

Annual Report 2001-2002

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Business Profits ▲ 97%

Cash ▲ 6%

Working Capital ▼ 5%

Borrowings ▼ 10%

Turnaround Time

It is the year in which your Company reinvented itself.

Grew leaner, younger, fitter, faster.

Launched new products. Entered new markets.

Looking outwards and reaching out to its customers.

Eager to meet the challenge of rising expectations.

Business Profits is operating profits before tax and extraordinary items.
Percentage changes are year-over-year.

Business Profits

Cash

Working Capital

Borrowings

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Starting its business life in 1935 as The Indian Oxygen and Acetylene Company, BOC India Limited today serves numerous industries, healthcare institutions and specialised research establishments. Along this challenging journey, BOC has renewed and rejuvenated itself to a leaner, younger and more importantly, a stronger organisation with a clear focus on its customers.

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Chairman's Statement



Another year has passed since I last communicated with you, during which the geopolitical situation of the world and the Country has been greatly impacted as a result of the terrorist attacks of 11 September 2001 on the World Trade Center in the USA, and that of 13 December 2001 on the Indian Parliament. The turn of political events have put in additional defence burden on the Country, with the risk of diverting it from its main agenda of industrial and economic growth. Ever since the attack on the Parliament and the consequent mobilisation of armed forces at the Border, the Country has come close to exercising a military option. Fortunately, war has so long been avoided.

The loss of momentum in growth seen in the previous year continued into the year under review. The impact of the Gujarat earthquake followed by a series of financial scams have made the capital markets vulnerable, which have been further impacted by the terrorist strike, the spectre of a possible war and recent events in Gujarat. The focus of the polity has inevitably shifted away from the implementation of the promised second generation reforms to the socio-

political events across the Country. Against this backdrop, industrial production recorded the lowest growth in the last eight years and core sectors remain depressed. The steel industry was also severely impacted by depressed demand and overcapacity in the Country.

Your Company's growth is directly linked to the growth in industrial sectors and the impact of the depressed demand across its consumer industries is reflected in the marginal increase of just 1% in the turnover for the year ended 31 March 2002 over that of the previous accounting year. However, notwithstanding the flat sales, your Company has posted a profit before tax and extraordinary items of Rs. 35.5 million, up nearly 100% over the previous year. This was possible through a strict regime of cost management, enhanced productivity, improved working capital management and reduced interest cost. The net profit has, however, been adversely impacted by an extraordinary charge of Rs. 130.3 million on account of arrear power fuel surcharge at Jamshedpur, which was partially set off by an extraordinary gain of Rs. 105.6 million arising from the sale of a property in Mumbai. A significant cost saving of approximately Rs.44 million has been achieved by way of a reduction in interest charge as a result of substitution of high cost loans with lower cost borrowings. I would like to compliment the management team on successfully completing this restructuring and capturing the benefits of the low interest regime. It is also heartening to note that your Company has generated sufficient cash and reduced borrowings to the tune of nearly Rs. 150 million.

Your Company has achieved an impressive year on year growth of 46% in the Shielding Gases business and its Argoshield brand is positioned as the market leader in the welding and fabrication markets. Your Company has

also successfully pursued new applications like IQF (Instantaneous Quick Freeze) in the food sector and gas recovery systems for fibre optic industry in the year under review. These applications have good potential in the years ahead and will enable your Company to diversify into new markets.

The Medical and Homecare products business saw a series of promotions and campaigns which have evoked a good response from the target markets. In its endeavour to provide enhanced service to its customers, your Company has successfully launched 'Lifeline on Wheels' which provides a 24 hour door delivery service for medical gases in Mumbai.

Despite the sluggish economy, the Contracts Division, which has now been renamed Project Engineering Division has recorded a number of significant wins during the year under review. These wins have been secured in the face of global competition across industries as diverse as refining, petrochemicals, copper and aeronautics. These projects are expected to add around Rs. 600 million to the Company's revenue over the next two years.

Your Company has successfully completed its restructuring programme, implemented cost control initiatives, invested in developing new applications and enhanced operational efficiency. The challenge for your Company is now to reinvent itself as a successful sales and marketing organisation with focus on customers and delivery of impeccable service. It is with this objective that your Company has undertaken a significant organisation change moving to the Lines of Business concept, which aligns the entire organisation to our customers and markets. This business model has been successfully implemented by The BOC Group in its major markets and has helped them derive tangible benefits consequent to the change. The organisation change, which is described in more detail on pages 5 & 6 of the Annual Report will help your Company in gearing up for growth.

There have been quite a few changes in the Board of Directors of your Company, which I would like to touch upon. Mr Raman Pandya resigned as the Managing Director of the Company to pursue better opportunities outside India. On my personal behalf and on behalf of the Board, I would like to record my appreciation for the contribution made by Mr Pandya to your Company, during his tenure of nearly four years. It gives me pleasure to inform you that the Board of Directors of your Company, by way of a planned internal succession, appointed Mr Sanjiv Lamba as the Managing Director of your Company consequent upon the resignation of the earlier

Managing Director. Besides, Mr S Menon has also been inducted to the Board as an Additional Director and Finance Director of the Company to take over the erstwhile responsibilities of Mr S Lamba. I also take this opportunity to thank Mr M J Nichols, Mr S A Kerkar and Mr B D Banerjee, who resigned during the year, for their wise counsel and valuable contribution to the Company during their tenure on the Board.

I am glad to welcome Mr A J Hardy, Mr J Mehta, nominee of ICICI Ltd. and Mr P B Ramanujam, nominee of General Insurance Corporation of India, who have joined the Board of your Company as Additional Directors and are being proposed to be appointed at the ensuing Annual General Meeting. I am sure, the Board and your Company as a whole would benefit from their experience and collective wisdom.

Your Company, as you are aware, follows the best practices with regard to good corporate governance and adequately complies with the guidelines of Corporate Governance enumerated in the Listing Agreements entered into with the Stock Exchanges.

It gives me great pleasure to place on record the unflinching support received by your Company from its parent, The BOC Group plc, U.K., which differentiates BOC India from the competition in terms of technology, credibility and reliability. Your Company derives great strength from The BOC Group in exploring opportunities in new applications and to develop new markets.

Your Company has emerged from a difficult phase and the worst seems to be over. I would like to thank all of you for the patience shown during these difficult times. With the Company expected to wipe out its accumulated losses in the current financial year, I hope that your patience will be rewarded in the near future.

Before concluding, I request you all to join me in appreciating the efforts of the entire work force and the management team of your Company under the dynamic and energetic leadership of the Managing Director for their committed and untiring endeavours to steer your Company to its goal of profitable growth.



7 May 2002

J N Sapru



It's Happening

Agroshield registers 46% year-on-year growth

ARGOSHIELD :

For splatterless, flat surface, high quality weld runs.

STAINSHIELD :

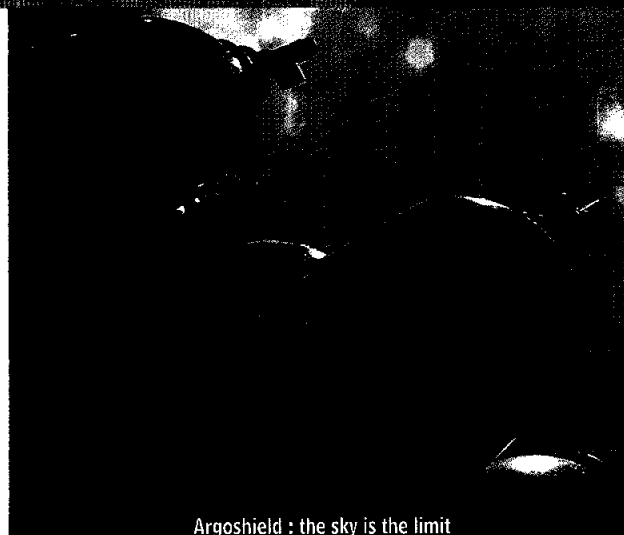
For applications in Stainless Steel fabrication.

SPECSHIELD :

Specially created argon mixtures to weld non-ferrous alloys.

PURESHIELD :

A brand of high purity argon gases.



Argoshield : the sky is the limit

BOC launches critical Homecare products

NEWLIFE OXYGEN CONCENTRATOR :

BOC introduces a new concept in Home Oxygen Therapy with the launch of its portable Oxygen Concentrator, in select metros, for patients taking long-term oxygen therapy, already bringing relief to over 350 users. This device is also used for leading an active lifestyle.

ULTRASONIC NEBULIZER :

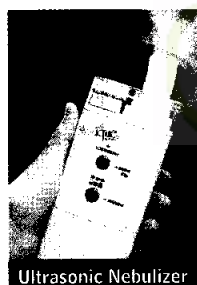
A unique, lightweight device for asthma patients providing 0-5 microns particle size for best therapeutic effect, for those on the move.

PULSE OXIMETERS :

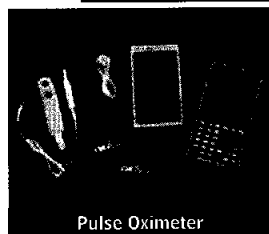
For measuring blood oxygen saturation.

CONTINUOUS POSITIVE AIRWAY PRESSURE THERAPY (CPAP) :

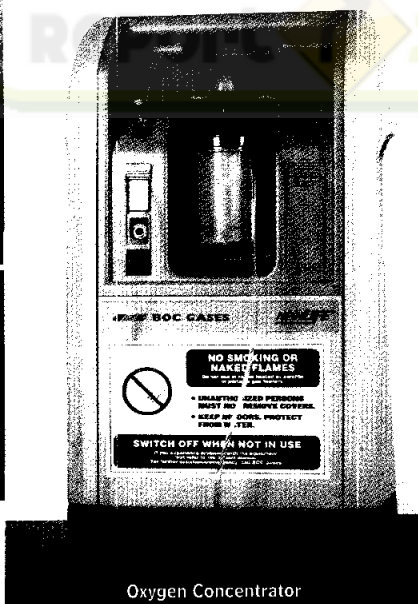
For curing sleep apnea.



Ultrasonic Nebulizer



Pulse Oximeter



Oxygen Concentrator

Adding new dimensions

MAP and LPG join the portfolio

MODIFIED ATMOSPHERE PACKAGING (MAP)

Precision gas mixtures for extended food preservation without refrigeration.

LPG RETICULATOR SYSTEMS

Centralised LPG distribution system for multi-apartment complexes, hotels and hospitals.



MAP keeps food fresh



Central LPG distribution room

Exploring unique applications

FIBRE OPTICS

Integrated package of liquid helium, oxygen, hydrogen and other packaged chemicals, including helium recovery systems.

REFINING

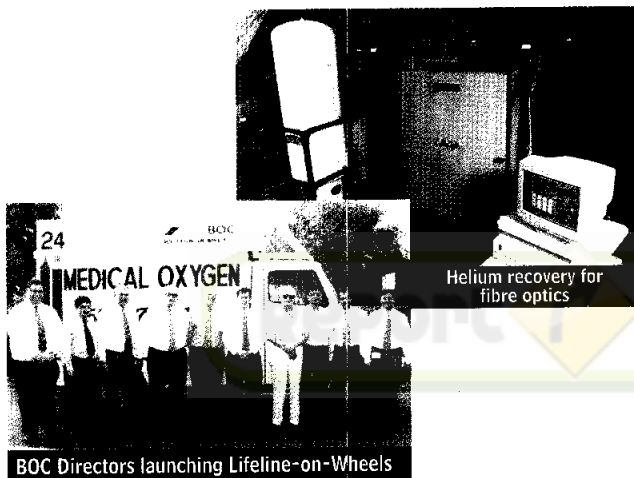
Oxygen is being used to increase Fluid Catalytic Cracker throughput - a first in India. Successful results are initiating more such applications.

FROZEN FOODS

Advancements in IQF technology being applied for ice cream, frozen desserts and seafood.

DEEP SEA & HIGH ALTITUDE APPLICATION

BOC has commenced supplies for deep sea diving and high altitude flying oxygen.



Helium recovery for fibre optics

BOC Directors launching Lifeline-on-Wheels

BOC now reaches your home

LIFELINE ON WHEELS

A 24 hours emergency mobile service launched in Mumbai connected to a Call Centre, to deliver oxygen at your doorstep. More such mobile units to come up soon.

WWW.BOC-INDIA.COM

A unique website providing interactive information on all products and services, now online.



IQF technology in action

Closer to our customers ...

Sales and Marketing

The Sales & Marketing team has been reorganised to provide a more customer focussed and responsive face. The function is now organised by product groups and market sectors to align us closer to our customers and their processes.

Industrial & Special Products

Provides a complete portfolio to meet the needs of:

- Welding Industry
- Fabrication Industry

Medical Gases

Provides a package of solutions to the healthcare industry:

- High purity medical gases
- Liquid medical oxygen
- Medical equipment
- Integrated delivery pipelines and systems

Specialty Gases and Gases

Provides ultra high purity gases and delivery systems to :

- Scientific institutions
- R&D establishments
- High technology industries

DGS&D

Provides focussed services to all DGS&D customers for our total range of products

Process Gas Solutions

Provides a complete portfolio of bulk liquids, installations and process applications to meet the needs of:

- Ferrous Industries
- Non-ferrous Industries

Process Gases (PG)

Provides a complete portfolio of bulk liquids, installations and process applications to meet the needs of:

- Chemical and petrochemicals
- Refining industries
- Fibre optics
- Other Process industries

Process Systems

Provides a complete package for a variety of industry specific applications through Build-Own-Operate supply schemes for all types of cryogenic and non-cryogenic needs

Project Engineering

Project Engineering

Provides total project management and engineering services for:

- All types of cryogenic air separation plants
- Non-cryogenic on-site units
- Cryogenic storage vessels
- Super insulated pipelines
- Custom engineered projects