

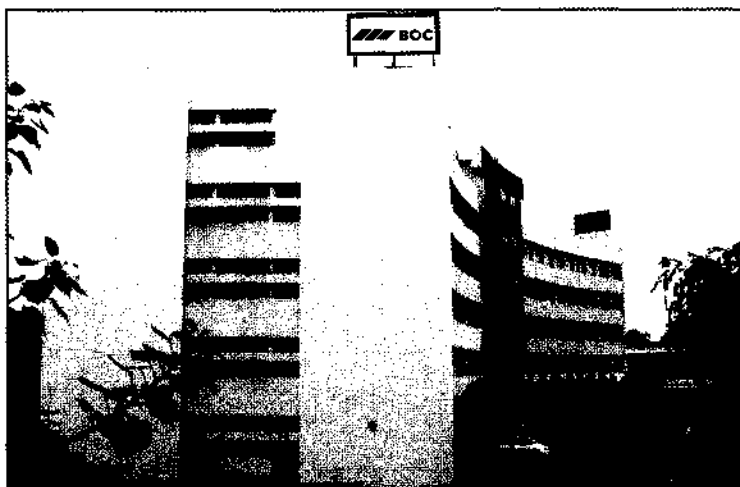


## Annual Report 2005-06

Report  junction.com



**BOC**  
BOC India Limited



Report  Junction.com

## contents

Touching Lives	01
Chairman's Statement	03
Challenge & Change	07
Innovation & Insight	09
Experience & Expertise	11
Protection & Prevention	13
Growth & Gains	15
Board of Directors	16
Directors' Report & MDA	18
Report on Corporate Governance	28
Balance Sheet	40
Profit & Loss Account	41
Cash Flow Statement	42
Schedules	44
Auditors' Report	61
Ten Years' Financial Data	64



# touching lives

The touch of BOC. Feel it in the tensile strength of steel; see it in the magnificent sheen of an automobile; taste it in the myriad flavours of an ice cream or sense it in the sterile atmosphere of an operation theatre. Few products are made without the invisible touch of gases. And BOC is all about gases - making a difference through its invisible presence.

It is hard to imagine a world without BOC.

As few products can be made without industrial gases playing some part - from basic necessities to luxury goods, BOC touches our lives in more ways than one. Inextricably linked to our daily routine, endeavouring to make our lives more comfortable, convenient and enjoyable. For more than seven decades, BOC has been reinventing and adapting itself to meet our needs; partnering Indian industry to produce world-class goods and services. No matter where we are, BOC remains omnipresent - a silent yet integral presence. Sharing, connecting and participating in our joys and sorrows; triumphs and failures.

## Touching our lives. Naturally.



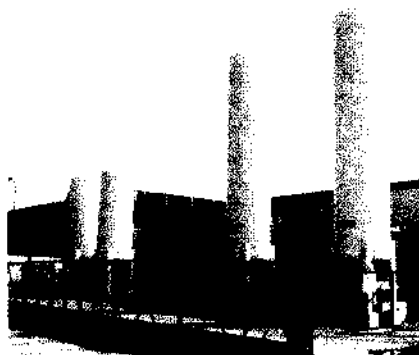
Touching lives.  
Inspired by a value system  
based on Accountability,  
Collaboration, Transparency  
and Stretch.

To begin with, I would like to deal with some significant events of the year gone by that were relevant to the country and our business before turning to the details of your Company's performance. The Indian economy continued to be on an ever increasing growth curve, with the country recording GDP growth in excess of 8 percent in the year 2005-06. The improved performance of the agriculture sector as a result of the near normal monsoon, a new industrial resurgence and the step towards faster development of physical infrastructure have all contributed to the robust performance of the economy. Despite a modest inflation as a result of spiralling global crude prices and higher commodity prices, the country seems confident of sustaining the growth momentum and continues to attract attention as one of the emerging markets. This has been conspicuously visible in the sustained increase in FIIs investment in the Indian stock markets, with BSE sensex breaching the 10,000 mark during the year.

The year did, however, witness unrelenting and unprecedented rainfall in Maharashtra in July 2005, which flooded Mumbai,

crippling life in the financial capital of the country. The flooding resulted in shut down of operations of your Company's float glass customer's plant at Taloja for about two months. This caused loss of revenue as a result of stoppage of pipeline gas supplies to the customer during this period. A devastating earthquake struck certain parts of our country, mainly the state of Jammu and Kashmir, causing loss of precious lives and large scale damage to property. Another area of concern has been the rising crude prices which breached \$70 a barrel as a result of several factors including concerns on declining gasoline stocks in the U.S., supply disruptions in Nigeria and tension over Iran's nuclear programme.

Market conditions in steel after remaining buoyant globally in the last couple of years, showed some weakness during the year under review on fears of over capacities and reduced demand from China, which led to relentless price cuts in steel. However, steel prices which were under pressure until December 2005, are finally showing signs of recovery.



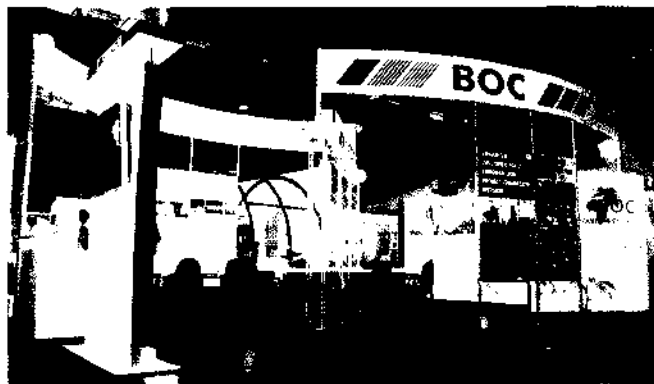
These price hikes will help steel companies sustain growth in FY 2007. The country's thrust on development of infrastructure and construction is expected to boost domestic demand for steel and this augurs well for the gases industry in India, which to a large extent is driven by steel. Industries such as automobile, float glass, petrochemical and infrastructure have also shown buoyant growth during the year and continue to attract further investment, auguring well for the gases industry in India.

The Government's budget proposals for the fiscal year 2006-07 continue to focus on growth. The budget proposals seem to have addressed some of the issues arising from the Fringe Benefits Tax introduced last year.

Let me now move on to the financial performance of the Company during the year under review. Your Company recorded its highest ever turnover of Rs. 560.93 crores, a 32% increase over the previous year. Profits before tax and extraordinary items during the year at Rs. 80.92 crores registered an increase of 77% over the previous year. This was possible as a result of increased sales volumes with improved price realisations in certain product groups, business wins and enhanced operating efficiencies in addition to strong performance from the Project Engineering Division. The Company's profits before tax at Rs.121.87 crores was also at

an all time high included therein, being profit amounting to Rs. 47.46 crores arising from sale of the Company's immovable property in Bangalore.

During the year, the Company successfully commissioned a 65 tpd merchant Air Separation Unit in Medak near Hyderabad, which is operating satisfactorily to meet the demand in Southern India. The construction of the 855 tpd Air Separation Unit being set up for supply of gases to JSW Steel Ltd. (formerly Jindal Vijayanagar Steel Ltd.) is progressing satisfactorily. You are aware that your Company had earlier novated its long term contract with JSW Steel Ltd. to Bellary Oxygen Co. Pvt. Ltd., a special purpose vehicle set up for this purpose. Bellary Oxygen Co. Pvt. Ltd. has since become a jointly controlled entity with the signing of a joint venture agreement in March 2006 with another industrial gases company operating in India, which has taken up 50% equity stake in that company. As a part of Project SIGMA, your Company also commissioned a state-of-the-art modern liquid compression facility at a new site near Chennai and work in respect of two such new plants at Trichy and Pune is currently underway. These plants will present a modern and cost efficient face of BOC and will strengthen its ISP operations across the country. During the year, the ISP business launched new products, viz , fire suppressant and refrigerant gases, which have been well received in the target markets.





Your Company is pursuing certain large tonnage opportunities in steel and petrochemical sectors and is clearly on a growth path. Despite recognising the need to conserve resources for this purpose, your Board has endeavoured to reward its shareholders for their patience and has recommended a dividend of 30% for the year ended 31 March 2006, which is the highest dividend for a 12 month period ever declared by the Company.

As you may be aware, the Boards of Linde AG, Germany and The BOC Group plc, U.K., the holding company of your Company recently announced the terms of a recommended cash offer by Linde AG, to shareholders of The BOC Group plc. The offer will be made on receipt of regulatory clearances from the European and US competition authorities, which Linde expects to receive shortly.

There have been no changes in the composition of the Board of your Company since the last Annual General Meeting. Mr M S Huggon, Dr J J Irani and Mr S M Datta retire by rotation at the ensuing Annual General Meeting and offer themselves for re-appointment. I am pleased to state that your Company always strives to implement best practices in corporate governance and has effectively complied with all the mandatory conditions of the revised corporate governance guidelines as per clause 49 of the Listing Agreement. As a part of the revised

Code, whereas all BOC employees comply with the BOC Group's global Code of Conduct, the Company's nonexecutive independent directors have also adopted a Code on the lines of the BOC Group's global Code of Conduct. The values enshrined in The BOC Group's global Code of Conduct and the principles of ACTS representing Accountability, Collaboration, Transparency and Stretch are thus embraced and demonstrated across all levels in the Company.

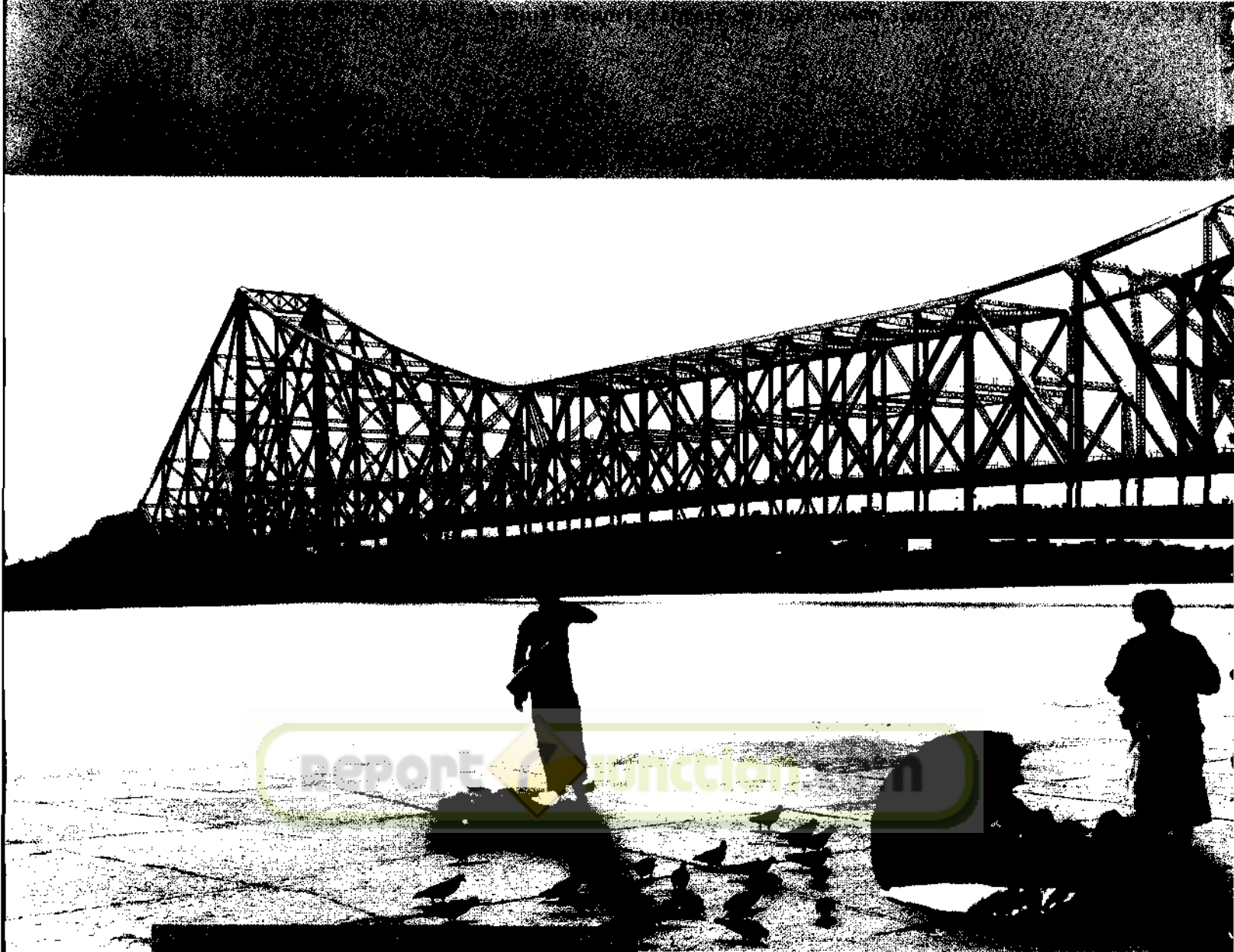
I am grateful to all my colleagues on the Board for their unstinted support and guidance in efficiently steering the Company towards greater achievements. I would also like to wholeheartedly thank all the shareholders for their continued support and our customers for choosing BOC India for solutions to their gas requirements. Last but not the least, my thanks go to the management team and all the employees for their unfailing dedication and contribution for continuous improvement in performance.



J N Sapru

8 May 2006





Building bridges.  
Partnering Indian  
industry in its  
quest for excellence.



# challenge & change

Business excellence through innovation, quantum improvements and change. And in seizing the right opportunity that comes our way lies our biggest challenge. No wonder then that we are ceaselessly evolving, building partnerships, bringing new products and newer applications and breaking into uncharted territories.

## PROCESS GAS SOLUTIONS (PGS)

Based on a comprehensive long term strategy for the tonnage and merchant business, the PGS line of business has made rapid strides in adding capacities in identified new power zones. To cater to the merchant demand in the fast growing regions of Andhra Pradesh, a 65 tpd Air Separation Unit (ASU) was commissioned in Medak near Hyderabad in the last quarter of the year. The 855 tpd ASU at Bellary for JSW Steel has, for strategic reasons, been transferred to a 50:50 Joint Venture with another gases company and is at an advanced stage of completion. Low cost liquid available from these plants to BOC will go a long way in overcoming constraints on product availability in the South.

The Project Engineering arm of BOC India has played a major role in the detailed engineering of both the Hyderabad and Bellary plants to ensure that these plants are commissioned within stipulated time and cost targets. The division's engineering and project management capabilities in setting up large ASU plants are best reflected in the commissioning of the 1260 tpd plant at Dolvi against a third party contract under extremely difficult conditions.

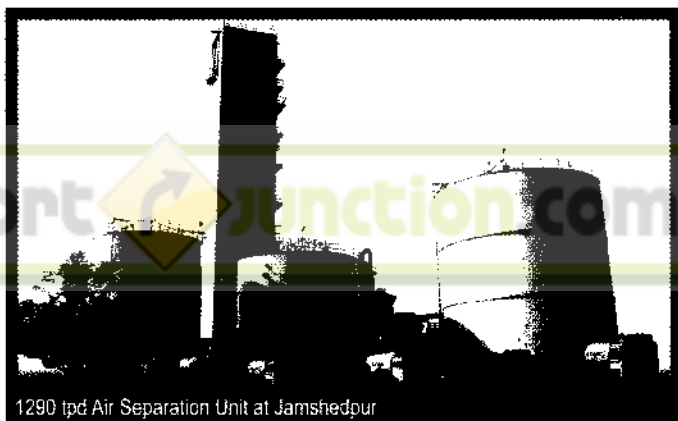
## INDUSTRIAL & SPECIAL PRODUCTS (ISP)

The ISP business, based on a strategic plan developed in 2003, embarked upon an extensive expansion programme comprising of rationalising its operating sites and broadening geographic reach. The site rationalisation programme achieved another milestone with the commissioning of a new state-of-the-art liquid compression facility at Chennai incorporating

Global Best Operating and Safety Practices. New compression sites at Tiruchirappalli and Pune are also on the anvil. New product categories of refrigerant gases and fire suppressants were launched to enhance the product portfolio.

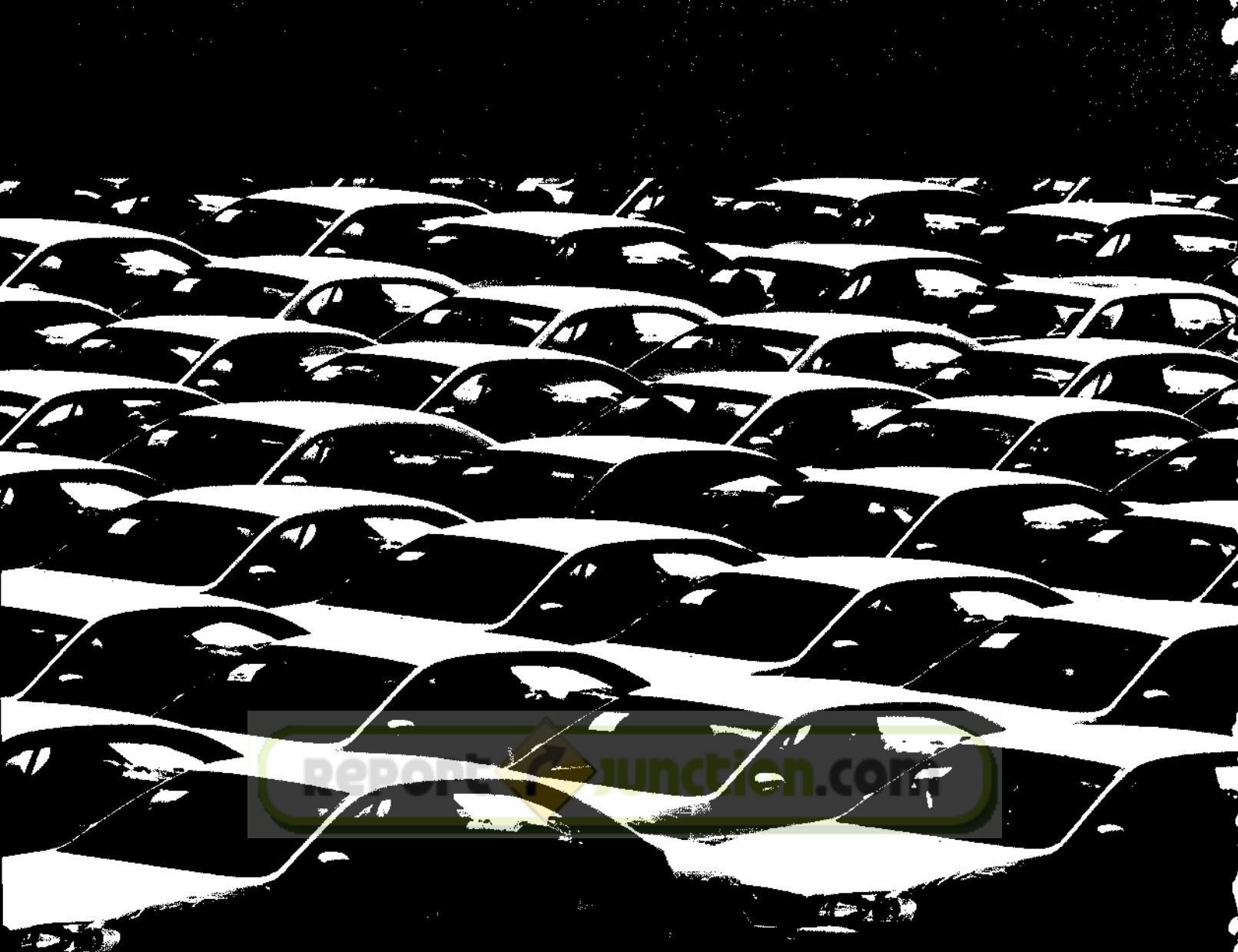
Customer service has

seen a major initiative with the setting up of the Customer Service Centre (CSC). The CSC initiative has redefined customer service for our business in areas such as enquiries, ordering, resolution of customer complaints, credit and payment monitoring, etc. This has been achieved using cutting edge technology.



1290 tpd Air Separation Unit at Jamshedpur





Enabling creation.  
From the mundane to  
the magnificent,  
driving most  
manufacturing  
processes.