

# Annual Report 2008-2009

BASF India Limited



WE SHAPE THE FUTURE

 **BASF**

The Chemical Company



## Message from the Chairman & Managing Director

Dear Shareholders,

The global financial crisis and its implications on the developed world are still unravelling. However, India, with its robust domestic-oriented economy, coupled with well-timed fiscal and monetary measures taken by the government, is already rebounding. At BASF, although sales and profitability of some of our segments got affected during 2008-2009, our balanced portfolio helped us remain resilient. With a strong business foundation and one of the best teams on board, we have been operating with excellent cost efficiency and budget discipline.

Your company derived opportunities from the current situation and the sales and profit have grown by 20% and 16% respectively.

Our focus on nurturing Partnerships and Excellence has won us accolades across platforms. Being rated as the World's Most Admired Chemical Company by the Fortune Magazine has not only made us all proud but also further motivated us to raise our standards of performance. BASF Kids' Lab aboard the Science Express is now part of the Limca Book of Records 2009 for hosting a mobile laboratory, where 15,000 students performed live experiments.

Employee engagement has been taken a notch higher, by launching the C.A.R.E. initiative, which emphasized the importance of Behavioral Safety at all times.

Together, we are confident of setting higher standards for ourselves and the Chemical industry.

Thank you for your trust and confidence and I look forward to your continued interest and support.

Warm Wishes,

A handwritten signature in black ink, appearing to read 'Prasad Chandran'. The signature is written in a cursive style with a horizontal line underneath.

**Prasad Chandran**

# 65th Annual General Meeting

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Friday, 21st August, 2009 at 3.00 p.m. at Yashwantrao Chavan Pratishthan Auditorium, Y. B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai - 400 021.		Page
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<b>BASF India Limited</b>		
<b>Registered Office:</b> RBC, Mahindra Towers, 1st Floor, 'A' Wing, Dr. G.M. Bhosale Marg, Worli, Mumbai - 400 018. Phone : 6661 8000 www.basf-india.com	<b>Information pertaining to BASF Polyurethanes India Limited (Subsidiary)</b>	
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<b>Works</b> Thane-Belapur Road, Turbhe, Navi Mumbai - 400 705, Maharashtra. Bala/Thokur Village, Surathkal-Bajpe Road, Mangalore Taluka, Dakshina Kannada District, Karnataka - 575 030. 83/2, Demni Village, Dena Bank Road, Dadra - 396 191. Union Territory of Dadra & Nagar Haveli	<b>Information pertaining to Consolidated Financial Statements</b>	
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<b>Branches</b> Ahmedabad, Chennai, Delhi, Kolkata		
<b>Registrar and Share Transfer Agents</b> Sharepro Services (India) Private Ltd., Unit : BASF India Limited, 13AB, Samhita Warehousing Complex, 2 <sup>nd</sup> Floor, Sakinaka Telephone Exchange Lane, Off. Andheri Kurla Road, Andheri (East), Mumbai - 400 072 Tel. No. : 022-2851 1872, 6772 0300, 6772 0400 Fax No. : 022-2859 1568 Email : sharepro@shareproservices.com		

# Board of Directors

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Mr. Prasad Chandran  
*Chairman and Managing Director*

Dr. Rainer Diercks

Mr. R.Y. Vaidya  
*Alternate to Dr. Rainer Diercks*

Dr. Tilman Krauch

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

Mr. Hermann Althoff

Mr. S. Ramnath  
*Alternate to Mr. Hermann Althoff*

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. Narayan Krishnamohan

Mr. P. Ganguly

Mr. Sandeep Gadre

Dr. G. Ramaseshan

Mr. S. Ramnath

Mr. Deepak Thuse

Mr. R.Y. Vaidya

Mr. Vivek Bapat

Mr. Murli Ramalingam

Mr. Mandar Joshi

## **Company Secretary**

Mr. M.R. Iyer

## **Auditors**

Messrs B S R & Co.,  
*Chartered Accountants*

## **Solicitors**

Messrs Crawford Bayley & Co.  
Messrs Udawadia & Udeshi

## **Bankers**

Citibank N.A  
Deutsche Bank  
HDFC Bank Limited  
Standard Chartered Bank

## **Internal Auditors**

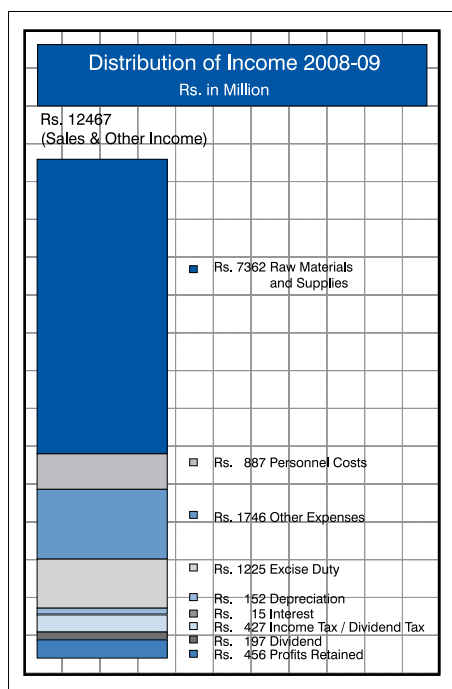
Messrs Mahajan & Aibara  
*Chartered Accountants*

# Directors' Report



Mr. Prasad Chandran inaugurates Chemspec India 2009, the annual exhibition organized by Chemical Weekly.

Your Directors have pleasure in presenting their Report for the financial year ended 31<sup>st</sup> March, 2009.



## Financial Results

(Rs. in Million)

	Year ended 31.3.2009	Year ended 31.3.2008
Sales	12381.1	10360.2
Profit before tax	1080.1	930.0
Tax	393.7	336.3
Profit after tax	686.4	593.7
Balance brought forward	264.0	231.0
Available for appropriation	950.4	824.7
This has been appropriated as follows:		
Proposed Dividend	197.3	197.3
Corporate Tax on Dividend	33.6	33.6
General Reserve	455.5	329.8
Balance carried forward	264.0	264.0

## Activities

The performance of your Company during the year under report registered an improvement over the previous year. Sales at Rs. 12381 million and Profit before tax at Rs. 1080 million during the year ended 31<sup>st</sup> March, 2009 represent an increase of 20% and 16% respectively, over the previous year. This increase was mainly on account of higher capacity utilization, improved operating results of the Agricultural Solutions, Performance Products and Chemicals businesses.

Profit after tax at Rs. 686.4 million was higher by 16% compared to the previous year.

The Agricultural Solutions business recorded higher sales and profits during the year ended 31<sup>st</sup> March, 2009 mainly due to higher realizations, effective working capital management and marketing initiatives, undertaken during the year under report.

The Plastics business registered marginal increase in sales as compared to the previous year. The Performance Products segment which include textiles, dispersions, specialty and leather chemical businesses registered increase in sales, both in volume and value terms. Dispersions business registered substantial increase in sales and profits as compared to previous year.

The Chemical business registered improved results, compared to the previous year.

Financial Ratios		
	2008-09	2007-08
Equity vs Total Assets (%)	59.20	64.75
Return on Capital Employed (%)	30.21	29.30
before interest and taxes		
Profitability of total income (%)	8.78	9.11
before interest and taxes		
Current Ratio	2.02	2.38
current assets :		
short term liabilities and provisions		
Acid Test Ratio	1.20	1.62
short term receivables plus		
cash and cash items:		
short term liabilities and provisions		

Capacity utilization in all segments of business was higher compared to the previous year. The global economic slowdown resulted in weak demand and pressure on sale prices and margins. The export sales at Rs. 570.7 million during the year under report represented an increase of 53% over the previous year.

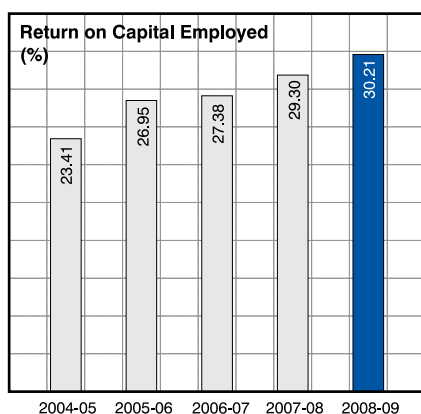
During the year under report, the Company has initiated steps to set up Engineering Plastics compounding plant at its existing site at Navi Mumbai. This plant will have the capacity of 9000 TPA which will cater to automobile, electrical switchgear and telecommunication industries. A Computer Aided Engineering laboratory was also set up to design & optimize new engineering plastics parts in close co-ordination with customers.

#### Dividend

Your Directors recommend payment of dividend on the equity shares @70% (Rs. 7/-per share) for the financial year ended 31<sup>st</sup> March, 2009. The dividend will absorb Rs. 197.3 million.

#### Consolidation of holding

BASF SE, the parent Company of your Company, has increased its stake from the present 52.69% to 71.18% of the voting capital of your Company through open offer process during the year under report.



#### Finance & Accounts

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

#### Capital Expenditure

Capital Expenditure incurred during the year aggregated to Rs. 415.6 million.

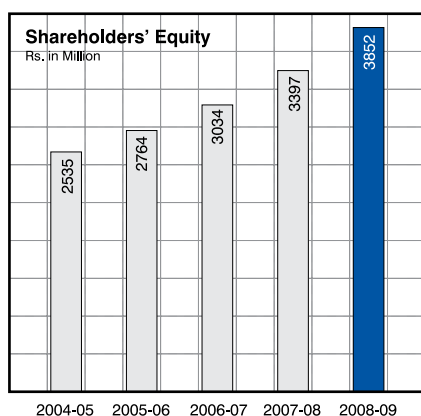
#### Fixed Deposits

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. 0.6 million as at 31<sup>st</sup> March 2009.

Your Company transferred unclaimed fixed deposit of Rs. 0.1 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

BASF Polyurethanes India Limited (BPIL), the wholly owned subsidiary of your Company, recorded Sales at Rs. 2185.4 million as against Rs. 1567.7 million in the previous year. However, BPIL posted a loss of Rs. 200.5 million during the year ended 31<sup>st</sup> March, 2009 mainly on account of high fluctuations in raw material prices.

BASF SE had a discretion to acquire the Company's holding in BPIL. During the year under report, BASF SE had exercised its discretion to acquire the entire equity shareholding in BPIL vide its letter dated 30<sup>th</sup> October, 2008 subject to conditions detailed therein. A committee constituted by the Board is examining the matter and would recommend further course of action.

The Audited Accounts of the Subsidiary and the Auditors' report thereon form part of this Annual Report.

## 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 judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year ended 31<sup>st</sup> March, 2009 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

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

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the details of Directors seeking reappointment at the ensuing Annual General Meeting is provided in the Corporate Governance Report, forming part of this Annual report.

## Auditors

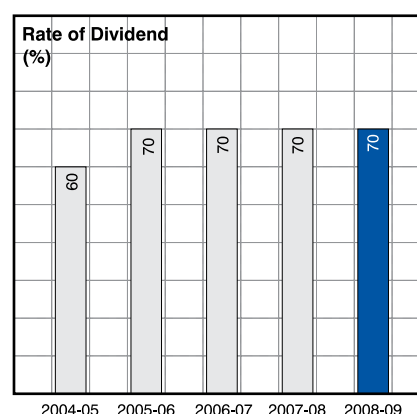
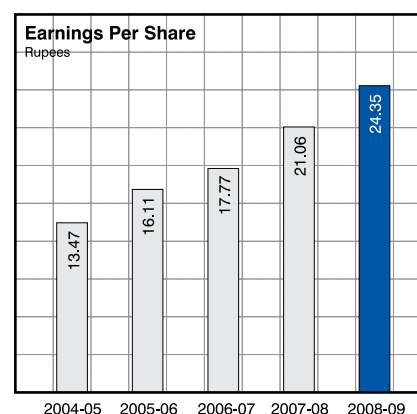
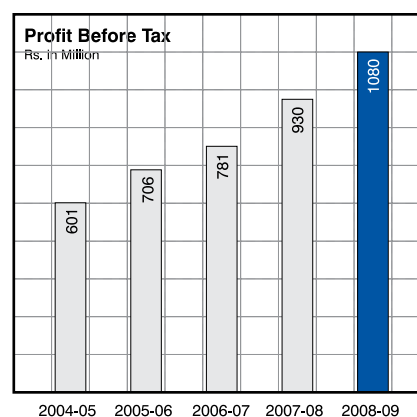
M/s. B S R & Co., Chartered Accountants, Mumbai retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

## Cost Audit

The Board of Directors in pursuance 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 2009-10.

## 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, Navi Mumbai & 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 its subsidiary, BASF Polyurethanes India Limited.

On behalf of the Board of Directors

PRASAD CHANDRAN  
*Chairman & Managing Director*

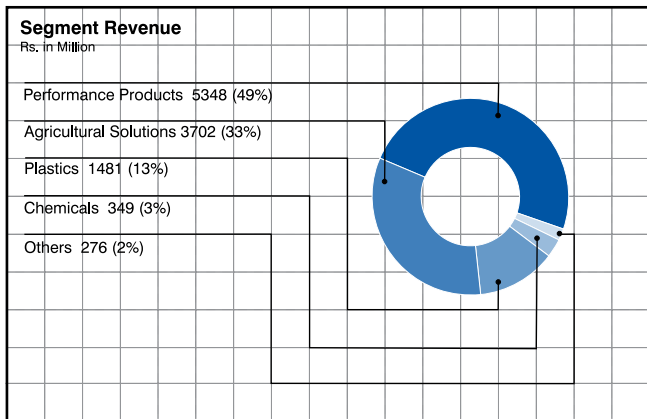
*Mumbai*

*Dated : 16<sup>th</sup> April, 2009.*



Dr. Martin Brudermueller, Member of the Board of Executive Directors – BASF SE, discusses the way forward with the Senior Management of BASF India in July 2008.





## Annexure to the Directors' Report

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

### A. Conservation of Energy

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

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

- Installation of a new energy efficient steam boiler
- Installation of capacitor banks to improve power.
- Installation of energy efficient split and window air-conditioners in place of existing old air-conditioners.
- Installation of energy efficient steam traps.
- Installation of energy efficient motors at some places.
- Rationalise process parameters to reduce batch cycle time of certain processes.
- Replacement of old air compressors in a plant by energy efficient ones.
- Reducing working hours by improving machine efficiencies.
- 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 and new packing modules/process.
  - Installation of VFDs in utilities section and optimizing compressed air in nitrogen usage.
  - Installation of new PL lamps for reduction in power consumption in warehouses.
  - Rationalise the system by optimizing the burner nozzle.
  - Optimizing the cooling water circuit.
- Reduction of energy consumption in a plant by:
  - Installation of a steam meters for close monitoring and better steam traps.
  - Installation of power saving CF Lights.
  - Installation of variable speed drives.
- Reduction in process water consumption in a plant by installation of flow meters at different locations.

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

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

- Introduction of express feeder to rationalize power distribution system.
- Replacement of window air-conditioners with energy efficient CFC free system.
- Recycling of water and post treatment of effluent from a plant.
- Installation of N2 plant with new air compressor.
- Installation of steam meters and better traps to rationalise steam consumption.
- Conversion of spray dryer and boiler into gas firing instead of oil firing,
- Creating awareness for self discipline in energy conservation.

Requisite data in respect of Energy Consumption are given below:

	Current Year 1.4.2008 to 31.3.2009	Previous Year 1.4.2007 to 31.3.2008
(a) Power & Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (in '000 kwh)	14517	15421
Total amount (Rs. in million)	69.06	73.96
Rate per unit (Rs.)	4.76	4.80

	Current Year 1.4.2008 to 31.3.2009	Previous Year 1.4.2007 to 31.3.2008
(b) Own generation		
• Through diesel generator		
Units (in '000 kwh)	1005	1205
Units per litre of oil	3.18	3.22
Cost per unit (Rs.)	11.36	11.36
• 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)	3262	3665
Total Amount (Rs. in million)	87.22	69.52
Average rate (Rs./litre)	26.74	18.97
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)	82	87
Furnace oil/fuels (litres)	33	26
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)	249	275
Furnace oil/fuels (litres)	44	42
Coal (specify quality)	N.A.	N.A.
Others (specify)	N.A.	N.A.
Pesticides		
Unit M.T.		
Electricity (kwh)	N.A.	58
Furnace oil/fuels (litres)	N.A.	105
Coal (specify quality)	N.A.	N.A.
Others (specify)	N.A.	N.A.

## B. Technology Absorption

### RESEARCH & DEVELOPMENT (R&D):

#### 1. Specific Areas in which R&D was carried out by the company.

During the year, the R&D centre of the company was engaged in supporting all the businesses through innovations and undertook multifold research activities including:

- Basic Research.
- Development of new products / formulations.
- Developing cost effective processes and streamlining existing processes in the areas of paper chemicals, leather chemicals, textile chemicals and other speciality chemicals/auxiliaries.
- Optimizing effluent treatment processes
- Support indenting activities.

The facilities at the R&D Centre were further augmented. A state of art new Pharma excipients formulations research and application laboratory was established to carry out research on new Pharma formulations.

Work on Global Research projects include:

- Collaborative research with BASF SE in the areas of performance chemicals, intermediates and other organic materials, ionic liquids etc.
- New organic chemical intermediates for specific applications.
- Textile auxiliaries.
- Isolation of potential pesticides from natural sources.

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 new products during the year. Some of these new products were introduced in the market. Four new textile auxiliaries and one new agro formulation was developed as part of Global Research projects.

3. **Future Plan of Action:**

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

- Enhancing global collaborative research with BASF SE.
- Focus on developmental projects for India and the South-Asian region.
- Further modernizing of R&D facilities.
- Development of innovative products and processes.

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

	Rs. in million
(a) Capital	5.90
(b) Recurring	96.10
(c) Total	102.00
(d) Total R&D Expenditure as a percentage of total turnover	0.9%

**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 undertake research in the areas including:

- New organic chemical intermediates for various applications.
- Process development and scale-up.
- Agricultural Solutions
- Textile auxiliaries.
- Leather chemicals
- Other speciality chemicals.

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

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

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

3. **Imported Technology:**

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

- In 2004 for manufacture of new products.
- In 2004 for manufacture of expandable polystyrene.
- In 2006 for manufacture of engine coolant.
- In 2007 for manufacture of performance products.
- In 2008 for manufacture of Engineering Plastics.

The Company has excellent interaction with its parent Company BASF SE 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 46 and 47 of the Annual Report and Accounts.

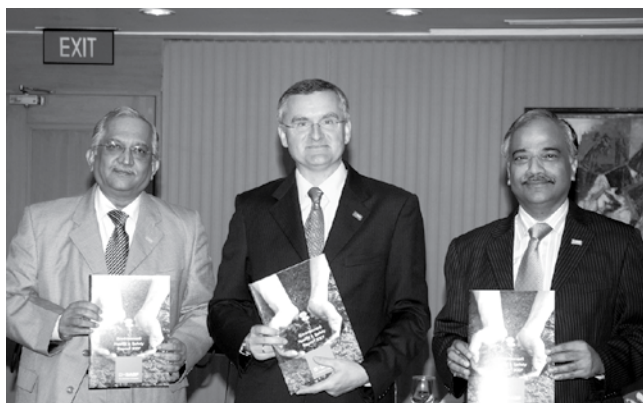
On behalf of the Board of Directors

PRASAD CHANDRAN  
Chairman & Managing Director

Mumbai

Dated : 16<sup>th</sup> April, 2009.

# Management Discussion and Analysis Report



Dr. Tilman Krauch, President, Regional Functions and Country Management Asia Pacific along with Mr. Prasad Chandran and Mr. Vaidya at the release of 7<sup>th</sup> Annual EHS Report in August 2008.

After registering a healthy GDP growth of 9% in the last fiscal year, the Indian economy witnessed a deceleration in growth, since the third quarter of 2008-09, mainly due to the global economic slowdown. Estimates by various agencies indicate that the economy in the year 2008-09 is expected to grow between 6.5% -7.0%.

Consequent to the economic slowdown, growth in manufacturing sector had started tapering off since the first quarter of fiscal year 2008-09. The growth further declined in the second quarter and registered negative growth in the third quarter. Overall, the manufacturing sector is expected to grow at 3.4% in the fiscal year.

The products manufactured by the Company serve many end-use industries including agriculture, textiles, paper, pharmaceuticals, consumer durables, automobiles etc. Healthy growth of end-use industries is essential for performance of your Company. The end-use industries growth showed a mixed trend i.e. some showed substantial decline in growth rates compared to previous year; whereas others managed to register lower, but positive growth, compared to previous year.

Export dependent industries such as textile and leather bore the brunt of the global economic slowdown. Due to the tight monetary environment, demand for the automotive industry witnessed a drastic reduction. High inventory built-up at the customers' end led to substantial reduction in petrochemicals demand. Consumer driven industries such as personal care, pharmaceuticals, paper and consumer durables however maintained positive growth rates, albeit at a slower rate, compared to previous year.

Various analysis suggests that the global economic slowdown is likely to continue during 2009-10, and possibly even beyond. Being a domestic focused economy, the impact for India is limited with reduced exposures to sub-prime lendings, adequately capitalized banks and the positive response by the Government including announcement of stimulus packages to boost economic growth. Ease in monetary policy would boost consumer sentiment. These measures are expected to have a positive impact in the industrial growth in 2009-10.

## Plastics

The plastics division comprises of expandable polystyrene (Styropor) and performance polymers (engineering plastics).

Styropor is primarily used in the areas of packaging and insulation. The major end-user in the packaging segment include consumer electronics, white goods, fruits and vegetables export packaging. In the insulation segment, major consumers include cold storage and air-conditioned buildings.

Performance plastics are primarily used in the automotive, electrical switchgear and accessories and barrier films for packaging.

The expandable polystyrene (EPS) market is catered mainly by four manufacturers.

EPS customers, the processors (molders), convert raw material into finished product – expanded polystyrene. Many of these processors are now up-grading their facilities to achieve productivity and cost effectiveness. Electronics and consumer durables packaging is a major segment for EPS business.

The consumer durable industry had shown a healthy growth trend during first half of the year; however this growth got negated during the second half.

The weakening rupee and under utilized capacities in Asia could impact the margins.

The Styropor business recorded volume growth. This enabled the business to sustain its position in the market.

During second half of the year, due to global recession, styrene monomer prices dropped drastically impacting the operations. However, adroit customer management initiatives coupled with inventory management stabilized the situation.

The outlook for plastics business is favourable.



The Styropor Deluxe Grade makes a grand entrance! Mr. Prasad Chandran, Dr. Giorgio Greening and Mr. Deepak Thuse launch this innovative new product at Chandigarh.

### Performance Products

The performance products business include performance chemicals and functional polymers. This business cater to the requirement of a wide spectrum of industries including textile, leather, plastics and coatings, specialities, detergent formulators, automobile and oil.

In the leather chemical business, turnover and volume was lower compared to the previous year. The leather industry during the financial year witnessed weak global demand, drop in production, unprecedented increase in input costs, idling labour due to lack of orders from Europe & US.

Global demand at the retail level was weak and wide fluctuation in foreign exchange rates was detrimental to long term contracts in leather industry. The prices of raw materials and its availability was of concern and the entry of medium and small companies made the competition intense in the market place.

Performances of most of the product groups of the business other than the Dyes Solution segment were lower compared to the previous year. Dyes Solution grew significantly due to Eukesolar exports.

The South Asia Technical Centre for Leather set up at the Navi Mumbai factory to meet the technical requirements of the market was well utilized. Imports of finished leather are expected to grow, due to demand for good quality leather.

Despite difficult market situation, this business generally maintained its market share in the segments it operated.

The global turmoil in the financial market significantly slowed down retailer buying activities. With consumer confidence in developed markets at an all time low, Indian textile exporters are facing lull in orders and lower capacity utilization.

Most of the capacity expansion plans and greenfield projects by textile mills have been deferred or kept in abeyance.

The industry also witnessed introduction and strengthening of strict environmental norms. New opportunities are expected in following segments – Home textiles, Technical Textiles.

The textile chemicals market comprises of diverse players in terms of size, from single product suppliers to suppliers offering chemicals for the entire value chain along with added services such as specialized fabric testing and certification.

The Indian textile chemicals market valued at around Rs. 15,500 Mio is expected to be stagnant during 2009. The fluctuation in input costs have resulted in lower margins for textile chemical suppliers.

The acrylics and dispersion businesses cater to an array of industries including paper, paints, construction and adhesives. All market segments registered significant growth during the year. Investments in construction segment, both infrastructure and real estate, and overall growth in private consumption contributed to the performance of this business.

The thrust on infrastructure development was maintained by the Government during the year. As a result, significant growth was witnessed in the construction and paint industry.

The dispersions demand witnessed high growth in the first half of the year. In quarter 3, there was a general slowdown, especially in the paint and construction segments.

During the year, the business significantly increased sales due to the timely expansion of production facilities at Mangalore, coupled with higher technical service. Overall, the business achieved a satisfactory volume growth.

The business achieved significant growth during the year, despite competition from both domestic and international players. The volatility in petrochemical feedstock pricing coupled with sharp depreciation of the rupee during the year were unexpected developments which were managed with prudent management of inventories.

During the year, this business launched innovative new products and increased technical services. New products were launched for paper and architectural coatings.

The construction and paper businesses maintained steady growth on a year on year basis. This growth could be achieved as a result of introduction of innovative products coupled with strong technical service. The architectural coatings business witnessed good growth during the year. Exports to South Asian countries and the Middle East registered strong growth during the year.

The major players in the paper industry have expanded production capacity in line with the growing demand in the country. The new machines being installed are of higher capacities. The major producers are also employing the latest technologies which enable them to compete on cost as well as quality, in the global arena.

BASF, being the world leading supplier of products to the paper industry is perfectly placed to meet the growing needs of the Indian paper industry, with its expanded capacity and innovative product range.

Volatility in pricing of feed stocks and exchange rates are potential threats to this business. Overcapacities in international markets amidst the global slowdown gave rise to potential increase in imports, which could have a detrimental effect on the dispersions business.

The dispersion business is expected to grow further in the coming year, thereby increasing the capacity utilization of the expanded plant at Mangalore. Strong demand growth from the paper industry and a recovery in demand from the paint and construction segments are supporting the growth of this business.

Turnover and volume grew significantly over the previous year. While margins are expected to remain under pressure on account of volatile raw material prices and exchange rates, higher plant utilization rates are expected to contribute positively to the bottom line.

Demand for pigments, resins and UV stabilizers were lower in quarter 3 and 4 of the financial year. To respond quickly to customer needs and make its customers more successful, an application laboratory to enhance technical services was started at Navi Mumbai. Also, the general slowdown in the automotive industry, since the last quarter 2008 affected sale of automotive fluids. However, sale of refinery chemicals improved.

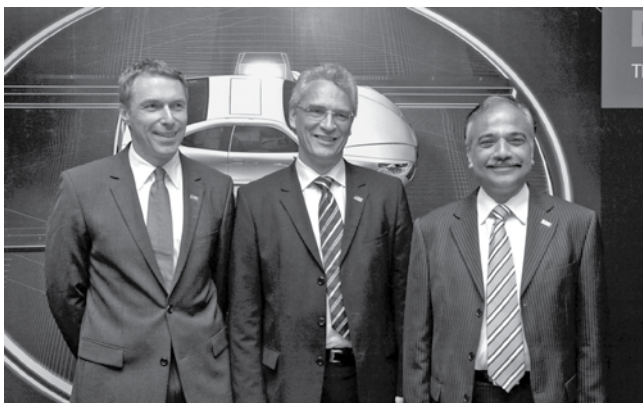
Care Chemicals business grew compared to the previous year. Personal Care Ingredients/Aroma chemicals business maintained its growth pace. Nutrition business with its balanced portfolio had a successful year. Growth areas have been identified in segments like food fortification and vitamins for dietary supplements. The Pharma sector witnessed growth and BASF has been successful in making new chemistries for Pharma. An application laboratory was opened at Navi Mumbai to cater to the application demands of the Pharma industry for BASF products. New products launched have been well accepted.

The Detergents and Formulators activity witnessed good growth. To improve profitability, locally produced "Sokalan" polymers will be promoted to new areas of application.

## 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. Sectors like textile, rubber, coatings have been impacted adversely because of global economic downturn and consequent impact on the business environment.

During the financial year 2008-09, with the robust performance of Indian agriculture, the intermediates chemicals division witnessed involved activity and buoyancy. The intermediates going into agrochemicals sector saw substantial growth. Another growth area during the year was in specialities segment, the applications of which include pharmaceuticals and coatings. Coatings sector for the commodities was marked by significant slowdown in the industry due to automotive manufacturing dip in 3rd and 4th quarter of this year.



Dr. Wolfgang Hapke, President, Market and Business Development, Asia Pacific (centre) along with Mr. Chandran and Mr. Hermann Althoff, Group Vice President, Engineering Plastics, Asia Pacific, at a Press Conference organized by Team Automotive India, BASF's integrated approach to the Automotive Industry.

During the coming financial year, chemical intermediates used for agrochemicals as well as pharma applications are expected to increase. Pharmaceutical customers are re-aligning their strategies and the intermediates division is well positioned to support them, with a wide array of products made all over the globe, as well as support with R & D inputs from BASF group.

Demand for coatings is expected to revive in construction (infrastructure) and white goods segments. Food and feed industry, as well as leather and textiles industry will remain a growth avenue for intermediates.

The business had engaged in customer focused activities, in emerging areas of agrochemicals, new pharmaceuticals, textile related applications and is poised to utilize its resources to register growth in the coming year.

Performance of plasticizers and solvent segment was lower compared to the earlier year. The catalyst business which include refinery/polyolefin/absorbent/petrochemical catalysts was satisfactory. The inorganic business performance was lower compared to the previous year.



Mr. Chandran and the BASF Agricultural Products team meet farmers in Bangalore. Luquasorb, a Super Absorbent Polymer is being tested for its agricultural use.

### **Agricultural Solutions**

The Agricultural Solutions business include insecticides, herbicides, fungicides and specialties.

Food grain production in 2008/09 estimated at 228 million tons registered increase compared to the previous year. The forecast for Agricultural growth in 2009 is also positive.

The agro chemicals industry witnessed a year of mixed results. The first three quarters witnessed robust price increases in agricultural produce and agro chemicals products. The last quarter witnessed softening of generic product prices that left many players with high priced inventories. The financial meltdown led to price dips in commodity prices during the second half of 2008.

The Agricultural Solutions business grew significantly by consolidating and building on the various strategic measures initiated in the earlier years. Demand for quality agricultural produce led to increase in the use of fungicides. Herbicides and fungicides are the two segments in which your Company has products to offer to the market.

Along with the business strategy of profitable growth and generating demand, the business added two focus areas viz. striving for the grower's prosperity – Samruddhi and process standardization. The Samruddhi concept is a yield enhancement programme, where BASF is seen as a partner working for the progress of farmers. The farmers are educated about fertilization, seed rate, spacing and timely usage of agrochemical inputs.

Led by excellent growth in soybean herbicide business, agro chemicals business registered good growth in fungicides – in vegetable crops such as potato and tomato. As has been the trend for last two years, the herbicides and fungicides market witnessed good growth, offsetting the stagnation in the insecticides market. During the year, ground was prepared for new product introductions which started with the launch of "Insignia" in quarter 4. Innovative launches were well received by the farming community.

Efforts to expand the product portfolio continued alongwith the strengthening of the development, technical services and marketing teams.

With the Government's commitment to safeguard Intellectual Property Rights and the steps initiated to provide Data Protection, the business environment for research & development based agrochemical companies, remain favorable.

Turnover and net realization in agrochemicals increased significantly compared to the previous year. Exports during the year was marginally higher compared to the previous year.

### **Technical Management**

The efforts for optimum utilization of assets at all manufacturing sites continued during the year under report. This ensured optimal utilization of manpower and resources. These steps coupled with energy conservation measures undertaken by the Company, resulted in cost reduction, high yield, lower batch cycle time, better quality products and enhanced capacities. These measures also led to reduction in pollution load.

At Navi Mumbai factory a number of technical initiatives and energy conservation measures were implemented.

The Mangalore factory continued to work efficiently and achieved record production in dispersions. The Eukesolar production achieved optimum production efficiency.

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

Industrial relations in all the factories continue to remain cordial.

### **Research and Development**

During the year, the research team was engaged in supporting the technology platforms of BASF with multifold activities which include research in the area of :

- performance chemicals, intermediates and fine chemicals
- process development for active ingredients and ionic liquids
- new organic chemical intermediates for specific applications

Future plans include :

- further strengthen the collaboration with the global technology platforms
- integration of new Indian research activities into the global research network
- further modernization of equipment and facilities
- contribution to the development of new and innovative products within the global network

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

The Company has established 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 authorized, recorded and reported correctly. There was proper adherence to policies, processes and guidelines in terms of efficiencies and effectiveness. 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 BASF group policies, the group internal auditors also perform audits in specific areas of operations. The principles of risk avoidance, such as segregation of duties and dual control of important processes are the basic foundation of internal monitoring.

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

### **Developments in Human Resources and Industrial relations front**

The success of Company in India would largely depend on the talent that the Company is able to attract and retain. Understanding this need as primary, the Company initiated a project to understand the key factors that young graduates and professionals look forward to, when they join a Company. Based on the surveys conducted internally and externally, the Employer Value Proposition was defined and the various processes for recruitment were looked into by adopting a customer centric approach. Various initiatives such as launch of career web-site supported by a recruitment system have been initiated.

The GROW programme was launched with emphasis on capability development of young managers.

An employee survey was conducted and the survey results were communicated to all employees in the organization. Focused group meetings were conducted with employees to determine factors and elicit suggestions from employees to design interventions to improve on areas identified during the survey. Initiatives are now underway to address those issues.

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

The Company employed 858 persons as on 31<sup>st</sup> March, 2009.

On behalf of the Board of Directors

PRASAD CHANDRAN  
*Chairman & Managing Director*

*Mumbai*

*Dated : 16<sup>th</sup> April, 2009.*



# Report on Corporate Governance



BASF India introduced the Skill Development Programme for spouses of employees at Mangalore. Creativity was at its peak, at the tailoring course, resulting in many ideas and designs.

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

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

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

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

- Sustainable Profitable Performance
- Innovation for the Success of Customers
- 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 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 16<sup>TH</sup> APRIL, 2009

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 2 <sup>nd</sup> April 2005)	Chairman & Managing Director	5	5	2	NIL
Mr. Deepak Thuse Alternate to Dr. Tilman Krauch	January 23, 2006	Chief Executive – Plastics	5	5 \$	1	NIL
Mr. S. Ramnath, Alternate to Mr. Hermann Althoff	April 1, 2006	Chief Executive — Finance & Information Technology	5	5 \$	1	1
Mr. R.Y. Vaidya, Alternate to Dr. Rainer Diercks	April 16, 2008	Chief Executive — Manufacturing	5	5 \$	1	NIL

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

\$ Were present at the Meeting held on 12<sup>th</sup> August, 2008 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. Hermann Althoff	April 16, 2008	Director	5	1	1	NIL

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Name	Date of Appointment	Designation	No. of Meetings held during the Last Financial Year	No. of Meetings Attended	Number of Memberships in Boards of Other Companies*	No. of Memberships/ Chairmanships in other Committees
Mr. K.R. Coorlawala	February 10, 1975	Director	5	2	1	Membership – 1 Chairmanship – Nil
Mr. Pradip P. Shah	January 31, 2000	Director	5	3	14	Membership – 5 Chairmanship – 3
Mr. R.A. Shah	April 25, 1968	Director	5	4	14	Membership – 4 Chairmanship – 5
Mr. R.R. Nair	March 30, 2001	Director	5	4	3	Membership – Nil Chairmanship – 1

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

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

Five Board Meetings were held during the year 2008-09.

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

- |   |  |
|---|--|
| (1) Wednesday, 16 <sup>th</sup> April, 2008 | (2) Thursday, 31 <sup>st</sup> July, 2008  |
| (3) Tuesday, 12 <sup>th</sup> August, 2008  | (4) Monday, 13 <sup>th</sup> October, 2008 |
| (5) Monday, 19 <sup>th</sup> January, 2009  |  |

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

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

Dr. Tilman Krauch, Dr. Rainer Diercks and Mr. Hermann Althoff were not paid any commission during the financial year 2008-09. Dr. Tilman Krauch, Dr. Rainer Diercks and Mr. Hermann Althoff represent BASF SE ("holding Company" of the Company).

### 3. AUDIT COMMITTEE

The Board of Directors of the Company constituted an Audit Committee on 1<sup>st</sup> March 2001 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 25<sup>th</sup> September 2001. Mr. R.R. Nair was appointed as the Chairman of the Audit Committee, by the Board of Directors on and from 12<sup>th</sup> 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 judgement by the management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing & other legal requirements concerning financial statements.
  - Disclosure of any related party transactions.
  - Qualification in draft audit report.
- Reviewing the following information
  - Management discussion and analysis of financial condition and results 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 on 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.

Audit Committee meetings were held on 16<sup>th</sup> April, 2008, 31<sup>st</sup> July, 2008, 13<sup>th</sup> October, 2008, and 19<sup>th</sup> January, 2009 during the financial year 2008-09. Mr. S. Ramnath, Permanent Invitee and Mr. M.R. Iyer, Secretary of the Committee were present at all the meetings. Mr. R.R. Nair and Mr. Pradip Shah, Members of the Committee, were not present at the meeting held on 16<sup>th</sup> April, 2008. Mr. K.R. Coorlawala, Member of the Committee, was not present at the meetings held on 31<sup>st</sup> July, 2008 and 13<sup>th</sup> October, 2008. Mr. R.A. Shah was not present at the meeting held on 31<sup>st</sup> July, 2008.

The Minutes of the Audit Committee Meetings were noted at the Board Meetings. The Chairman of the Audit Committee was present at the 64<sup>th</sup> Annual General Meeting held on August 12, 2008.

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 broadly based on the time spent by the Non- Executive Directors at the Audit Committee and Board Meetings, periodic advice given by these Directors to the management and the commission paid by comparable Companies.

- Details of remuneration paid to all the Directors during the year 2008-2009.

(a) EXECUTIVE DIRECTORS

(Amount in Rupees per annum)

Remuneration	Mr. Prasad Chandran	Mr. Deepak Thuse	Mr. S. Ramnath	* Mr. R.Y. Vaidya	Total #
Salary & Benefits@	13,931,374	5,391,936	5,236,191	5,253,492	29,812,993
Performance Linked Incentive	5,850,000	1,110,000	1,237,040	1,110,000	9,307,040
Total	19,781,374	6,501,936	6,473,231	6,363,492	39,120,033

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

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

\* Mr. R.Y. Vaidya was appointed as a Whole-time Director w.e.f. 16<sup>th</sup> April, 2008.

The agreements in respect of Mr. Prasad Chandran, Chairman and Managing Director, Mr. Deepak Thuse (appointed w.e.f. 23<sup>rd</sup> January, 2006) and Mr. S. Ramnath (appointed w.e.f. 1<sup>st</sup> April, 2006), Whole-time Directors, are for a period of five years. The agreement in respect of Mr. R.Y. Vaidya (appointed w.e.f. 16<sup>th</sup> April, 2008), Whole-time Director, is for a period from 16<sup>th</sup> April, 2008 to 31<sup>st</sup> August, 2010. 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 31<sup>st</sup> March, 2009 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 2008-09.

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Board of Directors of the Company constituted a Shareholders'/Investors' Grievance Committee on 1<sup>st</sup> March, 2001 currently comprising of Mr. K.R. Coorlawala as Chairman, Mr. Prasad Chandran and Mr. S. Ramnath as Members. Mr. R.R. Nair was nominated/appointed as member of the Shareholders'/Investors' Grievance Committee, by the Board of Directors on 7<sup>th</sup> May, 2008.

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 approve 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, 6 complaints were received from the shareholders and these have been resolved to date.

Outstanding complaints as on 31<sup>st</sup> March, 2009 were Nil.

There was 1 request for dematerialization/transfer of shares pending as on 31<sup>st</sup> March, 2009. There are 95 shares pending to be transferred as on 31<sup>st</sup> March, 2009.

SUBSIDIARY COMPANY

The Company monitors the performance of its 100% subsidiary, BASF Polyurethanes India Limited (BPIL), inter-alia, by the following means:

- The Financial Statements, in particular, the investments, if any, made by BPIL, are reviewed by the Audit Committee of the Company.
- The Minutes of the Board Meetings of BPIL are noted at the Board Meetings of the Company.
- Details of significant transactions and arrangements entered into by the BPIL are placed before the Board of the Company as and when applicable.

### **CEO/CFO Certificate:**

A certificate from the Chief Executive Officer (Managing Director) and the Chief Financial Officer, on the financial statements and other matters of the Company for the financial year ended 31<sup>st</sup> March, 2009, was placed before the Board at its meeting held on 16<sup>th</sup> April, 2009.

### **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. Tuesday 12<sup>th</sup> August, 2008 at 3.00 p.m.
2. Tuesday 31<sup>st</sup> July, 2007 at 3.00 p.m.
3. Thursday 10<sup>th</sup> August, 2006 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 AGM during the last financial year:**

12<sup>th</sup> August, 2008 (AGM) All Directors except Mr. K.R. Coorlawala were present.

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

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

- Dr. Tilman Krauch has studied chemistry at the University of Freiburg, Germany and at ETH Zurich, Switzerland. He has done his doctorate and spent his post doctorate periods at the Shemiakin Institute, Moscow, Russia and Kyoto University, Japan. Dr. Krauch joined BASF AG's Plastics Laboratory in 1990. He worked as an Assistant to the Chairman of the Board of Executive Directors of BASF AG in 1995. In the year 2001, he became Group Vice President, Fiber Intermediates, Europe, Performance Polymers Division and in 2004, he became Group Vice President, Global Business Unit, Polyamide and Intermediates, Performance Polymers Division. In 2006, Dr. Tilman Krauch was the President, Regional Functions and Market Efficiency, Asia Pacific. Presently, Dr. Tilman Krauch is the President, Regional Functions and Country Management, Asia Pacific. Dr. Tilman Krauch has been a Director of the Company and its wholly-owned subsidiary BASF Polyurethanes India Limited, since 17<sup>th</sup> April, 2006.
- Mr. Pradip P. Shah has been a Director on the Board of the Company since 31<sup>st</sup> January, 2000. Mr. Shah holds an MBA from the Harvard Business School and a Bachelor's degree in Commerce from Sydenham College, Mumbai. He is a qualified Chartered Accountant and a 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 P. Shah is also the Chairman/Director of the following public limited companies viz.

- |   |          |
|---|----------|
| 1. Shah Foods Limited                           | Chairman |
| 2. Sonata Software Limited                      | Chairman |
| 3. Asset Reconstruction Company (India) Limited | Director |
| 4. Godrej & Boyce Mfg. Limited                  | Director |
| 5. Grindwell Norton Limited                     | Director |
| 6. Kansai Nerolac Paints Limited                | Director |
| 7. Pfizer Limited                               | Director |
| 8. Patni Computer Systems Limited               | Director |
| 9. Panasonic Energy India Co. Ltd.              | Director |
| 10. Wartsila India Ltd.                         | Director |
| 11. Tata Investment Corporation Limited         | Director |
| 12. Wockhardt Hospitals Limited                 | Director |
| 13. Mukund Limited                              | Director |
| 14. KSB Pumps Limited                           | Director |

Presently, Mr. Pradip P. Shah is also the Chairman/Member of the following Audit Committees/Shareholders' Grievance Committee of public limited companies viz.,

#### **Audit Committee**

- |                                    |          |
|------------------------------------|----------|
| 1. Kansai Nerolac Paints Limited   | Chairman |
| 2. Wartsila India Ltd.             | Chairman |
| 3. Wockhardt Hospitals Limited     | Chairman |
| 4. Panasonic Energy India Co. Ltd. | Member   |
| 5. Pfizer Limited                  | Member   |
| 6. Patni Computer Systems Limited  | Member   |
| 7. Sonata Software Limited         | Member   |

## Shareholders' Grievance Committee

1. Pfizer Limited

Member

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

## 8. DISCLOSURES

- (a) There were no materially significant related party transactions made by the Company with its promoters, directors or relatives or the management, their subsidiaries etc., which have 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. 22 of Schedule 19 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

The Company has in place a mechanism to inform the Board about the risk assessment and minimization procedures and periodical review to ensure that management controls risk through means of a properly defined framework.

- (e) The Management Discussion & Analysis Report forms part of this Annual Report.

## 9. MEANS OF COMMUNICATION

- The Quarterly and Half-yearly Unaudited Financial results are generally published in the widely circulating national and local newspapers such as 'The Economic Times' (in English), 'Maharashtra Times' (in Marathi). These results are not sent to each household of shareholders.
- The Company's Financial results/official news releases and other important Investor related information are periodically displayed and updated on the Company's web site, viz., [www.basf-india.com](http://www.basf-india.com).
- 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 Friday, 21<sup>st</sup> August, 2009 at 3.00 p.m. at Yashwantrao Chavan Pratishthan Auditorium, Y.B. Chavan Centre, General Jagannath Bhosale Marg, Nariman Point, Mumbai-400021.

- (b) The Company's financial year begins on 1<sup>st</sup> April and ends on 31<sup>st</sup> March.

Financial Calendar —	Results for quarter ending June 30, 2009	3 <sup>rd</sup> /4 <sup>th</sup> week of July, 2009
(tentative)	Annual General Meeting	21 <sup>st</sup> August, 2009
	Results for quarter ending September 30, 2009	2 <sup>nd</sup> /3 <sup>rd</sup> week of October, 2009
	Results for quarter ending December 31, 2009	3 <sup>rd</sup> /4 <sup>th</sup> week of January, 2010
	Results for the year ending March 31, 2010	3 <sup>rd</sup> /4 <sup>th</sup> week of April, 2010

- (c) Date of book closure: 12<sup>th</sup> August, 2009 to 21<sup>st</sup> August, 2009 (both days inclusive) for the purposes of Annual General Meeting and payment of dividend.

- (d) Dividend payment date: 25<sup>th</sup> August, 2009.

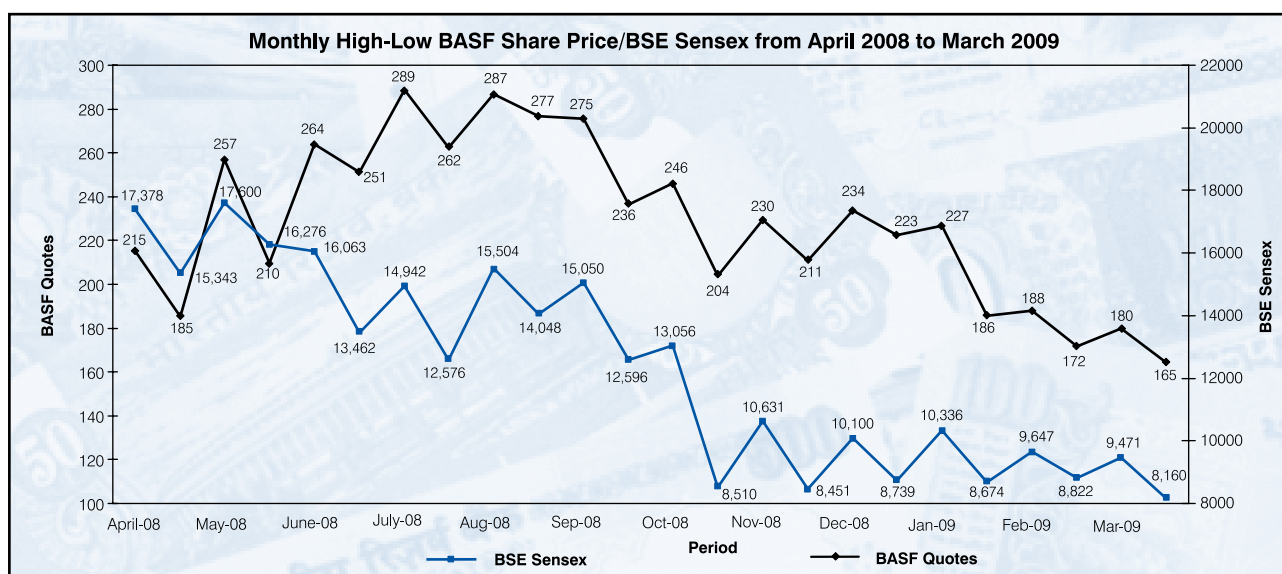
- (e) Listing on Stock Exchanges: The equity shares of the Company are listed on The Stock Exchange, Mumbai (BSE) and The National Stock Exchange of India Limited (NSE). The Company has paid the annual listing fees for the financial year 2009-10 to both the Stock Exchanges.

- (f) Stock Code : 500042  
SYMBOL : BASF  
Demat ISIN No. in NSDL : INE373A01013  
Demat ISIN No. in CDSL : INE373A01013

(g) Market Price Data: High/low market price of the Company's equity shares traded on The Stock Exchange, Mumbai and the National Stock Exchange of India during each month in the last Financial Year ended on 31<sup>st</sup> March, 2009 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 2008 TO MARCH 2009**

AT BSE			AT NSE		
MONTH	HIGH (DATE)	LOW (DATE)	MONTH	HIGH (DATE)	LOW (DATE)
April	215.25 (22.04.2008)	185.30 (08.04.2008)	April	215.45 (21.04.2008)	184.35 (08.04.2008)
May	256.95 (20.05.2008)	209.85 (08.05.2008)	May	256.90 (21.05.2008)	209.50 (08.05.2008)
June	264.05 (26.06.2008)	251.00 (04.06.2008)	June	263.90 (26.06.2008)	251.05 (03.06.2008)
July	288.95 (24.07.2008)	262.30 (04.07.2008)	July	289.40 (24.07.2008)	262.45 (03.07.2008)
August	286.85 (13.08.2008)	276.85 (29.08.2008)	August	286.25 (13.08.2008)	277.85 (29.08.2008)
September	275.45 (01.09.2008)	236.35 (30.09.2008)	September	275.35 (05.09.2008)	239.00 (30.09.2008)
October	245.95 (01.10.2008)	203.85 (27.10.2008)	October	243.60 (01.10.2008)	200.05 (27.10.2008)
November	229.50 (06.11.2008)	210.85 (20.11.2008)	November	230.40 (10.11.2008)	213.50 (20.11.2008)
December	233.70 (15.12.2008)	222.55 (12.12.2008)	December	237.00 (15.12.2008)	221.50 (12.12.2008)
January	226.60 (05.01.2009)	185.70 (29.01.2009)	January	226.00 (05.01.2009)	183.90 (30.01.2009)
February	188.00 (02.02.2009)	171.85 (27.02.2009)	February	187.35 (02.02.2009)	171.00 (27.02.2009)
March	180.00 (25.03.2009)	164.50 (13.03.2009)	March	183.15 (23.03.2009)	165.80 (13.03.2009)



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

**Registered Office**

**Sharepro Services (India) Private Ltd.,**

Unit : BASF India Limited,  
13AB, Samhita Warehousing Complex,  
2<sup>nd</sup> Floor, Sakinaka Telephone Exchange Lane,  
Off. Andheri Kurla Road, Andheri (East),  
Mumbai-400 072.

Tel. No. : 022-2851 1872, 6772 0300, 6772 0400

Fax No. : 022-2859 1568

Email : sharepro@shareproservices.com

**Investors Relation Centre**

**Sharepro Services (India) Private Ltd.,**

Unit : BASF India Limited,  
912, Raheja Centre, Free Press Journal Road,  
Nariman Point,  
Mumbai-400 021.

Tel. No. : 022-6613 4700, 2288 1568

Fax No. : 022-2282 5484

Email : sharepro@shareproservices.com

The details of contact persons of Sharepro are as follows:

Name	Phone No.	Fax No.
Mr. G.R. Rao	022-2821 5169, 6772 0301/0302	022-2859 1568
Mrs. Indira P. Karkera/Mr. Gopal	022-6772 0360/6772 0300	022-2859 1568

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

(j) The distribution of shareholdings of the Company as on 31<sup>st</sup> March, 2009 was as follows:

Category (No. of shares)	No. of shareholders	Percentage	No. of shares	Percentage
1 – 500	23,543	91.94%	19,29,877	6.85%
501 – 1000	1,118	4.37%	8,54,223	3.03%
1001 – 2000	569	2.22%	8,07,635	2.87%
2001 – 3000	170	0.66%	4,26,017	1.51%
3001 – 4000	54	0.21%	1,90,271	0.67%
4001 – 5000	55	0.22%	2,55,131	0.91%
5001 – 10000	65	0.25%	4,29,672	1.52%
10001 and above	32	0.13%	2,32,97,322	82.64%
<b>Total</b>	<b>25,606</b>	<b>100.00%</b>	<b>2,81,90,148</b>	<b>100.00%</b>

(k) The shareholding pattern of the Company as on 31<sup>st</sup> March, 2009 was as follows:

Category	No. of shares	% of total capital
Foreign Promoters	2,00,66,242	71.18%
Directors and relatives of Directors	295	0.00%
NRIs, OCBs and FIIs	1,59,695	0.57%
Financial Institutions and Mutual Funds	10,50,464	3.73%
Nationalised and other Banks	13,817	0.05%
Domestic Corporate Bodies/Trusts	20,75,068	7.36%
General Public including shares in transit	48,24,567	17.11%
<b>Total</b>	<b>2,81,90,148</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 54.13% of the shareholding of the Company have been dematerialized as on 31<sup>st</sup> March, 2009.

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



(n) Plant locations:

**Navi Mumbai**

Thane Belapur Road,  
Turbhe,  
Navi Mumbai 400 705  
Maharashtra.

**Mangalore**

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

**Dadra**

83/2, Dena Bank Road,  
Demni Village,  
Dadra 396 191  
Union Territory of Dadra &  
Nagar Haveli.

(o) Address for correspondence:

Mr. Pradeep Chandan/Mr. Manohar Kamath  
BASF India Limited,  
RBC, Mahindra Towers,  
1<sup>st</sup> 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)  
[manohar.kamath@basf.com](mailto:manohar.kamath@basf.com)  
[investor-grievance-india@basf.com](mailto:investor-grievance-india@basf.com)

(p) Top Ten Shareholders of the Company as on 31<sup>st</sup> March, 2009

Sl. No.	Name of the shareholder(s)	Holdings	% in the total capital
1.	BASF SE	2,00,66,242	71.18%
2.	United India Insurance Company Limited	7,66,771	2.72%
3.	LIC of India-Market Plus	7,05,000	2.50%
4.	General Insurance Corporation of India	5,95,602	2.11%
5.	LIC of India-Money Plus	3,42,504	1.21%
6.	The New India Assurance Company Limited	2,68,488	0.95%
7.	National Insurance Company Limited	1,22,883	0.44%
8.	Vikram Tannan	68,000	0.24%
9.	Religare Securities Limited	52,967	0.19%
10.	Rajni Bahl	43,000	0.15%

(q) Share price: Rs. 217.70/- per share on The Stock Exchange, Mumbai as on 16<sup>th</sup> April, 2009.

## 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: 16<sup>th</sup> April, 2009



BASF runs for a cause in the Mumbai Marathon in January 2009.

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

To

The Members of BASF India Limited

We have examined the compliance of conditions of Corporate Governance by BASF India Limited ('the Company') for the year ended on 31<sup>st</sup> March 2009, as stipulated in Clause 49 of the Listing Agreement entered into by the Company with Stock Exchanges.

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

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

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

For B S R & Co.  
*Chartered Accountants*

Akeel Master  
*Partner*  
Membership No. 046768

*Mumbai,*  
*Date: 16 April 2009.*



BASF bags the Outstanding Stall Award at Plastindia 2009, world's second largest plastics exhibition.

# 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 2009, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) on the basis of written representations received from the directors of the Company, as on 31 March 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2009 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 2009;
    - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
    - iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date

For B S R & Co.  
*Chartered Accountants*  
Akeel Master  
*Partner*  
Membership No.: 046768  
*Mumbai*  
*Date: 16 April 2009*

## Annexure to Auditors' Report – 31 March 2009

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, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods sold and services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, except for purchases of certain items of inventories and fixed assets which are for the Company's specialised requirements and similarly sale of certain goods and services rendered which are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Act, and the rules framed thereunder with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Act in respect of manufacture of insecticides and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty, Investor Education and Protection Fund and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities.  
According to the information and explanations given to us, there were no dues on account of Cess under Section 441A of the Act since the date from which the aforesaid section comes into force has not been notified by the Central Government.  
According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty, Investor Education and Protection fund and other material statutory dues were in arrears as at 31 March 2009 for a period of more than six months from the date they became payable.  
(b) According to the information and explanations given to us, there are no dues of Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty and Excise duty which have not been deposited with the appropriate authorities on account of any dispute other than those mentioned in the appendix to this report.
10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding debentures or dues to financial institutions during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. 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 B S R & Co.  
Chartered Accountants  
Akeel Master  
Partner  
Membership No.: 046768  
Mumbai  
Date: 16 April 2009

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	2.24	2001	Customs, Excise, Service Tax Appellate Tribunal
States and Central Sales Tax Acts	Tax, Interest and Penalty	1.67	1997-1998	Assistant Commissioner
		16.51	2002-2003	Deputy Commissioner
		0.67	2003-2004	Deputy Commissioner
		0.98	2004-2005	Deputy Commissioner



Mr. Oscar Fernandes, Hon. Minister of State for Labour & Employment, hands over the Safety Award of the National Safety Council – The Prashansa Patra to Mr. P. P. Shetty, General Manager, Mangalore Works in the presence of Mr. Anand Mahindra, Managing Director, Mahindra & Mahindra.

## Balance Sheet as at March 31, 2009

Rs. in million

	Schedule	March 31, 2009	March 31, 2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Share Capital	1	281.9	281.9
Reserves and Surplus	2	3,570.4	3,114.9
<b>Total</b>		<b>3,852.3</b>	<b>3,396.8</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
3			
Gross Block		3,636.4	3,411.1
Less: Depreciation		2,377.0	2,242.5
Net Block		1,259.4	1,168.6
Capital Work-in-Progress		211.5	40.0
		1,470.9	1,208.6
<b>Investments</b>	4	<b>90.0</b>	119.0
<b>Deferred Tax Assets (net)</b>	5	<b>2.5</b>	23.6
<b>Current Assets, Loans and Advances:</b>			
Inventories	6	2,009.8	1,249.2
Sundry Debtors	7	1,372.8	1,586.9
Cash and Bank Balances	8	277.0	81.6
Loans and Advances	9	1,285.5	977.1
		4,945.1	3,894.8
Less:			
<b>Current Liabilities and Provisions:</b>			
Current Liabilities	10	2,311.7	1,513.1
Provisions	11	344.5	336.1
		2,656.2	1,849.2
<b>Net Current Assets</b>		<b>2,288.9</b>	<b>2,045.6</b>
<b>Total</b>		<b>3,852.3</b>	<b>3,396.8</b>

For Accounting Policies and Notes to Accounts — Refer **Schedule 19**

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

As per our report of even dated attached

For B S R & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 046768

Mumbai, 16<sup>th</sup> April 2009

Prasad Chandran  
Chairman & Managing Director

M. R. Iyer  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
R. Y. Vaidya  
S. Ramnath  
R. A. Shah  
Pradip P. Shah  
Deepak Thuse  
Directors

16<sup>th</sup> April 2009

## Profit and Loss Account for the year ended March 31, 2009

Rs. in million

	Schedule	March 31, 2009	March 31, 2008
<b>Income:</b>			
Sales and Services	12	12,381.1	10,360.2
Less: Excise Duty		1,225.1	1,233.5
		11,156.0	9,126.7
Other Income	13	85.5	46.9
		11,241.5	9,173.6
<b>Expenditure:</b>			
Materials Consumed	14	6,072.0	4,971.3
Purchase of Finished Goods		1,527.1	900.1
Other Expenses	15	2,633.5	2,307.4
Depreciation	3	151.6	136.0
Interest	16	14.9	12.8
		10,399.1	8,327.6
Increase in Stocks	17	237.7	84.0
<b>Profit Before Tax</b>		<b>1,080.1</b>	930.0
<b>Tax</b>	<b>18</b>	<b>393.7</b>	336.3
<b>Profit After Tax</b>		<b>686.4</b>	593.7
Surplus Brought Forward		264.0	231.0
Available for Appropriation		950.4	824.7
<b>Appropriations:</b>			
Proposed Dividend		197.3	197.3
Corporate Tax on Dividend		33.6	33.6
General Reserve		455.5	329.8
		686.4	560.7
Balance Carried Forward		264.0	264.0
Weighted average number of equity shares outstanding during the year		28,189,466	28,189,466
Basic and diluted earnings per share (in Rs.)		24.35	21.06
Face value per share (in Rs.)		10.00	10.00

For Accounting Policies and Notes to Accounts — Refer **Schedule 19**

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

As per our report of even dated attached

For B S R & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 046768

Mumbai, 16<sup>th</sup> April 2009

Prasad Chandran  
Chairman & Managing Director

M. R. Iyer  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
R. Y. Vaidya  
S. Ramnath  
R. A. Shah  
Pradip P. Shah  
Deepak Thuse  
Directors

16<sup>th</sup> April 2009

## Cash Flow Statement for the year ended March 31, 2009

Rs. in million

	March 31, 2009		March 31, 2008	
<b>A. Cash flow from operating activities</b>				
Net Profit Before Tax		1,080.1		930.0
Adjustments for:				
Depreciation	151.6		136.0	
Interest expense	14.9		12.8	
Loss/(Profit) on sale of fixed assets (net)	(1.9)		1.3	
Interest income	(20.1)		(17.3)	
Unrealised (Gain)/Loss on foreign exchange (net)	7.3		9.3	
Provision for Doubtful Debts	(16.7)	135.1	5.1	147.2
<b>Operating profit before working capital changes</b>		1,215.2		1,077.2
(Increase)/Decrease in:				
Trade and Other Receivables	344.3		(253.0)	
Inventories	(760.6)		(96.6)	
Trade and Other Liabilities	(779.6)	363.3	(274.8)	(74.8)
<b>Cash generated from operations</b>		1,578.5		1,002.4
Direct taxes paid (net)		(386.7)		(342.0)
<b>Net cash from operating activities</b>		1,191.8		660.4
<b>B. Cash flow from investing activities:</b>				
Acquisition of fixed assets		(408.4)		(300.6)
Realisation on sale of fixed assets		3.6		8.2
Interest received		20.2		17.0
ICD placed with – BASF Polyurethanes India Limited (net)		(366.0)		(79.0)
<b>Net cash used in investing activities</b>		(750.6)		(354.4)
<b>C. Cash flow from financing activities</b>				
Repayment of loan funds (net)		—		(5.1)
Interest paid		(14.9)		(12.8)
Dividend paid		(197.3)		(197.3)
Tax paid on above dividend		(33.6)		(33.6)
<b>Net cash used in financing activities</b>		(245.8)		(248.8)
<b>Net increase in cash and cash equivalents</b>		195.4		57.2
Cash and cash equivalents (opening balance)		81.6		24.4
Cash and cash equivalents (closing balance)		277.0		81.6
Restricted cash and cash equivalents		5.6		5.5

As per our report of even dated attached

For B S R & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 046768

Mumbai, 16<sup>th</sup> April 2009

Prasad Chandran  
Chairman & Managing Director

M. R. Iyer  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
R. Y. Vaidya  
S. Ramnath  
R. A. Shah  
Pradip P. Shah  
Deepak Thuse  
Directors

16<sup>th</sup> April 2009



## Schedules to Balance Sheet as at March 31, 2009

### 1. Share Capital

Rs. in million

	March 31, 2009	March 31, 2008
<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> Equity Shares were allotted as fully paid pursuant to a contract without payment being received in cash and <b>15,771,400</b> Equity Shares were allotted as fully paid Bonus Shares by way of capitalisation of Reserves.		
– <b>4,035,948</b> shares were allotted to the erstwhile shareholders of Cyanamid Agro Limited (CAL) consequent to the amalgamation w.e.f. April 1, 2001		
– <b>20,066,242</b> (Previous Year – 14,853,020) Equity Shares are held by BASF SE, 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,	
	2008	2007	2008-09	2007-08	2009	2008
Share Premium Account	621.0	621.0	—	—	621.0	621.0
Amalgamation Reserve	0.5	0.5	—	—	0.5	0.5
General Reserve	2,229.4	1,899.6	455.5	329.8	2,684.9	2,229.4
Surplus as per Profit & Loss Account	264.0	231.0	—	33.0	264.0	264.0
	<b>3,114.9</b>	2,752.1	<b>455.5</b>	362.8	<b>3,570.4</b>	3,114.9

### 3. Fixed Assets

	Freehold Land	Leasehold Land	Buildings*	Plant & Machinery and Computers #	Furniture, Fixtures and Equipment	Vehicles	Total	Previous Year
<b>Gross Block:</b>								
As at April 1, 2008	24.1	50.4	626.9	2,562.4	136.7	10.6	3,411.1	3,265.9
Additions	—	—	102.8	117.1	23.4	0.8	244.1	319.1
Deductions	—	0.2	0.1	12.6	3.7	2.2	18.8	173.9
As at March 31, 2009	24.1	50.2	729.6	2,666.9	156.4	9.2	3,636.4	3,411.1
<b>Depreciation:</b>								
As at April 1, 2008	—	2.5	218.5	1,935.4	76.6	9.5	2,242.5	2,270.9
Depreciation for the year	—	2.2	22.7	110.3	15.5	0.9	151.6	136.0
Deductions	—	—	0.1	12.3	2.5	2.2	17.1	164.4
As at March 31, 2009	—	4.7	241.1	2,033.4	89.6	8.2	2,377.0	2,242.5
<b>Net Block:</b>								
As at March 31, 2009	24.1	45.5	488.5	633.5	66.8	1.0	1,259.4	1,168.6
As at March 31, 2008	24.1	47.9	408.4	627.0	60.1	1.1	1,168.6	995.0
<b>Capital work in progress**</b>								
As at March 31, 2009	—	—	47.5	163.8	0.2	—	211.5	40.0
As at March 31, 2008	—	—	19.1	16.0	4.9	—	40.0	49.9

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

\*\* Capital work in progress includes capital advances **Rs. 20.2 million** (Previous Year Rs. 19.0 million) – Considered good.

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

## Schedules to Balance Sheet as at March 31, 2009

### 4. Investments

Rs. in million

	March 31, 2009	March 31, 2008
<b>(Non-Trade) — Unquoted — Long Term</b>		
<b>Investment in 100% Subsidiary Company at cost (Ref. note 2)</b>		
BASF Polyurethanes India Limited — <b>9,000,000</b> Equity shares (Previous Year — 9,000,000) of Rs. 10 each fully paid	<b>90.0</b>	90.0
<b>Other Investments</b>		
National Bank for Agriculture & Rural Development — <b>Nil</b> Bonds (Previous Year — 2900) of Rs. 10,000 each	—	29.0
	<b>90.0</b>	119.0

### 5. Deferred Tax Assets (net)

	March 31, 2009	March 31, 2008
(Ref. note 8)		
Deferred tax assets	<b>68.4</b>	77.7
Deferred tax liabilities	<b>(65.9)</b>	(54.1)
	<b>2.5</b>	23.6

### 6. Inventories

	March 31, 2009	March 31, 2008
Raw Materials	<b>1,078.0</b>	565.1
Finished Goods	<b>856.0</b>	611.4
Stock-in-Process	<b>21.3</b>	28.2
Packing Materials	<b>49.4</b>	41.8
Fuel Oil	<b>5.1</b>	2.7
	<b>2,009.8</b>	1,249.2

### 7. Sundry Debtors

	March 31, 2009	March 31, 2008
Debts outstanding for a period exceeding six months		
Considered good:		
Secured	—	—
Unsecured	<b>12.7</b>	31.9
	<b>12.7</b>	31.9
Considered doubtful	<b>73.7</b>	103.8
Other debts		
Considered good:		
Secured	<b>54.2</b>	47.5
Unsecured	<b>1,305.9</b>	1,507.5
	<b>1,360.1</b>	1,555.0
Considered doubtful	<b>17.6</b>	4.2
	<b>1,464.1</b>	1,694.9
Less: Provision for doubtful debts	<b>91.3</b>	108.0
	<b>1,372.8</b>	1,586.9
(Ref. note 10 — Dues from companies under the same management)		

## Schedules to Balance Sheet as at March 31, 2009

### 8. Cash and Bank Balances

Rs. in million

	March 31, 2009	March 31, 2008
Cash on hand	0.2	0.4
Balances with Scheduled Banks :		
— In Current Accounts	275.8	79.8
— In Deposit Accounts	1.0	1.4
	277.0	81.6

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

	March 31, 2009	March 31, 2008
Advances recoverable in cash or in kind or for value to be received Includes due from	558.0	632.9
— Directors <b>Rs. 0.71 million</b> (Previous Year Rs. 0.78 million) Maximum amount outstanding during the year <b>Rs. 0.78 million</b> (Previous Year Rs. 0.85 million). In the case of Directors, it represents loans given to them before they became Directors.		
ICD to wholly owned subsidiary — BASF Polyurethanes India Limited Maximum amount during the year <b>Rs. 605 million</b> (Previous Year Rs. 450.0 million)	605.0	239.0
Interest accrued on ICD to subsidiary — not due	0.2	0.3
Duty Drawback receivable	4.4	5.6
Balances with Excise authorities	7.2	2.7
Balances with Income Tax authorities (Net of Provisions)	110.7	96.6
	1,285.5	977.1

### 10. Current Liabilities

	March 31, 2009	March 31, 2008
Sundry Creditors		
— Micro & Small Enterprises (Refer Note 9)	1.3	1.4
— Others	2,198.3	1,394.2
Deposits	98.3	106.0
Unclaimed Dividend*	4.6	4.3
Unclaimed matured fixed deposits*	0.6	0.7
Unclaimed Interest warrants*	0.4	0.5
* (There are no amounts due and outstanding to be credited to Investor Education and Protection fund)		
Other Liabilities	8.2	6.0
	2,311.7	1,513.1

### 11. Provisions

	March 31, 2009	March 31, 2008
Proposed Dividend	197.3	197.3
Corporate Tax on Dividend	33.6	33.6
Provision for Long Service Award	16.8	14.4
Provision for Leave Encashment	95.7	90.8
Provision for Gratuity	1.1	—
	344.5	336.1

## Schedules to Profit & Loss account for the year ended March 31, 2009

### 12. Sales and Services

Rs. in million

	March 31, 2009	March 31, 2008
Sale of Goods	11,638.6	9,813.3
Indent Commission/Technical/Service Charges	742.5	546.9
	<b>12,381.1</b>	10,360.2

### 13. Other Income

	March 31, 2009	March 31, 2008
Interest (Gross)		
— Interest on ICD to subsidiary Tax deducted at source <b>Rs. 4.2 million</b> (Previous Year Rs. 3.5 million)	18.3	15.6
— Interest on Investments (Gross) — Non-Trade and Long Term Tax deducted at source <b>Rs. Nil</b> (Previous Year Rs. Nil)	1.6	1.6
— Others Tax deducted at source <b>Rs. 6.1 million</b> (Previous Year Rs. 2.8 million)	21.0	13.1
Profit on sale of Fixed Assets (net)	1.9	—
Sale of Scrap	13.2	13.1
Sundries	29.5	3.5
	<b>85.5</b>	46.9

### 14. Materials consumed

	March 31, 2009	March 31, 2008
Raw Materials :		
Stock at Commencement	565.1	558.8
Purchases	6,307.1	4,735.7
Stock at Close	(1,078.0)	(565.1)
	<b>5,794.2</b>	4,729.4
Packing Materials consumed	277.8	241.9
	<b>6,072.0</b>	4,971.3

## Schedules to Profit & Loss account for the year ended March 31, 2009

### 15. Other Expenses

Rs. in million

	March 31, 2009	March 31, 2008
Salaries, Wages, Bonus and Commission (Ref. note 11)	697.1	578.5
Workmen and Staff Welfare (Ref. note 11)	111.4	143.1
Contribution to Provident and Other Funds (Ref. note 11)	78.9	95.6
Consumption of Stores and Spare Parts	45.1	49.2
Power and Fuel	231.8	208.9
Rent [Ref. note 7(b)]	185.9	109.5
Rates and Taxes — Excise Duty	(10.6)	3.4
— Others	6.2	4.0
Repairs — Machinery	31.5	31.8
— Buildings	23.4	19.7
— Others	14.2	14.5
Insurance	22.6	23.7
Bad Debts Written off /(Recovered)	13.1	(5.0)
Provision for Doubtful Debts (Net)	(16.7)	5.1
Loss on Sale of Fixed Assets (Net)	—	1.3
Service Fees	38.7	52.9
Travelling	159.1	155.7
Freight and Handling Charges	296.9	270.3
Communication/System Expenses	166.4	117.5
Sales Promotion Expenses	142.6	89.0
Professional Charges	75.6	57.0
Royalty	34.6	26.8
Voluntary Retirement Scheme	14.1	14.7
Sundry Expenses	271.6	240.2
	<b>2,633.5</b>	<b>2,307.4</b>

### 16. Interest

	March 31, 2009	March 31, 2008
On Short Term Loans	2.9	—
On Others	12.0	12.8
	<b>14.9</b>	<b>12.8</b>

### 17. Increase in Stocks

	March 31, 2009	March 31, 2008
Stock at Close		
Finished Goods	856.0	611.4
Stock-in-Process	21.3	28.2
Sub-total	<b>877.3</b>	<b>639.6</b>
Stock at commencement		
Finished Goods	(611.4)	(527.4)
Stock-in-Process	(28.2)	(28.2)
Sub-total	<b>(639.6)</b>	<b>(555.6)</b>
Increase in stocks	<b>237.7</b>	<b>84.0</b>

### 18. Tax

	March 31, 2009	March 31, 2008
Current Tax Expense (includes wealth tax <b>Rs. 2.0 million</b> Previous year Rs. 2.0 million)	347.8	319.7
Deferred Tax Charge/(Credit)	21.1	(3.7)
Fringe Benefit Tax	24.8	20.3
	<b>393.7</b>	<b>336.3</b>

## 19. Accounting Policies and Notes to Accounts

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

### 1. Accounting Policies

#### (a) Basis of Accounting

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

#### (b) Use of estimates

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

#### (c) Revenue Recognition

Sales of products and Indent Commission are recognised when risk and rewards of ownership of the products are passed on to the customers, which is generally on despatch of goods. Revenue from technical and service charges are recognised as and when the services are provided. Sales include excise duty but exclude trade discounts, rebates and sales tax. Interest 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 it is ready to use. The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. Impairment is recognised 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:

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

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

Leasehold land 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

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

#### (h) Inventories

Inventories are valued at cost or 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. The forward exchange contracts are backed by underlying transactions, 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.

- (j) **Employee Benefits**
- (A) **Short-Term Employee Benefits**  
All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and are recognized in the Profit and Loss Account as an expense at the undiscounted amount on an accrual basis.
- (B) **Post Employment Employee Benefits**  
Company's contributions to defined contribution plans such as Superannuation Fund, Family Pension Fund, Group Medclaim Insurance Policy, Employee State Insurance and Labour Welfare Fund are recognized in the Profit and Loss Account on an accrual basis.  
Company's liability towards Gratuity, which is a defined benefit plan, is determined on the basis of valuations, as at balance sheet date, carried out by an independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account.  
Company's contribution to Provident Fund is recognised in the Profit and Loss Account on accrual basis.
- (C) **Other Long-Term Employee Benefits**  
Company's liabilities towards Compensated Absences & Long Service Awards to employees are determined on the basis of valuations, as at balance sheet date, carried out by an independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account.
- (D) **Termination Benefits**  
Compensation paid to employees under Voluntary Retirement Scheme is recognised as an expense when incurred.
- (k) **Assets taken on lease**  
Lease rentals payable as per agreements for assets taken on operating lease are charged as expenditure on Straight Line basis over the lease term.
- (l) **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.
- (m) **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.
- (n) **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.
- (o) **Research & Development Expenditure**  
Revenue expenditure is recognised as an expense in the period in which it is incurred and the expenditure on capital assets is depreciated over the useful lives of the assets.
- (p) **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. BASF SE, vide agreement dated 1<sup>st</sup> July, 2006, has discretion to acquire the Company's investment in its wholly owned subsidiary BASF Polyurethanes India Limited ('BPIL'). During the current year, BASF SE has communicated its intent to acquire the shareholding in BPIL subject to certain conditions. Management is in the process of assessing the feasibility of these conditions.

3. Contingent Liabilities not provided for:
- (a) Claims against the Company not acknowledged as debts: **Rs. 26.0 Mio.** (Previous Year Rs. 25.9 Mio.) in respect of which the Company has counter claims of **Rs. 67.0 Mio.** (Previous Year Rs. 67.0 Mio.).
- (b) Demands for taxes and duties in respect of which the Company has preferred appeals with appropriate authorities –
- a. Income tax : **Rs. 61.0 Mio.** (Previous Year Rs. 45.3 Mio.)
- b. Others : **Rs. 2.2 Mio.** (Previous Year Rs. 3.3 Mio.)
4. Estimated amount of contracts remaining to be executed on capital account and not provided (net of advances) for **Rs. 83.2 Mio.** (Previous Year Rs. 27.4 Mio.).
5. The exchange loss of **Rs. 75.0 Mio.** (Previous Year loss of Rs. 8.0 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. 96.1 Mio.** (Previous Year Rs. 76.4 Mio.).
7. The Company has taken certain assets under operating leases.
- (a) Total minimum lease payments in this respect are as follows:

**Rs. Mio.**

	2008-09	2007-08
<b>Due</b>		
Not later than one year	14.3	16.4
Later than one year but not later than five years	12.5	18.4
Later than five years	1.4	2.0
<b>Total</b>	<b>28.2</b>	<b>36.8</b>

- (b) Lease rent of **Rs. 26.9 Mio.** (Previous Year Rs. 23.4 Mio.) has been included under 'Rent' in the Profit and Loss Account.

8. Deferred Tax:

The break up of Deferred Tax Assets (Net) as at March 31, 2009 is as under:

**Rs. Mio.**

	2008-09	2007-08
<b>Deferred Tax Assets</b>		
Timing differences on account of:		
Provision for doubtful debts	31.0	36.7
Expenditure under Voluntary Retirement Scheme	12.2	12.0
Others	25.2	29.0
<b>Total Deferred Tax Assets</b>	<b>68.4</b>	<b>77.7</b>
<b>Deferred Tax Liabilities</b>		
Timing difference on account of:		
Fixed Assets	(65.9)	(54.1)
<b>Total Deferred Tax Liabilities</b>	<b>(65.9)</b>	<b>(54.1)</b>
<b>Deferred Tax Assets (Net)</b>	<b>2.5</b>	<b>23.6</b>

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

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

**Rs. Mio.**

Particulars	2008-09	2007-08
The principal amount and the interest due thereon remaining unpaid to any Micro/Small supplier.	1.3	1.4
The interest paid by the buyer as above, along with the amount of payments made beyond the appointed date during each accounting year.	—	—
The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified.	—	—
The amount of interest accrued and remaining unpaid at the end of each accounting year.	0.2	0.3
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small/micro enterprise.	0.5	0.3



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

Rs. Mio.

	2008-09	2007-08
BASF Construction Chemicals (India) Private Ltd.	77.2	67.4
BASF Coatings (India) Private Ltd.	43.5	49.4
BASF Styrenics Private Limited	10.0	10.4
BASF Kanoo Gulf FZE	5.4	—
BASF Catalysts India Pvt. Ltd.	5.1	2.0
BASF Polyurethanes India Ltd.	4.4	—
BASF East Asia Regional Headquarters Limited	4.3	5.7
BASF Asia-Pacific (India) Pvt. Ltd.	2.5	—
BASF China Limited	1.6	4.3
BASF Fine Chemicals Switzerland S.A.	1.5	2.2
BASF Corporation	1.3	0.2
BASF Espanola, S.L.	0.7	—
BASF Polyurethanes (Taiwan) Co. Ltd.	0.6	0.6
BASF JCIC Neopentylglycol Co. Ltd.	0.6	0.6
BASF-Finlay (Private) Limited	0.5	0.5
BASF (China) Company Ltd.	0.1	—
BASF Chemicals and Polymers Pakistan (Pvt.) Ltd.	0.1	—
BASF SE	—	23.0
BASF Asia Pacific Service Centre Sdn. Bhd.	—	8.2
BASF Curtex S.A.	—	0.8
BASF (Thai) Ltd.	—	0.7
BASF Company Ltd.	—	0.5
<b>Total</b>	<b>159.4</b>	<b>176.5</b>

11. Employees Benefits:

Defined contribution plans

Company's contribution to defined contribution funds amounting to **Rs. 60.6 Mio.** (Previous year Rs. 66.3 Mio.) has been charged to the Profit & Loss Account.

Defined benefit plans and other Long term employee benefits.

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

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

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

Rs. Mio.

	Gratuity (Funded) 2008-09	Gratuity (Funded) 2007-08
A. Expense recognized in the Profit & Loss Account for the year ended 31 <sup>st</sup> March		
1. Current Service Cost	11.0	12.2
2. Interest	10.8	8.2
3. Expected Return on Plan Assets	(12.8)	(10.1)
4. Actuarial (Gain)/Loss	10.7	18.8
5. Past service cost	—	—
<b>6. Total Expense</b>	<b>19.7</b>	<b>29.1</b>

Rs. Mio.

	Gratuity (Funded) 2008-09	Gratuity (Funded) 2007-08
B. Net Asset/(Liability) recognized in the Balance Sheet as at 31 <sup>st</sup> March		
1. Present Value of Defined Benefit Obligation as at 31 <sup>st</sup> March	173.3	146.0
2. Fair Value of Plan assets as at 31 <sup>st</sup> March	172.2	158.1
3. Funded Status [Surplus / (Deficit)]	(1.1)	12.1
<b>4. Net Asset / (Liability) as at 31<sup>st</sup> March</b>	<b>(1.1)</b>	<b>12.1</b>
C. Change in obligation during the year ended 31 <sup>st</sup> March		
1. Present value of the defined benefit obligation at the beginning of the year	146.0	112.8
2. Current Service Cost	11.0	12.2
3. Interest Cost	10.8	8.2
4. Actuarial (Gain) / Loss	18.1	19.7
5. Benefits Paid	(12.6)	(6.9)
<b>6. Present value of the defined benefit obligation at the end of the year</b>	<b>173.3</b>	<b>146.0</b>
D. Change in fair value of assets during the year ended 31 <sup>st</sup> March		
1. Fair Value of Plan assets at the beginning of the year	158.1	112.8
2. Expected Return on plan assets	12.8	10.1
3. Contributions by the Employer	6.5	41.2
4. Actual Benefits Paid	(12.6)	(6.9)
5. Actuarial Gain / (Loss) on Plan Assets	7.4	0.9
<b>6. Fair Value of Plan assets at the end of the year</b>	<b>172.2</b>	<b>158.1</b>
Total Actuarial gain / (loss) to be recognised	(10.7)	18.8
E. Actual Return on Plan Assets		
1. Expected Return on plan assets	12.8	10.1
2. Actuarial Gain/(Loss) on Plan Assets	7.4	0.9
<b>3. Actual return on Plan Assets</b>	<b>20.2</b>	<b>11.0</b>
F. Movement in net liability recognised in the Balance Sheet		
1. Opening Net Liability / (Asset)	(12.1)	—
2. Expenses	19.7	29.1
3. Contribution	(6.5)	(41.2)
<b>Closing Net Liability / (Asset)</b>	<b>1.1</b>	<b>(12.1)</b>

Rs. Mio.

	Leave (Unfunded) 2008-09	Leave (Unfunded) 2007-08
A. Expense recognized in the Profit & Loss Account for the year ended 31 <sup>st</sup> March		
1. Current Service Cost	2.6	2.3
2. Interest	6.7	4.7
3. Expected Return on Plan Assets	—	—
4. Actuarial (Gain) / Loss	3.7	24.3
5. Past service cost	—	—
<b>6. Total Expense</b>	<b>13.0</b>	<b>31.3</b>

Rs. Mio.

	Leave (Unfunded) 2008-09	Leave (Unfunded) 2007-08
B. Net Asset/(Liability) recognized in the Balance Sheet as at 31 <sup>st</sup> March		
1. Present Value of Defined Benefit Obligation as at 31 <sup>st</sup> March	95.7	90.8
2. Fair Value of Plan assets as at 31 <sup>st</sup> March	—	—
3. Funded Status [Surplus / (Deficit)]	(95.7)	(90.8)
<b>4. Net Asset/(Liability) as at 31<sup>st</sup> March</b>	<b>(95.7)</b>	<b>(90.8)</b>
C. Change in obligation during the year ended 31 <sup>st</sup> March		
1. Present value of the defined benefit obligation at the beginning of the year	90.8	64.9
2. Current Service Cost	2.6	2.3
3. Interest Cost	6.7	4.7
4. Actuarial (Gain) / Loss	3.7	24.3
5. Benefits Paid	(8.1)	(5.4)
<b>6. Present value of the defined benefit obligation at the end of the year</b>	<b>95.7</b>	<b>90.8</b>
D. Change in fair value of assets during the year ended 31 <sup>st</sup> March		
1. Fair Value of Plan assets at the beginning of the year	—	—
2. Expected Return on plan assets	—	—
3. Contributions by the Employer	8.1	5.4
4. Actual Benefits Paid	(8.1)	(5.4)
5. Actuarial Gain / (Loss) on Plan Assets	—	—
<b>6. Fair Value of Plan assets at the end of the year</b>	<b>—</b>	<b>—</b>
Total Actuarial gain / (loss) to be recognised	(3.7)	(24.3)
E. Actual Return on Plan Assets		
1. Expected Return on plan assets	—	—
2. Actuarial Gain / (Loss) on Plan Assets	—	—
<b>3. Actual return on Plan Assets</b>	<b>—</b>	<b>—</b>
F. Movement in net liability recognised in the Balance Sheet		
1. Opening Net Liability / (Asset)	<b>90.8</b>	<b>64.9</b>
2. Expenses	13.0	31.3
3. Contribution	(8.1)	(5.4)
<b>Closing Net Liability / (Asset)</b>	<b>95.7</b>	<b>90.8</b>

Rs. Mio.

	Long Service Awards (Unfunded) 2008-09	Long Service Awards (Unfunded) 2007-08
A. Expense recognized in the Profit & Loss Account for the year ended 31 <sup>st</sup> March		
1. Current Service Cost	0.5	0.6
2. Interest	0.8	0.9
3. Expected Return on Plan Assets	—	—
4. Actuarial (Gain)/Loss	1.1	1.4
5. Past service cost	—	12.4
<b>6. Total Expense</b>	<b>2.4</b>	<b>15.3</b>

Rs. Mio.

	Long Service Awards (Unfunded) 2008-09	Long Service Awards (Unfunded) 2007-08
B. Net Asset/(Liability) recognized in the Balance Sheet as at 31 <sup>st</sup> March		
1. Present Value of Defined Benefit Obligation as at 31 <sup>st</sup> March	16.8	14.4
2. Fair Value of Plan assets as at 31 <sup>st</sup> March	—	—
3. Funded Status [Surplus / (Deficit)]	(16.8)	(14.4)
<b>4. Net Asset / (Liability) as at 31<sup>st</sup> March</b>	<b>(16.8)</b>	<b>(14.4)</b>
C. Change in obligation during the year ended 31 <sup>st</sup> March		
1. Present value of the defined benefit obligation at the beginning of the year	14.4	12.4
2. Current Service Cost	0.5	0.6
3. Interest Cost	0.8	0.9
4. Actuarial (Gain) / Loss	1.1	1.4
5. Benefits Paid	—	(0.9)
<b>6. Present value of the defined benefit obligation at the end of the year</b>	<b>16.8</b>	<b>14.4</b>
D. Change in fair value of assets during the year ended 31 <sup>st</sup> March		
1. Fair Value of Plan assets at the beginning of the year	—	—
2. Expected Return on plan assets	—	—
3. Contributions by the Employer	—	0.9
4. Actual Benefits Paid	—	(0.9)
5. Actuarial Gain / (Loss) on Plan Assets	—	—
<b>6. Fair Value of Plan assets at the end of the year</b>	<b>—</b>	<b>—</b>
Total Actuarial gain / (loss) to be recognised	(1.1)	(1.4)
E. Actual Return on Plan Assets		
1. Expected Return on plan assets	—	—
2. Actuarial Gain / (Loss) on Plan Assets	—	—
<b>3. Actual return on Plan Assets</b>	<b>—</b>	<b>—</b>
F. Movement in net liability recognised in the Balance Sheet		
1. Opening Net Liability / (Asset)	14.4	12.4
2. Expenses	2.4	2.9
3. Contribution	—	(0.9)
<b>Closing Net Liability / (Asset)</b>	<b>16.8</b>	<b>14.4</b>

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

	2008-09	2007-08
GOI Securities	27%	42%
State Government Securities	15%	15%
PSU Bonds	58%	39%
Private Sector Bonds	—	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The assumptions used for actuarial valuation as at 31<sup>st</sup> March, 2009 are as follows:

	2008-09	2007-08
Expected rate of return on plan assets	7.7% p.a.	7.5% p.a.
Discount Rate	7.7% p.a.	7.5% p.a.
Expected salary increase rate	6% – 8% p.a.	6% – 8% p.a.
In-service mortality rates	LIC 1994-96 ultimate table	LIC 1994-96 ultimate table

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

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

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

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

12. Managerial Remuneration under Section 198 of the Companies Act, 1956, (excluding provision for contribution to Gratuity Fund, Group Insurance and Long Service Awards) is **Rs. 41.1 Mio.** (Previous Year Rs. 35.6 Mio.).

**Rs. Mio.**

	2008-09	2007-08
Salaries	30.2	25.8
Contribution to Provident and Superannuation Funds	4.5	3.7
Monetary Value of other perquisites	4.4	4.1
Commission to non-whole time directors	2.0	2.0
<b>Total</b>	<b>41.1</b>	35.6

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

**Rs. Mio.**

	2008-09	2007-08
Profit before Tax	1,080.1	930.0
<i>Add:</i> Provision for doubtful debts	—	5.1
Loss on sale of assets	—	1.3
Managerial remuneration	41.1	35.6
	41.1	42.0
<i>Less:</i> Profit on sale of assets	1.9	—
Provision for doubtful debts written back	16.7	—
	18.6	—
Net profit u/s 349 for the purpose of Directors' Commission	1,102.6	972.0
Maximum remuneration permissible to whole-time directors under the Act at 10%	110.3	97.2
Commission payable to non-whole time directors at 1%	11.0	9.7
Commission restricted as determined by the Board of Directors	2.0	2.0

14. Auditors' Remuneration (excluding service tax):

**Rs. Mio.**

	2008-09	2007-08
As Auditors	4.2	3.8
In other capacity (limited reviews, tax audit and certification)	2.3	2.4
Reimbursement of out of pocket expenses	0.6	0.6
<b>Total</b>	<b>7.1</b>	6.8

15. Segment Information for the year ended March 31, 2009:

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

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

Rs. Mio.

	Agricultural Solution	Performance Products	Plastics	Chemicals	Others	Un-allocated	Total
Segment Revenue	<b>3,702.1</b>	<b>5,348.0</b>	<b>1,480.6</b>	<b>349.1</b>	<b>276.2</b>	—	<b>11,156.0</b>
	2,446.2	4,744.6	1,463.2	319.3	153.4	—	9,126.7
Less: Inter-segment revenue	—	—	—	—	—	—	—
<b>Sales/Income from operations</b>	<b>3,702.1</b>	<b>5,348.0</b>	<b>1,480.6</b>	<b>349.1</b>	<b>276.2</b>	—	<b>11,156.0</b>
	2,446.2	4,744.6	1,463.2	319.3	153.4	—	9,126.7
<b>Segment Result</b>	<b>643.0</b>	<b>361.1</b>	<b>23.3</b>	<b>136.2</b>	<b>15.1</b>	—	<b>1,178.7</b>
	519.6	337.3	79.4	109.4	8.4	—	1,054.1
Interest Expense						<b>14.9</b>	<b>14.9</b>
						12.8	12.8
Interest Income						<b>40.9</b>	<b>40.9</b>
						30.3	30.3
Other un-allocable expenditure net of un-allocable income						<b>124.6</b>	<b>124.6</b>
						141.6	141.6
<b>Profit Before Tax</b>							<b>1,080.1</b>
							930.0
<b>Tax</b>						<b>393.7</b>	<b>393.7</b>
						336.3	336.3
<b>Profit After Tax</b>							<b>686.4</b>
							593.7
<b>OTHER INFORMATION</b>							
Segment Assets	<b>1,614.4</b>	<b>3,062.4</b>	<b>615.1</b>	<b>97.3</b>	<b>5.0</b>	<b>1,114.3</b>	<b>6,508.5</b>
	770.0	3,158.0	652.7	105.2	—	560.1	5,246.0
Segment Liabilities	<b>1,181.4</b>	<b>907.6</b>	<b>297.9</b>	<b>31.4</b>	—	<b>237.9</b>	<b>2,656.2</b>
	664.3	672.4	245.5	29.0	—	238.0	1,849.2
Capital Expenditure	<b>46.0</b>	<b>233.2</b>	<b>130.1</b>	<b>6.3</b>	—	—	<b>415.6</b>
	23.5	182.1	97.4	6.2	—	—	309.2
Depreciation	<b>17.9</b>	<b>112.9</b>	<b>17.4</b>	<b>3.4</b>	—	—	<b>151.6</b>
	19.1	103.9	10.3	2.7	—	—	136.0

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

Rs. Mio.

	Domestic	Exports	Total
Revenues	<b>9,928.3</b>	<b>1,227.7</b>	<b>11,156.0</b>
	8,248.4	878.3	9,126.7
Total Assets	<b>6,447.8</b>	<b>60.7</b>	<b>6,508.5</b>
	5,136.7	109.3	5,246.0
Capital Expenditure	<b>415.6</b>	—	<b>415.6</b>
	309.2	—	309.2

**Notes on Segment Information:**

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

16. Capacities, Production, Purchases turnover and Stocks:

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

Class of Goods	Quantitative denomination	Capacity		Production/ Purchases Quantity	Stock at Commencement Quantity	Stock at Close Quantity	Turnover	
		Licensed	Installed				Quantity	Amount (Mio.)
<b>(a) Manufactured goods:</b>								
Expandable Polystyrene (Styropor)	<b>M.T.</b>	**	<b>30,000</b> 30,000	<b>18,380</b> 14,672	<b>38</b> 170	<b>68</b> 38	<b>18,350</b> 14,804	<b>1,313.2</b> 1,095.3
Leather Auxiliaries (Organic Chemicals)	<b>M.T.</b>	**	<b>15,000</b> 15,000	<b>12,237</b> 12,808	<b>493</b> 791	<b>448</b> 493	<b>12,282</b> 13,106	<b>838.0</b> 854.5
Leather Auxiliaries, Finishing Agents and Pigments	<b>M.T.</b>	**	<b>7,350</b> 7,350	<b>6,090</b> 7,327	<b>665</b> 698	<b>617</b> 665	<b>6,138</b> 7,360	<b>1,118.7</b> 1,181.4
Leather Chemicals and Auxiliaries including Metal Complex Dyes & Acrylic Polymers and Carboxylated Styrene Butadiene Lattices	<b>M.T.</b>	**	<b>67,225</b> 67,225	<b>36,990</b> 31,218	<b>3,146</b> <b>1,575</b>	<b>2,378</b> 3,146	<b>37,758</b> 29,647	<b>2,629.2</b> 1,909.2
Pesticides								
– Formulation	<b>M.T.</b>		*	<b>1,269</b> 1,574	<b>198</b> 129	<b>166</b> 198	<b>1,301</b> 1,505	<b>2,630.4</b> 2,433.6
	<b>K.L.</b>		*	<b>6,461</b> 6,802	<b>640</b> 525	<b>714</b> 640	<b>6,387</b> 6,687	
<b>(b) Traded Goods:</b>								
Agro and Other Chemicals	<b>M.T./K.L.</b>	<b>Not Applicable</b>		<b>7,315</b> 8,831	<b>1,437</b> 1,714	<b>1,394</b> 1,437	<b>7,358</b> 9,108	<b>1,884.0</b> 1,105.8
Value of Purchases – <b>Rs. 1,527.1 Mio.</b> (Previous year Rs. 900.1 Mio.)								

\* The capacity varies depending on the product mix.

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

Notes:

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

	<b>2008-09</b>	2007-08
Closing Stock	<b>856.0</b>	611.4
Opening Stock	<b>611.4</b>	527.4

- (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.

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

(a) Raw Materials:

	2008-09		2007-08	
	%	Rs. Mio.	%	Rs. Mio.
Imported	72.9	4,225.2	64.6	3,053.6
Indigenous	27.1	1,569.0	35.4	1,675.8
	100.0	5,794.2	100.0	4,729.4
	M.T.	Rs. Mio.	M.T.	Rs. Mio.
Monomer	39,243	2,240.8	24,727	1,457.5
Agro Technical	1,575	1,136.3	388	585.1
Napthalene	3,826	198.2	2,860	155.4
Phenol	1,051	69.2	880	67.2
Caustic Soda Lye	6,447	75.9	5,173	52.5
Formaldehyde	3,901	42.4	4,316	49.3
Vegetable Oil	389	15.8	291	18.2
Others		2,015.6	—	2,344.2
		5,794.2		4,729.4

(b) Components and Spare Parts:

	2008-09		2007-08	
	%	Rs. Mio.	%	Rs. Mio.
Imported	1.8	0.8	2.0	1.0
Indigenous	98.2	44.3	98.0	48.2
	100.0	45.1	100.0	49.2

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

Rs. Mio.

	2008-09	2007-08
Raw Materials	3,858.3	2,451.0
Capital Goods	101.8	27.6
Components and Spare Parts	0.8	1.0
Finished Goods	762.3	754.6
	4,723.2	3,234.2

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

Rs. Mio.

	2008-09	2007-08
Royalty (net of tax)	31.4	23.9
Communication/System Expenses (net of tax)	150.3	111.2
Foreign Travel	16.2	18.7
Commission	10.1	11.0
Consultancy charges	6.2	2.8
Others	117.9	83.0
	332.1	250.6

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

Rs. Mio.

	2008-09	2007-08
<b>Equity Shares:</b>		
Amount remitted (Rs. Mio.)	104.0	104.0
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	2007-2008	2006-2007



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

Rs. Mio.

	2008-09	2007-08
Exports of goods calculated on FOB basis (Excludes Rupee Exports to Nepal & Bhutan – <b>Rs. 4.6 Mio.</b> – Previous Year Rs. 3.0 Mio.)	566.1	370.3
Indent Commission/Technical/Service Charges	608.8	492.2
Others (Freight / Insurance / Claims)	48.2	12.8
	<b>1,223.1</b>	875.3

22. **Related Party Disclosures:**

(a) **Parties where control exists**

BASF SE	Holding Company (holds 71.18% of the equity share capital as on March 31, 2009)
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 (NL)	BASF Petronas Chemicals Sdn. Bhd.
BASF Agri Production SAS	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 GmbH	BASF Styrenics Private Limited*
BASF Chemicals and Polymers Pakistan (Pvt.) Ltd.	BASF Tuerk Kimya Sanayi Ve Ticaret Ltd. Sti.
BASF China Limited	BASF-Finlay (Private) Limited
BASF Coatings (India) Private Ltd.	BTC Speciality Chemical Distribution GmbH
BASF Company Ltd.	Elastogran GmbH
BASF Construction Chemicals (India) Private Ltd.	BASF Italia SPA
BASF Corporation	K+S Kali GmbH
BASF Curtex S.A.	P.T. BASF Indonesia
BASF East Asia Regional Headquarters Limited	BASF Antwerpen N. V.
BASF Construction Chemicals, Dubai	BASF Agrochemical Products B.V.
BASF IT Services Holding GmbH	BASF Australia Ltd.
BASF Kanoo Gulf FZE	BASF South Africa (Pty) Ltd.
BASF Catalysts India Pvt. Ltd.	BASF Asia-Pacific (India) Pvt. Ltd.
BASF Polyurethane Specialties (China) Company Ltd.	BASF Fine Chemicals Switzerland S.A.

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

(c) **Key Management Personnel**

**Chairman & Managing Director**

Mr. Prasad Chandran

**Whole-Time Directors**

Mr. S. Ramnath (Alternate to Mr. Hermann Althoff)

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

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

(d) Details of transactions of Holding Company/Subsidiary and Fellow subsidiaries for the year ended March 31, 2009:

Rs. Mio.

Nature of Transactions	Holding Company/ Subsidiary		Fellow Subsidiaries		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
<b>Sale of Goods</b>						
BASF SE	21.0	19.0	—	—	21.0	19.0
BASF Polyurethanes India Ltd.	0.8	—	—	—	0.8	—
BASF South East Asia Pte. Ltd.	—	—	207.7	113.4	207.7	113.4
BASF Coatings (India) Private Ltd.	—	—	127.3	145.4	127.3	145.4
BASF Construction Chemicals (India) Private Ltd.	—	—	300.2	152.2	300.2	152.2
Others	—	—	66.9	28.8	66.9	28.8
<b>Sub-Total</b>	<b>21.8</b>	<b>19.0</b>	<b>702.1</b>	<b>439.8</b>	<b>723.9</b>	<b>458.8</b>
<b>Services Rendered (including reimbursements)</b>						
BASF SE	197.7	125.7	—	—	197.7	125.7
BASF Polyurethanes India Ltd.	52.1	33.8	—	—	52.1	33.8
BASF South East Asia Pte. Ltd.	—	—	382.7	265.0	382.7	265.0
BASF Petronas Chemicals Sdn. Bhd.	—	—	71.2	94.1	71.2	94.1
Others	—	—	146.3	25.6	146.3	25.6
<b>Sub-Total</b>	<b>249.8</b>	<b>159.5</b>	<b>600.2</b>	<b>384.7</b>	<b>850.0</b>	<b>544.2</b>
<b>Interest Income on Loans</b>						
BASF Polyurethanes India Ltd.	18.3	15.6	—	—	18.3	15.6
<b>Purchase of Goods/Materials</b>						
BASF SE	163.9	99.1	—	—	163.9	99.1
BASF South East Asia Pte. Ltd.	—	—	1,733.6	1,665.1	1,733.6	1,665.1
BASF AGRO B.V. Arnhem (NL)	—	—	670.7	317.3	670.7	317.3
BASF Agrochemical Products B.V.	—	—	1,180.0	269.3	1,180.0	269.3
Others	—	—	464.4	557.1	464.4	557.1
<b>Sub-Total</b>	<b>163.9</b>	<b>99.1</b>	<b>4,048.7</b>	<b>2,808.8</b>	<b>4,212.6</b>	<b>2,907.9</b>
<b>Services Received</b>						
BASF SE	58.8	47.1	—	—	58.8	47.1
BASF South East Asia Pte. Ltd.	—	—	155.0	77.5	155.0	77.5
BASF Asia-Pacific Service Centre	—	—	68.3	36.7	68.3	36.7
Others	—	—	12.0	11.1	12.0	11.1
<b>Sub-Total</b>	<b>58.8</b>	<b>47.1</b>	<b>235.3</b>	<b>125.3</b>	<b>294.1</b>	<b>172.4</b>
<b>Purchase of Assets</b>						
BASF SE	7.0	1.0	—	—	7.0	1.0
BASF South East Asia Pte. Ltd.	—	—	34.6	—	34.6	—
BASF Philippines Inc.	—	—	—	0.1	—	0.1
Others	—	—	0.4	—	0.4	—
<b>Sub-Total</b>	<b>7.0</b>	<b>1.0</b>	<b>35.0</b>	<b>0.1</b>	<b>42.0</b>	<b>1.1</b>
<b>Royalty and Technical Fees</b>						
BASF SE	34.6	26.8	—	—	34.6	26.8
<b>Dividend</b>						
BASF SE	104.0	104.0	—	—	104.0	104.0
<b>ICD Placed</b>						
BASF Polyurethanes India Ltd.	8,725.0	8,512.0	—	—	8,725.0	8,512.0
<b>ICD Recovered</b>						
BASF Polyurethanes India Ltd.	8,359.0	8,433.0	—	—	8,359.0	8,433.0

Rs. Mio.

Nature of Transactions	Holding Company/ Subsidiary		Fellow Subsidiaries		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
<b>Interest accrued on loan to subsidiary – not due</b>						
BASF Polyurethanes India Ltd.	0.2	0.3	—	—	0.2	0.3
<b>Outstanding Receivables</b>						
BASF SE	—	23.0	—	—	—	23.0
BASF Polyurethanes India Ltd.	4.4	—	—	—	4.4	—
BASF Construction Chemicals Private Ltd.	—	—	77.2	67.4	77.2	67.4
BASF Coatings (India) Private Ltd.	—	—	43.5	49.4	43.5	49.4
Others	—	—	34.3	36.9	34.3	36.9
<b>Sub-Total</b>	<b>4.4</b>	<b>23.0</b>	<b>155.0</b>	<b>153.7</b>	<b>159.4</b>	<b>176.7</b>
<b>Payables</b>						
BASF SE	0.9	—	—	—	0.9	—
BASF Agrochemical Products B.V.	—	—	533.2	—	533.2	—
BASF Agro B.V., Arnhem (NL)	—	—	219.4	34.6	219.4	34.6
BASF South East Asia Pte Ltd	—	—	161.4	242.8	161.4	242.8
Others	—	—	94.5	187.7	94.5	187.7
<b>Sub-Total</b>	<b>0.9</b>	<b>—</b>	<b>1,008.5</b>	<b>465.1</b>	<b>1,009.4</b>	<b>465.1</b>
<b>ICD Outstanding</b>						
BASF Polyurethanes India Ltd.	605.0	239.0	—	—	605.0	239.0

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

Rs. Mio.

Nature of Transactions	Key Management Personnel	
	2008-09	2007-08
<b>Interest Income on Loans</b>	0.1	0.1
<b>Remuneration</b>	39.1	33.6
<b>Outstanding : Receivable</b>	0.7	0.8

Details of remuneration to Directors are given in Note 12.

Amounts due from directors and interest recovered thereon have been included under Schedule 9 of the Balance Sheet and Schedule 13 of the Profit and Loss Account under Interest – Others respectively.

23. As on 31<sup>st</sup> March, 2009 the Company has 20 forward contracts totaling to USD 17.5 Mio (**Rs. 900.2 Mio.**) for the purposes of hedging its foreign exposure. The unamortized premium of **Rs. 7.7 Mio.** pertaining to the same will be recognized subsequently. Foreign currency exposure that is not hedged as at 31<sup>st</sup> March is as follow:

Foreign Currency	2008-09			
	Receivable		Payable	
	Foreign Currency Amount	Rs. in Mio.	Foreign Currency Amount	Rs. in Mio.
EURO	376,643	25.1	187,733	12.9
AUD	64,770	2.3		
USD			1,801,430*	95.5
SGD			115,494	4.0
CHF			4,850	0.2
GBP			219	—
HKD			5,586	—

\* Covered subsequently

Foreign Currency	2007-08			
	Receivable		Payable	
	Foreign Currency Amount	Rs in Mio	Foreign Currency Amount	Rs in Mio
EURO	366,189	22.8	148,122	9.4
USD			133,248	5.3
GBP	231	—		
JPY	950,000	0.4		
MYR	888	—		
SGD			83,650	2.4
HKD			6,498	—
AUD			690	—

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

Signatures to Schedules 1 to 19

Prasad Chandran  
*Chairman & Managing Director*

M. R. Iyer  
*Company Secretary*

K. R. Coorlawala  
R. R. Nair  
R. Y. Vaidya  
S. Ramnath  
R. A. Shah  
Pradip P. Shah  
Deepak Thuse  
*Directors*

*Mumbai, 16<sup>th</sup> April, 2009*



Mr. Prasad Chandran and Mr. Martin Widmann, Group Vice President, Pharma Ingredients & Services inaugurate the Pharma Application Laboratory, at Navi Mumbai factory, a world-class laboratory, which facilitates enhanced customer support.

## Balance Sheet Abstract and General Business Profile

### I. Registration Details :

Registration No. : 3972 State Code : 11  
Balance Sheet Date : 31.03.2009

### 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 : 3,852.3 Total Assets : 3,852.3

#### Sources of Funds :

Paid Up Capital : 281.9 Reserves & Surplus : 3,570.4  
Secured Loans : — Unsecured Loans : —

#### Application of Funds :

Net Fixed Assets : 1,470.9 Investments : 90.0  
Net Current Assets : 2,288.9 Deferred Tax Assets – Net 2.5  
Accumulated Losses: Nil

### IV. Performance of Company :

(Amount in Rs. million)

Turnover (including Other Income) : 11,241.5 Total Expenditure 10,161.4  
Profit Before Tax : 1,080.1 Profit After Tax 686.4  
Earning Per Share in Rs. : 24.35 Dividend Rate % 70

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

(As per monetary terms)

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

Prasad Chandran K. R. Coorlawala R. A. Shah  
Chairman & Managing Director R. R. Nair Pradip P. Shah  
R. Y. Vaidya Deepak Thuse  
M.R. Iyer S. Ramnath  
Company Secretary

Directors

Mumbai, 16<sup>th</sup> April, 2009

## 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	31.03.2009	9,000,000 shares of Rs. 10 each	100%	(200.5)	—	(18.5)	—

Prasad Chandran K. R. Coorlawala R. A. Shah  
Chairman & Managing Director R. R. Nair Pradip P. Shah  
R. Y. Vaidya Deepak Thuse  
M.R. Iyer S. Ramnath  
Company Secretary

Directors

Mumbai, 16<sup>th</sup> April, 2009

# Directors' Report

## BASF Polyurethanes India Limited

Your Directors have pleasure in presenting their Report for the financial year ended 31<sup>st</sup> March 2009.

### Activities

Your Company recorded increase in sales at Rs.2185.4 million during the year ended 31<sup>st</sup> March, 2009 registering significant increase, both in volume and value terms, over the previous year. However, your Company incurred an operating loss of Rs. 200.5 million for the year under report which was mainly on account of high fluctuations in raw material prices.

Your Company maintained its market share in the Appliances and Footwear segments. However, due to slowdown in global economy and overall reduction in demand, margins of Appliances and Footwear segments were under pressure. The Appliances, Automotive and Footwear segments in India are on the path of recovery.

During the year, your Company participated in the first underground crude pipeline project in India by supplying insulation materials.

The Company has initiated measures to optimize inventory costs and receivables to overcome the difficult economic environment.

A footwear technical laboratory was made operational during the year.

Your Company has become ISO 140001 certified during the year under report.

### Dividend

In view of the loss incurred for the year under report, your Directors do not recommend any dividend on the equity shares for the financial year ended 31<sup>st</sup> March, 2009.

### Capital Expenditure

Capital Expenditure incurred during the year aggregated to Rs.19.1 million.

### Directors

Mr. Prasad Chandran was appointed as the Managing Director of your Company for a period of 3 years with effect from 23<sup>rd</sup> January, 2009. No remuneration is payable to him.

Dr. Tilman Krauch and Dr. Rainer Diercks retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### Audit Committee

In terms of the provisions of Section 292A of the Companies Act, 1956, the Board of Directors of the Company constituted an Audit Committee on 11<sup>th</sup> July, 2006 comprising of four Directors including three independent non-executive Directors viz. Mr. R.R. Nair as Chairman, Mr. R.A. Shah, Mr. K.R. Coorlawala and Mr. S. Ramnath as Members and Mr. Pradeep Chandan as Secretary of the Committee. Mr. M.R. Iyer was nominated as a Permanent Invitee. The functions of the Audit Committee inter-alia include:

- To discuss with the Auditors periodically about internal control systems, the scope of the Audit including observations of the Auditors and review of half yearly and annual financial statements before submission to the Board.
- To ensure compliance of internal control systems of the Company.
- To investigate into any matter referred to it by Board and for this purpose, to have full access to information contained in the records of the Company and external professional advice, if necessary.
- To recommend to the Board any matter relating to financial management including audit report.

### 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

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 judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year ended 31<sup>st</sup> March 2009 and of the losses 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.

## Auditors

M/s. B S R & 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.

## Personnel and Welfare

Industrial relations in the Navi Mumbai factory 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.

On behalf of the Board of Directors

PRASAD CHANDRAN  
*Chairman & Managing Director*

Mumbai

*Dated: 16<sup>th</sup> April, 2009*



Mr. Jacques Delmoitiez, Global President Polyurethanes and Mr. Chandran with the Polyurethanes team in India.

## 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 control on utilization of energy, in its facility at Navi Mumbai.

During the year under report, various energy saving measures were implemented in the Company's factory at Navi Mumbai, which include:

Reduction in energy consumption by adopting the following measures viz.,

- Insulation of hot water lines and storage tanks.
- Installation of blenders to reduce production time and increase plant capacity.
- Reducing run hours of equipment.
- Rationalise process parameters to bring down the batch cycle time.
- Maintaining optimum batch size.
- Increasing set temperature of air-conditioners.
- Installation of switching facilities to reduce power consumption

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:

- To carry out feasibility studies for:
  - Installation of auto switching system in a plant
  - Installation of energy efficient gear boxes in reactors.

Requisite data in respect of Energy Consumption are given below:

	Current Year 1.4.2008 to 31.3.2009	Previous Year 1.4.2007 to 31.3.2008
(a) Power & Fuel Consumption		
1. Electricity		
(a) Purchased		
Units (in '000 kwh)	550	556
Total amount (Rs. in million)	2.94	2.57
Rate per unit (Rs.)	5.34	4.62
(b) Own generation	N.A.	N.A.
• 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)	N.A.	N.A.
Qty. (tonnes)		
Total cost		
Average rate		
3. Furnace oil/fuels		
Qty. (k.litres)	133	117
Total Amount (Rs. in million)	3.55	1.99
Average rate (Rs./litre)	26.72	16.99
4. Others/Internal Generation (Qty.)	N.A.	N.A.
Total cost rate/unit		
(b) Consumption per unit of production		
Polyurethane's System Products		
Unit M.T.		



	Current Year 1.4.2008 to 31.3.2009	Previous Year 1.4.2007 to 31.3.2008
Electricity (kwh)	58	84
Furnace oil/fuels (litres)	14	18
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.

The R&D Centre of the Company is engaged in supporting businesses through innovations and undertook multifold research activities including:

- Development of tailored made products/formulations.
- Developing cost effective processes and streamlining existing processes in the area of polyurethane system.

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

3. Future Plan of Action:

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

- Installation of blenders to increase production capacity.
- Installation of pre-polymer reactor.
- Installation of adipic acid squeezers to prevent dusting.

4. Expenditure on R&D : NIL

### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

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

2. Benefits derived and the results of the above efforts : In process

3. Imported Technology:

The Company has entered into agreements with BASF Polyurethane Licensing GmbH, Germany for sourcing the following technical know-how:

- In 2006 and 2007 for manufacture of Polyesters & additives etc.
- In 2008 for manufacture of Polyesterols.

## C. Foreign Exchange Earnings and Outgo

The particulars with regard to foreign exchange earnings and outgo appear on page 75 of the Annual Report and Accounts.

On behalf of the Board of Directors

PRASAD CHANDRAN  
Chairman & Managing Director

Mumbai

Dated : 16<sup>th</sup> April, 2009.

## 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 31<sup>st</sup> March, 2009

	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 Mandar Joshi	General Manager – Polyurethanes	2,419,540.00	B.Tech., MMM	01-08-1996	34/13	BASF India Limited, Manager – Process Development (5)
(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	1,912,860	Engineer – Chemistry	01.05.2006	41/16	Elastogran Italia spa- technician R&D footwear department (8)
	Mr. Udo Schilling	General Manager	11,513,590	Engineer – Chemistry	01.06.2005	54/32	BASF Elastogran GmbH, Lemforde (2), Manager – Technical Service Marine Applications (1)

- (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 on retirement, the Company's contribution to provident and Superannuation Funds, monetary value of perquisite calculated in accordance with the Income Tax Act/Rules 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: 16<sup>th</sup> April, 2009

## 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 2009 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) on the basis of written representations received from the directors as at 31 March 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2009 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 2009;
    - (ii) in the case of the Profit and Loss Account, of the loss 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.

Mumbai  
Date: 16 April 2009

For B S R & Co.  
Chartered Accountants  
Akeel Master  
Partner  
Membership No. 046768

## Annexure to the Auditors' Report – March 31 2009

With reference to the annexure referred to in the report of even date, 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) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (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) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- (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 generally 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.  
  
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, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2009 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 was incorporated on 6 April 2005 and has not completed five years since registration. Consequently, paragraph 4(x) of the Order relating to accumulated losses is not applicable to the Company.
- (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 outstanding debentures or dues to financial institutions 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) 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 during the year.
- (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

Mumbai  
Date: 16 April 2009

For B S R & Co.  
*Chartered Accountants*  
Akeel Master  
*Partner*  
Membership No. 046768

## Balance Sheet as at March 31, 2009

Rs. in million

	Schedule	March 31, 2009	March 31, 2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Share Capital	1	90.0	90.0
Reserves and Surplus	2	—	—
		90.0	90.0
<b>Loan Funds:</b>			
Unsecured Loans	3	824.4	511.7
		824.4	511.7
<b>Total</b>		<b>914.4</b>	<b>601.7</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
	4		
Gross Block		153.7	136.5
Less: Depreciation		33.1	20.1
Net Block		120.6	116.4
Capital Work-in-Progress		1.1	0.7
		121.7	117.1
<b>Deferred Tax Assets (net)</b>	5	—	—
<b>Current Assets, Loans and Advances:</b>			
Inventories	6	215.4	264.8
Sundry Debtors	7	426.8	346.9
Cash and Bank Balances	8	25.7	24.5
Loans and Advances	9	165.1	92.9
		833.0	729.1
Less:			
<b>Current Liabilities and Provisions:</b>			
Current Liabilities	10	254.2	258.5
Provisions	11	5.1	4.5
		259.3	263.0
<b>Net Current Assets</b>		<b>573.7</b>	<b>466.1</b>
<b>Profit &amp; Loss Account</b>		<b>219.0</b>	<b>18.5</b>
<b>Total</b>		<b>914.4</b>	<b>601.7</b>

For Accounting Policies and Notes to Accounts – Refer **Schedule 19**

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

As per our report of even dated attached

For B S R & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 046768

Mumbai, 16<sup>th</sup> April 2009

Prasad Chandran  
Chairman & Managing Director

Pradeep Chandan  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
R. Y. Vaidya  
S. Ramnath  
R. A. Shah  
Deepak Thuse  
Directors

16<sup>th</sup> April 2009

## Profit and Loss Account for the year ended March 31, 2009

Rs. in million

	Schedule	March 31, 2009	March 31, 2008
<b>Income:</b>			
Sales and Services	12	2,185.4	1,567.7
Less: Excise Duty		133.4	103.3
		2,052.0	1,464.4
Other Income	13	0.5	0.9
		2,052.5	1,465.3
<b>Expenditure:</b>			
Materials Consumed	14	1,012.3	667.5
Purchase of Finished Goods		808.7	604.3
Other Expenses	15	284.2	206.6
Depreciation	4	14.0	11.6
Interest	16	69.2	38.7
		2,188.4	1,528.7
Increase / (Decrease) in Stocks	17	(64.1)	46.1
<b>Loss Before Tax</b>		<b>(200.0)</b>	<b>(17.3)</b>
<b>Tax</b>	18	<b>0.5</b>	<b>2.1</b>
<b>Loss After Tax</b>		<b>(200.5)</b>	<b>(19.4)</b>
(Deficit)/Surplus Brought Forward		<b>(18.5)</b>	0.9
Balance Carried Forward		<b>(219.0)</b>	(18.5)
Weighted average number of equity shares outstanding during the year		<b>9,000,000</b>	9,000,000
Basic and diluted earnings per share (in Rs.)		<b>(22.28)</b>	(2.16)
Face value per share (in Rs.)		<b>10.00</b>	10.00

For Accounting Policies and Notes to Accounts – Refer **Schedule 19**

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

As per our report of even date attached

For B S R & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 046768

Mumbai, 16<sup>th</sup> April 2009

Prasad Chandran  
Chairman & Managing Director

Pradeep Chandan  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
R. Y. Vaidya  
S. Ramnath  
R. A. Shah  
Deepak Thuse  
Directors

16<sup>th</sup> April 2009

## Cash Flow Statement for the year ended March 31, 2009

Rs. in million

	March 31, 2009		March 31, 2008	
<b>A. Cash flow from operating activities</b>				
Net Loss Before Tax		(200.0)		(17.3)
Adjustments for:				
Depreciation	14.0		11.6	
Interest expense	69.2		38.7	
Loss on sale of fixed assets (net)	0.4		0.1	
Unrealised (Gain) / Loss on foreign exchange (net)	3.0		1.0	
Provision for Doubtful Debts written back	6.6	93.2	(0.4)	51.0
<b>Operating profit before working capital changes</b>		(106.8)		33.7
(Increase) / Decrease in:				
Trade and Other Receivables	(151.0)		(95.7)	
Inventories	49.4		(39.1)	
Trade and Other Liabilities	7.1	(108.7)	(96.3)	(38.5)
<b>Cash used in operations</b>		(215.5)		(4.8)
Direct taxes paid (net)		(1.5)		(1.2)
<b>Net cash used in operating activities</b>		(217.0)		(6.0)
<b>B. Cash flow from investing activities:</b>				
Acquisition of fixed assets		(19.0)		(20.7)
Realisation on sale of fixed assets		0.1		—
<b>Net cash used in investing activities</b>		(18.9)		(20.7)
<b>C. Cash flow from financing activities</b>				
Proceeds from loan funds (net)		307.8		41.6
Interest paid		(70.7)		(39.1)
<b>Net cash generated from financing activities</b>		237.1		2.5
<b>Net (decrease)/increase in cash and cash equivalents</b>		1.2		(24.2)
Cash and cash equivalents (opening balance)		24.5		48.7
Cash and cash equivalents (closing balance)		25.7		24.5

As per our report of even date attached

For B S R & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 046768

Mumbai, 16<sup>th</sup> April 2009

Prasad Chandran  
Chairman & Managing Director

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K. R. Coorlawala  
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R. Y. Vaidya  
S. Ramnath  
R. A. Shah  
Deepak Thuse  
Directors

16<sup>th</sup> April 2009



## Schedules to Balance Sheet as at March 31, 2009

### 1. Share Capital

Rs. in million

	March 31, 2009	March 31, 2008
<b>Authorised:</b> 15,000,000 (Previous Year – 15,000,000) Equity Shares of Rs. 10/- each	150.0	150.0
<b>Issued:</b> 9,000,000 (Previous Year – 9,000,000) Equity Shares of Rs. 10/- each	90.0	90.0
<b>Subscribed and Paid-up:</b> 9,000,000 (Previous Year – 9,000,000) Equity Shares of Rs. 10/- each fully paid – All the above Equity shares are held by BASF India Limited, the holding Company and its nominees. BASF SE is the ultimate holding company of BASF Polyurethanes India Limited	90.0	90.0
	<b>90.0</b>	90.0

### 2. Reserves and Surplus

	Balance as on April 1,		Additions/(Deduction) during the year		Balance as on March 31,	
	2008	2007	2008-09	2007-08	2009	2008
Surplus as per Profit & Loss Account	—	0.9	—	(0.9)	—	—
	—	0.9	—	(0.9)	—	—

### 3. Unsecured Loans

	March 31, 2009	March 31, 2008
<b>Term Loan:</b> Loan from BASF SE Repayable within one year <b>Rs. Nil</b> (Previous Year Rs. 32 million) Maximum amount outstanding at any time during the year <b>Rs. 32 million</b> (Previous Year Rs. 34.8 million)	—	32.0
<b>Other Loan:</b> Bank Facilities Repayable within one year <b>Rs. 219.4 million</b> (Previous Year Rs. 240.7 million)	219.4	240.7
ICD from BASF India Ltd. Repayable within one year <b>Rs. 605 million</b> (Previous Year Rs. 239.0 million) Maximum amount outstanding at any time during the year <b>Rs. 605 million</b> (Previous Year Rs. 450.0 million)	605.0	239.0
	<b>824.4</b>	511.7

## Schedules to Balance Sheet as at March 31, 2009

### 4. Fixed Assets

Rs. in million

	Buildings*	Plant & Machinery and Computers	Furniture, Fixtures and Equipment	Total	Previous Year
<b>Gross Block:</b>					
As at April 1, 2008	21.5	113.8	1.2	136.5	116.0
Additions	—	18.6	0.1	18.7	20.6
Deductions	—	1.5	—	1.5	0.1
As at March 31, 2009	21.5	130.9	1.3	153.7	136.5
<b>Depreciation:</b>					
As at April 1, 2008	1.4	18.5	0.2	20.1	8.5
Depreciation for the year	0.7	13.1	0.2	14.0	11.6
Deductions:	—	1.0	—	1.0	—
As at March 31, 2009	2.1	30.6	0.4	33.1	20.1
<b>Net Block:</b>					
As at March 31, 2009	19.4	100.3	0.9	120.6	116.4
As at March 31, 2008	20.1	95.3	1.0	116.4	107.5
<b>Capital Work-in-Progress**</b>					
As at March 31, 2009	—	1.1	—	1.1	0.7
As at March 31, 2008	—	0.7	—	0.7	0.4

\* Factory building is constructed on the land taken on sub-licensing from BASF India Limited.

\*\* Capital Work-in-Progress includes capital advances **Rs. 1.1 million** (Previous Year Rs. 0.7 million) – considered good.

### 5. Deferred tax Assets (net)

Rs. in million

	March 31, 2009	March 31, 2008
(Refer Note 5)		
Deferred tax assets	11.0	10.1
Deferred tax liabilities	(11.0)	(10.1)
	—	—

### 6. Inventories

	March 31, 2009	March 31, 2008
Raw Materials	109.5	95.3
Finished Goods	101.3	154.4
Stock-in-Process	3.3	14.3
Packing Materials	0.9	0.4
Fuel Oil	0.4	0.4
	215.4	264.8

## Schedules to Balance Sheet as at March 31, 2009

### 7. Sundry Debtors

Rs. in million

	March 31, 2009	March 31, 2008
Debts outstanding for a period exceeding six months		
Considered good:		
Unsecured	6.3	1.7
	6.3	1.7
Considered doubtful	12.2	9.6
Other debts		
Considered good :		
Unsecured	420.5	345.2
	420.5	345.2
Considered doubtful	4.0	—
	443.0	356.5
Less : Provision for doubtful debts	16.2	9.6
	426.8	346.9
(Ref. Note 7 – Dues from companies under the same management)		

### 8. Cash and Bank Balances

	March 31, 2009	March 31, 2008
Balances with Scheduled Banks:		
– In Current Accounts	25.7	24.5
	25.7	24.5

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

	March 31, 2009	March 31, 2008
Advances recoverable in cash or in kind or for value to be received	153.9	79.7
Duty Drawback receivable	6.6	9.6
Balances with Excise authorities	0.2	0.2
Balances with Income Tax authorities (Net of Provisions)	4.4	3.4
	165.1	92.9

### 10. Current Liabilities

	March 31, 2009	March 31, 2008
Sundry Creditors		
– Micro & Small Enterprises (Ref. Note 6)	—	—
– Others	247.0	250.8
Deposits	—	0.3
Interest accrued but not due	0.3	1.8
Other Liabilities	6.9	5.6
	254.2	258.5

### 11. Provisions

	March 31, 2009	March 31, 2008
Provision for Long Service Award	0.7	0.6
Provision for Leave Encashment	2.6	2.5
Provision for Gratuity	1.8	1.4
	5.1	4.5

## Schedules to Profit & Loss account for the year ended March 31, 2009

### 12. Sales and Services

Rs. in million

	March 31, 2009	March 31, 2008
Sale of Goods	2,084.0	1,481.8
Indent Commission	101.4	85.9
	2,185.4	1,567.7

### 13. Other Income

	March 31, 2009	March 31, 2008
Interest (Gross)		
— Others	0.1	—
Tax deducted at source <b>Rs. Nil</b> (Previous Year Rs. Nil)		
Sale of Scrap	0.3	0.1
Sundries	0.1	0.8
	0.5	0.9

### 14. Materials consumed

	March 31, 2009	March 31, 2008
Raw Materials :		
Stock at Commencement	95.3	101.9
Purchases	998.9	641.0
Stock at Close	(109.5)	(95.3)
	984.7	647.6
Packing Materials consumed	27.6	19.9
	1,012.3	667.5



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## Schedules to Profit & Loss account for the year ended March 31, 2009

### 15. Other Expenses

Rs. in million

	March 31, 2009	March 31, 2008
Salaries, Wages, Bonus and Commission (Ref. Note 8)	36.9	38.1
Workmen and Staff Welfare (Ref. Note 8)	7.9	7.5
Contribution to Provident and Other Funds (Ref. Note 8)	2.8	3.3
Directors' Sitting Fees	0.1	0.1
Consumption of Stores and Spare Parts	3.0	1.3
Power and Fuel	6.0	3.7
Rent [Ref. Note 4(b)]	13.7	10.2
Rates and Taxes – Excise Duty	(4.0)	1.5
Repairs – Machinery	2.5	2.2
– Buildings	1.0	1.6
– Others	1.5	0.2
Insurance	2.8	2.5
Provision for Doubtful Debts	6.6	(0.4)
Loss on sale of Fixed Assets (Net)	0.4	0.1
Service Fees	22.3	16.9
Travelling	12.1	11.7
Freight and Handling Charges	70.6	42.9
Professional Charges	51.9	37.6
Communication/System Expenses	4.5	4.9
Royalty	14.4	8.5
Sundry Expenses	27.2	12.2
	<b>284.2</b>	<b>206.6</b>

### 16. Interest

	March 31, 2009	March 31, 2008
On Term Loans	1.0	2.1
On Others	68.2	36.6
	<b>69.2</b>	<b>38.7</b>

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

	March 31, 2009	March 31, 2008
Stock at Close		
Finished Goods	101.3	154.4
Stock-in-Process	3.3	14.3
Sub-total	<b>104.6</b>	<b>168.7</b>
Stock at commencement		
Finished Goods	(154.4)	(119.5)
Stock-in-Process	(14.3)	(3.1)
Sub-total	<b>(168.7)</b>	<b>(122.6)</b>
Net Increase/(Decrease) in stocks	<b>(64.1)</b>	<b>46.1</b>

### 18. Tax

	March 31, 2009	March 31, 2008
Deferred Tax Charge	—	1.2
Fringe Benefit Tax	0.5	0.9
	<b>0.5</b>	<b>2.1</b>

## 19. Accounting Policies and Notes to Accounts

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

### 1. Accounting Policies:

#### (a) Basis of Accounting

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

#### (b) Use of estimates

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

#### (c) Going Concern

During the year the Company has incurred a loss higher than its net worth. However, the financial statements have been prepared on a going-concern basis based on the financial support received from the holding company (in its capacity as principal shareholder). In addition, there is guarantee issued to bank by BASF SE (in its capacity as the ultimate holding company). This will enable the Company to meet all its liabilities, both present as well as future, as and when they fall due for payment in the normal course of business. Accordingly, these financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to amounts and classification of liabilities as the entity continues to operate on a going concern basis.

#### (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. 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 it is ready to use. The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. Impairment is recognised 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.

#### (f) Depreciation

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

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

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

#### (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) 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. The forward exchange contracts are backed by underlying transactions, 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.

(j) **Employee Benefits**

(A) **Short Term Employee Benefits**

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

(B) **Post Employment Employee Benefits**

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

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

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

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

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

(D) **Termination Benefits**

Compensation paid to employees under Voluntary Retirement Scheme is recognised as an expense when incurred.

(k) **Asset taken on lease**

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

(l) **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.

(m) **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.

(n) **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.

(o) **Earnings 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.

- Estimated amount of contracts remaining to be executed on capital account and not provided (net of advances) for **Rs. 0.6 Mio.** (Previous Year Rs. 1.5 Mio.)
- The exchange loss of **Rs. 26.0 Mio.** (Previous Year Rs. 3.5 Mio.) has been included in the Profit and Loss Account for the year.
- The Company has taken certain assets under operating leases.

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

Rs. Mio.

	2008-09	2007-08
<b>Due</b>		
Not later than one year	7.4	—
Later than one year but not later than five years	30.1	—
Later than five years	—	—
<b>Total</b>	<b>37.5</b>	<b>—</b>

(b) Lease rent of **Rs. 3.6 Mio.** (Previous Year Rs. NIL) has been included under 'Rent' in the Profit and Loss Account

5. Deferred Tax:

The break up of Deferred Tax Assets (Net) as at March 31, 2009 is as under:

Rs. Mio.

	2008-09	2007-08
<b>Deferred Tax Assets</b>		
Timing differences on account of:		
Provision for doubtful debts	5.5	3.3
Preliminary Expenses	0.2	0.2
Unabsorbed Depreciation and Accumulated Losses	4.4	5.6
Others	0.9	1.0
<b>Total Deferred Tax Assets</b>	<b>11.0</b>	<b>10.1</b>
<b>Deferred Tax Liabilities</b>		
Timing difference on account of:		
Fixed Assets	(11.0)	(10.1)
<b>Deferred Tax Assets/(Liabilities) – Net</b>	<b>—</b>	<b>—</b>

The Company has created deferred tax assets in respect of carried forward losses and unabsorbed depreciation to the extent that it has timing differences, the reversals of which will result in sufficient future taxable income.

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

On the basis of the information and records available with the Management, there are no dues to Micro, Small and Medium enterprises, who have registered with the competent authorities.

- Sundry debtors, unsecured and considered good, include the following amounts due from companies under the same management:

Rs. Mio.

	2008-09	2007-08
BASF China Limited	0.9	0.6
BASF Polyurethane Specialties	0.3	—
Shanghai BASF Polyurethane Company	0.2	0.2
Elastogran GmbH	—	0.6
BASF Polyurethane (China) Co., Ltd.	7.0	3.8
<b>Total</b>	<b>8.4</b>	<b>5.2</b>



8. Employee Defined Benefits:

Defined contribution plans

Company's contribution to defined contribution funds amounting to **Rs. 2.5 Mio.** (Previous Year Rs. 1.9 Mio.) has been charged to the Profit & Loss Account.

Defined benefit plans and other Long term employee benefits

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

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

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

Rs Mio.

	Gratuity (Funded) 2008-09	Gratuity (Funded) 2007-08
A. Expense recognized in the Profit & Loss Account for the year ended 31 <sup>st</sup> March		
1. Current Service Cost	0.5	0.5
2. Interest	0.4	0.3
3. Expected Return on Plan Assets	(0.3)	(0.3)
4. Actuarial (Gain)/Loss	(0.2)	0.9
5. Past service cost	—	—
<b>6. Total Expense</b>	<b>0.4</b>	<b>1.4</b>
B. Net Asset/(Liability) recognized in the Balance Sheet as at 31 <sup>st</sup> March		
1. Present Value of Defined Benefit Obligation as at 31 <sup>st</sup> March	6.3	5.5
2. Fair Value of Plan assets as at 31 <sup>st</sup> March	4.5	4.1
3. Funded Status [Surplus/(Deficit)]	(1.8)	(1.4)
<b>4. Net Asset/(Liability) as at 31<sup>st</sup> March</b>	<b>(1.8)</b>	<b>(1.4)</b>
C. Change in obligation during the year ended 31 <sup>st</sup> March		
1. Present value of the defined benefit obligation at the beginning of the year	5.5	3.8
2. Current Service Cost	0.5	0.5
3. Interest Cost	0.4	0.3
4. Actuarial (Gain)/Loss	(0.1)	0.9
5. Benefits Paid	—	—
<b>6. Present value of the defined benefit obligation at the end of the year</b>	<b>6.3</b>	<b>5.5</b>
D. Change in fair value of assets during the year ended 31 <sup>st</sup> March		
1. Fair Value of Plan assets at the beginning of the year	4.1	3.8
2. Expected Return on plan assets	0.3	0.3
3. Contributions by the Employer	—	—
4. Actual Benefits Paid	—	—
5. Actuarial Gain/(Loss) on Plan Assets	0.1	—
<b>6. Fair Value of Plan assets at the end of the year</b>	<b>4.5</b>	<b>4.1</b>
Total Actuarial Gain/(Loss) to be recognised	0.1	(0.9)
E. Actual Return on Plan Assets		
1. Expected Return on plan assets	0.3	0.3
2. Actuarial Gain/(Loss) on Plan Assets	—	—
<b>3. Actual return on Plan Assets</b>	<b>0.3</b>	<b>0.3</b>
F. Movement in net liability recognised in the Balance Sheet		
1. Opening Net Liability/(Asset)	1.4	—
2. Expenses	0.4	1.4
3. Contribution	—	—
<b>Closing Net Liability/(Asset)</b>	<b>1.8</b>	<b>1.4</b>

Rs Mio.

	Leave (Unfunded) 2008-09	Leave (Unfunded) 2007-08
A. Expense recognized in the Profit & Loss Account for the year ended 31 <sup>st</sup> March		
1. Current Service Cost	0.2	0.2
2. Interest	0.2	0.1
3. Expected Return on Plan Assets	—	—
4. Actuarial (Gain)/Loss	(0.1)	0.9
5. Past service cost	—	—
<b>6. Total Expense</b>	<b>0.3</b>	<b>1.2</b>
B. Net Asset/(Liability) recognized in the Balance Sheet as at 31 <sup>st</sup> March		
1. Present Value of Defined Benefit Obligation as at 31 <sup>st</sup> March	2.6	2.5
2. Fair Value of Plan assets as at 31 <sup>st</sup> March	—	—
3. Funded Status [Surplus/(Deficit)]	(2.6)	(2.5)
<b>4. Net Asset/(Liability) as at 31<sup>st</sup> March</b>	<b>(2.6)</b>	<b>(2.5)</b>
C. Change in obligation during the year ended 31 <sup>st</sup> March		
1. Present value of the defined benefit obligation at the beginning of the year	2.5	1.3
2. Current Service Cost	0.2	0.2
3. Interest Cost	0.2	0.1
4. Actuarial (Gain)/Loss	(0.1)	0.9
5. Benefits Paid	(0.2)	—
<b>6. Present value of the defined benefit obligation at the end of the year</b>	<b>2.6</b>	<b>2.5</b>
D. Change in fair value of assets during the year ended 31 <sup>st</sup> March		
1. Fair Value of Plan assets at the beginning of the year	—	—
2. Expected Return on plan assets	—	—
3. Contributions by the Employer	0.2	—
4. Actual Benefits Paid	(0.2)	—
5. Actuarial Gain/(Loss) on Plan Assets	—	—
<b>6. Fair Value of Plan assets at the end of the year</b>	<b>—</b>	<b>—</b>
Total Actuarial gain/(loss) to be recognised	0.1	(0.9)
E. Actual Return on Plan Assets		
1. Expected Return on plan assets	—	—
2. Actuarial Gain/(Loss) on Plan Assets	—	—
<b>3. Actual return on Plan Assets</b>	<b>—</b>	<b>—</b>
F. Movement in net liability recognised in the Balance Sheet		
1. Opening Net Liability/(Asset)	2.5	1.3
2. Expenses	0.3	1.2
3. Contribution	(0.2)	—
<b>Closing Net Liability/(Asset)</b>	<b>2.6</b>	<b>2.5</b>

Rs. Mio.

	Long Service Awards (Unfunded) 2008-09	Long Service Awards (Unfunded) 2007-08
A. Expense recognized in the Profit & Loss Account for the year ended 31 <sup>st</sup> March		
1. Current Service Cost	—	—
2. Interest	0.1	—
3. Expected Return on Plan Assets	—	—
4. Actuarial (Gain)/Loss	—	0.1
5. Past service cost	—	0.5
<b>6. Total Expense</b>	<b>0.1</b>	<b>0.6</b>

Rs Mio.

	Long Service Awards (Unfunded) 2008-09	Long Service Awards (Unfunded) 2007-08
B. Net Asset/(Liability) recognized in the Balance Sheet as at 31 <sup>st</sup> March		
1. Present Value of Defined Benefit Obligation as at 31 <sup>st</sup> March,	0.7	0.6
2. Fair Value of Plan assets as at 31 <sup>st</sup> March	—	—
3. Funded Status [Surplus/(Deficit)]	(0.7)	(0.6)
<b>4. Net Asset/(Liability) as at 31<sup>st</sup> March</b>	<b>(0.7)</b>	<b>(0.6)</b>
C. Change in obligation during the year ended 31 <sup>st</sup> March		
1. Present value of the defined benefit obligation at the beginning of the year	0.6	0.5
2. Current Service Cost	—	—
3. Interest Cost	0.1	—
4. Actuarial (Gain)/Loss	—	0.1
5. Benefits Paid	—	—
<b>6. Present value of the defined benefit obligation at the end of the year</b>	<b>0.7</b>	<b>0.6</b>
D. Change in fair value of assets during the year ended 31 <sup>st</sup> March		
1. Fair Value of Plan assets at the beginning of the year	—	—
2. Expected Return on plan assets	—	—
3. Contributions by the Employer	—	—
4. Actual Benefits Paid	—	—
5. Actuarial Gain/(Loss) on Plan Assets	—	—
<b>6. Fair Value of Plan assets at the end of the year</b>		
Total Actuarial Gain/(Loss) to be recognised	—	(0.1)
E. Actual Return on Plan Assets		
1. Expected Return on plan assets	—	—
2. Actuarial Gain/(Loss) on Plan Assets	—	—
<b>3. Actual return on Plan Assets</b>	<b>—</b>	<b>—</b>
F. Movement in net liability recognised in the Balance Sheet		
1. Opening Net Liability/(Asset)	0.6	—
2. Expenses	0.1	0.6
3. Contribution	—	—
<b>Closing Net Liability/(Asset)</b>	<b>0.7</b>	<b>0.6</b>

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

	2008-09	2007-08
GOI Securities	27%	42%
State Government Securities	15%	15%
PSU Bonds	58%	39%
Private Sector Bonds	—	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The assumptions used for actuarial valuation as at 31<sup>st</sup> March, 2009 are as follows:

	2008-09	2007-08
Expected rate of return on plan assets	7.7% p.a.	7.5% p.a.
Discount Rate	7.7% p.a.	7.5% p.a.
Expected salary increase rate	6% – 8% p.a.	6% – 8% p.a.
In-service mortality rates	LIC 1994-96 ultimate table	LIC 1994-96 ultimate table

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

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

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

9. Managerial Remuneration under Section 198 of the Companies Act, 1956, (excluding provision for contribution to Gratuity Fund and Group Insurance) is **Rs. 0.1 Mio.** (Previous Year Rs. 0.1 Mio.).

	2008-09 Rs. Mio	2007-08 Rs. Mio
Directors' Sitting Fees to non-whole time directors	0.1	0.1
<b>Total</b>	<b>0.1</b>	<b>0.1</b>

10. Segment Information for the year ended March 31, 2009:

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 on segment reporting.

11. Auditors' Remuneration (excluding service tax)

	2008-09 Rs. Mio	2007-08 Rs. Mio
As Auditors	0.5	0.5
In other capacity (tax audit and certification)	0.1	0.1
Reimbursement of out of pocket expenses	0.1	0.1
<b>Total</b>	<b>0.7</b>	<b>0.7</b>

12. 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 Commence- ment Quantity	Stock at Close Quantity	Turnover	
		Licensed	Installed				Quantity	Amount (Rs. Mio.)
Other Polyurethanes	M.T.	*	<b>14,000</b>	<b>9,438</b>	<b>509</b>	<b>420</b>	<b>9,527</b>	<b>1,084.3</b>
			10,000	6,610	219	509	6,320	718.3
<b>Traded Goods:</b>								
Polyurethanes	M.T.	<b>Not Applicable</b>		<b>6,478</b>	<b>785</b>	<b>527</b>	<b>6,736</b>	<b>866.2</b>
				5,528	727	785	5,470	660.2
Value of Purchases – <b>Rs. 808.7 Mio.</b> (Previous Year Rs. 604.3 Mio.)								

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

Notes

(a) Value of stocks in Rs. Mio.

	2008-09	2007-08
Closing Stock	101.3	154.4
Opening Stock	154.4	119.5

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

(a) Raw Materials

	2008-09		2007-08	
	%	Rs. Mio.	%	Rs. Mio.
Imported	89.5	881.7	71.5	463.2
Indigenous	10.5	103.0	28.5	184.4
	<b>100.0</b>	<b>984.7</b>	<b>100.0</b>	<b>647.6</b>

	M.T.	Rs. Mio.	M.T.	Rs. Mio.
Adipic Acid	1,629	145.3	1,811	156.8
Lupranol	4,605	446.3	3,387	249.4
Diethylene Glycol	659	34.2	729	39.5
Monoethylene Glycol	616	33.2	571	34.1
Others	—	325.7	—	167.8
		<b>984.7</b>		<b>647.6</b>

(b) Components and Spare Parts:

	2008-09		2007-08	
	%	Rs. Mio.	%	Rs. Mio.
Imported	—	—	—	—
Indigenous	100.0	3.0	100	1.3
	100.0	3.0	100.0	1.3

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

	2008-09 Rs. Mio	2007-08 Rs. Mio
Raw Materials	703.6	447.7
Capital Goods	0.8	—
Finished Goods	733.5	457.1
	1,437.9	904.8

15. Expenses in foreign currencies during the period (on accrual basis):

	2008-09 Rs. Mio	2007-08 Rs. Mio
Royalty (net of tax)	14.4	8.5
Foreign Travel	1.1	2.8
Interest (net of tax)	0.8	1.9
Consultancy Charges	1.5	3.2
Communication/System Expenses	4.3	3.5
Others	7.0	0.7
	29.1	20.6

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

	2008-09 Rs. Mio	2007-08 Rs. Mio
Exports of goods calculated on FOB basis	31.9	50.4
Indent Commission	101.4	85.9
Freight and Insurance	0.9	2.3
	134.2	138.6

17. Related Party Disclosures

(a) Parties where control exists

BASF India Limited	Holding Company (holds 100% of the equity share capital as on March 31, 2009)
BASF SE	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)
BASF Polyurethane Specialities	BASF Polyurethane Licencing GmbH
BASF East Asia Regional Headquarters	BASF Singapore Pte. Ltd.
BASF Bangladesh Limited	BASF Polyurethanes (Taiwan) Co. Ltd.

## (c) Details of transactions for the year ended March 31, 2009:

Rs. Mio.

Nature of Transactions	Holding & Ultimate Holding Company		Fellow Subsidiaries		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
<b>Sale of Goods</b>						
BASF Singapore Pte. Ltd.	–	–	6.1	–	6.1	–
BASF China Limited	–	–	1.3	1.7	1.3	1.7
BASF Company Ltd.	–	–	0.2	2.1	0.2	2.1
BASF Polyurethanes (Malaysia) Sdn. bhd.	–	–	–	3.3	–	3.3
BASF Polyurethanes (China) Co. Ltd.	–	–	–	7.6	–	7.6
BASF Polyurethane Specialities	–	–	–	2.1	–	2.1
Others	–	–	–	2.2	–	2.2
<b>Sub-Total</b>	–	–	7.6	19.0	7.6	19.0
<b>Services Rendered</b>						
BASF South East Asia Pte. Ltd.	–	–	26.7	19.6	26.7	19.6
BASF Company Ltd.	–	–	69.0	59.2	69.0	59.2
Others	–	–	5.7	7.1	5.7	7.1
<b>Sub-Total</b>	–	–	101.4	85.9	101.4	85.9
<b>Purchase of Goods/Materials</b>						
BASF SE	112.4	134.5	–	–	112.4	134.5
BASF India Limited	0.8	–	–	–	0.8	–
BASF Company Ltd.	–	–	739.8	458.9	739.8	458.9
BASF South East Asia Pte. Ltd.	–	–	80.9	105.8	80.9	105.8
Elastogran Italia Spa (Elit)	–	–	123.1	77.4	123.1	77.8
Others	–	–	143.4	71.7	143.4	71.7
<b>Sub-Total</b>	113.2	134.5	1,087.2	713.8	1,200.4	848.3
<b>Services Received</b>						
BASF SE	2.3	1.1	–	–	2.3	1.1
BASF India Limited	52.1	33.8	–	–	52.1	33.8
BASF South East Asia Pte. Ltd.	–	–	5.1	3.2	5.1	3.2
BASF East Asia Regional Headquarters	–	–	0.8	–	0.8	–
Elastogran Italia Spa (Elit)	–	–	0.7	0.6	0.7	0.6
BASF Asia Pacific Service Centre Sdn. Bhd.	–	–	5.5	2.1	5.5	2.1
Others	–	–	–	1.8	–	1.8
<b>Sub-Total</b>	54.4	34.9	12.1	7.7	66.5	42.6
<b>Interest on Loans</b>						
BASF SE	1.0	2.1	–	–	1.0	2.1
BASF India Limited	18.3	15.6	–	–	18.3	15.6
<b>Sub-Total</b>	19.3	17.7	–	–	19.3	17.7
<b>Royalty and Technical Fees</b>						
BASF Polyurethane Licencing GmbH	–	–	14.4	8.5	14.4	8.5
<b>Repayment of Loan/ ICD</b>						
BASF SE	32.0	–	–	–	32.0	–
BASF India Limited	8,359.0	8,433.0	–	–	8,359.0	8,433.0
<b>ICD Received</b>						
BASF India Limited	8,725.0	8,512.0	–	–	8,725.0	8,512.0
<b>Interest accrued – not due</b>						
BASF India Limited	0.2	0.3	–	–	0.2	0.3
<b>Outstanding Receivables</b>						
BASF Polyurethanes (China) Co. Ltd.	–	–	7.0	3.8	7.0	3.8
BASF China Limited	–	–	0.9	0.6	0.9	0.6
Others	–	–	0.5	0.8	0.5	0.8
<b>Sub-Total</b>	–	–	8.4	5.2	8.4	5.2

Rs. Mio.

Nature of Transactions	Holding & Ultimate Holding Company		Fellow Subsidiaries		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
<b>Outstanding Payables</b>						
BASF SE	1.4	21.2	–	–	1.4	21.2
BASF India Limited	4.4	–	–	–	4.4	–
BASF Company Limited	–	–	64.2	87.3	64.2	87.3
BASF South East Asia Pte. Ltd.	–	–	32.1	20.7	32.1	20.7
Elastogran Italia Spa (Elit)	–	–	29.7	12.1	29.7	12.1
Others	–	–	30.8	45.1	30.8	45.1
<b>Sub-Total</b>	<b>5.8</b>	<b>21.2</b>	<b>156.8</b>	<b>165.2</b>	<b>162.6</b>	<b>186.4</b>
<b>Loans/ICD Outstanding</b>						
BASF SE – Loan	–	32.0	–	–	–	32.0
BASF India Limited – ICD	605.0	239.0	–	–	605.0	239.0

Details of remuneration to Directors are given in Note 9.

Transfer Pricing regulations:

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

18. As on 31<sup>st</sup> March, 2009, the Company has 10 forward contracts totalling to USD 2.5 Mio. (**Rs 130.3 Mio.**) for the purposes of hedging its foreign exposure. The unamortized premium of **Rs. 0.7 Mio.** pertaining to the same will be recognized subsequently. Foreign currency exposure that is not hedged as at 31<sup>st</sup> March is as follow:-

	2008-09			
	Receivable		Payable	
Foreign Currency	Foreign Currency Amount	Rs. in Mio.	Foreign Currency Amount	Rs. in Mio.
EURO	—	—	194,954	13.3
HKD	—	—	590	—

	2007-08			
	Receivable		Payable	
Foreign Currency	Foreign Currency Amount	Rs. in Mio.	Foreign Currency Amount	Rs. in Mio.
EURO	—	—	129,197	8.2
USD	—	—	238,287	10.0

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

Signatures to Schedules 1 to 19

Prasad Chandran  
Chairman & Managing Director

Pradeep Chandan  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
R. Y. Vaidya  
S. Ramnath  
R. A. Shah  
Deepak Thuse  
Directors

Mumbai, 16<sup>th</sup> April 2009

## Balance Sheet Abstract and General Business Profile

### I Registration Details :

Registration No. : 152467	State Code :	11
Balance Sheet Date :	31.03.2009	

### 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 :	914.4	Total Assets :	914.4
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#### Sources of Funds :

Paid Up Capital :	90.0	Reserves & Surplus :	–
Secured Loans :	–	Unsecured Loans :	824.4

#### Application of Funds :

Net Fixed Assets :	121.7	Investments :	–
Net Current Assets :	573.7	Deferred Tax Assets – Net	–
Accumulated Losses :	Nil		

### IV Performance of Company

(Amount in Rs. Million)

Turnover (including Other Income) :	2,052.5	Total Expenditure	2,252.5
Profit Before Tax :	(200.0)	Profit After Tax	(200.5)
Earning Per Share in Rs.	–22.28	Dividend Rate %	–

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

(As per monetary terms)

Item Code No. (ITC Code)	Product Description
29291090	Isocyanate – Others
39072090	Other Polyurethanes

Prasad Chandran  
*Chairman & Managing Director*

K. R. Coorlawala  
R. R. Nair  
R. Y. Vaidya  
S. Ramnath  
R. A. Shah  
Deepak Thuse  
*Directors*

Pradeep Chandan  
*Company Secretary*

Mumbai, 16<sup>th</sup> April 2009



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

We have examined the attached consolidated Balance Sheet of BASF India Limited ('the Company') and its subsidiary, BASF Polyurethanes India Limited (collectively referred to as 'the BASF Group'), as at 31 March 2009 and the related consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the BASF Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements 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 Group management in accordance with the requirements of Accounting Standards (AS) 21. Consolidated financial statements, specified in the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the Company and its subsidiary as listed in Note 1 (b) of Accounting Policies and Notes to Accounts included in the consolidated financial statements.

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

- (a) in case of the consolidated Balance Sheet, of the consolidated state of affairs of the BASF Group as at 31 March 2009;
- (b) in case of the consolidated Profit and Loss Account, of the consolidated results of operations of the BASF Group for the year ended on that date; and
- (c) in case of the consolidated Cash Flow Statement, of the consolidated cash flows of the BASF Group for the year ended on that date.

For B S R & Co.  
*Chartered Accountants*

Akeel Master  
*Partner*  
Membership No: 046768

*Mumbai*  
*Date: 16 April 2009*

## Consolidated Balance Sheet of BASF India Limited and its Subsidiary as at March 31, 2009

Rs. in million

	Schedule	March 31, 2009	March 31, 2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Share Capital	1	281.9	281.9
Reserves and Surplus	2	3,349.5	3,094.3
		3,631.4	3,376.2
<b>Loan Funds:</b>			
Unsecured Loans	3	219.4	272.7
		219.4	272.7
<b>Total</b>		<b>3,850.8</b>	<b>3,648.9</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>	4		
Gross Block		3,787.4	3,544.9
Less: Depreciation		2,409.3	2,262.1
Net Block		1,378.1	1,282.8
Capital Work-in-Progress		212.6	40.7
		1,590.7	1,323.5
<b>Investments</b>	5	—	29.0
<b>Deferred Tax Assets (net)</b>	6	2.5	23.6
<b>Current Assets, Loans and Advances:</b>			
Inventories	7	2,225.2	1,514.1
Sundry Debtors	8	1,795.1	1,933.8
Cash and Bank Balances	9	302.7	106.1
Loans and Advances	10	845.3	830.8
		5,168.3	4,384.8
Less:			
<b>Current Liabilities and Provisions:</b>			
Current Liabilities	11	2,561.1	1,771.4
Provisions	12	349.6	340.6
		2,910.7	2,112.0
<b>Net Current Assets</b>		<b>2,257.6</b>	<b>2,272.8</b>
<b>Total</b>		<b>3,850.8</b>	<b>3,648.9</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 of even date attached

For B S R & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 046768

Mumbai, 16<sup>th</sup> April 2009

Prasad Chandran  
Chairman & Managing Director

M. R. Iyer  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
R. Y. Vaidya  
S. Ramnath  
R. A. Shah  
Pradip P. Shah  
Deepak Thuse  
Directors

16<sup>th</sup> April 2009

## Consolidated Profit and Loss Account of BASF India Limited and its Subsidiary for the year ended March 31, 2009

Rs. in million

	Schedule	March 31, 2009	March 31, 2008
<b>Income:</b>			
Sales and Services	13	14,519.4	11,894.0
Less: Excise Duty		1,358.5	1,336.8
		13,160.9	10,557.2
Other Income	14	67.3	32.1
		13,228.2	10,589.3
<b>Expenditure:</b>			
Materials Consumed	15	7,083.5	5,638.9
Purchase of Finished Goods		2,335.8	1,504.4
Other Expenses	16	2,871.0	2,479.9
Depreciation	4	165.3	147.3
Interest	17	65.8	36.0
		12,521.4	9,806.5
Increase in Stocks	18	173.5	130.2
<b>Profit Before Tax</b>		<b>880.3</b>	913.0
<b>Tax</b>	19	<b>394.2</b>	338.4
<b>Profit After Tax</b>		<b>486.1</b>	574.6
Surplus Brought Forward		243.4	229.5
Available for Appropriation		729.5	804.1
<b>Appropriations:</b>			
Proposed Dividend		197.3	197.3
Corporate Tax on Dividend		33.6	33.6
General Reserve		455.5	329.8
		686.4	560.7
Balance Carried Forward		43.1	243.4
Weighted average number of equity shares outstanding during the year		28,189,466	28,189,466
Basic and diluted earnings per share (in Rs.)		17.24	20.38
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 of even date attached

For B S R & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 046768

Mumbai, 16<sup>th</sup> April 2009

Prasad Chandran  
Chairman & Managing Director

M. R. Iyer  
Company Secretary

K. R. Coorlawala  
R. R. Nair  
R. Y. Vaidya  
S. Ramnath  
R. A. Shah  
Pradip P. Shah  
Deepak Thuse  
Directors

16<sup>th</sup> April 2009

## Consolidated Cash Flow Statement of BASF India Limited and its Subsidiary for the year ended March 31, 2009

Rs. in million

	March 31, 2009		March 31, 2008	
<b>A. Cash flow from operating activities</b>				
Net Profit Before Tax		880.3		913.0
Adjustments for:				
Depreciation	165.3		147.3	
Interest expense	65.8		36.0	
Loss/(Profit) on sale of fixed assets (net)	(1.5)		1.4	
Interest income	(1.8)		(1.6)	
Unrealised (Gain)/Loss on foreign exchange (net)	10.3		10.2	
Provision for Doubtful Debts	(10.1)	228.0	4.7	198.0
<b>Operating profit before working capital changes</b>		1,108.3		1,111.0
(Increase)/Decrease in:				
Trade and Other Receivables	197.7		(361.9)	
Inventories	(711.1)		(135.8)	
Trade and Other Liabilities	(767.8)	254.4	(384.8)	(112.9)
<b>Cash generated from operations</b>		1,362.7		998.1
Direct taxes paid (net)		(388.0)		(343.3)
<b>Net cash from operating activities</b>		974.7		654.8
<b>B. Cash flow from investing activities:</b>				
Acquisition of fixed assets		(427.4)		(321.4)
Realisation on sale of fixed assets		3.7		8.2
Interest received		1.8		1.6
<b>Net cash used in investing activities</b>		(421.9)		(311.6)
<b>C. Cash flow from financing activities</b>				
Repayment of loan funds		(58.1)		(42.7)
Interest paid		(67.2)		(36.6)
Dividend paid		(197.3)		(197.3)
Tax paid on above dividend		(33.6)		(33.6)
<b>Net cash used in financing activities</b>		(356.2)		(310.2)
<b>Net increase in cash and cash equivalents</b>		196.6		33.0
Cash and cash equivalents (opening balance)		106.1		73.1
Cash and cash equivalents (closing balance)		302.7		106.1
Restricted cash and cash equivalents		5.6		5.5

As per our report of even date attached

For B S R & Co.  
Chartered Accountants

Akeel Master  
Partner  
Membership No.: 046768

Mumbai, 16<sup>th</sup> April 2009

Prasad Chandran  
Chairman & Managing Director

M. R. Iyer  
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K. R. Coorlawala  
R. R. Nair  
R. Y. Vaidya  
S. Ramnath  
R. A. Shah  
Pradip P. Shah  
Deepak Thuse  
Directors

16<sup>th</sup> April 2009

## Schedules to Consolidated Balance Sheet as at March 31, 2009

### 1. Share Capital

Rs. in million

	March 31, 2009	March 31, 2008
<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 Of the above – – <b>700</b> Equity Shares were allotted as fully paid pursuant to a contract without payment being received in cash and <b>15,771,400</b> Equity Shares were allotted as fully paid Bonus Shares by way of capitalisation of Reserves. – <b>4,035,948</b> shares were allotted to the erstwhile shareholders of Cyanamid Agro Limited (CAL) consequent to the amalgamation w.e.f. April 1, 2001 – <b>20,066,242</b> (Previous Year – 14,853,020) Equity Shares are held by BASF SE, the holding company.	<b>281.9</b>	281.9
	<b>281.9</b>	281.9

### 2. Reserves and Surplus

	Balance as on April 1,		Additions during the year		Withdrawals during the year		Balance as on March 31,	
	2008	2007	2008-09	2007-08	2008-09	2007-08	2009	2008
Share Premium Account	<b>621.0</b>	621.0	—	—	—	—	<b>621.0</b>	621.0
Amalgamation Reserve	<b>0.5</b>	0.5	—	—	—	—	<b>0.5</b>	0.5
General Reserve	<b>2,229.4</b>	1,899.6	<b>455.5</b>	329.8	—	—	<b>2,684.9</b>	2,229.4
Surplus as per Profit & Loss Account	<b>243.4</b>	229.5	—	13.9	<b>200.3</b>	—	<b>43.1</b>	243.4
	<b>3,094.3</b>	2,750.6	<b>455.5</b>	343.7	<b>200.3</b>	—	<b>3,349.5</b>	3,094.3

### 3. Unsecured Loans

	March 31, 2009	March 31, 2008
<b>Term Loan:</b> Loan from BASF SE Repayable within one year <b>Rs. Nil</b> (Previous Year Rs. 32 million) Maximum amount outstanding at any time during the year <b>Rs. 32 million</b> (Previous Year Rs. 34.8 million)	—	32.0
<b>Other Loan:</b> Bank Facilities Repayable within one year <b>Rs. 219.4 million</b> (Previous Year Rs. 240.7 million)	<b>219.4</b>	240.7
	<b>219.4</b>	272.7

## Schedules to Consolidated Balance Sheet as at March 31, 2009

### 4. Fixed Assets

Rs. in million

	Freehold Land	Leasehold Land	Buildings*	Plant & Machinery and Computers#	Furniture, Fixtures and Equipment	Vehicles	Total	Previous Year
<b>Gross Block:</b>								
As at April 1, 2008	24.1	50.4	647.9	2,674.0	137.9	10.6	3,544.9	3,379.2
Additions	—	—	102.8	135.7	23.5	0.8	262.8	339.7
Deductions	—	0.2	0.1	14.1	3.7	2.2	20.3	174.0
As at March 31, 2009	24.1	50.2	750.6	2,795.6	157.7	9.2	3,787.4	3,544.9
<b>Depreciation:</b>								
As at April 1, 2008	—	2.5	219.8	1,953.5	76.8	9.5	2,262.1	2,279.2
Depreciation for the year	—	2.2	23.4	123.1	15.7	0.9	165.3	147.3
Deductions	—	—	0.1	13.3	2.5	2.2	18.1	164.4
As at March 31, 2009	—	4.7	243.1	2,063.3	90.0	8.2	2,409.3	2,262.1
<b>Net Block:</b>								
As at March 31, 2009	24.1	45.5	507.5	732.3	67.7	1.0	1,378.1	1,282.8
As at March 31, 2008	24.1	47.9	428.1	720.5	61.1	1.1	1,282.8	1,100.0
<b>Capital work in progress**</b>								
As at March 31, 2009	—	—	47.5	164.9	0.2	—	212.6	40.7
As at March 31, 2008	—	—	19.1	16.7	4.9	—	40.7	50.2
* 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 capital advances <b>Rs. 21.3 million</b> (Previous Year Rs. 19.7 million) – Considered good.								
# 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.								

### 5. Investments

	March 31, 2009	March 31, 2008
<b>(Non-Trade) - Unquoted - Long Term</b>		
<b>Other Investments</b>		
National Bank for Agriculture & Rural Development	—	29.0
– Nil Bonds (Previous Year – 2900 ) of Rs. 10,000 each		
	—	29.0

### 6. Deferred Tax Assets (net)

	March 31, 2009	March 31, 2008
(Ref. note 7)		
Deferred tax assets	79.4	87.8
Deferred tax liabilities	(76.9)	(64.2)
	2.5	23.6

## Schedules to Consolidated Balance Sheet as at March 31, 2009

### 7. Inventories

Rs. in million

	March 31, 2009	March 31, 2008
Raw Materials	1,187.6	660.4
Finished Goods	957.3	765.8
Stock-in-Process	24.6	42.6
Packing Materials	50.3	42.2
Fuel Oil	5.4	3.1
	<b>2,225.2</b>	<b>1,514.1</b>

### 8. Sundry Debtors

	March 31, 2009	March 31, 2008
Debts outstanding for a period exceeding six months		
Considered good :		
Secured	—	—
Unsecured	19.0	33.6
	<b>19.0</b>	<b>33.6</b>
Considered doubtful	85.9	113.4
Other debts		
Considered good :		
Secured	54.2	47.5
Unsecured	1,722.0	1,852.7
	<b>1,776.2</b>	<b>1,900.2</b>
Considered doubtful	21.6	4.2
	<b>1,902.7</b>	<b>2,051.4</b>
Less: Provision for doubtful debts	107.6	117.6
	<b>1,795.1</b>	<b>1,933.8</b>

### 9. Cash and Bank Balances

	March 31, 2009	March 31, 2008
Cash on hand	0.2	0.4
Balances with Scheduled Banks :		
– In Current Accounts	301.5	104.3
– In Deposit Accounts	1.0	1.4
	<b>302.7</b>	<b>106.1</b>

## Schedules to Consolidated Balance Sheet as at March 31, 2009

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

Rs. in million

	March 31, 2009	March 31, 2008
Advances recoverable in cash or in kind or for value to be received Includes due from – Directors <b>Rs. 0.71 million</b> (Previous Year Rs. 0.78 million) Maximum amount during the year <b>Rs. 0.78 million</b> (Previous Year Rs. 0.85 million) In the case of Directors, it represents loans given to them before they became Directors.	<b>711.9</b>	712.6
Duty Drawback receivable	<b>11.0</b>	15.2
Balances with Excise authorities	<b>7.4</b>	2.9
Balances with Income Tax authorities (Net of Provisions)	<b>115.0</b>	100.1
	<b>845.3</b>	830.8

### 11. Current Liabilities

	March 31, 2009	March 31, 2008
Sundry Creditors		
– Micro & Small Enterprises	<b>1.3</b>	1.4
– Others	<b>2,440.8</b>	1,645.2
Deposits	<b>98.3</b>	106.3
Unclaimed Dividend*	<b>4.6</b>	4.3
Unclaimed matured fixed deposits*	<b>0.6</b>	0.7
Unclaimed Interest warrants*	<b>0.4</b>	0.5
* (There are no amounts due and outstanding to be credited to Investor Education and Protection fund)		
Interest accrued but not due	<b>0.1</b>	1.5
Other Liabilities	<b>15.0</b>	11.5
	<b>2,561.1</b>	1,771.4

### 12. Provisions

	March 31, 2009	March 31, 2008
Proposed Dividend	<b>197.3</b>	197.3
Corporate Tax on Dividend	<b>33.6</b>	33.6
Provision for Long Service Award	<b>17.5</b>	15.0
Provision for Leave Encashment	<b>98.3</b>	93.3
Provision for Gratuity	<b>2.9</b>	1.4
	<b>349.6</b>	340.6



## Schedules to Consolidated Profit & Loss account for the year ended March 31, 2009

### 13. Sales and Services

Rs. in million

	March 31, 2009	March 31, 2008
Sale of Goods	13,721.8	11,295.1
Indent Commission/Technical/Service Charges	797.6	598.9
	14,519.4	11,894.0

### 14. Other Income

	March 31, 2009	March 31, 2008
Interest (Gross)		
– Interest on Investments (Gross) – Non-Trade and Long Term Tax deducted at source <b>Rs. Nil</b> (Previous Year Rs. Nil)	1.6	1.5
– Others Tax deducted at source <b>Rs. 6.1 million</b> (Previous Year Rs. 2.8 million)	21.1	13.2
Profit on sale of Fixed Assets (net)	1.5	—
Sale of Scrap	13.5	13.2
Sundries	29.6	4.2
	67.3	32.1

### 15. Materials consumed

	March 31, 2009	March 31, 2008
Raw Materials:		
Stock at Commencement	660.4	660.6
Purchases	7,305.3	5,376.8
Stock at Close	(1,187.6)	(660.4)
	6,778.1	5,377.0
Packing Materials consumed	305.4	261.9
	7,083.5	5,638.9



BASF Leather Parivar at the India International Leather Fair 2009 in Chennai, showcasing eco-friendly products & processes, and our commitment to Sustainable Development.

## Schedules to Consolidated Profit & Loss account for the year ended March 31, 2009

### 16. Other Expenses

Rs. in million

	March 31, 2009	March 31, 2008
Salaries, Wages, Bonus and Commission (Ref. note 8)	734.0	616.6
Workmen and Staff Welfare (Ref. note 8)	119.4	150.6
Contribution to Provident and Other Funds (Ref. note 8)	81.6	98.9
Directors' Sitting Fees	0.1	0.1
Consumption of Stores and Spare Parts	48.0	50.4
Power and Fuel	237.8	212.6
Rent (Ref. note 6(b))	199.6	119.7
Rates and Taxes – Excise Duty	(14.6)	4.9
– Others	6.2	4.0
Repairs – Machinery	33.9	34.0
– Buildings	24.3	21.2
– Others	15.7	14.7
Insurance	25.4	26.2
Bad Debts Written Off / (Recovered)	13.1	(5.0)
Provision for Doubtful Debts (Net)	(10.1)	4.7
Loss on Sale of Fixed Assets (Net)	—	1.4
Service Fees	61.0	69.8
Travelling	171.2	167.4
Freight and Handling Charges	367.5	313.2
Communication/System Expenses	171.0	122.4
Sales Promotion Expenses	143.6	89.1
Professional Charges	81.2	60.8
Royalty	49.1	35.3
Voluntary Retirement Scheme	14.1	14.7
Sundry Expenses	297.9	252.2
	<b>2,871.0</b>	<b>2,479.9</b>

### 17. Interest

	March 31, 2009	March 31, 2008
On Short Term Loans	3.9	2.1
On Others	61.9	33.9
	<b>65.8</b>	<b>36.0</b>

### 18. Increase in Stocks

	March 31, 2009	March 31, 2008
Stock at Close		
Finished Goods	957.3	765.8
Stock-in-Process	24.6	42.6
Sub-total	<b>981.9</b>	<b>808.4</b>
Stock at commencement		
Finished Goods	(765.8)	(646.9)
Stock-in-Process	(42.6)	(31.3)
Sub-total	<b>(808.4)</b>	<b>(678.2)</b>
Increase in stocks	<b>173.5</b>	<b>130.2</b>

### 19. Tax

	March 31, 2009	March 31, 2008
Current Tax Expense (includes wealth tax Rs. 2.0 million Previous year Rs. 2.0 million)	347.8	319.7
Deferred Tax Charge / (Credit)	21.1	(2.5)
Fringe Benefit Tax	25.3	21.2
	<b>394.2</b>	<b>338.4</b>

## 20. Accounting Policies and Notes to Accounts

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

### 1. Accounting Policies

#### (a) Basis of Accounting

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

#### (b) Principles of Consolidation

1. 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 inter company 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.

2. 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 and disclosure of contingent 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. Revenue from technical and service charges are recognised as and when the services are provided. Sales include excise duty but exclude trade discounts, rebates and sales tax. Interest 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 it is ready to use. The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. Impairment is recognised 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.

#### (f) Depreciation

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

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

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

Leasehold land 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**

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

(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. The forward exchange contracts are backed by underlying transactions, 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.

(k) **Employee Benefits**

(A) **Short Term Employee Benefits**

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

(B) **Post Employment Employee Benefits**

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

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

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

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

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

(D) **Termination Benefits**

Compensation paid to employees under Voluntary Retirement Scheme is recognised as an expense when incurred.

(l) **Assets taken on lease**

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

(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.

(p) **Research & Development Expenditure**

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

(q) **Earnings 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. 26.0 Mio.** (Previous Year Rs. 25.9 Mio.) in respect of which the Company has counter claims of **Rs. 67.0 Mio.** (Previous Year Rs. 67.0 Mio.).

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

a. Income tax : **Rs. 61 Mio.** (Previous Year Rs. 45.3 Mio.)

b. Others : **Rs. 2.2 Mio.** (Previous Year Rs. 3.3 Mio.)

3. Estimated amount of contracts remaining to be executed on capital account and not provided (net of advance) for **Rs. 83.8 Mio.** (Previous Year Rs. 28.5 Mio.).

4. The exchange loss of **Rs. 101 Mio.** (Previous Year loss of Rs. 11.5 Mio.) has been included in the Profit and Loss Account for the year.

5. Expenditure on Research and Development charged to Profit and Loss Account **Rs. 96.1 Mio.** (Previous Year Rs. 76.4 Mio.).

6. 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>2008-09</b>	2007-08
<b>Due</b>		
Not later than one year	<b>21.7</b>	16.4
Later than one year but not later than five years	<b>42.6</b>	18.4
Later than five years	<b>1.4</b>	2.0
<b>Total</b>	<b>65.7</b>	36.8

(b) Lease rent of **Rs. 30.5 Mio.** (Previous Year Rs. 23.4 Mio.) has been included under 'Rent' in the Profit and Loss Account.

## 7. Deferred Tax:

The break up of Deferred Tax Assets (Net) as at March 31, 2009 is as under:

Rs. Mio.

	2008-09	2007-08
<b>Deferred Tax Assets</b>		
Timing differences on account of:		
Provision for doubtful debts	36.5	40.0
Expenditure under Voluntary Retirement Scheme	12.2	12.0
Unabsorbed Depreciation and Accumulated Losses	4.4	5.6
Others	26.3	30.2
<b>Total Deferred Tax Assets</b>	<b>79.4</b>	<b>87.8</b>
<b>Deferred Tax Liabilities</b>		
Timing difference on account of:		
Fixed Assets	(76.9)	(64.2)
<b>Total Deferred Tax Liabilities</b>	<b>(76.9)</b>	<b>(64.2)</b>
<b>Deferred Tax Assets – Net</b>	<b>2.5</b>	<b>23.6</b>

Deferred tax asset on unabsorbed depreciation and carried forward losses in case of subsidiary has been recognised to the extent of the deferred tax liability.

## 8. Employee Benefits:

Defined contribution plans

Company's contribution to defined contribution funds amounting to **Rs. 63.1 Mio.** (Previous year Rs. 68.2 Mio.) has been charged to the Profit & Loss Account.

Defined benefit plans and other Long term employee benefits.

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

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

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

Rs. Mio.

	Gratuity (Funded) 2008-09	Gratuity (Funded) 2007-08
A. Expense recognized in the Profit & Loss Account for the year ended 31 <sup>st</sup> March 2009		
1. Current Service Cost	11.5	12.7
2. Interest	11.2	8.5
3. Expected Return on Plan Assets	(13.1)	(10.4)
4. Actuarial (Gain)/Loss	10.5	19.7
5. Past service cost	—	—
<b>6. Total Expense</b>	<b>20.1</b>	<b>30.5</b>

Rs. Mio.

	Gratuity (Funded) 2008-09	Gratuity (Funded) 2007-08
B. Net Asset/(Liability) recognized in the Balance Sheet as at 31 <sup>st</sup> March		
1. Present Value of Defined Benefit Obligation as at 31 <sup>st</sup> March	179.6	151.5
2. Fair Value of Plan assets as at 31 <sup>st</sup> March	176.7	162.2
3. Funded Status [Surplus/(Deficit)]	(2.9)	10.7
<b>4. Net Asset/(Liability) as at 31<sup>st</sup> March</b>	<b>(2.9)</b>	<b>10.7</b>
C. Change in obligation during the year ended 31 <sup>st</sup> March		
1. Present value of the defined benefit obligation at the beginning of the year	151.5	116.6
2. Current Service Cost	11.5	12.7
3. Interest Cost	11.2	8.5
4. Actuarial (Gain)/Loss	18.0	20.6
5. Benefits Paid	(12.6)	(6.9)
<b>6. Present value of the defined benefit obligation at the end of the year</b>	<b>179.6</b>	<b>151.5</b>
D. Change in fair value of assets during the year ended 31 <sup>st</sup> March 2009		
1. Fair Value of Plan assets at the beginning of the year	162.2	116.6
2. Expected Return on plan assets	13.1	10.4
3. Contributions by the Employer	6.5	41.2
4. Actual Benefits Paid	(12.6)	(6.9)
5. Actuarial Gain/(Loss) on Plan Assets	7.5	0.9
<b>6. Fair Value of Plan assets at the end of the year</b>	<b>176.7</b>	<b>162.2</b>
Total Actuarial Gain/(Loss) to be recognised	(10.5)	17.9
E. Actual Return on Plan Assets		
1. Expected Return on plan assets	13.1	10.4
2. Actuarial Gain/(Loss) on Plan Assets	7.4	0.9
<b>3. Actual return on Plan Assets</b>	<b>20.5</b>	<b>11.3</b>
F. Movement in net liability recognised in the Balance Sheet		
1. Opening Net Liability/(Asset)	(10.7)	—
2. Expenses	20.1	30.5
3. Contribution	(6.5)	(41.2)
<b>Closing Net Liability/(Asset)</b>	<b>2.9</b>	<b>(10.7)</b>

Rs. Mio.

	Leave (Unfunded) 2008-09	Leave (Unfunded) 2007-08
A. Expense recognized in the Profit & Loss Account for the year ended 31 <sup>st</sup> March 2009		
1. Current Service Cost	2.8	2.5
2. Interest	6.9	4.8
3. Expected Return on Plan Assets	—	—
4. Actuarial (Gain)/Loss	3.6	25.2
5. Past service cost	—	—
<b>6. Total Expense</b>	<b>13.3</b>	<b>32.5</b>

Rs. Mio.

	Leave (Unfunded) 2008-09	Leave (Unfunded) 2007-08
B. Net Asset/(Liability) recognized in the Balance Sheet as at 31 <sup>st</sup> March		
1. Present Value of Defined Benefit Obligation as at 31 <sup>st</sup> March	98.3	93.3
2. Fair Value of Plan assets as at 31 <sup>st</sup> March	—	—
3. Funded Status [Surplus/(Deficit)]	(98.3)	(93.3)
<b>4. Net Asset/(Liability) as at 31<sup>st</sup> March</b>	<b>(98.3)</b>	<b>(93.3)</b>
C. Change in obligation during the year ended 31 <sup>st</sup> March		
1. Present value of the defined benefit obligation at the beginning of the year	93.3	66.2
2. Current Service Cost	2.8	2.5
3. Interest Cost	6.9	4.8
4. Actuarial (Gain)/Loss	3.6	25.2
5. Benefits Paid	(8.3)	(5.4)
<b>6. Present value of the defined benefit obligation at the end of the year</b>	<b>98.3</b>	<b>93.3</b>
D. Change in fair value of assets during the year ended 31 <sup>st</sup> March		
1. Fair Value of Plan assets at the beginning of the year	—	—
2. Expected Return on plan assets	—	—
3. Contributions by the Employer	8.3	5.4
4. Actual Benefits Paid	(8.3)	(5.4)
5. Actuarial Gain/(Loss) on Plan Assets	—	—
<b>6. Fair Value of Plan assets at the end of the year</b>	<b>—</b>	<b>—</b>
Total Actuarial Gain/(Loss) to be recognised	(3.6)	(25.2)
E. Actual Return on Plan Assets		
1. Expected Return on plan assets	—	—
2. Actuarial Gain/(Loss) on Plan Assets	—	—
<b>3. Actual return on Plan Assets</b>	<b>—</b>	<b>—</b>
F. Movement in net liability recognised in the Balance Sheet		
1. Opening Net Liability/(Asset)	93.3	66.2
2. Expenses	13.3	32.5
3. Contribution	(8.3)	(5.4)
<b>Closing Net Liability/(Asset)</b>	<b>98.3</b>	<b>93.3</b>

Rs. Mio.

	Long Service Awards (Unfunded) 2008-09	Long Service Awards (Unfunded) 2007-08
A. Expense recognized in the Profit & Loss Account for the year ended 31 <sup>st</sup> March 2009		
1. Current Service Cost	0.5	0.6
2. Interest	0.9	0.9
3. Expected Return on Plan Assets	—	—
4. Actuarial (Gain)/Loss	1.1	1.5
5. Past service cost	—	12.9
<b>6. Total Expense</b>	<b>2.5</b>	<b>15.9</b>



Rs. Mio.

	Long Service Awards (Unfunded) 2008-09	Long Service Awards (Unfunded) 2007-08
B. Net Asset/(Liability) recognized in the Balance Sheet as at 31 <sup>st</sup> March		
1. Present Value of Defined Benefit Obligation as at 31 <sup>st</sup> March	17.5	15.0
2. Fair Value of Plan assets as at 31 <sup>st</sup> March	—	—
3. Funded Status [Surplus/(Deficit)]	(17.5)	(15.0)
<b>4. Net Asset/(Liability) as at 31<sup>st</sup> March</b>	<b>(17.5)</b>	<b>(15.0)</b>
C. Change in obligation during the year ended 31 <sup>st</sup> March		
1. Present value of the defined benefit obligation at the beginning of the year	15.0	12.9
2. Current Service Cost	0.5	0.6
3. Interest Cost	0.9	0.9
4. Actuarial (Gain)/Loss	1.1	1.5
5. Benefits Paid	—	(0.9)
<b>6. Present value of the defined benefit obligation at the end of the year</b>	<b>17.5</b>	<b>15.0</b>
D. Change in fair value of assets during the year ended 31 <sup>st</sup> March		
1. Fair Value of Plan assets at the beginning of the year	—	—
2. Expected Return on plan assets	—	—
3. Contributions by the Employer	—	0.9
4. Actual Benefits Paid	—	(0.9)
5. Actuarial Gain/(Loss) on Plan Assets	—	—
<b>6. Fair Value of Plan assets at the end of the year</b>	<b>—</b>	<b>—</b>
Total Actuarial Gain/(Loss) to be recognised	(1.1)	(1.5)
E. Actual Return on Plan Assets		
1. Expected Return on plan assets	—	—
2. Actuarial Gain/(Loss) on Plan Assets	—	—
<b>3. Actual return on Plan Assets</b>	<b>—</b>	<b>—</b>
F. Movement in net liability recognised in the Balance Sheet		
1. Opening Net Liability/(Asset)	15.0	12.4
2. Expenses	2.5	3.5
3. Contribution	—	(0.9)
<b>Closing Net Liability/(Asset)</b>	<b>17.5</b>	<b>15.0</b>

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

	2008-09	2007-08
GOI Securities	27%	42%
State Government Securities	15%	15%
PSU Bonds	58%	39%
Private Sector Bonds	—	4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The assumptions used for actuarial valuation as at 31<sup>st</sup> March 2009 are as follows:

	2008-09	2007-08
Expected rate of return on plan assets	7.7% p.a.	7.5% p.a.
Discount Rate	7.7% p.a.	7.5% p.a.
Expected salary increase rate	6% – 8% p.a.	6% – 8% p.a.
In-service mortality rates	LIC 1994-96 ultimate table	LIC 1994-96 ultimate table

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

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

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

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

9. Managerial Remuneration under Section 198 of the Companies Act, 1956, (excluding provision for contribution to Gratuity Fund, Group Insurance and Long Service Awards) is **Rs. 41.2 Mio.** (Previous Year Rs. 35.7 Mio.).

**Rs. Mio.**

	2008-09	2007-08
Salaries	30.2	25.8
Contribution to Provident and Superannuation Funds	4.5	3.7
Monetary Value of other perquisites	4.4	4.1
Commission to non-whole time directors	2.0	2.0
Directors' Sitting Fees to non-whole time directors	0.1	0.1
<b>Total</b>	<b>41.2</b>	<b>35.7</b>

10. Segment Information for the year ended March 31, 2009:

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

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

**Rs. Mio.**

	Agricultural Solution	Per- formance Products	Plastics	Chemicals	Others	Un- allocated	Total
Segment Revenue	3,702.1 2,446.2	5,348.0 4,744.6	3,531.8 2,927.6	349.1 319.3	229.9 119.5	— —	13,160.9 10,557.2
Less: Inter-segment revenue	—	—	—	—	—	—	—
<b>Sales/Income from operations</b>	<b>3,702.1</b> 2,446.2	<b>5,348.0</b> 4,744.6	<b>3,531.8</b> 2,927.6	<b>349.1</b> 319.3	<b>229.9</b> 119.5	— —	<b>13,160.9</b> 10,557.2
<b>Segment Result</b>	<b>643.0</b> 519.6	<b>361.1</b> 337.3	<b>(108.0)</b> 100.2	<b>136.2</b> 109.4	<b>15.1</b> 8.4	— —	<b>1,047.4</b> 1,074.9
Interest Expenses						65.8 36.0	65.8 36.0
Interest Income						22.7 14.7	22.7 14.7
Other un-allocable expenditure net of un-allocable income						124.0 140.6	124.0 140.6
<b>Profit Before Tax</b>							<b>880.3</b> 913.0
Tax						394.2 338.4	394.2 338.4
<b>Profit After Tax</b>							<b>486.1</b> 574.6

Rs. Mio.

	Agricultural Solution	Performance Products	Plastics	Chemicals	Others	Un-allocated	Total
<b>OTHER INFORMATION</b>							
Segment Assets	1,614.4 770.0	3,062.4 3,158.0	1,533.2 1,468.9	97.3 105.2	5.0 —	449.2 258.8	6,761.5 5,760.9
Segment Liabilities	1,181.4 664.3	907.6 672.4	552.2 506.5	31.4 29.0	— —	457.5 512.5	3,130.1 2,384.7
Capital Expenditure	46.0 23.5	233.2 182.1	149.2 118.4	6.3 6.2	— —	— —	434.7 330.2
Depreciation	17.9 19.1	112.9 103.9	31.1 21.6	3.4 2.7	— —	— —	165.3 147.3

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

Rs. Mio.

	Domestic	Exports	Total
<b>Revenues</b>	11,799.0 9,540.3	1,361.9 1,016.9	13,160.9 10,557.2
<b>Total Assets</b>	6,681.0 5,636.3	80.5 124.6	6,761.5 5,760.9
<b>Capital Expenditure</b>	434.7 330.2	— —	434.7 330.2

**Notes on Segment Information:**

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

**11. Related Party Disclosures:**(a) **Parties where control exists**

BASF SE

Holding Company (holds 71.8% of the equity share capital as on March 31, 2009)

(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 (NL)

BASF Philippines, Inc.

BASF Agri Production SAS

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.	BASF IT Services Holding GmbH
BASF East Asia Regional Headquarters Limited	P.T. BASF Indonesia
BASF Espanola, S.L.	Shanghai BASF Polyurethane Company
BASF Japan Ltd. (BJL)	BASF Polyurethane Licencing GMBH
BASF Polyurethane Specialities	BTC Speciality Chemicals
BASF Construction Chemicals, Dubai	BASF Italia SPA
BASF Kanoo Gulf FZE	K+S Kali GmbH
BASF Antwerpen N. V.	BASF Agrochemical Products B.V.
BASF Australia Ltd.	BASF South Africa (Pty.) Ltd.
BASF Catalysts India Pvt. Ltd.	BASF Asia-Pacific (India) Pvt. Ltd.
BASF Polyurethane Specialities (China) Company Ltd.	BASF Fine Chemicals Switzerland S.A.
BASF Singapore Pte. Ltd.	

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

(c) **Key Management Personnel**

**Chairman & Managing Director**

Mr. Prasad Chandran

**Whole – Time Directors**

Mr. S. Ramnath (Alternate to Mr. Hermann Althoff)

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

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

(d) **Details of transactions for the year ended March 31, 2009:**

Rs. Mio.

Nature of Transactions	Holding Company/ Subsidiary		Fellow Subsidiaries		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
<b>Sale of Goods</b>						
BASF SE	21.0	19.0	—	—	21.0	19.0
BASF South East Asia Pte. Ltd.	—	—	207.7	113.4	207.7	113.4
BASF Coatings (India) Private Ltd.	—	—	127.3	145.4	127.3	145.4
BASF Construction Chemicals (India) Private Ltd.	—	—	300.2	152.2	300.2	152.2
BASF China Limited	—	—	1.3	1.7	1.3	1.7
BASF Company Ltd.	—	—	0.2	2.1	0.2	2.1
BASF Singapore Pte. Ltd.	—	—	6.1	—	6.1	—
Others	—	—	66.9	44.0	66.9	44.0
<b>Sub-Total</b>	<b>21.0</b>	<b>19.0</b>	<b>709.7</b>	<b>458.8</b>	<b>730.7</b>	<b>477.8</b>
<b>Services Rendered</b>						
BASF SE	197.7	125.7	—	—	197.7	125.7
BASF South East Asia Pte. Ltd.	—	—	409.4	284.6	409.4	284.6
BASF Petronas Chemicals Sdn. Bhd.	—	—	71.2	94.1	71.2	94.1
BASF Company Limited	—	—	76.8	59.2	76.8	59.2
Others	—	—	144.2	32.6	144.2	32.6
<b>Sub-Total</b>	<b>197.7</b>	<b>125.7</b>	<b>701.6</b>	<b>470.5</b>	<b>899.3</b>	<b>596.2</b>

Nature of Transactions	Holding Company/ Subsidiary		Fellow Subsidiaries		Total	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
<b>Purchase of Goods/Materials</b>						
BASF SE	276.3	233.6	—	—	276.3	233.6
BASF South East Asia Pte. Ltd.	—	—	1814.5	1,770.9	1814.5	1,770.9
BASF Company Ltd.	—	—	740.9	458.9	740.9	458.9
BASF Agro B.V., Arnhem (NL)	—	—	670.7	317.3	670.7	317.3
BASF Agrochemical Products B.V.	—	—	1180.0	269.3	1180.0	269.3
Elastogran Italia Spa (Elit)	—	—	123.1	77.4	123.1	77.4
Others	—	—	606.7	628.8	606.7	628.8
<b>Sub-Total</b>	<b>276.3</b>	<b>233.6</b>	<b>5135.9</b>	<b>3,522.6</b>	<b>5412.2</b>	<b>3,756.2</b>
<b>Services Received</b>						
BASF SE	61.1	48.2	—	—	61.1	48.2
BASF South East Asia Pte. Ltd.	—	—	160.1	80.7	160.1	80.7
BASF Asia Pacific Service Centre Sdn. Bhd.	—	—	73.8	38.8	73.8	38.8
BASF East Asia Regional Head Quarters Ltd.	—	—	0.8	—	0.8	—
Elastogran Italia Spa (Elit)	—	—	0.7	0.6	0.7	0.6
Others	—	—	12.0	12.9	12.0	12.9
<b>Sub-Total</b>	<b>61.1</b>	<b>48.2</b>	<b>247.4</b>	<b>133.0</b>	<b>308.5</b>	<b>181.2</b>
<b>Purchase of Assets</b>						
BASF SE	7.0	1.0	—	—	7.0	1.0
BASF South East Asia Pte. Ltd.	—	—	34.6	—	34.6	—
Others	—	—	0.4	0.1	0.4	0.1
<b>Sub-Total</b>	<b>7.0</b>	<b>1.0</b>	<b>35.0</b>	<b>0.1</b>	<b>42.0</b>	<b>1.1</b>
<b>Interest Expense on Loans</b>						
BASF SE	1.0	2.1	—	—	1.0	2.1
<b>Royalty and Technical Fees</b>						
BASF SE	34.6	26.8	—	—	34.6	26.8
BASF Polyurethane Licencing GmbH	—	—	14.4	8.5	14.4	8.5
<b>Sub-Total</b>	<b>34.6</b>	<b>26.8</b>	<b>14.4</b>	<b>8.5</b>	<b>49.0</b>	<b>35.3</b>
<b>Dividend</b>						
BASF SE	104.0	104.0	—	—	104.0	104.0
<b>Repayment of Loan</b>						
BASF SE	32.0	—	—	—	32.0	—
<b>Outstanding</b>						
Loan from BASF SE	—	32.0	—	—	—	32.0
<b>Outstanding Receivables</b>						
BASF SE	—	23.0	—	—	—	23.0
BASF Construction Chemicals Private Ltd.	—	—	77.2	67.4	77.2	67.4
BASF Coatings (India) Private Ltd.	—	—	43.5	49.4	43.5	49.4
BASF Polyurethanes (China) Co. Ltd.	—	—	7.0	3.8	7.0	3.8
BASF China Limited	—	—	0.9	0.6	0.9	0.6
Others	—	—	34.8	37.6	34.8	37.6
<b>Sub-Total</b>	<b>—</b>	<b>23.0</b>	<b>163.4</b>	<b>158.8</b>	<b>163.4</b>	<b>181.8</b>
<b>Outstanding Payables</b>						
BASF SE	2.3	21.2	—	—	2.3	21.2
BASF Agrochemical Products B.V.	—	—	533.2	—	533.2	—
BASF Company Limited	—	—	64.2	87.3	64.2	87.3
BASF Agro B.V., Arnhem (NL)	—	—	219.4	34.6	219.4	34.6
BASF South East Asia Pte Ltd.	—	—	193.5	263.5	193.5	263.5
Elastogran Italia Spa (Elite)	—	—	29.7	12.1	29.7	12.1
Others	—	—	125.3	232.8	125.3	232.8
<b>Sub-Total</b>	<b>2.3</b>	<b>21.2</b>	<b>1,165.3</b>	<b>630.3</b>	<b>1,167.6</b>	<b>651.5</b>

(e) Details of transactions of Key Management Personnel:

Rs. Mio.

Nature of Transactions	Key Management Personnel	
	2008-09	2007-08
Interest Income on Loans	0.1	0.1
Remuneration	39.1	33.6
Outstanding :		
Receivable	0.7	0.8

Details of remuneration to Directors are given in Note 9.

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

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

Signatures to Schedules 1 to 20

Prasad Chandran  
*Chairman & Managing Director*

M. R. Iyer  
*Company Secretary*

K. R. Coorlawala  
R. R. Nair  
R. Y. Vaidya  
S. Ramnath  
R. A. Shah  
Pradip P. Shah  
Deepak Thuse  
*Directors*

Mumbai, 16<sup>th</sup> April 2009

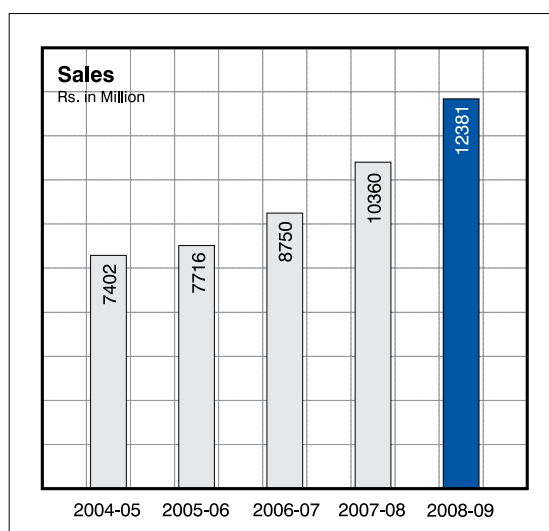
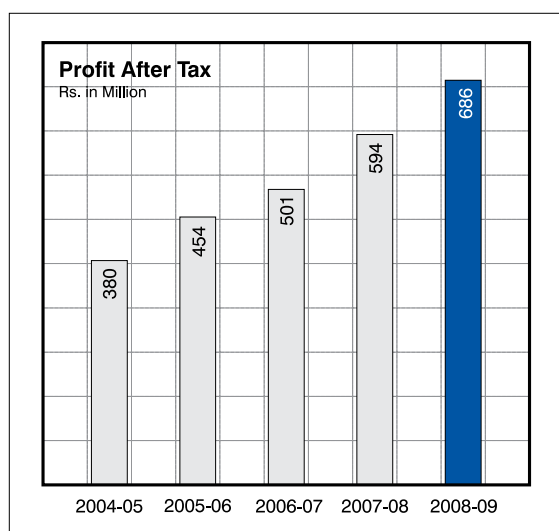


We C.A.R.E. about Safety. Dr. Tilman Krauch and Mr. Prasad Chandran, along with the Safety Management team, launch the C.A.R.E. initiative, which encourages behavioral safety at all times. Saarthi, our Safety mascot, was born on that day!

## BASF India Limited Financial Highlights – At a glance

Rs. in Million

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Sales	6533	7402	7716	8750	10306	<b>12381</b>
Profit before tax	513	601	706	781	930	<b>1080</b>
Profit after tax	341	380	454	501	594	<b>686</b>
Total assets	4046	4138	3986	4594	5246	<b>6509</b>
Borrowings	670	100	13	5	—	—
Shareholders' equity	2318	2535	2764	3034	3397	<b>3852</b>
Depreciation	212	244	221	109	136	<b>152</b>
Capital expenditure	47	76	143	451	309	<b>416</b>
Exports	511	564	252	320	373	<b>571</b>
R & D cost	16	20	37	48	76	<b>96</b>
Personnel cost (Total)	456	486	572	684	817	<b>887</b>
Dividend amount	169	169	197	197	197	<b>197</b>
Dividend in %	60	60	70	70	70	<b>70</b>
Number of employees	917	833	817	801	836	<b>858</b>
Number of shareholders	32831	29493	29684	33042	29631	<b>25606</b>



BASF Kids' Lab aboard Science Express enters the Limca Book of Records 2009.

# We are the World's most ADMIRER CHEMICAL COMPANY

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In the U.S. Fortune magazine 2009 list of the "World's Most Admired Companies", BASF is ranked the top company in the chemical industry. Industry experts voted BASF into top position in the chemical industry in eight of nine categories, which included product and service quality, innovation, global competitiveness, financial soundness and quality of management.

For the survey, Fortune and its partner Hay Group selected approximately 700 companies worldwide, which were then ranked by more than 4,000 directors, executives and managers in the respective industries.

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