



Dr. Martin Bruder Müller - Chairman of the Board of Executive Directors and Chief Technology Officer, BASF SE visited India in January 2020. At his first town hall in India as Chairman, he interacted with colleagues and shared his expectations as well as commitment for the India business.

Directors' Report

Your Directors have pleasure in presenting their Report for the financial year ended 31st March, 2020.

Financial Results

(Rs. in million)

Description	Year ended 31.3.2020	Year ended 31.3.2019
Revenue from operations	75,510.5	60,256.7
Profit / (Loss) before exceptional item and tax	371.1	(542.0)
Exceptional items	(324.6)	1,260.6
Profit before tax	46.5	718.6
Tax credit	(138.6)	(98.6)
Profit after tax	185.1	817.2
Dividend	129.9	216.4

Performance

Revenue from operations at Rs. 75,510.5 million, represents an increase of 25.31% over the previous year mainly due to change in business model from agency to merchandise effective 1st April, 2019. Your Company reported a Profit before exceptional item and tax of Rs. 371.1 million for the year ended 31st March, 2020 as compared to loss before exceptional item and tax of Rs. 542.0 million in the previous year. Further, your Company reported a profit after tax of Rs. 185.1 million for the year ended 31st March, 2020 as compared to profit after tax of Rs. 817.2 million in the previous year.

The Agricultural Solutions business of your Company registered good growth in sales driven by volumes, mainly due to its diverse portfolio, above normal monsoon coupled with improved reservoir levels & increased sales from products for crops like corn, cotton and rice. However, its profitability was marginally impacted due to higher input costs.

The Industrial Solutions segment of your Company comprising of the Dispersions & Performance Chemicals businesses registered marginal increase in sales & profits due to expansion of capacity at the Dahej manufacturing site, right product mix and growth driven by merchandise volumes for antioxidant plastic additives, light stabilizer products, fuel additives and lubricant components. However, the pressure on margins continued due to higher input costs.

The Materials segment of your Company comprising of the Performance Materials & Monomers businesses registered modest growth in sales during the year under review as compared to the previous year, mainly due to shrinking commodity prices coupled with lower customer demand and lower sales in the transportation segment. However, the margins improved significantly due to revised pricing strategy for crude MDI and better realisation as compared to the input costs.

The Surface Technologies segment of your Company comprising of the Catalysts, Coatings & Construction Chemicals businesses registered marginal growth in sales mainly due to increased merchandise sales of precious metals, which was partially offset by a weak Coatings business due to slowdown in the auto-industry. The Construction Chemicals business was able to maintain its revenues despite strong competition and there was improvement in its margins due to better product mix and reduced raw material prices.

The Nutrition & Care segment of your Company comprising of the Care Chemicals, Nutrition & Health businesses registered a significant increase in sales during the year under review as compared to the previous year due to higher merchandise volumes, which was partially offset by divestiture of the Optical Brightening Agents business for paper & powder detergent applications. While the Nutrition & Health business registered higher margins due to better pricing strategy, significant increase in key raw material prices impacted the margins of the Care Chemicals Business.

During the year under review, the sales & profits of the Chemicals segment of your Company comprising of the Petrochemicals & Intermediates businesses increased substantially due to higher merchandise sales. While the Intermediates business of the Company registered higher margins from increased volumes, the margins of the Petrochemicals business were impacted due to higher input costs.

Export sales stood at Rs. 3,636.1 million during the year under review.

Doubling of production capacity for manufacture of polymer dispersions at Dahej site

Your Company plans to double its capacity for the manufacture of polymer dispersions with a new production line at its Dahej site in Gujarat. Through this investment, the Company aims to provide a reliable supply of high-quality dispersion solutions to customers in the fast-growing Indian and South Asian markets.

The Company had started the production of polymer dispersions at its Dahej site in October 2014 and currently operates one production line at the plant. The proposed investment will expand production capacity of dispersions for the construction, coatings, paper and adhesive industries and the enhanced production line will serve growing demand in South Asia.

Divestiture of stilbene based Optical Brightening Agents business to Archroma India Private Limited

In line with the Company's strategy of actively managing its portfolio, the Optical Brightening Agents (OBA) business for paper and powder detergent applications was transferred to Archroma India Private Limited, with effect from 6th December, 2019, for an aggregate consideration of Rs. 335.1 million, subject to necessary working capital adjustments, including an amount of Rs. 138.5 million, which is kept in escrow for a period of 12 months from the closing date.

The transaction included stilbene-based OBA product portfolio and the manufacturing unit at Ankleshwar, India. The OBA business was a part of the Company's Performance Chemicals division and Care Chemicals division.

Lone Star Funds to acquire BASF's Construction Chemicals Business

BASF SE, Germany, had signed a Share Purchase Agreement with Lone Star Funds, a global private equity player, for acquisition of BASF's Construction Chemicals business. The Construction Chemicals business of your Company comprises of admixture and construction systems and forms part of the Surface Technologies segment.

The Board of Directors of your Company at their meeting held on 11th February, 2020 approved the divestiture of the Construction Chemicals business to Master Builders Solutions India Private Limited, a wholly owned subsidiary of BASF SE, for a consideration of Rs. 5,951.6 million (on slump sale and at arm's length basis), subject to the approval of the Shareholders of the Company, being a related party transaction, and such other approvals as may be required. For this purpose, the Board had also taken into consideration the valuation report of Deloitte Touche Tohmatsu India LLP.

The Shareholders of the Company approved the said divestiture by way of Postal Ballot on 21st April, 2020. The Company has also executed Business Transfer Agreement on 14th May, 2020 for transfer of its Construction Chemicals Business to Master Builders Solutions India Private Limited. Accordingly, your Company's construction chemicals business stands transferred to Master Builders Solutions India Private Limited with effect from 1st July, 2020 and the Company has received an overall consideration of Rs. 5,951.6 million towards the said divestiture.

BASF SE, Germany, closes acquisition of Solvay's polyamide business

BASF SE, Germany, had acquired the Solvay's polyamide business globally. The transaction broadens BASF SE's polyamide capabilities with innovative and well-known brand such as Technyl® and also enhances its access to growth markets in Asia as well as in North and South America. The transaction includes eight production sites in Germany, France, China, India (Panoli, Gujarat), South Korea, Brazil and Mexico as well as research and development centers and technical consultation centers in Asia, North and South America.

Considering that the Polyamides business of BASF Performance Polyamides India Private Limited had operational synergies with the Engineering Plastics business of your Company, the Board of Directors of the Company at their meeting held on 22nd May, 2020 had evaluated the proposal to acquire 100% stake in BASF Performance Polyamides India Private Limited.

Accordingly, the Board of Directors of the Company on 10th July, 2020 have approved the acquisition of 100% stake in BASF Performance Polyamides India Private Limited from BASF SE and BASF Nederland B.V., for a consideration of an amount not exceeding Rs. 3,050 million, including adjustments, if any, subject to the approval of the Shareholders of the Company. In order to arrive at the consideration amount, your Company has, *inter alia*, relied upon the valuation report of Deloitte Touche Tohmatsu India LLP.

Dividend

The Board of Directors of your Company have recommended a dividend of Rs. 3/- per equity share of Rs. 10/- each i.e. 30% for the financial year ended 31st March, 2020, subject to the approval of the shareholders at the 76th Annual General Meeting of the Company to be held on 6th August, 2020. The aggregate dividend will absorb Rs. 129.9 million.

Further, as per Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the top 500 listed entities based on market capitalization are required to formulate a Dividend Distribution Policy. Accordingly, your Company has formulated its Dividend Distribution Policy, which is available on the Company's website at <http://bit.do/basfdividenddistributionpolicy>

Directors

Mr. Raimar Jahn resigned as Director of your Company with effect from the close of business hours as on 20th July, 2019 and Mr. Dirk Bremm was appointed as Director of the Company with effect from 21st July, 2019 in place of Mr. Raimar Jahn. The Board of Directors of your Company placed on record its sincere appreciation of the valuable contributions made by Mr. Raimar Jahn during his tenure as Director of the Company. Mr. Narendranath J. Baliga was an Alternate Director to Mr. Raimar Jahn till 20th July, 2019 and was appointed as an Alternate Director to Mr. Dirk Bremm from 21st July, 2019.

In accordance with the provisions of Section 161 of the Companies Act, 2013, the shareholders of the Company have approved the appointment of Mr. Dirk Bremm as a Director of the Company by way of Postal Ballot on 21st April, 2020. Further, in accordance with the provisions of Section 161 (4) of the Companies Act, 2013, Mr. Dirk Bremm being eligible, offers himself for re-appointment as Mr. Raimar Jahn, in whose place he has been appointed as a Director of the Company would have retired by rotation at the 76th Annual General Meeting of the Company to be held on 6th August, 2020.

As required under the SEBI Listing Regulations, the profile of Director seeking re-appointment at the ensuing Annual General Meeting is provided on page no. 55 in the Corporate Governance Report, forming part of this Annual Report.

Finance & Accounts

Your Company continued to optimize borrowings during the year by focusing on cash flows and working capital management. Your Company availed of alternative funding options such as Commercial Papers, Trade Financing, Inter-Corporate Deposits from BASF Group Companies, etc., to ensure efficiency in its borrowing costs.

Your Company follows a prudent financing policy and aims to maintain optimum financial gearing at all times. Your Company's debt equity ratio was 0.5 as at 31st March, 2020.

Capital Expenditure

Capital expenditure incurred during the year aggregated to Rs. 726.9 million.

Credit Rating

The credit rating awarded to your Company by CRISIL on its long term & short-term debt programs is 'CRISIL AAA under "Rating Watch with Negative Implications"'. The ratings on the Fixed Deposits and Commercial Paper have been reaffirmed at 'FAAA/Stable' and 'CRISIL A1+', respectively.

Further, India Ratings and Research Private Limited has maintained a credit rating of "IND A1+" for the Commercial Paper Programme of Rs. 7,500 million. Instruments with these ratings are considered to have the highest degree of safety regarding timely servicing of financial obligations & carry lower credit risk.

Fixed Deposits

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

Management Discussion and Analysis Report

In terms of SEBI Listing Regulations, the Management Discussion and Analysis Report is appended to this Report.

Corporate Governance

Your Company is committed to maintain the highest standards of Corporate Governance and has complied with the Corporate Governance requirements as per SEBI Listing Regulations.

A separate report on Corporate Governance as stipulated under SEBI Listing Regulations along with a Certificate of Compliance from the Statutory Auditors, forms part of this Annual Report.

Corporate Social Responsibility

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

Mr. Arun Bewoor, Mr. R. A. Shah, Independent Non-Executive Directors and Mr. Rajesh Naik, Whole-time Director are presently the members of the CSR Committee.

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

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

During the year under review, your Company was required to spend an amount of Rs. 1.3 million on CSR activities. However, in order to maintain project sustainability, the Board of Directors of your Company decided to spend an amount of Rs. 1.5 million towards CSR activities.

Your Company undertook CSR activities mainly in the areas of Water, Sanitation and Hygiene (WASH) including conduct of various behavioural change programs and impact assessment, details of which are provided in **Annexure I** of this Report.

Business Responsibility Report

Regulation 34(2) of the SEBI Listing Regulations, *inter alia*, provides that the Annual Report of the top 500 listed entities based on market capitalization, should include a Business Responsibility Report (“BRR”).

Your Company, being among the top 500 listed entities, has included BRR as part of this Report as **Annexure II**, describing the initiatives taken by the Company from an environmental, social and governance perspective.

The BRR for the financial year 2019-2020 has also been hosted on the Company’s website, which can be accessed at www.basf.com/in

Vigil Mechanism

Your Company has established a Whistle Blower Policy for employees, Directors and third parties to report their genuine concerns, details of which have been given in the Corporate Governance Report annexed to this Report. This policy is available on the Company’s website and can be accessed at: <http://bit.do/basfwhistleblowerpolicy>

Directors’ Responsibility Statement

Your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2020 and of the profit of the Company for that period;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis;

- (v) they have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively; and
- (vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

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

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

Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and SEBI Listing Regulations, the Company has devised a policy containing criteria for evaluating the performance of the Executive, Non-Executive and Independent Non-Executive Directors, Key Managerial Personnel, Board and its Committees based on the recommendation of the Nomination & Remuneration Committee. Feedback was sought by way of a structured questionnaire covering various aspects of the Board's functioning, such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance. The manner in which the evaluation has been carried out is explained on page no. 51 in the Corporate Governance Report, forming part of this Annual Report.

Policy on Directors' appointment and remuneration

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

Auditors

M/s. Price Waterhouse Chartered Accountants LLP (Registration No. 012754N/N500016), Mumbai, have been appointed as Statutory Auditors of the Company for a period of 5 years at the Annual General Meeting held on 28th September, 2017 i.e. upto the conclusion of the Annual General Meeting to be held in the calendar year 2022. They have confirmed to the Company that they are not disqualified from continuing to act as Statutory Auditors of the Company.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed M/s. H S Associates, Practising Company Secretaries, Mumbai (C.P. 1483), to conduct the Secretarial Audit of the Company for the financial year 2019-2020 and to furnish the report to the Board. The Secretarial Audit Report dated 22nd May, 2020 forms part of this Report as **Annexure IV**.

Auditors' Report & Secretarial Audit Report

There are no qualifications/reservations placed by the Statutory Auditor and the Secretarial Auditor in their respective Reports for the financial year ended 31st March, 2020.

Cost Audit

The Board of Directors, in pursuance of Section 148 of the Companies Act, 2013, have appointed M/s. R. Nanabhoy & Co., Cost Accountants, Mumbai, having Registration No. 000010, for conducting the audit of the cost accounting records maintained by the Company for the financial year 2020-2021. They have confirmed that their appointment is within the limits of Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified from acting as Cost Auditors.

Composition of the Audit Committee

As required by Section 177(8) read with Section 134(3) of the Companies Act, 2013 and the Rules framed thereunder, the composition of the Audit Committee is in line with the provisions of the Companies Act, 2013 and SEBI Listing Regulations, details of which are provided on page nos. 49 and 50 of the Corporate Governance Report, forming part of this Annual Report.

Related Party Transactions

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

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

Your Directors draw the attention of the shareholders to Note No. 45 of the Financial Statements, which sets out related party disclosures under the Indian Accounting Standards (IND AS).

Further, the disclosures as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC-2, form part of this Report, as **Annexure V**.

Particulars of loans, guarantees or investments under Section 186 of the Companies Act, 2013

The Company has not provided any loan to any person or body corporate or given any guarantee or provided security in connection with such loan or made any investment in the securities of any body corporate pursuant to Section 186 of the Companies Act, 2013.

Extract of Annual Return

The extract of the Annual Return in Form MGT-9 is available on the Company's website and can be accessed at: www.basf.com/in

Particulars of Employees

The particulars of employees required to be furnished pursuant to Section 197(12) of the Companies Act, 2013 read with sub-rules 2 and 3 of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended, forms part of this Report as **Annexure VI**. However, as per the provisions of Section 136 of the Companies Act, 2013, read with sub-rules 2 and 3 of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Annual Report excluding the statement of particulars of employees, is being sent to all the shareholders of the Company. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company and/or by way of an e-mail at pradeep.chandan@basf.com or investor-grievance-india@basf.com.

Prevention of sexual harassment at the Workplace

Your Company gives prime importance to the dignity and respect of its employees irrespective of their gender or hierarchy and expects responsible conduct and behaviour on the part of employees at all levels. Providing a safe and congenial work environment for all employees is an integral part of the Company's Code of Conduct.

As per the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder, your Company has adopted a Policy for Prevention of Sexual Harassment at Workplace and has constituted an Internal Committee (IC). The names of the Committee Members are displayed on the notice board in each office. All employees as well as contract staff and trainees are covered by this policy. Allegations of sexual harassment reported are expeditiously and discreetly investigated and disciplinary action, if required, is taken in accordance with the policy.

There was no complaint of sexual harassment received during the financial year 2019-2020.

Training programs on prevention of sexual harassment at the workplace are also conducted at regular intervals. During the year under report, your Company conducted awareness programmes on the policy for the employees. Your Company had also rolled out an e-learning module to sensitize & create awareness amongst the employees of the Company on prevention of sexual harassment.

Risk Management

Your Company has in place a mechanism to inform the Board about the risk assessment and minimization procedures and undertakes periodical review of the same to ensure that the risks are identified and controlled by means of a properly defined framework. In the Board's view, there are no material risks, which may threaten the existence of the Company.

Securities and Exchange Board of India (SEBI) vide its notification dated 9th May, 2018 had amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which mandates top 500 listed entities based on market capitalization as at the end of the immediate previous financial year, to constitute a Risk Management Committee comprising of majority of the members of the Board of Directors of the Company with effect from 1st April, 2019.

In view of the above and being one of such top 500 listed entities, the Board of Directors of the Company at their Board Meeting held on 28th March 2019 constituted the Risk Management Committee of the Company with effect from 1st April, 2019. The details about the Risk Management Committee have been provided in the Corporate Governance section of the Annual Report.

Internal Financial Control Systems and their adequacy

Your Company has policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information. Additional details on Internal Financial Controls and their adequacy are provided in the Management Discussion and Analysis Report, forming part of this Annual Report.

Significant and material orders passed by Regulators or Courts

Certain litigations pending with Regulators or Courts have been disclosed as Contingent Liabilities in note no. 35 of the notes to the financial statements for the year ended 31st March, 2020. There are no other significant and material orders passed by the Regulators / Courts. The going concern status of the Company is not impacted.

Material changes and commitments affecting the financial position of the Company

The COVID-19 pandemic has severely disrupted business operations due to nation-wide lockdown and other emergency measures imposed by the Central & State Governments. The operations of the Company were impacted due to shutdown of plants and offices following the nation-wide lockdown. The Company continues with its operations in a phased manner in line with the directives from Central & State Governments & local authorities.

The Company has evaluated the impact of this pandemic on its business operations, liquidity and financial position and based on management's review of current indicators and economic conditions, there is no material impact on its financial results as at 31st March, 2020. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature & duration and accordingly the impact may be different from that estimated as at the date of approval of the Audited Financial Statements for the financial year ended 31st March, 2020. The Company will continue to monitor any material changes to future economic conditions.

Board Meetings

Six Board Meetings were held during the financial year 2019-2020 on the following dates:

- | | |
|------------------------------------|-------------------------------------|
| (1) 30 th April, 2019 | (2) 6 th June, 2019 |
| (3) 19 th July, 2019 | (4) 6 th August, 2019 |
| (5) 7 th November, 2019 | (6) 11 th February, 2020 |

Declaration of Independence

The Company has received declarations from all the Independent Non-Executive Directors of the Company confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 and the SEBI Listing Regulations as amended.

Employee Relations

Your Directors place on record their sincere appreciation of the contribution made by the employees at all levels to the growth of the Company. Industrial Relations at all our manufacturing sites remained cordial.

Acknowledgments

The Board of Directors take this opportunity to thank BASF SE, Germany and all other stakeholders including customers, suppliers, bankers, business partners/associates, Central and State Governments, Regulatory Authorities and the society at large for their consistent support and co-operation to the Company. Your Directors thank the shareholders and investors for their confidence in the Company.

On behalf of the Board of Directors
For BASF India Limited

PRADIP P. SHAH
Chairman
(DIN: 00066242)

NARAYAN KRISHNAMOHAN
Managing Director
(DIN: 08350849)

Mumbai

Dated : 10th July, 2020