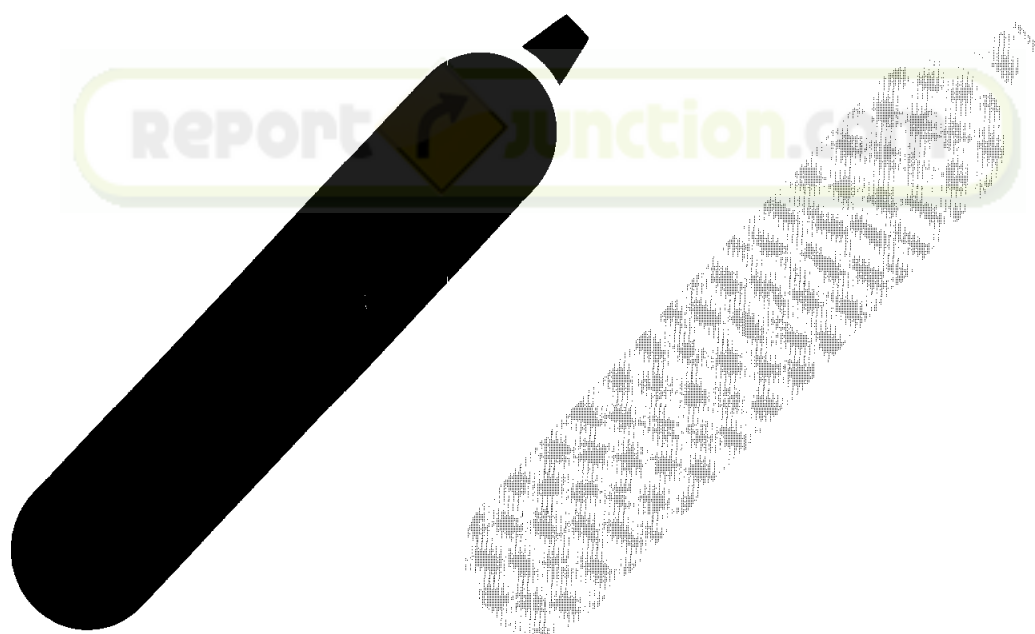


Bombay Oxygen Corporation Ltd.



Annual Report & Accounts-1999

Bombay Oxygen Corporation Ltd.

DIRECTORS :

MR. SHYAM M. RUIA, **Chairman**

MR. IBRAHIM A. RAHIMTOOLA

MR. MOHAN BIR SINGH

MR. AMRIT R. KINI

MR. R. P. KHATOR, **Joint Managing Director**

COMPANY SECRETARY:

MR. RAJKUMAR BIDAWATKA

AUDITORS :

LOVELOCK & LEWES

SOLICITORS :

KANGA & CO.

BANKERS :

THE BANK OF RAJASTHAN LTD.

UNION BANK OF INDIA

BANK OF MAHARASHTRA

BANK OF INDIA

ALLAHABAD BANK

HONGKONG BANK

REGISTERED OFFICE :

L.B.S. MARG
MULUND (W)
MUMBAI 400 080

FACTORIES :

MULUND (MUMBAI), KALWE (THANE),
KHOPOLI, PUNE, NIRA, TARAPUR & NAGPUR

The practice of distributing copies of the Annual Report at the Annual General Meeting has been discontinued in view of the high cost of paper and printing. You are, therefore, requested to bring your copy of the Annual Report to the Meeting.

Bombay Oxygen Corporation Ltd.

NOTICE

NOTICE is hereby given that the THIRTY-NINTH ANNUAL GENERAL MEETING of BOMBAY OXYGEN CORPORATION LIMITED will be held at Walchand Hirachand Hall, Lalji Naranji Memorial, Indian Merchants' Chamber Building, 76, Veer Nariman Road, Churchgate, Mumbai-400 020 on Wednesday, the 28th June, 2000 at 11.30 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account of the Company for the year ended 31st December, 1999 and the Balance Sheet as at that date together with the Reports of Directors and Auditors thereon.
2. To declare a dividend on the Equity Shares.
3. To appoint the Auditors and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :
 "RESOLVED that Mr. Ibrahim A. Rahimtoola, a Director who was appointed as an Additional Director in the meeting of the Board of Directors of the Company held on 4th October, 1999 and who holds office as such upto the date of the Thirty Ninth Annual General Meeting and in respect of whom the Company has received a Notice in writing from a member along with a deposit of Rs.500/- proposing his candidature for the office of Director under the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company who shall be liable to retire by rotation in accordance with the provisions contained in the Articles of Association of the Company."
5. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :
 "RESOLVED that Mr. Mohan Bir Singh, a Director who was appointed as an Additional Director in the meeting of the Board of Directors of the Company held on 4th October, 1999 and who holds office as such upto the date of the Thirty Ninth Annual General Meeting and in respect of whom the Company has received a Notice in writing from a member along with a deposit of Rs. 500/- proposing his candidature for the office of Director under the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company who shall be liable to retire by rotation in accordance with the provisions contained in the Articles of Association of the Company."
6. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :
 "RESOLVED that Mr. Amrit R. Kini a Director who was appointed as an Additional Director in the meeting of the Board of Directors of the Company held on 4th October, 1999 and who holds office as such upto the date of the Thirty Ninth Annual General Meeting and in respect of whom the Company has received a Notice in writing from a member along with a deposit of Rs. 500/- proposing his candidature for the office of Director under the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company who shall be liable to retire by rotation in accordance with the provisions contained in the Articles of Association of the Company."
7. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :
 "RESOLVED that Mr. Ajit M. Ghelani, in respect of whom the Company has received a Notice in writing from a member along with a deposit of Rs. 500/- proposing his candidature for the office of Director under the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company who shall be liable to retire by rotation in accordance with the provisions contained in the Articles of Association of the Company."
8. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution :
 "RESOLVED that the consent of the Company be and is hereby accorded under the provisions of Sections 293(1)(a) and 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company to issue 60 lakhs 13% Non Convertible Secured Debentures of the face value of Rs.100/- each aggregating to Rs. 60.00 Crores on private placement basis to the Hongkong and Shanghai Banking Corporation Limited (the Bank) and to secure the repayment of the principal together with interests, costs, charges and expenses payable under the said Debentures by creating mortgage on the Companies' assets acquired from out of the proceeds of the credit facilities extended by the Bank and situated in the premises of M/s. Mukand Ltd., Belapur Road, Dighe, Kalwe, Dist. Thane in favour of the Bank."

By Order of the Board of Directors

Registered Office :

L.B.S. Marg, Mulund (W)
Mumbai 400 080.

Mumbai, 26th April, 2000.

RAJKUMAR BIDAWATKA
Company Secretary

Bombay Oxygen Corporation Ltd.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Dividend, if sanctioned, will be made payable at the Bank of Rajasthan Ltd., Mumbai and at any of its specified branches in India on or after 10th July, 2000 to those members whose names stand on the Register of Members of the Company on 28th June, 2000.
3. The Share Transfer Books of the Company will remain closed from Wednesday, 21st June, 2000 to Wednesday, 28th June, 2000 (both days inclusive).
4. The Dividend warrants remaining unpaid (upto 28th Dividend) with the Company have been transferred to General Revenue Account of the Central Government pursuant to the provisions of the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have not still encashed their 29th to 33rd Dividend warrants are requested to send the same to the Company for revalidation.



Bombay Oxygen Corporation Ltd.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NOS. 4, 5, 6 & 7

Mr. Godfrey J. Allcock, Mr. Winifrid Schmidt and Mr. Thorsten Sponholz, Directors resigned from the Directorship of the Company and their resignations were accepted on 29th July, 1999. At the Board of Directors Meeting held on 29th July, 1999, Mr. S.P. Upasani, Mr. H. Venkataraman and Mr. S. Ramamurti were appointed as additional Directors of the Company. They vacated the office of Additional Directors on 30th September, 1999. Mr. Ibrahim A. Rahimtoola, Mr. Mohan Bir Singh and Mr. Amrit R. Kini were appointed as additional Directors of the Company in the Board Meeting held on 4th October, 1999. The Company has also received a notice for the appointment of Mr. Ajit M. Ghelani as a Director of the Company.

Mr. I.A. Rahimtoola, a past Director has graduated from St. Xavier's College, Mumbai. He has been involved in business for the last 35 years.

Mr. Mohan Bir Singh, a past Director and an Advocate of the Bombay High Court is an expert in the field of Labour Laws and Industrial Relations.

Mr. Amrit R. Kini, a qualified Company Secretary, is an Advocate of the Bombay High Court since 1961 and is also a Notary Public. He was Asst. Govt. Pleader on the original side of the Bombay High Court for several years.

Mr. Ajit M. Ghelani is a practicing Chartered Accountant and has been in practice for over two decades. He has an outstanding academic record and has very wide experience in the field of audit, taxation, finance etc.

The Board feels that their knowledge and experience would be of immense value and benefit to the Company and accordingly recommends the resolutions for your approval.

Mr. Ibrahim A. Rahimtoola, Mr. Mohan Bir Singh, Mr. Amrit R. Kini and Mr. Ajit M. Ghelani are concerned or interested in their respective Resolution of Appointment as Director.

ITEM NO. 8

Members had in the 37th Annual General Meeting authorised the Board of Directors to borrow money not exceeding Rs. 500 Crores for the purposes of the business of the Company. The Company raised Rs. 60 Crores by way of issue of 60 lakh 13% Non Convertible Debentures of the face value of Rs. 100/- each to finance the expansion at Mukand, Kalwe. These Debentures are to be secured by charge over the assets acquired from the proceeds of the credit facilities extended by the Hongkong Bank. In the opinion of the Solicitors of the Company, mortgage on one of the undertakings of the Company should be done only after consent of the shareholders in General Meeting. Hence, this resolution is recommended for approval.

None of the Directors of the Company is concerned or interested in the said Resolution.

Bombay Oxygen Corporation Ltd.

DIRECTORS' REPORT

Your Directors have pleasure in submitting this THIRTY-NINTH ANNUAL REPORT together with the Audited Accounts for the year ended 31st December, 1999.

FINANCIAL RESULTS :

	For the year ended 31st December, 1999 (Rs. in '000)	For the period ended 31st December, 1998 (Rs. in '000)
Profit/(Loss) before depreciation and tax	10675	5396
Provision for depreciation	6772	3313
Provision for taxation	2300	219
Net Profit/(Loss)	1603	1864
Excess provision for taxation for earlier years written back (net)	582	—
Transfer from General Reserves	1830	1650
Balance available for appropriation	4015	3514

Appropriations :

Proposed Dividend	1500	1500
Tax on Dividend	330	150
Balance transferred to General Reserve	2185	1864
	4015	3514

PERFORMANCE :

Due to the continued sluggishness in the economy and in the steel industry, sales for the year under review was Rs. 137,517 thousands as against Rs. 89,401 thousands in the previous period of nine months.

The new large tonnage Oxygen plant of 130 tonnes per day at Kaiwe is under implementation.

DIVIDEND :

Your Directors recommend payment of Dividend of **Rs. 10/-** (Previous Year Rs. 10/-) per equity share in accordance with Companies (Declaration of Dividend out of Reserves) Rules, 1975. The proposed Dividend, if approved, at the Annual General Meeting, will absorb **Rs. 1830** Thousands inclusive of Dividend Tax (Previous Period Rs. 1650 Thousands).

DIRECTORS :

Mr. Godfrey J. Allcock, Mr. Winfrid Schmidt and Mr. Thorsten Sponholz resigned from the Directorship and their resignations were accepted on 29th July, 1999. Three new additional Directors viz. Mr. S. P. Upasani, Mr. H. Venkataraman and Mr. S. Ramamurti, representatives of Messer Griesheim GmbH, were appointed on 29th July, 1999. They, however, vacated their office as Additional Directors on 30th September, 1999. The Board of the Company appointed Mr. Ibrahim A. Rahimtoola, Mr. Mohan Bir Singh and Mr. Amrit R. Kini as Additional Directors on 4th October, 1999. The Company has also received a notice from a member to appoint Mr. Ajit M. Ghelani as a Director. It is proposed that they be appointed as Directors of the Company.

FIXED DEPOSITS :

46 Deposits amounting to Rs. 2,39,000/- due for repayment on or before 31st December, 1999 were not claimed by the depositors on that date. As on the date of this report Rs. 34,000/- thereof have been claimed and paid.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

Particulars required to be disclosed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed hereto which form part of this report.

Bombay Oxygen Corporation Ltd.

GENERAL :

Information in accordance with sub-section 2A of Section 217 of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended 31st December, 1999 is given in the annexure to this report.

STATUTORY AUDIT :

Some time in June, 1997 Messer Griesheim GmbH, Germany had entered into an agreement with the Indian Promoters of your Company to acquire a part of Indian Promoter's shareholding in your Company subject to compliance under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. In compliance therewith, Messer made a Public Offer to purchase shares of other shareholders. The agreement between Messer and Indian Promoters was personal in the sense that they were parties to the agreement. However, as it appeared from subsequent events, Messer had also entered into an agreement with another Indian Company and its promoters (Goyal Gases) in regard to the acquisition of shares in that company which, however, was an unlisted company. The acquisition by Messer in Goyal Gases was completed under an agreement which, it appears, also provided for Messer providing certain rights in respect of its activities in the relative field to Goyal Gases. Hence, whilst the Public Offer was being processed, appropriate proceedings were initiated by Goyal Gases which, as shareholders are aware, resulted in delaying the completion of acquisition from the public. Indeed, some interim orders were also passed in that litigation as a result of which Messer has been precluded from getting the shares transferred to its name. Your Board of Directors understand that a reference to arbitration is also presently pending on that subject. With a view to protecting the interest of your company and its shareholders, Indian Promoters had to file Suit against Messer or any directive to transfer of shares to a joint entity of Messer and Goyal Gases. Interim orders have been passed in that Suit and the matter is presently subjudice.

Whilst the transfer of shares which was the subject matter of acquisition was so pending, in good faith, your Company inducted some of the nominees of Messer on your Board and also re-organised its pattern of decision making through seeking input from Messer.

Your Company had also entered into an agreement for procuring engineering services from Messer AGS GmbH, providing for the payments which are referred to in paragraph 11 of Schedule 19 appearing in the Balance Sheet and Profit & Loss Account for the relevant year. Such payments require the approval of the Central Government. An application was made to the Secretariat of Industrial Approvals, Govt. of India, for the purpose. Your Company came to know that Praveen Electronics Pvt. Ltd., a shareholder had also filed a petition before the Company Law Board under Sections 237 and 250 of the Companies Act, 1956, inter alia, against Messer deriving the technical fees etc. Whilst the application to the Secretariat of Industrial Approvals was pending, instructions were received from the Regional Management Headquarters of Messer asking the foregoing application to the Secretariat of Industrial Approvals to be withdrawn. Accordingly, your Company, based on such instructions, withdrew the application. Thereafter, no further application in that behalf has been submitted. However, recently your Company has also come to be aware of the position that Praveen Electronics Pvt. Ltd. has withdrawn the foregoing petition before the Company Law Board. In the state of confusion that exists because of the foregoing events, no application has been submitted to the Secretariat of Industrial Approvals for the foregoing payments. Under the Foreign Exchange Regulation Act, 1973 (FERA) it is unlawful for a person resident in India to pay to or place any sum to the credit of a Non-Resident. The suggestion contained in paragraph 3(f) of the Auditors' Report, therefore, is based on an inadequate appreciation of the legal position in India. Indeed, if the company were to make such payment or place the same to the credit of Messer AGS GmbH, that might have been infringing the provisions of FERA.

As regards paragraph 3(e), once again in the foregoing background, what had happened was that Messer as part of the re-structured management pattern, asked your company to close down its Plant Manufacturing Division since Messer wanted to ensure that its own activities in that behalf were protected. Upon such instructions from the foregoing Regional Management Headquarters, your Company undertook a valuation of the assets lying in that Division by engaging the services of M/s. M.C. Punjwani, who certified the value at Rs.1,70,60,460/-. Because of the foregoing litigation, however, it is by no means certain that the Company would be inclined to discontinue or close down the foregoing Division. The assumption underlying the comment in the Auditors' Report as paragraph 3(e) that the activity has been discontinued is, therefore, inconsistent with the facts and the present state of affairs. At this point of time, your Management has no intention of discontinuing that activity and it is under those circumstances that the assets in that Division are being carried forward. The question of providing for any loss in that respect does not arise.

These aspects were pointed out to the Auditors. However, unfortunately, the Auditors have thought it fit and proper to include the foregoing comments in their Audit Report, and this part of your Directors' Report has been included in compliance with Section 217(3) of the Companies Act, 1956.

AUDITORS :

Statutory Auditors of the Company retire at this Annual General Meeting.

On behalf of the Board

S. M. RUIA
Chairman

Mumbai, 30th March, 2000.