</b>               | <b>3,919</b> | 315     |
| <b>Deferred Tax Liabilities</b>                |              |         |
| Timing difference on account of:               |              |         |
| Fixed Assets                                   | (2,744)      | (56)    |
| <b>Deferred Tax Assets/(Liabilities) – Net</b> | <b>1,175</b> | 259     |

5. Sundry creditors include **T.Rs. 68** (Previous Year T.Rs. 44) outstanding for more than 30 days to Act Inraport Ltd. a small scale industrial undertaking.

As per the terms of contract, the credit period is generally up to 60 days.

Dues to micro, small & medium–scale enterprises **Rs. Nil**.

The above information regarding small-scale industrial undertakings, micro, small & medium–scale enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

6. Sundry debtors, considered good, include the following amounts due from companies under the same management:

T.Rs.

|                                    | 2006-07       | 2005-06      |
|------------------------------------|---------------|--------------|
| BASF China Limited                 | 15,635        | –            |
| BASF South East Asia Pte. Ltd.     | 354           | –            |
| Shanghai BASF Polyurethane Company | 205           | –            |
| BASF India Limited                 | –             | 2,041        |
| <b>Total</b>                       | <b>16,194</b> | <b>2,041</b> |

7. The Company was incorporated on April 06, 2005. The Company has set up a system house for manufacture of Polyurethane System (PU) products and commenced the manufacturing activity during the year. Expenses incurred during the project construction period are allocated to fixed asset.

The Polyurethanes business of the holding company BASF India Limited has been transferred at book value (which corresponds to the fair value) at a consideration of T.Rs. 165,178 with effect from 1st July 2006 on a going concern basis. The consideration includes value for Fixed assets (gross block T.Rs. 618, net block T.Rs. 403) and Current assets comprising of Inventories (T.Rs. 60,292) and Sundry debtors (Gross Debts T.Rs. 114,983, Net debts T.Rs.104,483).

8. Segment Information for the year ended March 31, 2007:

The Company operates exclusively in the Polyurethanes segment. The Company caters mainly to the Indian market with sales to foreign customers contributing less than 10% of total sales.

As the Company's business activity falls within a single primary business segment, the financial statements are reflective of the information required by Accounting Standard 17 issued by the Institute of Chartered Accountants of India on segment reporting.

9. Auditors' Remuneration

T.Rs.

|   | 2006-07    | 2005-06    |
|---|------------|------------|
| As Auditors                                     | 500        | 100        |
| In other capacity (tax audit and certification) | –          | 30         |
| <b>Total</b>                                    | <b>500</b> | <b>130</b> |

10. Capacities, Production, Purchases, Stocks and Turnover:

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 (T.Rs.) |
| Other Polyurethanes   | M.T.                      | *              | 10,000    | 3,484                          | -                              | 219                     | 3,265    | 383,961        |
|   |                           |                | Nil       | Nil                            | Nil                            | Nil                     | Nil      | Nil            |
| <b>Traded Goods:</b>  |                           |                |           |                                |                                |                         |          |                |
| Polyurethanes   | M.T.                      | Not Applicable |           | 3,966                          | 57                             | 727                     | 3,296    | 457,567        |
|   |                           |                |           | 453                            | –                              | 57                      | 396      | 50,871         |
| Value of Purchases – T.Rs. 478,456 (Previous Year T.Rs. 55,435) |                           |                |           |                                |                                |                         |          |                |

\* Delicensed vide Gazette Notification No. S.O.477(E) dated 25.07.91

Notes

- (a) Value of stocks in T.Rs.

|               | 2006-07 | 2005-06 |
|---------------|---------|---------|
| Closing Stock | 119,453 | 6,484   |
| Opening Stock | 6,484   | –       |



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

(a) Raw Materials

|            | 2006-07 |         | 2005-06 |       |
|------------|---------|---------|---------|-------|
|            | %       | T.Rs.   | %       | T.Rs. |
| Imported   | 84.93   | 279,009 | –       | –     |
| Indigenous | 15.07   | 49,495  | –       | –     |
|            | 100.00  | 328,504 | –       | –     |

|                     | M.T.        | T.Rs.   | M.T.    | T.Rs. |
|---------------------|-------------|---------|---------|-------|
|                     | Adipic Acid | 1,415   | 130,390 | –     |
| Lupranol            | 888         | 73,025  | –       | –     |
| Diethylene Glycol   | 507         | 26,192  | –       | –     |
| Monoethylene Glycol | 431         | 21,377  | –       | –     |
| Others              | –           | 77,520  | –       | –     |
|                     |             | 328,504 | –       | –     |

(b) Components and Spare Parts :

|            | 2006-07 |       | 2005-06 |       |
|------------|---------|-------|---------|-------|
|            | %       | T.Rs. | %       | T.Rs. |
| Imported   | 32.17   | 517   | –       | –     |
| Indigenous | 67.83   | 1,090 | –       | –     |
|            | 100.00  | 1,607 | –       | –     |

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

|                          | T.Rs.   |         |
|--------------------------|---------|---------|
|                          | 2006-07 | 2005-06 |
| Raw Materials            | 272,762 | 49,579  |
| Capital Goods            | 2,646   | 9,024   |
| Finished Goods           | 306,432 | 45,176  |
| Components & Spare Parts | 517     | –       |
|                          | 582,357 | 103,779 |

13. Expenses in foreign currencies during the period:

|                               | T.Rs.   |         |
|-------------------------------|---------|---------|
|                               | 2006-07 | 2005-06 |
| Foreign Travel                | 806     | 1,414   |
| Interest                      | 2,220   | 720     |
| Consultancy Charges           | 223     | –       |
| Communication/System Expenses | 505     | –       |
| Others                        | 316     | –       |
|                               | 4,070   | 2,134   |

14. Earnings in foreign currencies during the year:

|  | T.Rs.   |         |
|--|---------|---------|
|  | 2006-07 | 2005-06 |
| Exports of goods calculated on FOB basis | 69,186  | –       |
| Indent Commission                        | 50,040  | –       |
| Freight and Insurance                    | 1,193   | –       |
|  | 120,419 | –       |

15. Related Party Disclosures

(a) Parties where control exists

|                         |   |
|-------------------------|---|
| BASF India Limited      | Holding Company (holds 100% of the equity share capital as on March 31, 2007) |
| BASF Aktiengesellschaft | Ultimate Holding Company  |

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

**Fellow Subsidiaries**

|                                    |  |
|------------------------------------|--|
| BASF Company Ltd.                  | BASF (China) Company Ltd.                |
| BASF Petronas Chemicals Sdn. Bhd.  | BASF Corporation                         |
| BASF South East Asia Pte. Ltd.     | BASF Polyurethanes (China) Co. Ltd.      |
| BASF China Limited                 | BASF Polyurethanes (Malaysia) Sdn Bhd    |
| Shanghai BASF Polyurethane Company | BASF Asia Pacific Service Centre Sdn Bhd |
| Elastogran GMBH                    | Elastogran Italia Spa (Elit)             |

(c) Details of transactions during the year ended March 31, 2007:

T.Rs.

| Nature of Transactions                   | Holding & Ultimate Holding Company |               | Fellow Subsidiaries |               | Total          |               |
|--|------------------------------------|---------------|---------------------|---------------|----------------|---------------|
|  | 2006-07                            | 2005-06       | 2006-07             | 2005-06       | 2006-07        | 2005-06       |
| <b>Sale of Goods</b>                     |                                    |               |                     |               |                |               |
| BASF India Limited                       | 71,689                             | 50,871        | –                   | –             | 71,689         | 50,871        |
| BASF China Limited                       | –                                  | –             | 34,504              | –             | 34,504         | –             |
| BASF Polyurethanes (China) Co. Ltd.      | –                                  | –             | 27,652              | –             | 27,652         | –             |
| Others                                   | –                                  | –             | 7,893               | –             | 7,893          | –             |
| <b>Sub-Total</b>                         | <b>71,689</b>                      | <b>50,871</b> | <b>70,049</b>       | <b>–</b>      | <b>141,738</b> | <b>50,871</b> |
| <b>Services Rendered</b>                 |                                    |               |                     |               |                |               |
| BASF South East Asia Pte. Ltd.           | –                                  | –             | 9,083               | –             | 9,083          | –             |
| BASF Company Ltd.                        | –                                  | –             | 30,887              | –             | 30,887         | –             |
| Others                                   | –                                  | –             | 3,477               | –             | 3,477          | –             |
| <b>Sub-Total</b>                         | <b>–</b>                           | <b>–</b>      | <b>43,447</b>       | <b>–</b>      | <b>43,447</b>  | <b>–</b>      |
| <b>Purchase of Goods/Materials</b>       |                                    |               |                     |               |                |               |
| BASF Aktiengesellschaft                  | 123,877                            | 4,857         | –                   | –             | 123,877        | 4,857         |
| BASF India Limited                       | 2,196                              | –             | –                   | –             | 2,196          | –             |
| BASF Company Ltd.                        | –                                  | –             | 354,093             | 41,669        | 354,093        | 41,669        |
| Elastogran Italia Spa (Elit)             | –                                  | –             | 51,696              | 10,332        | 51,696         | 10,332        |
| Others                                   | –                                  | –             | 3,437               | 8,396         | 3,437          | 8,396         |
| <b>Sub-Total</b>                         | <b>126,073</b>                     | <b>4,857</b>  | <b>409,226</b>      | <b>60,397</b> | <b>535,299</b> | <b>65,254</b> |
| <b>Purchase of Assets</b>                |                                    |               |                     |               |                |               |
| Elastogran GmbH                          | –                                  | –             | 1,525               | –             | 1,525          | –             |
| Elastogran Italia Spa (Elit)             | –                                  | –             | 286                 | –             | 286            | –             |
| <b>Sub-Total</b>                         | <b>–</b>                           | <b>–</b>      | <b>1,811</b>        | <b>–</b>      | <b>1,811</b>   | <b>–</b>      |
| <b>Services Received</b>                 |                                    |               |                     |               |                |               |
| BASF India Limited                       | 17,241                             | –             | –                   | –             | 17,241         | –             |
| BASF South East Asia Pte. Ltd.           | –                                  | –             | 505                 | –             | 505            | –             |
| Elastogran Italia Spa (Elit)             | –                                  | –             | 223                 | –             | 223            | –             |
| BASF Asia Pacific Service Centre Sdn Bhd | –                                  | –             | 223                 | –             | 223            | –             |
| Others                                   | –                                  | –             | –                   | 1,407         | –              | 1,407         |
| <b>Sub-Total</b>                         | <b>17,241</b>                      | <b>–</b>      | <b>951</b>          | <b>1,407</b>  | <b>18,192</b>  | <b>1,407</b>  |

T.Rs.

| Nature of Transactions    | Holding & Ultimate Holding Company |              | Fellow Subsidiaries |          | Total         |              |
|---------------------------|------------------------------------|--------------|---------------------|----------|---------------|--------------|
|                           | 2006-07                            | 2005-06      | 2006-07             | 2005-06  | 2006-07       | 2005-06      |
| <b>Interest on Loans</b>  |                                    |              |                     |          |               |              |
| BASF Aktiengesellschaft   | 2,220                              | 720          | –                   | –        | 2,220         | 720          |
| BASF India Limited        | 12,676                             | 1,305        | –                   | –        | 12,676        | 1,305        |
| <b>Sub-Total</b>          | <b>14,896</b>                      | <b>2,025</b> | <b>–</b>            | <b>–</b> | <b>14,896</b> | <b>2,025</b> |
| <b>Repayment of Loans</b> |                                    |              |                     |          |               |              |
| BASF India Limited        | 1,270,000                          | –            | –                   | –        | 1,270,000     | –            |
| <b>Loans Taken</b>        |                                    |              |                     |          |               |              |
| BASF India Limited        | 1,330,000                          | 100,000      | –                   | –        | 1,330,000     | 100,000      |
| <b>Outstanding</b>        |                                    |              |                     |          |               |              |
| Receivables               | –                                  | 2,041        | 16,194              | –        | 16,194        | 2,041        |
| Payables                  | 28,560                             | –            | 92,037              | 53,093   | 120,597       | 53,093       |
| <b>Loans Outstanding</b>  |                                    |              |                     |          |               |              |
| BASF Aktiengesellschaft   | 34,776                             | 36,856       | –                   | –        | 34,776        | 36,856       |
| BASF India Limited        | 160,000                            | 100,000      | –                   | –        | 160,000       | 100,000      |

16. As on 31st March 2007, the company has 7 forward contracts totaling to USD 2,460 Thousand (T.Rs. 111,360) for the purposes of hedging its foreign exposure. The unamortised premium of T.Rs. 1,278 pertaining to the same will be recognised subsequently. There are no open exposures as on that date.
17. During the year ended March 31, 2007, the Company has incurred borrowing costs of T.Rs. 1,378 (Previous Year T.Rs. 5,002) which have been shown under Expenditure during Construction and subsequently allocated to Fixed Assets.
18. Since the company has started its operation only during the current year, the figures for the current year are not comparable to those of the previous year.
19. The Previous Year's figures have been regrouped and rearranged wherever necessary.
20. The Previous Year's figures have been audited by a firm of Chartered Accountants other than BSR & Co.

Signatures to Schedules 1 to 20

Prasad Chandran  
Chairman & Managing Director

Pradeep Chandan  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Deepak Thuse  
Directors

Mumbai, 6th June 2007

## Balance Sheet Abstract and General Business Profile

### I Registration Details :

|                           |              |    |
|---------------------------|--------------|----|
| Registration No. : 152467 | State Code : | 11 |
| Balance Sheet Date :      | 31.03.2007   |    |

### II Capital Raised during the Period :

(Amount in Rs. Thousands)

|                |     |                                 |        |
|----------------|-----|---------------------------------|--------|
| Public Issue : | Nil | Rights Issue : Capital raised : | Nil    |
| Bonus Issue :  | Nil | Private Placement :             | 89,500 |

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

(Amount in Rs. Thousands)

|                     |         |                |         |
|---------------------|---------|----------------|---------|
| Total Liabilities : | 563,919 | Total Assets : | 563,919 |
|---------------------|---------|----------------|---------|

#### Sources of Funds :

|                   |        |                      |         |
|-------------------|--------|----------------------|---------|
| Paid Up Capital : | 90,000 | Reserves & Surplus : | 977     |
| Secured Loans :   | –      | Unsecured Loans :    | 472,942 |

#### Application of Funds :

|                      |         |                           |       |
|----------------------|---------|---------------------------|-------|
| Net Fixed Assets :   | 107,912 | Investments :             | –     |
| Net Current Assets : | 454,832 | Deferred Tax Assets - Net | 1,175 |
| Accumulated Losses:  | Nil     |                           |       |

### IV Performance of Company

(Amount in Rs. Thousands)

|                                     |         |                   |         |
|-------------------------------------|---------|-------------------|---------|
| Turnover (including Other Income) : | 853,171 | Total Expenditure | 850,821 |
| Profit Before Tax :                 | 2,350   | Profit After Tax  | 659     |
| Earning Per Share in Rs. :          | 0.10    | Dividend Rate %   | –       |

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

(As per monetary terms)

| Item Code No.<br>(ITC Code) | Product Description |
|-----------------------------|---------------------|
| 2929.10.90                  | Isocyanate - Others |
| 3907.20.90                  | Other Polyurethanes |

Prasad Chandran  
Chairman & Managing Director

Pradeep Chandan  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Deepak Thuse  
Directors

Mumbai, 6th June 2007

# Auditors' Report to the Board of Directors of BASF India Limited Group

We have audited the attached consolidated Balance Sheet of BASF India Limited and its subsidiary BASF Polyurethanes India Limited collectively referred to as the BASF Group, as at 31 March 2007, and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the BASF's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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.

We report that the consolidated financial statements have been prepared by the BASF's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated financial statements issued by the Institute of Chartered Accountants of India.

*We draw reference to note 4 to schedule 21 to the financial statements with respect to accounting of Voluntary Retirement Scheme ("VRS") cost incurred by the Company aggregating Rs. 39.2 million. The management has written off the entire amount incurred during the year as against the existing policy of amortising such expense over a period of 36 months from the month of incurrence. Had the VRS cost been amortised over 36 months in line with its existing accounting policy, other expenses would have been lower by Rs. 34.9 million, Provision for taxation and Net Profit would have been higher by Rs. 11.9 million and Rs. 23 million respectively.*

In our opinion and to the best of our information and according to the explanations given to us, *subject to our comment above* the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the BASF Group as at 31 March 2007;
- (b) in the case of the consolidated Profit and Loss Account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For BSR & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No: 46768

Mumbai  
Date: 6th June 2007

## Consolidated Balance Sheet of BASF India Limited and its Subsidiary as at March 31, 2007

Rs. in million

|  | Schedule | March 31, 2007 | March 31, 2006 |
|--|----------|----------------|----------------|
| <b>SOURCES OF FUNDS</b>                    |          |                |                |
| <b>Shareholders' Funds:</b>                |          |                |                |
| Share Capital                              | 1        | 281.9          | 281.9          |
| Reserves and Surplus                       | 2        | 2,750.6        | 2,481.0        |
|  |          | 3,032.5        | 2,762.9        |
| <b>Loan Funds:</b>                         |          |                |                |
| Unsecured Loans                            | 3        | 318.1          | 49.9           |
|  |          | 318.1          | 49.9           |
| <b>Total</b>                               |          | <b>3,350.6</b> | <b>2,812.8</b> |
| <b>APPLICATION OF FUNDS</b>                |          |                |                |
| <b>Fixed Assets:</b>                       |          |                |                |
| Gross Block                                |          | 3,379.2        | 2,813.8        |
| Less: Depreciation                         |          | 2,279.2        | 2,174.6        |
| Net Block                                  | 4        | 1,100.0        | 639.2          |
| Capital Work-in-Progress                   |          | 50.2           | 145.0          |
| Expenditure during Construction            | 5        | —              | 15.5           |
|  |          | 1,150.2        | 799.7          |
| <b>Investments</b>                         | 6        | <b>29.0</b>    | <b>29.0</b>    |
| <b>Deferred Tax Assets (net)</b>           | 7        | <b>21.0</b>    | <b>34.9</b>    |
| <b>Current Assets, Loans and Advances:</b> |          |                |                |
| Inventories                                | 8        | 1,378.3        | 1,178.6        |
| Sundry Debtors                             | 9        | 1,711.5        | 1,499.0        |
| Cash and Bank Balances                     | 10       | 73.1           | 30.1           |
| Loans and Advances                         | 11       | 696.4          | 509.7          |
|  |          | 3,859.3        | 3,217.4        |
| Less:                                      |          |                |                |
| <b>Current Liabilities and Provisions:</b> |          |                |                |
| Current Liabilities                        | 12       | 1,411.7        | 984.9          |
| Provisions                                 | 13       | 297.2          | 283.3          |
|  |          | 1,708.9        | 1,268.2        |
| <b>Net Current Assets</b>                  |          | <b>2,150.4</b> | <b>1,949.2</b> |
| <b>Total</b>                               |          | <b>3,350.6</b> | <b>2,812.8</b> |

For Accounting Policies and Notes to Accounts — Refer **Schedule 21**

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

As per our report attached

For BSR & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 46768

Mumbai, 6th June 2007

Prasad Chandran  
Chairman & Managing Director

M. R. Iyer  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Pradip P. Shah  
Deepak Thuse  
Directors

6th June 2007

## Consolidated Profit and Loss Account of BASF India Limited and its Subsidiary for the year ended March 31, 2007

Rs. in million

|  | Schedule | March 31, 2007 | March 31, 2006 |
|--|----------|----------------|----------------|
| <b>Income:</b>   |          |                |                |
| Sales  | 14       | 9,569.5        | 7,716.4        |
| Less: Excise Duty  |          | 1,103.5        | 890.7          |
|  |          | 8,466.0        | 6,825.7        |
| Other Income   | 15       | 24.7           | 54.0           |
|  |          | 8,490.7        | 6,879.7        |
| <b>Expenditure:</b>  |          |                |                |
| Materials Consumed   | 16       | 4,572.5        | 3,391.2        |
| Purchase of Finished Goods   |          | 1,118.5        | 823.5          |
| Other Expenses   | 17       | 1,954.8        | 1,600.7        |
| Depreciation   |          | 116.8          | 220.5          |
| Interest   | 18       | 27.7           | 23.6           |
|  |          | 7,790.3        | 6,059.5        |
| Increase/(Decrease) in Stocks  | 19       | 81.8           | (115.3)        |
| <b>Profit Before Tax</b>   |          | 782.2          | 704.9          |
| <b>Tax</b>   | 20       | 281.7          | 251.9          |
| <b>Profit After Tax</b>  |          | 500.5          | 453.0          |
| Surplus Brought Forward  |          | 223.9          | 193.0          |
| Available for Appropriation  |          | 724.4          | 646.0          |
| <b>Appropriations:</b>   |          |                |                |
| Proposed Dividend  |          | 197.3          | 197.3          |
| Corporate Tax on Dividend  |          | 33.6           | 27.7           |
| General Reserve  |          | 264.0          | 197.1          |
|  |          | 494.9          | 422.1          |
| Balance Carried Forward  |          | 229.5          | 223.9          |
| Weighted average number of equity shares outstanding during the year |          | 28,189,466     | 28,189,466     |
| Basic and diluted earnings per share (in Rs.)                        |          | 17.75          | 16.07          |
| Face value per share (in Rs.)  |          | 10.00          | 10.00          |

For Accounting Policies and Notes to Accounts — Refer **Schedule 21**

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

As per our report attached

For BSR & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 46768

Mumbai, 6th June 2007

Prasad Chandran  
Chairman & Managing Director

M. R. Iyer  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Pradip P. Shah  
Deepak Thuse  
Directors

6th June 2007

## Consolidated Cash Flow Statement of BASF India Limited and its Subsidiary for the year ended March 31, 2007

Rs. in million

|  | March 31, 2007 |         | March 31, 2006 |         |
|--|----------------|---------|----------------|---------|
| <b>A. Cash flow from operating activities</b>            |                |         |                |         |
| Net profit before Tax                                    |                | 782.2   |                | 704.9   |
| Adjustments for:   |                |         |                |         |
| Depreciation   | 116.8          |         | 220.5          |         |
| Interest expense   | 27.7           |         | 23.6           |         |
| Compensation on transfer of Phorate business             | —              |         | (28.8)         |         |
| Compensation on transfer of Textile Dyes business        | —              |         | (1.3)          |         |
| (Profit)/Loss on sale of fixed assets (net)              | (0.4)          |         | (1.4)          |         |
| Interest income  | (2.5)          |         | (1.5)          |         |
| Unrealised (Gain)/Loss on foreign exchange (net)         | (7.0)          |         | (5.1)          |         |
| Bad debts written off                                    | 3.0            |         | 8.3            |         |
| Provision for Doubtful Debts                             | (9.9)          | 127.7   | 13.8           | 228.1   |
| <b>Operating profit before working capital changes</b>   |                | 909.9   |                | 933.0   |
| (Increase)/Decrease in:                                  |                |         |                |         |
| Trade and Other Receivables                              | (367.8)        |         | 98.2           |         |
| Inventories  | (199.7)        |         | 19.8           |         |
| Trade and Other Liabilities                              | 432.8          | (134.7) | (254.9)        | (136.9) |
| <b>Cash generated from operations</b>                    |                | 775.2   |                | 796.1   |
| Direct taxes paid (net)                                  |                | (292.4) |                | (284.0) |
| <b>Net cash from operating activities</b>                |                | 482.8   |                | 512.1   |
| <b>B. Cash flow from investing activities:</b>           |                |         |                |         |
| Acquisition of fixed assets                              |                | (462.1) |                | (233.9) |
| Realisation on sale of fixed assets                      |                | 2.9     |                | 1.9     |
| Interest received  |                | 2.5     |                | 1.5     |
| Proceeds from transfer of Phorate business               |                | —       |                | 28.8    |
| Purchase of Investment                                   |                | —       |                | (29.0)  |
| <b>Net cash used in investing activities</b>             |                | (456.7) |                | (230.7) |
| <b>C. Cash flow from financing activities</b>            |                |         |                |         |
| (Repayment of)/Proceeds from loan funds (net)            |                | 268.4   |                | (49.0)  |
| Interest paid  |                | (26.5)  |                | (28.0)  |
| Dividend paid  |                | (197.3) |                | (169.1) |
| Tax paid on above dividend                               |                | (27.7)  |                | (23.7)  |
| <b>Net cash (used)/generated in financing activities</b> |                | 16.9    |                | (269.8) |
| <b>Net increase in cash and cash equivalents</b>         |                | 43.0    |                | 11.6    |
| Cash and cash equivalents (opening balance)              |                | 30.1    |                | 18.5    |
| Cash and cash equivalents (closing balance)              |                | 73.1    |                | 30.1    |

As per our report attached

For BSR & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 46768

Mumbai, 6th June 2007

Prasad Chandran  
Chairman & Managing Director

M. R. Iyer  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Pradip P. Shah  
Deepak Thuse  
Directors

6th June 2007



## Schedules to Consolidated Balance Sheet as at March 31, 2007

### 1. Share Capital

Rs. in million

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| <b>Authorised:</b><br>30,000,000 (Previous Year – 30,000,000) Equity Shares of Rs. 10/- each   | 300.0          | 300.0          |
| <b>Issued:</b><br>28,190,148 (Previous Year – 28,190,148) Equity Shares of Rs. 10/- each   | 281.9          | 281.9          |
| <b>Subscribed and Paid-up:</b><br>28,189,466 (Previous Year – 28,189,466) Equity Shares of Rs. 10/- each fully paid<br>Of the above –<br>– 700 (Previous Year – 700) Equity Shares were allotted as fully paid pursuant to a contract without payment being received in cash and<br>15,771,400 (Previous Year – 15,771,400) Equity Shares were allotted as fully paid Bonus Shares by way of capitalisation of Reserves.<br>– 4,035,948 shares were allotted to the erstwhile shareholders of Cyanamid Agro Limited (CAL) consequent to the amalgamation w.e.f. April 1, 2001<br>– 14,853,020 (Previous Year – 14,853,020) Equity Shares are held by BASF AG, the holding company. | 281.9          | 281.9          |
|  | 281.9          | 281.9          |

### 2. Reserves and Surplus

|                                      | Balance as on April 1, |         | Additions during the year |         | Balance as on March 31, |         |
|--------------------------------------|------------------------|---------|---------------------------|---------|-------------------------|---------|
|                                      | 2006                   | 2005    | 2006-07                   | 2005-06 | 2007                    | 2006    |
| Share Premium Account                | 621.0                  | 621.0   | —                         | —       | 621.0                   | 621.0   |
| General Reserve                      | 1,635.6                | 1,438.5 | 264.0                     | 197.1   | 1,899.6                 | 1,635.6 |
| Amalgamation Reserve                 | 0.5                    | 0.5     | —                         | —       | 0.5                     | 0.5     |
| Surplus as per Profit & Loss Account | 223.9                  | 193.0   | 5.6                       | 30.9    | 229.5                   | 223.9   |
|                                      | 2,481.0                | 2,253.0 | 269.6                     | 228.0   | 2,750.6                 | 2,481.0 |

### 3. Unsecured Loans

|  | March 31, 2007  | March 31, 2006     |
|--|-----------------|--------------------|
| <b>Term Loan:</b><br>Loan from BASF AG<br>Repayable within one year <b>Rs. Nil</b> – (Previous Year Rs. Nil)<br>Maximum amount outstanding at any time during the year <b>Rs. 36.9 million</b> (Previous Year Rs. 36.9 million)                                    | 34.8            | 36.9               |
| <b>Other Loan:</b><br>Bank Facilities<br>Repayable within one year <b>Rs. 283.3 million</b> – (Previous Year Rs. 10.5 million)<br>Fixed Deposits<br>Repayable within one year <b>Rs. Nil</b> – (Previous Year Rs. 2.3 million)<br>Interest accrued and due thereon | 283.3<br>—<br>— | 10.5<br>2.3<br>0.2 |
|  | 318.1           | 49.9               |

## Schedules to Consolidated Balance Sheet as at March 31, 2007

### 4. Fixed Assets

Rs. in million

|   | Freehold Land | Leasehold Land | Buildings and Ownership Flats* | Plant and Machinery# | Furniture, Fixtures and Equipment | Vehicles | Total    | Previous Year |
|---|---------------|----------------|--------------------------------|----------------------|-----------------------------------|----------|----------|---------------|
| <b>Cost:</b>  |               |                |                                |                      |                                   |          |          |               |
| As at April 1, 2006   | 18.6          | 55.9           | 485.3                          | 2,138.9              | 102.4                             | 12.7     | 2,813.8  | 2,735.6       |
| Additions   | —             | —              | 83.5                           | \$ 489.6             | 7.1                               | —        | ***580.2 | 90.6          |
| Deductions  | —             | —              | —                              | 10.6                 | 2.5                               | 1.7      | 14.8     | 12.4          |
| As at March 31, 2007  | 18.6          | 55.9           | 568.8                          | 2,617.9              | 107.0                             | 11.0     | 3,379.2  | 2,813.8       |
| <b>Depreciation:</b>  |               |                |                                |                      |                                   |          |          |               |
| As at April 1, 2006   | —             | 2.1            | 176.0                          | @ 1,933.5            | 54.3                              | 8.7      | 2,174.6  | 1,965.9       |
| Depreciation for the year   | —             | 0.2            | 19.8                           | 85.2                 | 10.4                              | 1.3      | 116.9    | 220.6         |
| Deductions  | —             | —              | —                              | 10.1                 | 1.5                               | 0.7      | 12.3     | 11.9          |
| As at March 31, 2007  | —             | 2.3            | 195.8                          | 2,008.6              | 63.2                              | 9.3      | 2,279.2  | 2,174.6       |
| <b>Written Down Value:</b>  |               |                |                                |                      |                                   |          |          |               |
| As at March 31, 2007  | 18.6          | 53.6           | 373.0                          | 609.3                | 43.8                              | 1.7      | 1,100.0  | 639.2         |
| As at March 31, 2006  | 18.6          | 53.8           | 309.3                          | 205.4                | 48.1                              | 4.0      | 639.2    | —             |
| <b>Capital work in progress **</b>  |               |                |                                |                      |                                   |          |          |               |
| As at March 31, 2007  | —             | —              | 19.7                           | 15.5                 | 15.0                              | —        | 50.2     | 145.0         |
| As at March 31, 2006  | —             | —              | 13.2                           | 131.5                | 0.3                               | —        | 145.0    | —             |
| * Buildings include <b>Rs. 0.03 million</b> (Previous Year Rs. 0.03 million) being the value of shares in various co-operative societies.   |               |                |                                |                      |                                   |          |          |               |
| ** Capital work in progress includes advances <b>Rs. 35.3 million</b> (Previous Year Rs. 36.9 million) – Considered good.   |               |                |                                |                      |                                   |          |          |               |
| *** Includes Rs. 3.7 million towards Capitalisation of Interest.  |               |                |                                |                      |                                   |          |          |               |
| \$ Addition includes exchange gain of Rs. 1.2 million.  |               |                |                                |                      |                                   |          |          |               |
| # Plant & Machinery includes Gross Block <b>Rs. 73.1 million</b> (Previous Year Rs. 73.1 million), Accumulated Depreciation – <b>Rs. 73.1 Million</b> (Previous Year Rs. 73.1 million) and Net Block <b>Rs. Nil</b> (Previous Year Rs. Nil) being the Company's share of an asset jointly owned with another company. |               |                |                                |                      |                                   |          |          |               |
| @ Includes Rs. 70.0 million on account of impairment of assets done in 2001-02.   |               |                |                                |                      |                                   |          |          |               |

### 5. Expenditure during Construction

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| (Refer Note 10)                                      |                |                |
| (A) <b>Opening Balance</b>                           | 15.5           | —              |
| <b>Expenditure incurred during the year</b>          |                |                |
| (B) Depreciation                                     | —              | 0.1            |
| (C) Interest   | —              | 3.7            |
| (D) Other Expenses:                                  |                |                |
| Salaries, Wages, Bonus and Commission                | 2.4            | 6.9            |
| Workmen and Staff Welfare                            | 0.1            | 0.2            |
| Contribution to Provident and Other Funds            | 0.1            | 0.1            |
| Consumption of Stores and Spare Parts                | 1.4            | 0.2            |
| Rent   | 0.7            | 1.9            |
| Repairs – Machinery                                  | 0.1            | —              |
| – Buildings  | 0.1            | —              |
| Travelling   | 0.7            | 2.3            |
| Freight and Handling Charges                         | —              | 0.1            |
| Communication/System Expenses                        | —              | 0.1            |
| Sundry Expenses                                      | 0.2            | 1.0            |
| Total Other Expenses                                 | 5.8            | 12.8           |
| (E) Less: Exchange gain on Foreign currency loan     | —              | 1.1            |
| (F) <b>Net Expenditure during the year (B+C+D-E)</b> | 5.8            | 15.5           |
| <b>Total (A) + (F)</b>                               | 21.3           | 15.5           |
| Amount allocated to Fixed Assets                     | 21.3           | —              |
| Balance Carried forward                              | —              | 15.5           |

## Schedules to Consolidated Balance Sheet as at March 31, 2007

### 6. Investments

Rs. in million

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| <b>(Non-Trade) – Unquoted – Long Term</b>  |                |                |
| National Bank for Agriculture & Rural Development<br>– <b>2900 Bonds</b> (Previous Year - 2900 ) of Rs. 10000 each | 29.0           | 29.0           |
|  | 29.0           | 29.0           |

### 7. Deferred Tax Assets/(Liabilities) – net

|                          | March 31, 2007 | March 31, 2006 |
|--------------------------|----------------|----------------|
| (Ref. note 8)            |                |                |
| Deferred tax assets      | 63.9           | 55.4           |
| Deferred tax liabilities | (42.9)         | (20.5)         |
|                          | 21.0           | 34.9           |

### 8. Inventories

|                        | March 31, 2007 | March 31, 2006 |
|------------------------|----------------|----------------|
| Raw Materials          | 660.7          | 538.6          |
| Finished Goods         | 646.9          | 574.0          |
| Stock-in-Process       | 31.3           | 22.4           |
| Packing Materials      | 34.9           | 28.8           |
| Stores and Spare Parts | 4.5            | 14.8           |
|                        | 1,378.3        | 1,178.6        |

### 9. Sundry Debtors – (Unsecured)

|                                    | March 31, 2007 | March 31, 2006 |
|------------------------------------|----------------|----------------|
| Considered good                    |                |                |
| Over 6 months                      | 10.6           | 22.1           |
| Others                             | 1,700.9        | 1,476.9        |
|                                    | 1,711.5        | 1,499.0        |
| Considered doubtful                |                |                |
| Over 6 months                      | 112.9          | 112.3          |
| Others                             | —              | —              |
|                                    | 112.9          | 112.3          |
|                                    | 1,824.4        | 1,611.3        |
| Less: Provision for doubtful debts | 112.9          | 112.3          |
|                                    | 1,711.5        | 1,499.0        |

### 10. Cash and Bank Balances

|   | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| Cash on hand  | 0.4            | 0.3            |
| Balances with Scheduled Banks:  |                |                |
| – In Current Accounts   | 71.2           | 28.4           |
| – In Deposit Accounts   | 1.3            | 1.3            |
| Balances with Non-Scheduled Banks:  |                |                |
| – In current account with The Municipal Co-operative Bank Limited, Mumbai                 | 0.2            | 0.1            |
| Maximum balance during the year <b>Rs. 0.3 million</b><br>(Previous Year Rs. 0.2 million) |                |                |
|   | 73.1           | 30.1           |

## Schedules to Consolidated Balance Sheet as at March 31, 2007

### 11. Loans and Advances (Unsecured) - Considered Good

Rs. in million

|   | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| Advances recoverable in cash or in kind or for value to be received<br>Includes due from<br>– Directors <b>Rs. 0.85 million</b> (Previous Year Rs. 0.93 million)<br>– Maximum amount during the year <b>Rs. 0.93 million</b><br>(Previous Year Rs. 3.9 million)<br>representing loans together with accrued interest. In the case of<br>Directors, it represents loans given to them before they became<br>Directors. | <b>587.9</b>   | 425.6          |
| Duty Drawback   | <b>9.1</b>     | 9.7            |
| Balances with Excise authorities  | <b>1.7</b>     | 1.2            |
| Income Tax (Net of Provisions)  | <b>97.7</b>    | 73.2           |
|   | <b>696.4</b>   | 509.7          |

### 12. Current Liabilities

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| Acceptances  | <b>4.2</b>     | 3.3            |
| Sundry Creditors   |                |                |
| – Small Scale Industrial Undertakings  | <b>18.6</b>    | 16.5           |
| – Others   | <b>1,247.6</b> | 828.5          |
| Deposits   | <b>111.4</b>   | 112.7          |
| Unclaimed Dividend *   | <b>3.9</b>     | 3.8            |
| Unclaimed matured fixed deposits*  | <b>1.2</b>     | 1.6            |
| Unclaimed Interest warrants*   | <b>0.7</b>     | 0.9            |
| * (There are no amounts due and outstanding to be credited to<br>Investor Education and Protection fund) |                |                |
| Interest accrued but not due   | <b>3.6</b>     | 2.0            |
| Other Liabilities  | <b>20.5</b>    | 15.6           |
|  | <b>1,411.7</b> | 984.9          |

### 13. Provisions

|                                | March 31, 2007 | March 31, 2006 |
|--------------------------------|----------------|----------------|
| Proposed Dividend              | <b>197.3</b>   | 197.3          |
| Corporate Tax on Dividend      | <b>33.6</b>    | 27.7           |
| Provision for Leave Encashment | <b>66.3</b>    | 58.3           |
|                                | <b>297.2</b>   | 283.3          |



As a part of the Million Minds Project, BASF initiated 'A Simple Guide to the Right to Information Act 2005'. The booklet was released by Mr. Julio Ribeiro, Ex-Police Commissioner of Mumbai and Chairman of Public Concern for Governance Trust (PCGT).

## Schedules to the Consolidated Profit & Loss account for the year ended March 31, 2007

### 14. Sales

Rs. in million

|                                     | March 31, 2007 | March 31, 2006 |
|-------------------------------------|----------------|----------------|
| Sale of Goods                       | 9,151.4        | 7,342.8        |
| Indent Commission/Technical Charges | 418.1          | 373.6          |
|                                     | 9,569.5        | 7,716.4        |

### 15. Other Income

|   | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| Interest (Gross)  |                |                |
| – Delayed Payment Charges   | 5.2            | 5.2            |
| – Others  | 4.5            | 6.8            |
| Tax deducted at source <b>Rs. 2.0 million</b> (Previous Year Rs. 1.9 million) |                |                |
| Interest on Investments (Gross) – Non-Trade and Long Term                     | 1.6            | —              |
| Tax deducted at source <b>Rs. Nil</b> (Previous Year Rs. Nil)                 |                |                |
| Compensation on transfer of Phorate business (Ref. Note 9)                    | —              | 28.8           |
| Compensation on transfer of Textile Dyes business                             | —              | 1.3            |
| Profit on sale of Fixed Assets (net)  | 0.4            | 1.4            |
| Discount  | 3.3            | 1.7            |
| Sale of Scrap   | 9.4            | 6.4            |
| Exchange gain on Foreign currency loan  | —              | 1.1            |
| Sundries  | 0.3            | 2.4            |
|   | 24.7           | 55.1           |
| Less : Exchange gain during construction (Ref. Schedule 5)                    | —              | 1.1            |
|   | 24.7           | 54.0           |

### 16. Materials consumed

|                       | March 31, 2007 | March 31, 2006 |
|-----------------------|----------------|----------------|
| Raw Materials:        |                |                |
| Stock at Commencement | 538.6          | 444.6          |
| Purchases             | 4,479.6        | 3,336.5        |
| Stock at Close        | (660.6)        | (538.6)        |
|                       | 4,357.6        | 3,242.5        |
| Packing Materials     | 214.9          | 148.7          |
|                       | 4,572.5        | 3,391.2        |

## Schedules to the Consolidated Profit & Loss account for the year ended March 31, 2007

### 17. Other Expenses

Rs. in million

|   | March 31, 2007 | March 31, 2006 |
|---|----------------|----------------|
| Salaries, Wages, Bonus and Commission                   | 538.9          | 448.0          |
| Workmen and Staff Welfare                               | 88.2           | 73.4           |
| Contribution to Provident and Other Funds               | 85.8           | 57.3           |
| Directors' Sitting Fees                                 | 0.2            | 0.1            |
| Consumption of Stores and Spare Parts                   | 43.7           | 31.5           |
| Power and Fuel  | 225.7          | 189.0          |
| Rent (Ref. note 7(b))                                   | 98.4           | 78.0           |
| Rates and Taxes – Excise Duty                           | (6.7)          | (4.0)          |
| – Others  | 3.5            | 2.5            |
| Repairs – Machinery                                     | 25.8           | 18.7           |
| – Buildings   | 12.0           | 9.5            |
| – Others  | 18.8           | 18.7           |
| Insurance   | 26.0           | 23.9           |
| Bad Debts Written Off                                   | 3.0            | 8.3            |
| Provision for Doubtful Debts                            | (9.9)          | 13.8           |
| Service Fees  | 73.1           | 63.9           |
| Travelling  | 107.4          | 95.0           |
| Freight and Handling Charges                            | 227.7          | 177.1          |
| Communication/ System Expenses                          | 62.5           | 60.3           |
| Royalty   | 9.4            | 19.2           |
| Voluntary Retirement Scheme (Ref. note 4)               | 39.2           | —              |
| Sundry Expenses   | 287.9          | 229.3          |
|   | 1,960.6        | 1,613.5        |
| Less: Expenditure during construction (Ref. Schedule 5) | 5.8            | 12.8           |
|   | 1,954.8        | 1,600.7        |

### 18. Interest

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| On Fixed Deposits and Term Loans                     | 3.4            | 1.5            |
| On Others  | 24.3           | 25.8           |
|  | 27.7           | 27.3           |
| Less: Interest during construction (Ref. Schedule 5) | —              | 3.7            |
|  | 27.7           | 23.6           |

### 19. Increase/(Decrease) in Stocks

|                                   | March 31, 2007 | March 31, 2006 |
|-----------------------------------|----------------|----------------|
| Stock at Close                    |                |                |
| Finished Goods                    | 646.9          | 574.0          |
| Stock-in-Process                  | 31.3           | 22.4           |
| Sub-total                         | 678.2          | 596.4          |
| Stock at commencement             |                |                |
| Finished Goods                    | (574.0)        | (685.5)        |
| Stock-in-Process                  | (22.4)         | (26.2)         |
| Sub-total                         | (596.4)        | (711.7)        |
| Net increase/(decrease) in stocks | 81.8           | (115.3)        |

## Schedules to the Consolidated Profit & Loss account for the year ended March 31, 2007

### 20. Tax

Rs. in million

|  | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| Current Tax Expense (includes wealth tax <b>Rs. 2.0 million</b> (Previous year Rs. 2.0 million)) | 252.0          | 272.8          |
| Deferred Tax charge/(credit)   | 13.8           | (42.7)         |
| Fringe Benefit Tax   | 15.9           | 21.8           |
|  | 281.7          | 251.9          |

### 21. 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 accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956. The financial statements are presented in Millions of Indian Rupees.

##### (b) Principles of Consolidation

- The consolidated financial statements include the audited financial statements of BASF India Limited ('the Company'), and its wholly owned subsidiary. The consolidation has been carried out in accordance with Accounting Standard (AS 21) – Consolidated Financial Statements on the following basis:
  - The financial statements of the Company and its subsidiary have been combined on a line-by-line basis by adding together, the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances/transactions and resulting unrealised profits/losses.
  - The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- The subsidiary considered in the consolidated financial statements is:

| Name of the Company              | Country of incorporation | Proportion of ownership interest |
|----------------------------------|--------------------------|----------------------------------|
| BASF Polyurethanes India Limited | India                    | 100%                             |

##### (c) 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 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.

##### (d) 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 or when the services are provided. Sales include excise duty but exclude trade discounts, rebates and sales tax. Interest on investments is booked on a time proportion basis taking into account the amounts invested and the rate of interest.

##### (e) Fixed Assets

Fixed Assets are recorded at cost net of Cenvat credit wherever eligible. Cost includes all expenses and interest attributable to the project till the date of commissioning. Impairment is done when the carrying amount of the asset exceeds its recoverable amount. Impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

All expenditure incurred during the project construction period are accumulated and shown as Expenditure during Construction until the assets are ready for commercial use.

(f) **Depreciation**

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

|                                   |   |          |
|-----------------------------------|---|----------|
| Factory Buildings                 | — | 3.34 %   |
| Residential Flats                 | — | 5.00 %   |
| Plant & Machinery                 | — | 10.34 %  |
| Computers                         | — | 25.00 %  |
| Vehicles                          | — | 25.00 %  |
| Furniture, Fixtures & Equipment   | — | 12.50 %  |
| Assets 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 is amortised over the period of lease.

(g) **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.

(h) **Investments**

Current investments are valued at lower of cost and fair value. Long-term investments are stated at cost less provision, if any, for permanent diminution in value.

(i) **Inventories**

Inventories are valued at cost or 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.

(j) **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. In the case of forward exchange contracts, the premium or discount arising at the 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 have been recognised in the Profit and Loss Account or adjusted in the value of fixed assets as applicable.

(k) **Employee Benefits**

Contribution to Provident Fund, Family Pension Fund and Superannuation Fund are provided on accrual basis. Contribution to Gratuity Fund and provision for leave encashment liability are based on actuarial valuation.

(l) **Assets taken on lease**

Lease rentals payable as per agreements on vehicles and other assets are charged as expenditure on Straight Line basis over the lease term.

(m) **Deferred Revenue Expenditure**

Compensation to employees under Voluntary Retirement Scheme is written off over a period of 36 months from the month of incurrence.

(n) **Taxes on Income**

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

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.



(o) **Fringe benefit tax**

Provision for fringe benefit tax (FBT) has been recognised on the basis of harmonious contextual interpretation of the provisions of Income Tax Act, 1961.

(p) **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 since this may result in the recognition of income that may never be realised.

(q) **Research & Development Expenditure**

Revenue expenditure on research & development is charged against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

(r) **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. **Contingent Liabilities not provided for:**

- (a) Claims against the Company not acknowledged as debts: **Rs. 264.7 Mio.** (Previous Year Rs. 264.8 Mio.) in respect of which the Company has counter claims of **Rs. 434.7 Mio.** (Previous Year Rs. 434.7 Mio.).

The Company is a party to various legal proceedings in the normal course of business, including one proceeding concerning acquisition of office premises. The Company does not expect the outcome of these proceedings to have a material adverse effect on the Company's financial conditions, results of operations or cash flows.

- (b) Demands for taxes and duties in respect of which the Company has preferred appeals with appropriate authorities

(a) Income tax : **Rs. 58.6 Mio.** (Previous Year Rs. 39.9 Mio.)

(b) Others : **Rs. 4.5 Mio.** (Previous Year Rs. 5.8 Mio.)

3. Estimated amount of contracts remaining to be executed on capital account and not provided for **Rs. 101.7 Mio.** (Previous Year Rs. 150.0 Mio.).
4. The Company has incurred an expenditure of **Rs. 39.2 Mio.** under a Voluntary Retirement Scheme (VRS). As stated in Accounting Policies as per Schedule 21(1)(m), the compensation paid to employees under VRS is written off over a period of 36 months from the month of incurrence. However, during the current year, the management on a conservative basis, has decided to write off the entire amount incurred during the year. Had the Company followed its usual accounting policy of amortising the VRS expense over a period of 36 months from the month of incurrence, the profit before tax for the year ended 31st March 2007 and the miscellaneous expenditure (to the extent not written off or adjusted) as at 31st March 2007 would have been higher by **Rs. 34.9 Mio.**
5. The exchange loss of **Rs. 20.1 Mio.** (Previous Year loss of Rs. 5.0 Mio) has been included in the Profit and Loss Account for the year.
6. Expenditure on Research and Development charged to Profit and Loss Account **Rs. 48.4 Mio.** (Previous Year Rs. 37.0 Mio.).

7. The Company has taken certain assets under operating leases.  
 (a) Total minimum lease payments in this respect are as follows:

Rs. Mio.

|   | 2006-07     | 2005-06     |
|---|-------------|-------------|
| <b>Due</b>  |             |             |
| Not later than one year                           | 15.5        | 14.0        |
| Later than one year but not later than five years | 27.1        | 32.6        |
| Later than five years                             | 2.6         | 3.2         |
| <b>Total</b>                                      | <b>45.2</b> | <b>49.8</b> |

- (b) Lease rent of **Rs. 21.8 Mio.** (Previous Year Rs. 16.2 Mio.) has been included under 'Rent' in the Profit and Loss Account.

8. **Deferred Tax:**

The break up of Deferred Tax Assets/(Liabilities) as at March 31, 2007 is as under:

Rs. Mio.

|  | 2006-07       | 2005-06       |
|--|---------------|---------------|
| <b>Deferred Tax Assets</b>                     |               |               |
| Timing differences on account of:              |               |               |
| Provision for doubtful debts                   | 38.4          | 37.8          |
| Expenditure under Voluntary Retirement Scheme  | 11.6          | 6.8           |
| Others   | 13.9          | 10.8          |
| <b>Total Deferred Tax Assets</b>               | <b>63.9</b>   | <b>55.4</b>   |
| <b>Deferred Tax Liabilities</b>                |               |               |
| Timing difference on account of:               |               |               |
| Fixed Assets                                   | (42.9)        | (20.5)        |
| <b>Total Deferred Tax Liabilities</b>          | <b>(42.9)</b> | <b>(20.5)</b> |
| <b>Deferred Tax Assets/(Liabilities) – Net</b> | <b>21.0</b>   | <b>34.9</b>   |

9. During the previous year, in line with the global divestiture of Phorate activity, assets relating to this product were transferred to AMVAC Chemical Corporation on October 31, 2005 for a consideration of Rs. 28.8 Mio.
10. A wholly-owned subsidiary of BASF India Limited, BASF Polyurethanes India Ltd. (BPIL) was incorporated on April 06, 2005. BPIL has set up the system house at Turbhe for manufacture of Polyurethane Products and commenced the manufacturing activity during the year. Expenses incurred during the project construction period are allocated to fixed asset.

The business of BASF India Limited relating to Polyurethane Products has been transferred to BPIL at book values for a consideration of Rs. 165.2 Mio with effect from 1st July 2006 on a going concern basis. The consideration includes value for Fixed assets (gross block Rs. 0.6 Mio, net block Rs. 0.4 Mio) and Current assets comprising of Inventories (Rs. 60.3 Mio) and Sundry debtors (Gross Debts Rs. 115.0 Mio, Net debts Rs. 104.5 Mio).

11. Managerial Remuneration under Section 198 of the Companies Act, 1956, (excluding provision for contribution to Gratuity Fund and Group Insurance) is **Rs. 31.3 Mio.** (Previous Year Rs. 21.2 Mio.).

Rs. Mio.

|   | 2006-07     | 2005-06     |
|---|-------------|-------------|
| Salaries  | 21.1        | 14.1        |
| Contribution to Provident and Superannuation Funds  | 3.2         | 2.1         |
| Monetary Value of other perquisites                 | 4.8         | 3.3         |
| Commission to non-whole time directors              | 2.0         | 1.6         |
| Directors' Sitting Fees to non-whole time directors | 0.2         | 0.1         |
| <b>Total</b>  | <b>31.3</b> | <b>21.2</b> |

12. Segment Information for the year ended March 31, 2007:

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

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

Rs. Mio.

|  | <b>Agricultural<br/>Products &amp;<br/>Nutrition</b> | <b>Per-<br/>formance<br/>Products</b> | <b>Plastics</b>           | <b>Chemicals</b>      | <b>Others</b>       | <b>Un-<br/>allocated</b> | <b>Total</b>              |
|--|--|---------------------------------------|---------------------------|-----------------------|---------------------|--------------------------|---------------------------|
| Segment Revenue  | <b>2,236.3</b><br>1,926.9                            | <b>4,576.9</b><br>3,835.5             | <b>2,364.3</b><br>1,632.0 | <b>327.9</b><br>273.4 | <b>64.1</b><br>48.6 | —<br>—                   | <b>9,569.5</b><br>7,716.4 |
| Less : Inter-segment revenue                                 | —  | —                                     | —                         | —                     | —                   | —                        | —                         |
| <b>Sales/Income from operations</b>                          | <b>2,236.3</b><br>1,926.9                            | <b>4,576.9</b><br>3,835.5             | <b>2,364.3</b><br>1,632.0 | <b>327.9</b><br>273.4 | <b>64.1</b><br>48.6 | —<br>—                   | <b>9,569.5</b><br>7,716.4 |
| <b>Segment Result</b>  | <b>364.1</b><br>337.4                                | <b>455.7</b><br>390.2                 | <b>155.2</b><br>157.0     | <b>93.7</b><br>104.5  | <b>3.6</b><br>12.1  | —<br>—                   | <b>1,072.3</b><br>1,001.2 |
| Interest Expenses  |  |                                       |                           |                       |                     | <b>27.7</b><br>23.6      | <b>27.7</b><br>23.6       |
| Interest Income  |  |                                       |                           |                       |                     | <b>11.3</b><br>12.0      | <b>11.3</b><br>12.0       |
| Other un-allocable expenditure<br>net of un-allocable income |  |                                       |                           |                       |                     | <b>273.7</b><br>284.7    | <b>273.7</b><br>284.7     |
| <b>Profit Before Tax</b>                                     |  |                                       |                           |                       |                     |                          | <b>782.2</b><br>704.9     |
| Tax  |  |                                       |                           |                       |                     | <b>281.7</b><br>251.9    | <b>281.7</b><br>251.9     |
| <b>Profit After Tax</b>                                      |  |                                       |                           |                       |                     |                          | <b>500.5</b><br>453.0     |
| <b>OTHER INFORMATION</b>                                     |  |                                       |                           |                       |                     |                          |                           |
| Segment Assets   | <b>528.9</b><br>624.2                                | <b>2,420.7</b><br>1,763.0             | <b>914.5</b><br>838.4     | <b>71.1</b><br>98.6   | —<br>0.2            | <b>1,124.3</b><br>756.6  | <b>5,059.5</b><br>4,081.0 |
| Segment Liabilities  | <b>345.3</b><br>276.8                                | <b>679.7</b><br>441.4                 | <b>704.2</b><br>315.7     | <b>40.1</b><br>23.2   | —<br>0.2            | <b>257.7</b><br>260.8    | <b>2,027.0</b><br>1,318.1 |
| Capital Expenditure  | <b>3.6</b><br>7.0                                    | <b>376.6</b><br>92.4                  | <b>42.9</b><br>111.3      | <b>0.2</b><br>0.8     | —<br>—              | <b>62.1</b><br>26.0      | <b>485.4</b><br>237.5     |
| Depreciation   | <b>26.7</b><br>23.5                                  | <b>50.3</b><br>157.0                  | <b>17.5</b><br>18.5       | <b>0.6</b><br>0.7     | —<br>—              | <b>21.7</b><br>20.8      | <b>116.8</b><br>220.5     |

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

Rs. Mio.

|                     | <b>Domestic</b>           | <b>Exports</b>        | <b>Total</b>              |
|---------------------|---------------------------|-----------------------|---------------------------|
| Revenues            | <b>8,750.6</b><br>7,075.7 | <b>818.9</b><br>640.7 | <b>9,569.5</b><br>7,716.4 |
| Total Assets        | <b>4,979.5</b><br>4,031.9 | <b>80.0</b><br>49.1   | <b>5,059.5</b><br>4,081.0 |
| Capital Expenditure | <b>485.4</b><br>237.5     | —<br>—                | <b>485.4</b><br>237.5     |

**Notes on Segment Information:**

1. Segments have been identified in accordance with the Accounting Standard on Segment Reporting (AS-17). Business Segments have been considered as primary segments.
2. Details of type of products included in each segment —
  - **Agricultural Products & Nutrition** – Agrochemicals like pesticides and herbicides and high-value fine chemicals for the food, pharmaceuticals, animal feed and cosmetics industries.
  - **Performance Products** – Tanning agents, Leather Chemicals, Textile Chemicals, Dispersion Chemicals and Speciality Chemicals.
  - **Plastics** – Expandable Polystyrene (EPS), engineering plastics and polyurethane business.
  - **Chemicals** – Chemicals includes inorganic chemicals, intermediates and Petrochemicals.
  - **Others** – Indent Commission income not relating to any of the above segments and other recoveries.
3. Un-allocable Corporate Assets include Administration Assets, Investment and Net Deferred Tax Assets.
4. Un-allocable Corporate Liabilities include Secured and Unsecured Loans, Net Deferred Tax Liabilities, Proposed dividend and other un-allocable liabilities.

### 13. Related Party Disclosures:

#### (a) Parties where control exists

BASF Aktiengesellschaft Holding Company (holds 52.7% of the equity share capital as on March 31, 2007)

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

##### Fellow Subsidiaries

|  |  |
|--|--|
| BASF (China) Company Ltd.                        | BASF JCIC Neopentylglycol Co. Ltd.           |
| BASF (Malaysia) Sdn Bhd                          | BASF Pakistan (Private) Ltd.                 |
| BASF (Thai) Ltd.                                 | BASF Petronas Chemicals Sdn. Bhd.            |
| BASF Agro B.V. Arnhem (NI)                       | BASF Philippines, Inc.                       |
| BASF Agro B.V. – Wädenswil Branch                | BASF Polyurethanes (China) Co. Ltd.          |
| BASF Asia Pacific Service Centre Sdn. Bhd.       | BASF Polyurethanes (Malaysia) Sdn Bhd        |
| BASF Auxiliary Chemicals Co. Ltd.                | BASF Polyurethanes (Taiwan) Co. Ltd.         |
| BASF Bangladesh Ltd.                             | BASF S.A.                                    |
| BASF Chemicals And Polymers Pakistan (Pvt.) Ltd. | BASF South East Asia Pte. Ltd.               |
| BASF Chemtrade Gesellschaft MBH                  | BASF Styrenics Private Ltd.*                 |
| BASF China Limited                               | BASF Tuerk Kimya Sanayi Ve Ticaret Ltd. Sti. |
| BASF Coatings (India) Private Ltd.               | BASF – Finlay (Private) Limited              |
| BASF Company Ltd.                                | BTC Speciality Chemical Distribution Gmbh    |
| BASF Construction Chemicals (India) Private Ltd. | Elastogran GMBH                              |
| BASF Corporation                                 | Elastogran Italia Spa (Elit)                 |
| BASF Curtex S.A.                                 | K+S Aktiengesellschaft                       |
| BASF East Asia Regional Headquarters Limited     | P.T. BASF Indonesia                          |
| BASF Espanola, S.L.                              | Shanghai BASF Polyurethane Company           |
| BASF Japan Ltd. (BJL)                            |  |

\* Group company 100% held by BASF Styrenics Holding Company, Mauritius which is 100% held by BASF AG.

#### (c) Key Management Personnel

##### Chairman & Managing Director

Mr. Prasad Chandran

##### Whole-Time Directors

Mr. S. Ramnath (Alternate to Mr. Boon Yeow Yee)

Dr. Raman Ramachandran (Alternate to Dr. Rainer Diercks)

Mr. Deepak Thuse (Alternate to Dr. Tilman Krauch)

#### (d) Relatives of Key Managerial Persons

N.A.

## (e) Details of transactions for the year ended March 31, 2007:

Rs. Mio

| Nature of Transactions                           | Holding Company/<br>Subsidiary |             | Fellow<br>Subsidiaries |               | Total         |               |
|--|--------------------------------|-------------|------------------------|---------------|---------------|---------------|
|  | 2006-07                        | 2005-06     | 2006-07                | 2005-06       | 2006-07       | 2005-06       |
| <b>Sale of Goods</b>                             |                                |             |                        |               |               |               |
| BASF Aktiengesellschaft                          | 33.5                           | 22.1        | —                      | —             | 33.5          | 22.1          |
| BASF South East Asia Pte. Ltd.                   | —                              | —           | 56.1                   | 16.0          | 56.1          | 16.0          |
| BASF Coatings (India) Private Ltd.               | —                              | —           | 130.4                  | 23.0          | 130.4         | 23.0          |
| BASF Construction Chemicals (India) Private Ltd. | —                              | —           | 63.7                   | —             | 63.7          | —             |
| Others   | —                              | —           | 105.5                  | 57.2          | 105.5         | 57.2          |
| <b>Sub-Total</b>                                 | <b>33.5</b>                    | <b>22.1</b> | <b>355.7</b>           | <b>96.2</b>   | <b>389.2</b>  | <b>118.3</b>  |
| <b>Services Rendered</b>                         |                                |             |                        |               |               |               |
| BASF Aktiengesellschaft                          | 104.0                          | 80.2        | —                      | —             | 104.0         | 80.2          |
| BASF South East Asia Pte. Ltd.                   | —                              | —           | 215.7                  | 205.3         | 215.7         | 205.3         |
| BASF Petronas Chemicals Sdn. Bhd.                | —                              | —           | 46.3                   | 38.4          | 46.3          | 38.4          |
| BASF Company Ltd.                                | —                              | —           | 30.9                   | —             | 30.9          | —             |
| Others   | —                              | —           | 36.6                   | 49.7          | 36.6          | 49.7          |
| <b>Sub-Total</b>                                 | <b>104.0</b>                   | <b>80.2</b> | <b>329.5</b>           | <b>293.4</b>  | <b>433.5</b>  | <b>373.6</b>  |
| <b>Purchase of Goods/Materials</b>               |                                |             |                        |               |               |               |
| BASF Aktiengesellschaft                          | 247.6                          | 55.2        | —                      | —             | 247.6         | 55.2          |
| BASF South East Asia Pte. Ltd.                   | —                              | —           | 1612.6                 | 936.8         | 1612.6        | 936.8         |
| BASF Company Ltd.                                | —                              | —           | 354.1                  | 41.7          | 354.1         | 41.7          |
| Others   | —                              | —           | 706.8                  | 647.3         | 706.8         | 647.3         |
| <b>Sub-Total</b>                                 | <b>247.6</b>                   | <b>55.2</b> | <b>2673.5</b>          | <b>1625.8</b> | <b>2921.1</b> | <b>1681.0</b> |
| <b>Services Received</b>                         |                                |             |                        |               |               |               |
| BASF Aktiengesellschaft                          | 36.0                           | 7.8         | —                      | —             | 36.0          | 7.8           |
| BASF South East Asia Pte. Ltd.                   | —                              | —           | 63.5                   | 50.6          | 63.5          | 50.6          |
| Others   | —                              | —           | 13.9                   | 9.9           | 13.9          | 9.9           |
| <b>Sub-Total</b>                                 | <b>36.0</b>                    | <b>7.8</b>  | <b>77.4</b>            | <b>60.5</b>   | <b>113.4</b>  | <b>68.3</b>   |
| <b>Purchase of Assets</b>                        |                                |             |                        |               |               |               |
| BASF Aktiengesellschaft                          | 0.5                            | 0.1         | —                      | —             | 0.5           | 0.1           |
| Elastogran GMBH                                  | —                              | —           | 1.5                    | —             | 1.5           | —             |
| Elastogran Italia Spa (Elit)                     | —                              | —           | 0.3                    | —             | 0.3           | —             |
| Others   | —                              | —           | —                      | 0.1           | —             | 0.1           |
| <b>Sub-Total</b>                                 | <b>0.5</b>                     | <b>0.1</b>  | <b>1.8</b>             | <b>0.1</b>    | <b>2.3</b>    | <b>0.2</b>    |
| <b>Interest on Loans</b>                         |                                |             |                        |               |               |               |
| BASF Aktiengesellschaft                          | 2.2                            | 0.7         | —                      | —             | 2.2           | 0.7           |
| <b>Royalty and Technical Fees</b>                |                                |             |                        |               |               |               |
| BASF Aktiengesellschaft                          | 9.4                            | 19.2        | —                      | —             | 9.4           | 19.2          |
| <b>Dividend</b>                                  |                                |             |                        |               |               |               |
| BASF Aktiengesellschaft                          | 104.0                          | 89.1        | —                      | —             | 104.0         | 89.1          |
| <b>Outstanding</b>                               |                                |             |                        |               |               |               |
| Receivables                                      | 7.3                            | 3.0         | 64.2                   | 35.2          | 71.5          | 38.2          |
| Payables   | 15.3                           | —           | 420.5                  | 302.8         | 435.8         | 302.8         |
| Loan from BASF Aktiengesellschaft                | 34.8                           | 36.9        | —                      | —             | 34.8          | 36.9          |

## (f) Details of transactions of Key Management Personnel and Relatives of Key Management Personnel:

Rs. Mio.

| Nature of Transactions   | Key Management Personnel |         | Relatives of Key Management Personnel |         | Total   |         |
|--------------------------|--------------------------|---------|---------------------------------------|---------|---------|---------|
|                          | 2006-07                  | 2005-06 | 2006-07                               | 2005-06 | 2006-07 | 2005-06 |
| Interest Income on Loans | 0.1                      | 0.2     | —                                     | —       | 0.1     | 0.2     |
| Remuneration             | 29.1                     | 19.5    | —                                     | —       | 29.1    | 19.5    |
| Rent Paid                | —                        | —       | —                                     | 0.8     | —       | 0.8     |
| <b>Outstanding:</b>      |                          |         |                                       |         |         |         |
| Receivable               | 0.9                      | 0.9     | —                                     | 0.2     | 0.9     | 1.1     |

Details of remuneration to Directors are given in Note 11.

Amounts due from directors and interest recovered thereon have been included under Schedule 11 of the Consolidated Balance Sheet and Schedule 15 of the Consolidated Profit and Loss Account under Interest – Others respectively.

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

15. The Previous Year's figures have been audited by a firm of Chartered Accountants other than BSR & Co.

Signatures to Schedules 1 to 21

Prasad Chandran  
*Chairman & Managing Director*

M. R. Iyer  
*Company Secretary*

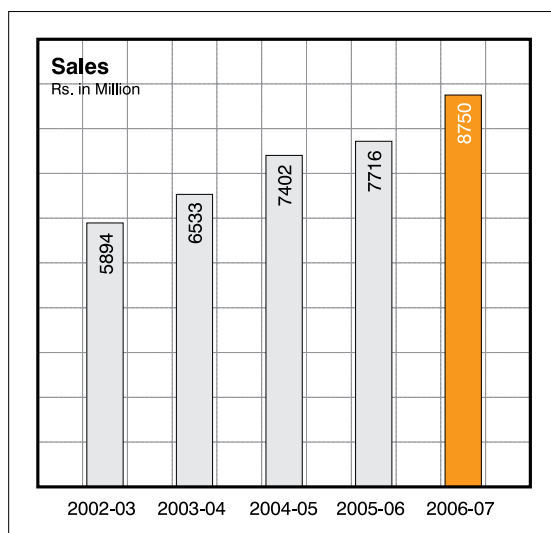
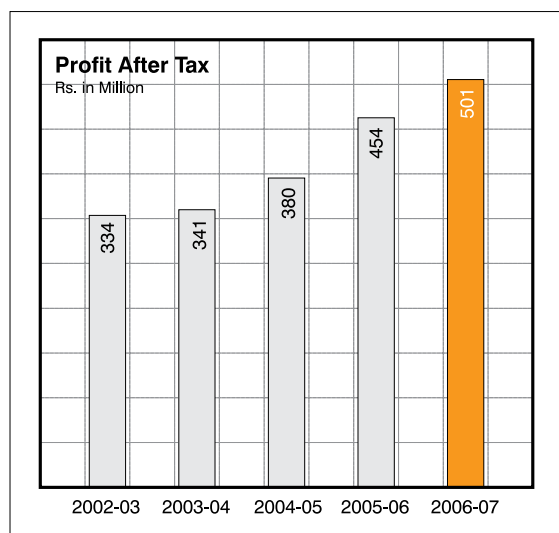
K. R. Coorlawala  
R. R. Nair  
Raman Ramachandran  
S. Ramnath  
Pradip P. Shah  
Deepak Thuse  
*Directors*

Mumbai, 6th June 2007

## BASF India Limited Financial Highlights – At a glance

Rs. in Million

|                        | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|------------------------|---------|---------|---------|---------|---------|
| Sales                  | 5894    | 6533    | 7402    | 7716    | 8750    |
| Profit before tax      | 463     | 513     | 601     | 706     | 781     |
| Profit after tax       | 334     | 341     | 380     | 454     | 501     |
| Total assets           | 4606    | 4046    | 4138    | 3986    | 4594    |
| Borrowings             | 1323    | 670     | 100     | 13      | 5       |
| Shareholders' equity   | 2139    | 2318    | 2535    | 2764    | 3034    |
| Depreciation           | 214     | 212     | 244     | 221     | 109     |
| Capital expenditure    | 117     | 47      | 76      | 143     | 451     |
| Exports                | 620     | 511     | 564     | 252     | 320     |
| R & D cost             | 13      | 16      | 20      | 37      | 48      |
| Personnel cost (Total) | 417     | 456     | 486     | 572     | 684     |
| Dividend amount        | 141     | 169     | 169     | 197     | 197     |
| Dividend in %          | 50      | 60      | 60      | 70      | 70      |
| Number of employees    | 928     | 917     | 833     | 817     | 801     |
| Number of shareholders | 34421   | 32831   | 29493   | 29684   | 33042   |



BASF Kids Lab was organised at Mangalore. Approximately 3000 students from 30 schools enjoyed the experiments. Mr. M. Maheswar Rao I.A.S. – Deputy Commissioner, Dakshina Kannada District, watched the experiments with keen interest.



The Chemical Company

**BASF India Limited**

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