



## Annual Report 2003-04

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# From focus to

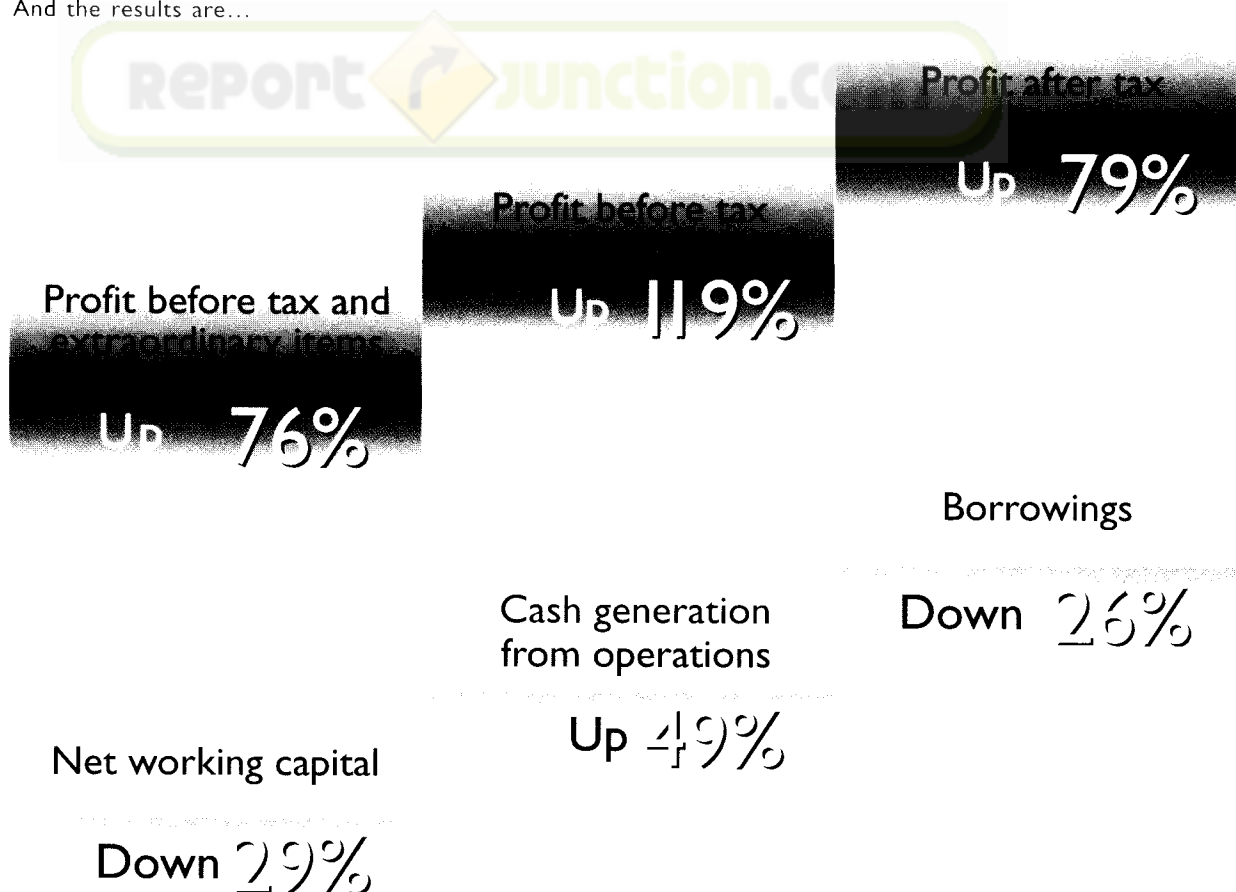


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# performance

The results for the year gone by are a reflection on how our continuing focus, not just on products and services, but on all facets of our business, our core value system and our people has led to improved sustainable performance. Today as BOC India stands on the threshold of its seventieth year of operations, it continues to set the standards for the gases business in India. As pioneers of the gases industry in the country, we continue to reinvent ourselves in a rapidly changing business environment to remain as relevant today as we were several decades ago.

And the results are...



... a year of superior performance on the back of renewed focus.



# Chairman's



# Statement

Dear Shareholder,

It is indeed my pleasure to be communicating with you again after almost a year. The year 2003-04 has been a good year for India Inc. and for your Company too. Before I take you through the performance highlights of your Company, let me briefly deal with some significant happenings globally and in India during the past twelve months.

Events in Middle East and Iraq continue to dominate the world economic and political scenario. The continued unrest in Iraq was further aggravated by the news of prisoners' abuse in Abu Ghraib. The unrest in Iraq has impacted adversely on oil prices that are at their peak and threatening to rise further. The turn of events unfortunately could not present an opportunity to Indian industries to participate in the rebuilding of Iraq, as hoped earlier.

Despite the situation in Iraq, the Indian economy showed signs of recovery from the stagnation and put up a strong performance. The country benefited from industrial growth spurred by increased industrial activities and on the robust platform of the agriculture sector as a result of reasonably good monsoons.

After three to four years of GDP growth at around 5%, it appears that the country will achieve a much higher GDP growth of about 7% during the year under review and is poised to maintain and improve on the same in the financial year 2004 - 05. With foreign exchange reserves having crossed the U.S. \$100 billion mark, the Indian rupee has continued to firm up against the US \$. The fundamentals of the Indian economy remain strong which have been reflected in a robust and resurgent capital market as the BSE sensex continued to move upwards unabated during the year. This also helped disinvestment of public sector units by the Government and pushed ahead the process of economic reforms.

With the Government's thrust on infrastructure development, iron and steel sector that accounts for a large part of the Company's turnover witnessed tremendous growth. With the upturn in the steel industry resulting from unprecedented demand and higher realisations from both domestic and foreign markets, in particular from China, hosts to the 2008 Olympics, the Indian steel companies are poised for spectacular growth. The country is thus witnessing increase in steel manufacturing capacity, which augurs well for the gases industry in general and your Company in particular.



During the year under review, your Company commissioned its new 225 tonnes per day plant for supply of gaseous oxygen to Tata Steel at Jamshedpur. The plant has been performing very well and will continue to make significant contributions to your Company's sales and profitability. For the year 2003-04, your Company recorded an underlying sales growth of 10% adjusted for revenue de-escalation on account of reduction in power cost. It is encouraging to observe that the volume of major products in the gases business showed good growth despite stiff competition. The Project Engineering Division continued its excellent performance by delivering a growth of 16% year on year. The Division has a robust order book position despite global competition, which will help to sustain the momentum of growth. The re-opened Asansol unit commenced production with reduced manning and has been able to build-up production quickly to serve the local markets.

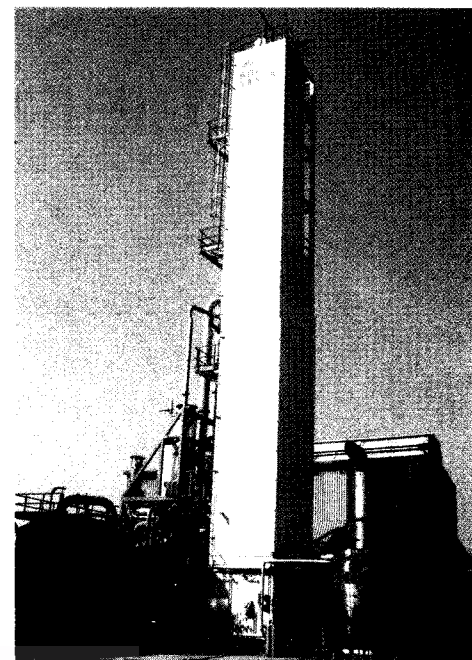
During the year 2003-04, the Company recorded its highest ever operating profit of Rs. 201 million, registering a growth of 76% over the previous year. This became possible as a result of increased sales volume, improved efficiencies and lower interest cost arising from improved cash flows. An extraordinary profit of Rs. 253.24 million from sale of the Company's Ghatkopar property in Mumbai further helped in more than doubling the profits before tax for the year under review. Your Company continues to focus on medical business and is also committed to achieve growth in diverse industries such as refinery and petrochemicals, food, optic fibre, animal husbandry, etc. With a view to upgrade the production facilities at its compression plants, the Company has taken up a project to modernise and rationalise its plants for attaining higher productivity and improved efficiencies. With these developments, your Company is expected to improve its operational performance in the year 2004-05.

As I am writing this communication to you, the country is going through the final phase of National Elections for the 14th Lok Sabha, results of which will only be known after 13th May 2004. Whilst recent Exit Polls have indicated prospects of a hung House, let us hope that the Indian electorate is wiser and can give a clear mandate to enable formation of a stable Government



at the Centre. I have no doubt that the process of economic reforms is irreversible. However, instability caused by a hung House can affect, more importantly, the pace of reforms as certain sensitive economic decisions could be delayed in case of a weak coalition government at the Centre.

As I say every year in all my communications, BOC India is underpinned by good corporate governance. As a part of the BOC Group plc, your Company and its management team takes an ethical view of its responsibilities in pursuing profitable business.



The new 225 tpd plant at Jamshedpur



BOC Directors commissioning the 225 tpd plant



Shareholders attending the AGM

The voluntary adoption by your Company of the Code of Conduct developed and launched by The BOC Group plc last year has been followed up by conscious efforts by the management to ensure that the values enshrined in the Code are embraced by employees across all levels in the Company. This will inspire the Company to be more socially responsible.

There has not been any change in the Board of your Company since the last Annual General Meeting other than a change in the Alternate Director to a Director representing the BOC Group plc. Mr. P A Hyland has replaced Mr. P F Owen as an Alternate Director to Mr. J A Bevan with effect from 18 March 2004.

Mr. Avijit Mazumdar who is retiring at the ensuing 68th AGM, has expressed his desire not to seek re-election. Consequently he will cease to be a Director of your Company at the conclusion of the said AGM. Mr. Mazumdar has been a Director of your Company since 1990 and I would like to place on record my personal appreciation of his very valuable contribution to the deliberations of the Board during his fourteen years of association with the Company.

I am thankful to my colleagues on the Board for their consistent support and contributions that they make to our deliberations. I would also like to convey my sincere thanks to the shareholders for their patience and support. In view of substantial improvement in profits, your Company is now in a position to declare a dividend and keeping in mind the need to conserve resources for future growth, your Directors have recommended a dividend of 10%. I am sure, together, we will build a strong BOC India, which will continue to pursue profitable growth and add value to you, its shareholders.

With your Company aligning its operations to Lines of Business Organisation, it is more focused on customers and their processes and is thus developing close customer relationships. I am indeed thankful to our customers for their support in helping us to build a partnership with their business. As your Company moves into the seventieth year of its operation in India, the bonds of this partnership are becoming stronger. Last but not the least, I would also like to thank the management team and employees of the Company at all levels for their dedication and commitment to the Company and its goals and for their achievements, which were many.

J N Sapru

06 May 2004



Chairman, J N Sapru, interacting with shareholders at the AGM

Raising the bar,







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J N Sapru

06 May 2004

# reaching new heights.

At BOC India our aspiration is to be the best in all we do. From managing business to enhancing value for our customers, vendors, investors, employees and the community we serve.

By realigning our focus, we have been able to make a significant difference through our people, processes, customer relationships, accountability and integrity.



- The 225 tpd Air Separation Unit at Jamshedpur for meeting the additional gases requirement of Tata Steel was commissioned ahead of schedule and within cost. The plant comes with distinct efficiencies and technological advantages.
- The reopening of BOC India's Asansol Unit reflects the Company's continued commitment towards growth and development.
- Launch of Oxyline™, the one-of-its-kind Mobile Medical Oxygen Delivery Unit provides individual patients and smaller medical facilities instant access to our medical product range. The Oxyline™ service is now available 24x7 across several metros supplying critical medical gases, equipment and accessories.
- The country's first Oxy Boosting System for manufacture of floatglass was installed at a leading floatglass manufacturer's works with the technical support of The BOC Group.
- Significant growth was achieved in liquid nitrogen volumes for application in diverse industries such as Pharmaceutical, Refinery, Food, Petrochemicals, etc.
- The Project Engineering Division's superior project management capabilities in turnkey projects were demonstrated in the successful commissioning of several prestigious projects such as :
  - Nitrogen Generator for Gujarat Refinery, Indian Oil Corporation
  - Vacuum Pressure Swing Adsorption oxygen plant for Jindal Strips
  - Cryogenic Nitrogen Generator for Petronet LNG
  - Tank Vapour Recovery System for ONGC, Uran