



# **BASF India Limited Analyst Meet**

Narendranath Baliga, BASF India Ltd.

 **BASF**  
We create chemistry

# Cautionary Note

## Forward looking statements

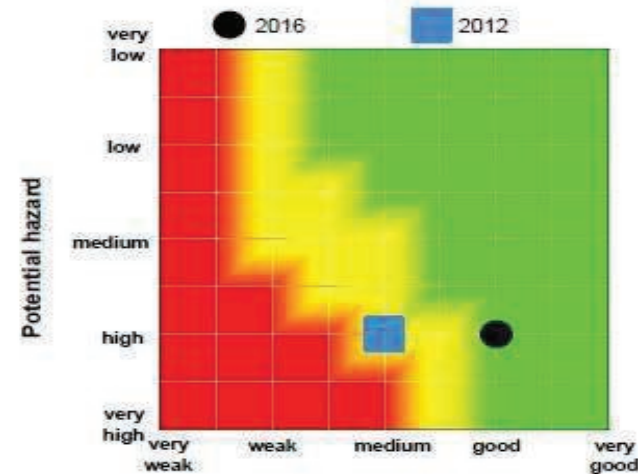


- Only those matters which are in the public domain can be subject matter of discussion in this meeting
- As a matter of policy, we do not provide any prognosis about the future business situation
- We do not comment or give guidance on future results or business outlook

# Safety First – Safety Always



**Global Safety Week Celebrations**  
Undertook over 70 activities



**Green Rating for Thane Site**  
GU/RA audit



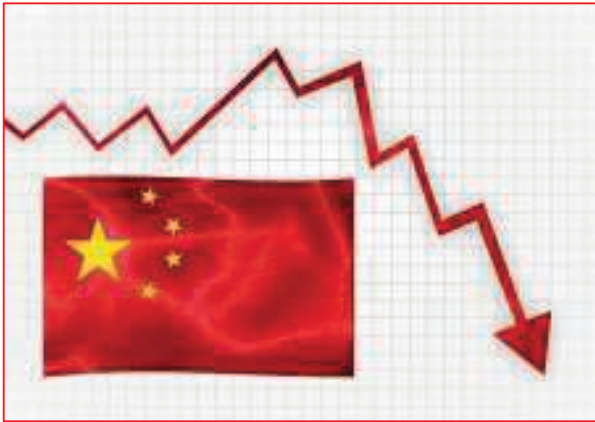
**TravelSafe Campaign**  
1296 employees trained in defensive driving since campaign began



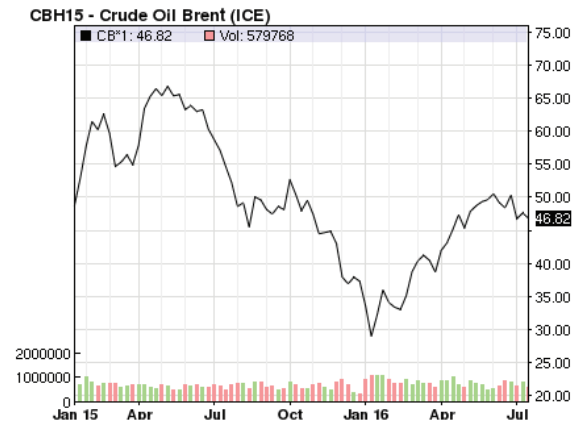
**Project Nicer Globe**  
Phase 2 roll-out

Picture credit: [Nicer Globe website](#) 3

# Global Economy: Strong Headwinds, Slow Recovery, Uncertain Future



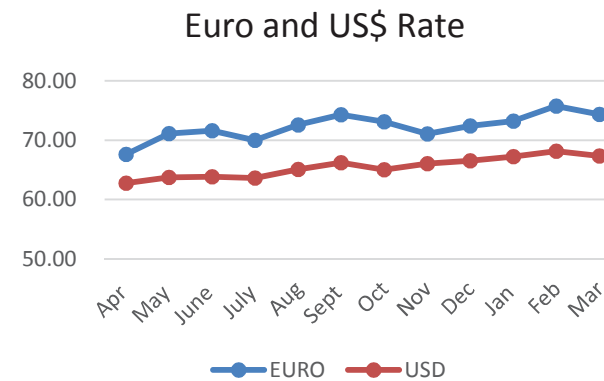
**China market slackened**



**Crude oil prices fell**



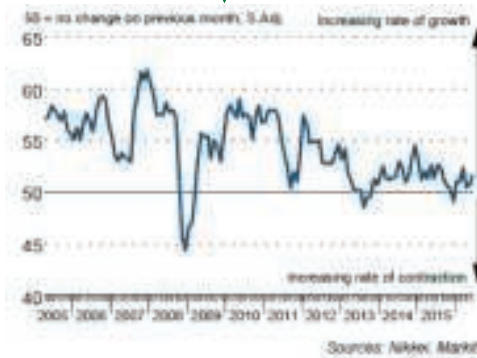
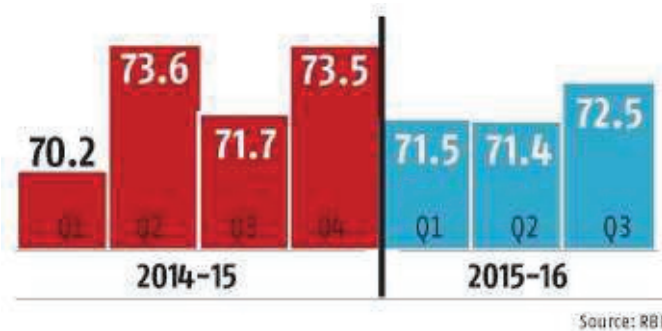
**Second year of drought**



**Rupee Volatility**

# India: A Growth Cylinder In Emerging Markets

**GDP Growth - Gross value added (% y-o-y)**



Industry Capacity Utilisation Level (%)

PMI Manufacturing

Rural Earnings Dipped

**Manufacturing sector remained flat**

# Our Strategy Is Aligned To Industry Dynamics



## Chemicals

- Growth sectors: Paints & coatings, pharma, agro. chem. and foams
- Maintain market share and use windows of opportunities for price increase

## Performance Products

- Growth sectors: Paints & coatings, home & personal care, fuel & lubes, paper, pigments, nutrition & health, pharma
- Leverage recent investments to grow above market pace

# Our Strategy Is Aligned To Industry Dynamics



## Functional Materials & Solutions

- Focus on customer driven solutions
- Good to strong sales and volume growth across businesses
- Increased utilization of our sites in India



## Agricultural Solutions

- Subdued performance due to second year of drought
- Focus on crop and product portfolio to reduce risk

# Make in India: Continued To Invest In Assets For Growth



## Kharagpur, West Bengal

- Sixth construction chemicals plant; Inaugurated in May 2016
- Ground-breaking ceremony in March 2015
- Well-equipped concrete lab will deliver tailor-made recipes through formulation excellence



## Nellore, Andhra Pradesh

- Fifth and largest construction chemicals plant; Inaugurated in April 2015
- Site meets growing demands for durable and energy efficient construction materials



# Make in India: Making the best of our manufacturing assets



## Dahej

- All ten plants commissioned
- 9 customer approvals
- Over 10 quality audits and 4 environment system management certifications
- Ramping up utilization and operational efficiency



## Ankleshwar

- Expansion and commissioning of Pergafast plant
- Process improvements & de-bottlenecking

# Make in India: Making the best of our manufacturing assets



## Mangalore

- Innovative operational excellence techniques to reduce costs
- Improved capacities in construction chemicals plant and dispersions warehouse



## Thane

- Site completes 50 years of operations in 2016
- Work undertaken to improve structural stability

# Optimizing Our Business Portfolio: Divestment and Acquisitions

- Divestment of Textile Chemicals business to Archroma (previous FY)
- New business model for Automotive Refinish Coatings
- Divestment of industrial coatings business to AkzoNobel
- Acquisition of surface treatment business of Chemetall

Picture credit: [citizen.co.za](http://citizen.co.za)



# Successful Employees Make A Successful Company



Construction Chemicals team was a finalist at the APAC Sales Award



2 teams from the Performance Chemicals BU chosen for Extra Mile Award



Winners of Annual Rewards and Recognition Program - LEAP

# Customers Rewarded And Recognized Our Quality And Service



Coatings



Coatings



Coatings



Care chemicals



Performance chemicals

# Performance review FY 2015-16

# Key Business Updates

## Year ended 31<sup>st</sup> March 2016

### Subdued business environment

- Sluggishness in manufacturing, weaker credit growth
- Weaker monsoon impacting rural demand, knock-on effect on other industries
- Lower crude price & volatility in commodity prices impacting business & margins
- Stagnating growth in emerging market, especially China

### Dahej

- Dahej commissioned and stabilized
- Sales increase from Dahej approx. Rs 570 Crs CY v/s. approx. Rs 90 Crs PY
- Quality approvals from new customers in place

### Improving cash flow

- Short term borrowings reduced by Rs. 224Crs due to better working capital mgmt.
- Pre-payment of long term borrowings (Dahej ECB) approx. Rs.78 Crs
- Exceptional items : Textile business carve out (Rs.90 Crs) & sale of non-core assets (Rs.82 Crs)

# Income Statement Highlights

Financial Year ended 31<sup>st</sup> Mar 2016

Rs Crores



Description	Apr to March 2016	Apr to March 2015	Δ%
<b>Net sales</b>	<b>4,752</b>	<b>4,706</b>	<b>1%</b>
<b>EBITDA</b>	<b>109</b>	<b>143</b>	
Depreciation	176	142	
<b>EBIT</b>	<b>(67)</b>	<b>1</b>	
Interest	101	96	
<b>PBT (before excp. Items and tax)</b>	<b>(168)</b>	<b>(95)</b>	
Exceptional items	172	29	
<b>PBT (after excp. Item and tax)</b>	<b>4</b>	<b>(66)</b>	
<b>PAT</b>	<b>4</b>	<b>(67)</b>	
<b>Earnings per share</b>	<b>1.0</b>	<b>(15.5)</b>	
<b>Dividend per share</b>	<b>1.0</b>	<b>4.0</b>	

Dahej Sales offsetting Agro weaker sales

Full flow through of Dahej cost

Apartments sale & Textile divestiture

The above figures are as per Indian GAAP



# Segmental analysis (Apr-Mar 16)

## Agricultural Solutions

Revenue ↓ 30%

EBIT ↓ 46%



### Revenue

- Monsoon failure in Soya Herbicide markets impacted sales
- Lower Co-distribution business & Bavistin product phase-out

### Result

- Lower EBIT is due to lower sales of Rs.270 Crs & margins thereon
- Cost control measures are partly mitigating EBIT loss

## Performance Products

Revenue ↑ 13%

EBIT ↓ 40%



### Revenue

- Volume growth across segments (e.g. Care chemicals, Dispersions, Nutrition)
- Customer approvals in place for Dahej from Dabur, Patanjali & HUL

### Result

- Full cost flow through of Dahej impacting EBIT
- Care chemical (Dahej) off-spec material + incineration impacted results
- Textile carve out impacting YOY comparison

*Performance Products includes Dispersions, Pigments, Leather and Care chemicals .*

*Functional Materials & Solutions includes Performance Materials, Coatings, Construction and Catalysts*

*Chemicals includes Monomers, Intermediates and Petrochemicals*

# Segmental analysis (Apr-Mar 16)

## Functional Materials & Solutions

Revenue ↓ 2%  
EBIT ↑ 13%



## Revenue

- Performance Materials: Sales growth in Auto, Consumer & Construction. Volume + 6%. Falling feedstock prices impacted sales
- Construction chemicals business grew by 7% (mainly admixtures for infrastructure & institutional sales)
- Coatings business lower due to refinish carve out in PY

## Results

- Full cost flow through of Dahej & Nellore
- However better margins from Performance Materials improved results

## Chemicals

Revenue ↑ 85%  
EBIT ↓ >100%



## Revenue

- Petrochemicals & Intermediates: Business model change from agency to merchandise for certain products
- Falling crude & feedstock impacted prices & agency commission

## Results

- Crude volatility impacted margins
- Full cost flow through of Dahej impacted Monomers business

*Performance Products includes Dispersions, Pigments Leather and Care chemicals*  
*Functional Materials & Solutions includes Performance Materials, Coatings, Construction and Catalysts*  
*Chemicals includes Monomers, Intermediates and Petrochemicals*

# Key Balance Sheet No's & Ratios

Rs Crores



## Key Balance Sheet No's

Description	March 2016	March 2015	Remarks
Equity	1,161	1,162	
Borrowings (LT & ST)	1,349	1,600	Better working capital management helped to reduce borrowings
Inventory & Trade receivables	1,846	1,921	
Fixed Assets	1,393	1,425	
Cash & bank	3	128	

## Key ratios

Description	March 2016	March 2015
Debt equity ratio (times)	1.2	1.4
Current ratio (times)	1.4	1.4
Acid test ratio (times)	0.6	0.6
Return on capital employed (after exceptional items, before interest & taxes)	4%	1%

# Indian Accounting Standards (‘IND AS’)

# IND AS

## Important timelines



Description	Timelines
Opening Balance Sheet	1 <sup>st</sup> April 2015
Go Live date for adoption	1 <sup>st</sup> April 2016
First Ind-AS annual report (mandatory)	FY 2016-17
First quarterly published report	April June 2016

**BASF has completed IND AS transition**

# Key IND AS impacts

Nature of Transaction	IGAAP	IND AS
Sales disclosure	Net of Excise duty	Gross of excise duty (excise adjusted in COGS)
Forward contracts	Forwards accounted on “ <b>gross</b> ” basis	Forwards accounted on “ <b>net</b> ” basis
Forward contracts	Amortization of premium through P&L over the life of the contract	MTM valuation through P&L
ECB (Loan & Forward contracts)	<ul style="list-style-type: none"> <li>Hedge costs capitalized to the asset register (under Para 46A)</li> <li>Revaluation of Loan &amp; Forward at closing rate off sets each other</li> </ul>	<ul style="list-style-type: none"> <li>MTM valuation for forward contracts through P&amp;L</li> <li>Revaluation of ECB loan at closing rate through P&amp;L</li> </ul>

# Summary of key positions & ratios under IND AS April to March 2016

Rs in Crs



## IND AS – Impact on key positions

Particulars	IGAAP	IND AS	Inc. /(Dec)
Income from operations	4,752	5,157	405
EBITDA	109	108	(1)
Depreciation	176	163	(13)
EBIT	(67)	(55)	12
Interest	101	147	46
PBT (before exceptional items)	(168)	(202)	(34)

## IND AS – Impact on key ratios

Important ratios	IGAAP	IND AS	Inc. /(Dec)
Material cost	73%	75%	2%
EBIT ratio	-1%	-1%	-
EBITDA ratio	2%	2%	-
Debt Equity ratio	1.2	1.2	-

# Performance review

## Q1 FY 2016-17



# Financial Summary

Quarter ended 30<sup>th</sup> June 2016

Rs Crores



Description	Apr-Jun 2016	Apr-Jun 2015	Δ%
<b>Net sales</b>	<b>1,508</b>	<b>1,468</b>	<b>3%</b>
Material cost	1,144	1,129	
% to Net sales	76%	77%	
Other exp. Incl personnel cost	281	277	
<b>EBITDA</b>	<b>83</b>	<b>62</b>	
Depreciation	43	41	
<b>EBIT</b>	<b>40</b>	<b>21</b>	<b>&gt;100%</b>
Interest	32	40	
<b>PBT (before excp. items)</b>	<b>8</b>	<b>(19)</b>	<b>&gt;100%</b>
Exceptional items	2	118	
<b>PBT (after excp. item)</b>	<b>10</b>	<b>99</b>	

6 % growth without agro

Better WC management

**Volume & margin improvement driving profitability**

All figures above are as per IND AS

# Summing Up

## Our focus is on:

- Investing in growth opportunities
- Innovating to meet market demands
- Optimizing capacity utilization
- Improving efficiency



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