→ BOC India Limited

BOC
A Member of The Linde Group

Annual Report 2011.

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About BOC India.

BOC India – the gases specialist

Global expertise adapted for Indian needs – this is the guiding principle which BOC India (BOCI), a member of The Linde Group, has been practising for the last 75 years to meet customer requirements.

The Linde Group is a world-leading gases and engineering company with around 50,500 employees in more than 100 countries worldwide. In the 2011 financial year, it achieved sales of Euro 13.787 bn. The strategy of The Linde Group is geared towards long-term profitable growth and focuses on the expansion of its international business with forward-looking products and services. Linde acts responsibly towards its shareholders, business partners, employees, society and the environment – in everyone of its business areas, regions and locations across the globe. The Group is committed to technologies and products that unite the goals of customer value and sustainable development.

At BOCI, we put safety, health, the environment and quality (SHEQ) first. We continually work to uphold a leading SHEQ culture by adhering to strict industry and international standards. In 2011, BOCI has implemented several measures and one example was the installation of a vehicle tracking system (VTS) on all BOCI product distribution vehicles, allowing supervisors to track driving behaviour, monitor speed and identify violations. Together with other preventive actions, BOCI has maintained a zero-accident record for the past three years for packaged gases and an accident-free year in 2011 for bulk deliveries.

As a leading gases supplier, we constantly raise the bar in quality and relentlessly pursue new ways to add value to our customers. We have recently introduced a scheduling tool for bulk customers. With this system, over 500 customers across the country can obtain real-time updates of their liquid oxygen stocks, facilitating accurate planning and daily scheduling.

Our goal is to become the leading gases and engineering group, admired for its people. This is why we have been continuously investing in our people and processes. Today we are uniquely poised to successfully face challenges and capitalise on the many growth opportunities in India.

Board of Directors*.

S M Datta

Chairman and Non-Executive Independent Director**

Mr Susim Mukul Datta, 75 years old, graduated with Honours in Chemistry from the Presidency College, Calcutta and obtained his Post Graduate Degree in Science & Technology from Calcutta University.

Mr Datta is a Chartered Engineer, Fellow, Institution of Engineers, Fellow, Indian Institute of Chemical Engineers, Member, Society of Chemical Industry (London) and Honorary Fellow of All India Management Association.

Mr Datta was the Chairman of Hindustan Unilever Ltd. (formerly known as Hindustan Lever Ltd.) as well as all Unilever Group Companies in India and Nepal from 1990 to 1996.

Mr Datta joined the board of the Company on 12 December 1996 and took over as the Chairman of its Audit Committee in the year 1997. He was later inducted into the Remuneration Committee as well as Shareholders'/Investors' Grievance Committee of the Board and was Chairman of the Board since 31 July 2007.

S Lamba

Chairman*** and Member of the Executive Board, Linde AG

Mr Sanjiv Lamba, 47 years old, is a B. Com. (Hons.) and a Chartered Accountant.

Mr Lamba joined the Company in the finance function in 1989 and gathered a wealth of experience from the Company's business both in India and overseas and was the Managing Director until 31 March 2005.

Mr Lamba later moved to various senior management positions within the erstwhile BOC Group until its merger with Linde AG in the year 2006.

Mr Lamba is presently a Member of the Executive Board of Linde AG and was appointed as the Chairman of the Board of Directors of the Company on 9 February 2012.

A Balakrishnan

Non-Executive Independent Director

Mr Arun Balakrishnan, 62 years old, is a B.E (Chemical) from College of Engineering, Trichur, Kerala and has a Post Graduate Diploma in Management from IIM, Bangalore.

Mr Balakrishnan was the Chairman and Managing Director of Hindustan Petro Chemicals Ltd. from 1 April 2007 to 31 July 2010.

Mr Balakrishnan was appointed as an Additional Non-Executive Independent Director of the Company w.e.f. 18 October 2011.

J Mehta

Non-Executive Independent Director

Mr Jyotin Mehta, 54 years old, is a B. Com, FCA, FCS and FICWA.

Mr Mehta has rich experience of about 29 years in finance, secretarial, internal audit and quality deployment functions across diverse industries.

At present, Mr Mehta is the Vice President and Chief Internal Auditor at Voltas Ltd.

A Narayan

Non-Executive
Independent Director

Mr Aditya Narayan, 60 years old, is a B.Tech from IIT, Kanpur, an LLB from Kanpur University and a Masters in Sciences from the University of Rochester, USA.

With over three decades of experience at ICI India, now Akzo Nobel India, Mr Narayan grew through diverse businesses and functions, in India and overseas, before serving as its Managing Director during 1996–2003 and then as its Non-Executive Chairman during 2003–2010.

Mr Narayan was appointed as an Additional Non-Executive Independent Director of the Company w.e.f. 9 February 2012.

B Patwari

Non-Executive Director and Head of Finance, Asia Pacific, The Linde Group

Mr Binod Patwari, 40 years old, is a B. Com (Hons.), CFA, MBA (Finance) and a Company Secretary from India.

Mr Patwari joined the Company in the finance function in the year 1997 and later moved overseas to various senior positions within the erstwhile BOC Group until its merger with Linde AG in 2006.

Mr Patwari has approximately 15 years of experience in all areas of finance including accounting, treasury, planning and control and is presently Head of Finance – Asia Pacific of The Linde Group.

S Menon

Managing Director

Mr Srikumar Menon, 60 years old, is a B. Com (Hons.) and a Chartered Accountant.

Mr Menon joined the Company in October 2001 as Vice President Finance and was appointed as Finance Director in November 2001. Mr Menon has broad finance experience across public sector, private sector and multinational companies.

Mr Menon was appointed as the Managing Director of the Company on 23 October 2008 and was re-appointed as the Managing Director for a further term of three years w.e.f. 23 October 2011.

* as at 9 Feb 2012
** up to 9 Feb 2012
*** appointed as Chairman on 9 Feb 2012

Providing solutions to our customers.
Technical solutions.

Creating customer value

BOC India (BOCI) believes in delivering innovative, high-quality and reliable services and solutions that create value for our customers.

Combining The Linde Group's leading technology and our over 75 years of experience working extensively across industries like steel and metals, pharmaceuticals, infrastructure, automotive and fabrication, we are your steady partner who understand your unique business needs and can recommend customised solutions that add strategic value to the sustainable and profitable growth of your business.

Offering the best solution

BOC India offers the best of The Linde Group's proprietary technologies and solutions for gases and engineering to customers in the country. These innovative technologies lead to energy savings, increased productivity, lower unwanted emissions, higher process yield and improved quality standards for customers.

India Application Technology Centre

BOCI plans to set up an application technology centre (ATC) in India. Modelled after The Linde Group's ATC in Germany, this will be used to showcase the company's unique technical solutions across different industries. The ATC will provide a platform for joint trials and demonstrations with our customers.

With more than 100 advanced technical solutions catering to different industries in our portfolio, we are gradually introducing them to the Indian market. The latest two being launched are HIGHJET® and LINDOFLAMM®. They are anticipated to greatly benefit Indian customers.

India has one of the largest iron foundry industries in the world.

Using acetylene very high flame temperatures can be reached.

HIGHJET®

HIGHJET® is a patented Linde technology that enhances the productivity and reduces the operating cost of Cupola furnaces used in the process industry for the production of cast iron and mineral wool.

HIGHJET® reduces the consumption of costly coke, increases productivity and reduces unwanted emissions. There are various solutions in the HIGHJET® portfolio depending upon furnace size and customer requirement. The Linde Group has more than 50 reference installations for HIGHJET® globally.

LINDOFLAMM® flame solutions

LINDOFLAMM® flame solutions comprise specialised high-temperature burners, gas supply, automation and integration systems used for heating in the manufacturing and process industries.

With over 100 years of experience in the field, Linde is able to fulfill the customers' unique requirements, utilising special burners whose shapes and capabilities are tailored to their application and are matched with the right fuel gas mixture.

LINDOFLAMM® flame solutions always ensure optimum performance with the highest possible cost-efficiency, whether you are preheating, postheating, flame straightening, flame hardening, flame brazing, fusing or hot forming.

Advanced technology.

In 2011, we introduced four application technologies from The Linde Group to the Indian market. The benefits delivered by these innovative and eco-friendly solutions were warmly received and readily accepted by our customers.

REBOX® for Kalyani Carpenter Steel Limited (KCSSL), Pune

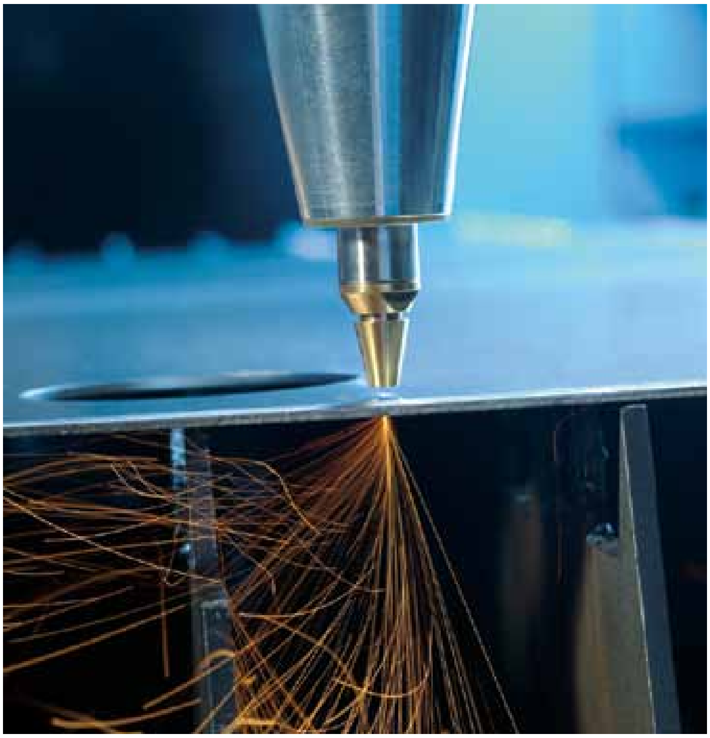
A contract was signed for the installation of a REBOX® oxyfuel solution with KCSSL. The installation using oxyfuel is the first of its kind in India to increase productivity of a reheating furnace and at the same time decrease fuel consumption and emissions.

LINSPRAY® for General Electric (GE), Bangalore

GE chose LINSPRAY® – Linde's leading Thermal Spray solution – for their John F. Welch Technology Centre in Bangalore.

LINSPRAY® will enable the high-tech multidisciplinary research and development centre to establish a process applying highly effective coating on turbine components to withstand higher levels of wear and temperature related stresses encountered in energy related applications.

LINSPRAY® is a Cold Gas Dynamic Spray technology in which metal or composite powder particles in a supersonic jet of compressed gas impact a solid surface with sufficient energy to result in oxide free and extremely high bond strength coatings.



Gas cutting using the LASERLINE® portfolio.

Thermal spraying for optimal metal coating.

Use of CORGON® as shielding gas for arc welding

Carbon dioxide (CO_2) is traditionally the most widely used gas in India for gas-metal-arc welding (GMAW) due to its lower price.

In 2011, we worked closely with many manufacturing companies in India to replace CO_2 with Linde's argon based binary or ternary mixture: CORGON®. Customers who made the switch realised higher productivity and lower costs.

The health risk to welders is also reduced, as the fumes produced during arc welding using 100 percent CO_2 as shielding gas can be potentially harmful due to the presence of carbon-monoxide. This was documented in various productivity and cost-benefit trials at numerous customer sites.

Launch of LASERLINE®

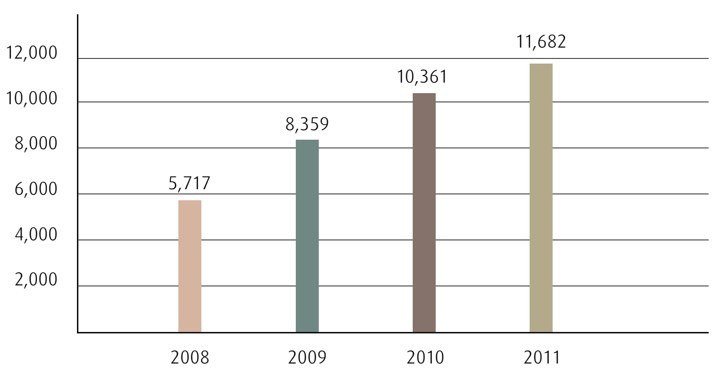
LASERLINE® Global Gas Solutions for laser cutting and welding in the manufacturing industry were introduced in the last quarter of 2011. It is a union of skills and expertise to set new standards in the field of fully integrated laser solutions.

LASERLINE® includes a combination of high-pressure technologies, high purity cutting gases and LASERMIX® laser gases.

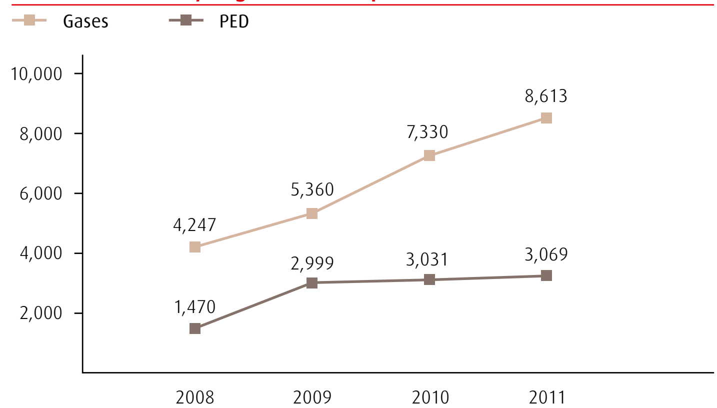
BOCI was awarded several important contracts for LASERLINE® by customers who were impressed by the reduction in their cost of cutting and significant improvement in cut quality.

Graphical representation of financial performance.

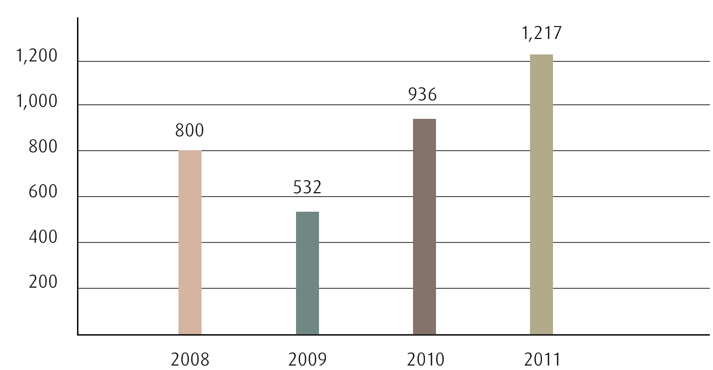
Gross turnover in rupees million



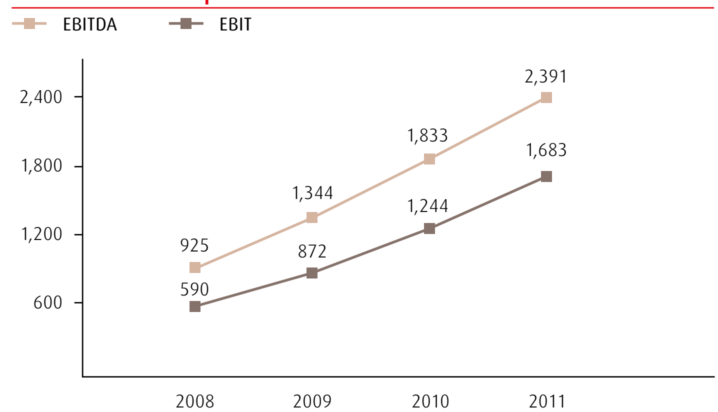
Gross turnover – by segment – in rupees million



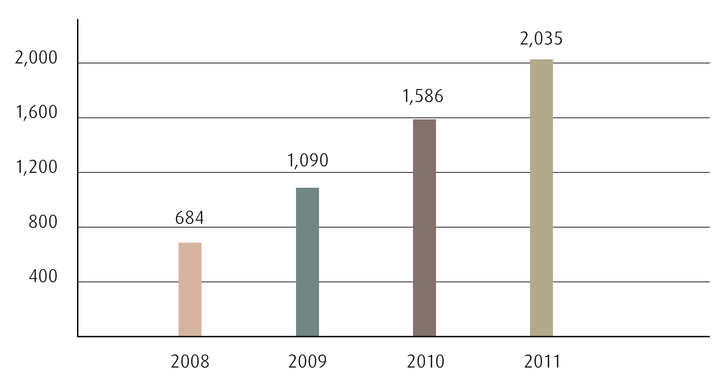
Profit after tax in rupees million



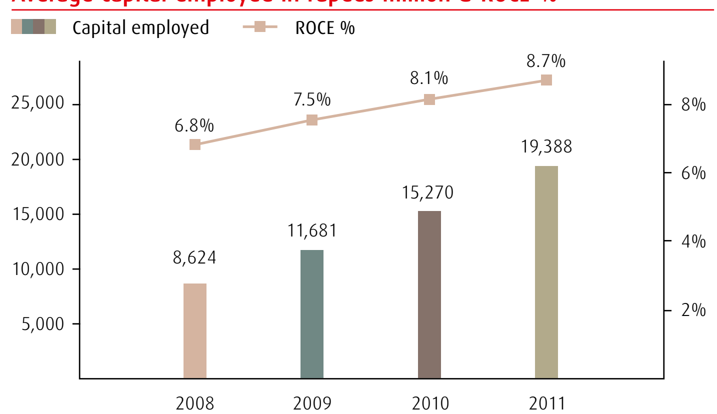
EBITDA & EBIT in rupees million



Cash generated from operations in rupees million



Average capital employed in rupees million & ROCE %



Board of Directors
Susim Mukul Datta, Chairman*
Sanjiv Lamba, Chairman**
Arun Balakrishnan
Jyotin Mehta
Aditya Narayan
Binod Patwari
Srikumar Menon, Managing Director

Asst. Vice President & Company Secretary
Pawan Marda

Auditors
BSR & Co.

Solicitors
Crawford Bayley & Co.
Khaitan & Co.

Bankers
ABN AMRO Bank N.V.
Citibank N.A.
ICICI Bank Ltd.
Punjab National Bank
Standard Chartered Bank
State Bank of India
United Bank of India

Audit Committee***
Jyotin Mehta, Chairman
Arun Balakrishnan
Sanjiv Lamba
Aditya Narayan

Shareholders'/Investors' Grievance Committee***
Aditya Narayan, Chairman
Jyotin Mehta
Srikumar Menon

Remuneration Committee***
Arun Balakrishnan, Chairman
Sanjiv Lamba
Jyotin Mehta

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Oxygen House
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Fax +91 33 2401-4206/8471

* Director and Chairman up to 9 February 2012.
** Appointed as Chairman on 9 February 2012.
*** Board Committees as reconstituted on 9 February 2012.

Directors' Report & Management Discussion and Analysis.

Directors' Report & Management Discussion and Analysis.

The Directors have pleasure in submitting their Report together with the Audited Accounts of your Company for the year ended 31 December 2011:

The results for the year and for the previous year are summarised below:

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Gross Sales	11,681.64	10,361.08
Operating Profit after depreciation, impairment and interest, but before exceptional items	1,748.50	1,295.70
Exceptional items (net)	–	–
Profit before tax	1,748.50	1,295.70
Provision for current and deferred tax	(531.93)	(359.38)
Profit after tax	1,216.57	936.32
Profit brought forward	2,856.34	2,116.02
Profit available for appropriation	4,072.91	3,052.34
Appropriations		
Proposed Dividend @ 15 % (Previous year @ 15 %) on 85,284,223 Equity Shares of Rs. 10 each, absorbing	127.93	127.93
Tax on Proposed Dividend	20.75	21.25
Transfer to General Reserve	60.83	46.82
Balance carried forward	3,863.40	2,856.34

Financial Performance

Your Company managed to sustain the momentum of growth achieved in 2010 and the turnover for the year ended 31 December 2011 at Rs. 11,681.64 million recorded an increase of nearly 13% compared to the previous year. Turnover from the gases business grew by nearly 17% driven mainly due to take over of three captive Air Separation Units from Tata Steel, higher billings in the tonnage business from commissioning of the VPSA plant for Owens Corning, higher volumes achieved in the bulk business on the back of ramp-up of 221 tpd merchant Air Separation Unit at Selaqui in North India and commissioning of the 418 tpd Air Separation Unit at Jajpur in the last quarter of 2011. Other drivers of growth for the Gases business were the higher volumes achieved by the healthcare and the packaged gases businesses, which were partly offset by lower sales of electronic gases. Project Engineering business recorded third party billings to the tune of Rs. 3,069.31 million during the year under review. The third party billings of the Division during the year were mainly driven on the back of execution of several large air separation unit projects, nitrogen VPSA plants and hydrogen PSA plants.

The Company achieved profit before interest and tax of Rs. 1,682.65 million for the year ended 31 December 2011, recording a significant increase in profit of about 35 % over the previous year. This increase in profits is driven by strong growth in Gases and Project Engineering businesses during the year, coupled with operating and other cost efficiencies. Besides, sale of land in Joka, write back of old liabilities and cost provisions no longer required also boosted the profits for the year. The net profit for the year 2011 amounted to Rs. 1,216.57 million recording a significant increase over the net profit of Rs. 936.32 million achieved in the previous year.

Dividend

Your directors are pleased to recommend a dividend of 15 % (Rs. 1.50 per equity share of Rs. 10 each) for the year 2011 in respect of 85,284,223 equity shares of Rs. 10 each in the Company. The Board has recommended this dividend after careful consideration of the matter with a view to balance the expectation of the shareholders and the need to conserve resources for financing the ongoing investment program towards setting up of new plants. The dividend together with dividend tax will result in a cash outlay of Rs.148.68 million. The Board has also recommended a transfer to General Reserve of Rs. 60.83 million (Previous Year Rs. 46.82 million) in compliance with the Companies (Transfer of Profits to Reserves) Rules, 1975.

Industry Developments

The gases business is capital intensive by nature as it requires large investments in setting up of air separation units. The supply chain in the gases business also requires significant investments in the form of distribution assets and storage networks to service bulk volumes at competitive prices as well as in cylinders to service relatively smaller volumes in packaged gases business, which includes special and electronic gases as well as gases in the healthcare business. The industry comprises of large captive users in steel, fertilizer and refinery sectors and a large number of merchant liquid customers primarily in metal, glass, automobile, petrochemicals and pharmaceutical sectors, besides customers for medical gases. New applications in segments like oil and gas, food freezing, refrigeration, fire suppression, solar photovoltaic, etc. continue to provide growth opportunities. This growth is being adequately supported by 'Build Own Operate' (BOO) type of supply scheme opportunities from the users mainly in steel and refinery sectors, which are increasingly outsourcing their gases requirements.

Business Segments

Your Company's business has two broad segments, viz. Gases and Related Products and Project Engineering in line with the operating model of its parent, Linde AG.

Gases and Related Products

The Gases and Related Products segment comprises of gases in bulk and packaged gases for industrial and healthcare segments and related products. Gases in bulk consist of liquid oxygen, nitrogen and argon and packaged gases consist of compressed industrial, medical, electronic and special gases.

The strategy of the tonnage and bulk business is to build and sustain market leadership through aggressive but selective growth. BOC India leverages cutting edge technology of The Linde Group to differentiate itself with the support of a world class team through disciplined execution. The Packaged Gases business focuses on our competitiveness through process simplification/standardization and portfolio optimization with relentless focus on costs.

The turnover of your Company's Gases business for the year under review grew by 18% compared to the previous year on the back of consistent demand from most of the end user industry segments. This growth was largely driven by the tonnage business with almost all tonnage plants of the Company operating at full capacity. The primary end user segments in the base business along with their brownfield expansions such as steel, glass, automobile, pharmaceutical, construction, fabrication, etc demonstrated sustained demand for gases. However, the greenfield investments especially in the automobile sector remained sluggish. Steel production by the steel majors was stable, driven by domestic and export demand inspite of rising cost of key inputs such as coal and iron ore. The commissioning of the VPSA plant for Owens Corning at Taloja during the first quarter and 418 tpd Air Separation Unit for Jindal Stainless at Jajpur during the last quarter boosted tonnage revenues during the year. Your Company has entered into a long term contract for supply of oxygen to J K Paper and would be setting up an onsite VPSA oxygen generator at the customer's works in Rayagada.

The Bulk business experienced a stretch in view of limited availability of product and your Company had to outsource gas from the market to cater to the merchant demand from customers, particularly during plant downtimes. The north India merchant Air Separation Unit, which ramped up well during the year performed satisfactorily.

The packaged gases business recorded revenue growth of about 9%. The Argon/Argon based gas mixtures business grew significantly over the previous year, driven mainly by automobile, stainless steel and ancillary industry segments. The healthcare business maintained the momentum of growth with revenues recording a satisfactory growth over the previous year on the back of higher volumes in liquid medical oxygen. The medical engineering services witnessed a significant growth arising from new orders for pipelines at large private and public sector hospitals. The electronic gases business serving the solar photovoltaic industry witnessed a significant slowdown as compared to last year. The photovoltaic market slowdown is a global phenomena and the Company would continue to monitor the outlook of solar photovoltaic business closely.

During the year under review, your Company completed acquisition of a merchant CO_2 business. This business has added CO_2 as a new product line and caters mainly to the beverage and engineering segments.

Your Company has set up application technology based sales organization for the gases business, which shall pursue opportunities in steel reheating furnaces, heat treatment, profile & laser cutting along with inerting/ blanketing applications in myriad industry segments ranging from metals/ non metals, pharmaceuticals, glass, petrochemicals to refinery. Your Company has registered its first breakthrough by clinching an oxy fuel conversion deal in steel sector (REBOX Application Technology).

Your Company's tonnage plants and packaged gases plants continued to perform well during the year under review. The Company's recently acquired 500 tpd ASU at Jamshedpur performed inconsistently and was under shutdown due to main air compressor motor failure. While the 1800 tpd plant's performance at Bellary showed improvement over the previous year, the plant operations were impacted briefly during the month of Oct. 2011 due to shortage of iron ore faced by the customer at Bellary. All these plants have since been operating satisfactorily. The north India merchant ASU showed significant improvement in terms of the plant loading.

Your Company's business in both its segments – Gases and Project Engineering is exposed to a variety of risks, which emanate from both internal and external sources. As a member of The Linde Group, the Company believes in taking entrepreneurial risks, which are reasonable and can be managed, so that it can exploit opportunities as they arise. As explained in the report on Corporate Governance, the Company has an adequate risk management system that takes care of identification, assessment and review of risks as well as their mitigation plans put in place by the risk owners. The risks dealt with by the Company during the year under review include risk of rising power cost, a key input in the gases industry, risk of plant outage, risk of continued inflationary trend in the economy adversely impacting margins, risk relating to retention of manpower, over dependence on certain key end user segment, slowdown in electronic gases, risk of major disruptions in the operations of a key customer, etc. Besides, risk of increasing competition with on going pricing pressures in the merchant business needs to be dealt with a sharp focus on cost and ability to differentiate product and service offerings. Since the Project Engineering Division of your Company is engaged in execution of various in house and third party projects, it has an inherent risk of time and cost overruns due to various reasons. Your Board of Directors provides oversight of the risk management process in the Company and reviews the progress of the action plans for each of the identified key risk on a quarterly basis.

The gases business involves transporting large volume of liquid products to long distances in transport tankers to customers spread across the country, which has its own challenges in terms of monitoring of timelines, transport safety, etc. In order to increase focus on this area, your Company had last year commissioned a national scheduling centre and fleet control room at Kolkata. The centre operates on 24X7 basis and monitors approximately 450 tankers and cylinder delivery vans on real time basis using GPRS technology. The centre supports the distribution, logistics and safety teams, which work tirelessly towards improving customer service, safe transportation and efficient distribution of the products by tankers and cylinder delivery vans. The fleet control room's monitoring of driver behaviour for our entire fleet, speed, driving hours/rest hours, harsh braking, etc round-the-clock and generation of MIS for the management has yielded fantastic results in areas of customer service, safety and productivity of the distribution resources. The team working at the National Scheduling Centre deals with nearly 600 customers for scheduling of their supplies and this planning and scheduling contributes to improvement in customer service and productivity of tankers.

Project Engineering

The Project Engineering segment comprises the business of designing, supply, installation and commissioning of tonnage Air Separation Units (ASU) of medium to large size, apart from projects relating to setting up of nitrogen plants, hydrogen Pressure Swing Adsorption (PSA) plants and gas distribution systems. The Project Engineering Division (PED) also manufactures cryogenic and non-cryogenic vessels for in-house use as well as for sale to third party customers.

The PED achieved a spectacular performance during 2011 clocking in revenue of Rs. 3,069.31 million from third party projects. This performance surpassed previous year's all time high revenue of Rs. 3,031.08 million achieved by PED and is therefore, the highest ever turnover recorded by the Division so far. The robust performance of PED was driven by execution of several projects relating to air separation units, nitrogen plants, Pressure Reducing Stations (PRS), cryogenic storage tanks and hydrogen PSA plants across refinery and steel industries both in public and private sector. In addition to the third party projects, the Division is also executing several in – house projects for the Gases business.

During the year, the Division successfully commissioned your Company's 418 tonnes per day Air Separation Unit in the Kalinganagar Industrial Complex, Jajpur, in the State of Orissa. The plant presently supplies gases to Jindal Stainless Ltd., an onsite customer pursuant to a long term contract entered into by the Company and will also undertake gas supplies to Visa Steel in the Kalinganagar cluster in the near future. The ASU also produces liquid products for meeting merchant demand in local markets.

The Division executed a number of third party projects and has commissioned several nitrogen plants during the year. Besides, the Division commissioned a large Compressed Air Station project at Bhilai Steel and is commissioning 2 x 750 tonnes per day ASU for IISCO, Burnpur. The Division is currently engaged in execution of several nitrogen plant projects, which are at different stages of execution including those for OPAL, Dahej and Brahamputra Cracker, Dibrugarh, BPCL Mumbai Refinery, etc.

The Division is currently engaged in the execution of record number of projects, which are progressing satisfactorily. These includes 600 tpd ASU for Bhusan Power & Steel, Rengali, 420 tpd ASU for Neelachal Ispat, 100 tpd ASU for Sesa Goa, 1000 tpd ASU for Bhusan Steel, Angul and two augmentation N2 plants for HPCL Mumbai and Vizag. The hydrogen PSA plant for HPCL Mittal Energy and Technip KT are ready for commissioning.

Notwithstanding the significant increase in the third party revenues, the Division continues to provide sharp focus to execution of in-house projects for the Gases Division and is currently executing several large ASU projects. Execution of country's largest ASU project of 2550 tonnes per day at Jamshedpur for supply of gases to Tata Steel is nearing completion. On completion, this will be the largest ASU in India and also the largest ASU of The Linde Group in South and East Asia. The Company's prestigious supply scheme project of 2 x 853 tonnes per day ASUs located at Rourkela Steel Plant and merchant ASU project at Taloja having 450 tpd of merchant products are also in advanced stages of completion.

In line with the Division's commitment to make its business more competitive, your Company has taken several initiatives in the year under review. Such initiatives include indigenous manufacture of erstwhile imported components like large electrical heaters, radial absorber vessels, large size aluminum distillation columns, etc. Besides, the Division has also taken initiative to manufacture medium size ASU columns, hydrogen PSA skid at its Plant Manufacturing Works at Kolkata. The year 2011 has been remarkable for PED as it has been able to mark its footprint outside India by winning three large export orders namely, 64 tpd Oxygen Plant for Ceylon Oxygen Ltd, Colombo, 2000 tpd Oxygen Plant for Linde Indonesia and 220 tpd Oxygen Plant for Abul Khair Steel Melting Ltd, Bangladesh . The progress of all these projects is satisfactory.

The Division's effective collaboration with Linde Engineering as their technology partner continues. This partnership has been successful in bidding and winning several prestigious projects and your Company expects further enhancement in the consortium activities in near future.

During the year, the Division bagged orders valuing about Rs. 4,100 million from third party projects and as on 31 December 2011, the total third party orders in hand were to the tune of approx. Rs. 6,400 million.

Finance

Cash generation from operations increased from Rs. 1,585.95 million in 2010 to Rs. 2,035.39 million during the year under review driven by higher operating profits and efficient working capital management.

As informed in the earlier year, your company had finalised two inter corporate loans aggregating to Euro 122 million (INR Rs. 8,380.30 million) through its parent company, Linde AG, meeting ECB (External Commercial Borrowing) guidelines. These borrowings had been made for financing of 2550 tpd ASU project of Tata Steel at Jamshedpur and 2X 853 tpd ASU project of Steel Authority of India's Rourkela Steel Plant. The Company has completed the draw down against the aforesaid loans in 2011 and the funds have been fully utilized towards financing of the respective projects.

Capital expenditure of Rs. 4,964.33 million during the year was mainly towards the setting up of ASUs for Tata Steel, Rourkela Steel Plant, Jindal Stainless, merchant ASU in Taloja and towards procurement of distribution resources.

Prescribed Particulars

The prescribed particulars required under Section 217 (1) (e) and 217 (2A) of the Companies Act, 1956, read with the Rules made there under as amended up to date are given by way of Annexure to this Report.

There were 8 employees who were employed throughout the year and were in receipt of remuneration aggregating to Rupees 6 million or more or were employed for part of the year and were in receipt of remuneration aggregating to Rupees 0.5 million per month or more during the year ended 31 December 2011. In accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 and the rules framed there under as amended, the names and other particulars of employees are set out in the annexure to the Directors' Report. However, in terms of the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Directors' Report is being sent to all the shareholders of the Company excluding the said information. The aforesaid statement is available for inspection by shareholders at the Registered Office of the Company during business hours on working days up to the date of the ensuing AGM. Any shareholder interested in obtaining a copy of the said information may write to the Company Secretary at the Registered Office of the Company.

Human Resources

The Human Resources function ensures the organization's cohesion on the basis of shared values and management principles. As a member of The Linde Group, your Company gets strong support from its parent in areas of recruitment, training and development, appraisal, compensation, talent retention, etc. Linde believes in thriving through diversity. In line with this core value of Linde, your Company has been consciously promoting diversity in its employee profile and their capabilities, which is a source of competitive advantage given the global footprint of The Linde Group.

Individual career management is supported by a dynamic job mobility policy and to a great extent decentralized ensuring personal attention to employees. Multi skilling and job rotation measures have been strengthened to support organization growth and meet employee expectations. This aims at identifying and supporting high potentials with strong business skills, with the required capabilities and the drive to work in a diverse and multi cultural organization.

One of the HR function's priorities has been to ensure employee development and growth. This is the purpose of talent management programme, which is based on dedicated training, leading to career development and cross functional and cross country exposure. During the year, the existing induction program was strengthened for all new employees, who joined the organization at various levels. There has been various training intervention aimed towards building capability in the workforce and developing managerial and leadership skills. Some of the key interventions were trainings on Cryoster pumps and Cryogenic equipments, First Line Manager's Programme, Second Line Manager's Programme, Linde Pro, etc. A robust Graduate Development Program was also launched this year.

The organization's compensation policy is in line with market and is based on principles of fairness and transparency. Compensation for work and performance is supported by various reward schemes which reflect a responsible vision of the organization's long term working relationships with its employees. The philosophy of employee recognition among others is promoted through the Country Excellence Award, Project Awards, Spot Awards, Long Service and Special Long Service Awards. Your Company believes that keen engagement and overall well being of the employees contribute to higher motivation and productivity. Therefore several Initiatives such as Fun at Work, CSR activities and Health Awareness Programs for employees across locations were taken during the year.

Your Company had manpower strength of 797 employees as on 31 December 2011. Successful negotiation and signing of union agreements on wages and terms of employment in Jamshedpur, West Bengal, Bangalore and Ahmadabad has helped the Company achieve higher productivity. Your Company continues to enjoy harmonious industrial relations at all its plants and offices across the country.

Safety, Health, Environment and Quality (SHEQ)

In the Linde Group, effective and comprehensive management of SHEQ issues is of utmost importance, more so, to its customers and employees. Safety is one of the foundation principles upon which the Linde Spirit is built. As a member of the Linde Group, your Company aims to continuously improve the quality of its products and services, at the same time focusing on highest standards of safety, health and environmental protection. In its endeavour towards becoming a truly high performance organization, the management ensures that the SHEQ rules and procedures are clearly defined, understood, respected and complied with by employees, contractors, supervisors and managers alike. Linde's Golden Rules of Safety have therefore been rolled out throughout the Company amongst all employees as well as contractors.

Your Company has made good progress with its SHEQ agenda during the year under review with the Gases Division achieving a significant milestone of 365 days of major incident free operations on 10th November 2011. This achievement demonstrates management's visible commitment to the SHEQ agenda.

The Safety agenda covering transport safety, general safety, process safety and behavioural safety have all shown improvement over the previous year. Your Company's policy of complete transparency in SHEQ and reporting of all accidents and incidents has yielded good results in identifying corrective actions, where required. The "Lessons from Incidents" (LFIs) of all major Incidents are circulated to prevent repeat of similar incidents.

As the gases business involves transportation of large volume of liquid products and cylinders to long distances, transport safety continued to remain an important focus area during the year. Your Company has risen to this challenge and the achievement of 365 days of major incident free operations in the gases business bears ample testimony to this commitment. The Company has completed installation of VTS (vehicle tracking system) in 100 % of its bulk and cylinder fleet and the Fleet Control Room has made significant contribution to safer driving and lesser transport related incidents. The Company's dedicated transport fleet travels long distances in a very challenging environment to deliver products to customers, thereby covering over 20 million kms in a year. The transport safety performance therefore merits a special word of appreciation.

Your Company also promotes various measures to improve the health management of its employees and contractors. To this end, various training & awareness initiatives and mitigation actions are taken up on areas such as manual handling, noise management, etc.

Protection of the environment is another important area of concern. Your Company fulfils this commitment by offering, safe and environmentally friendly products, setting up water recycling and rain harvesting facilities at many of its tonnage plant sites, monitoring waste generation, emission of green house gases, effluents, quality of air, etc at the plant sites.

As the production of gases is energy intensive, one of the challenges at the air separation units is the lowering of energy consumption per unit of production. The annexure to this report deals with several initiatives and investment plans to conserve energy and thereby contribute to environment protection. Additionally efficient scheduling of deliveries to the customers and optimization of routes of the transport tankers as well as cylinder delivery vans contribute to reduction in fuel consumption and the resultant emission. Your Company also has access to Linde's gases applications technology across almost all industry sectors, which can make the customers' processes more environment friendly whether by substituting materials, improving the efficiency of the combustion processes or by reducing emissions and waste.

Most of our key ASU sites have already been covered under ISO 14001:2004 accreditation while the other sites are in the process of acquiring the certification.

Security arrangements at the plant sites and offices have been reviewed to make them more effective and alert against all possible threats with a view to make our plants and work places safer.

Outlook

The year 2011 has been somewhat difficult for the Indian economy due to rising inflation, high interest rates, depreciating rupee and rising crude prices. Globally, the Eurozone debt crisis and geo political developments in the Middle East have been other causes of concern. The inflationary trends and the rising interest rates have made new investment less attractive and led to a general slowing down in the industry. As per advance estimates released by the Central Statistical Organisation, India's GDP growth is likely to fall to a three year low of 6.9 % due to slowdown in manufacturing, agriculture and mining sectors in the fiscal year 2011–12. In this backdrop, the RBI's decision to cut CRR by 50 basis points towards last week of January, 2012 is seen as a precursor to interest rate cuts later this year. India's macroeconomic fundamentals, continue to remain good and its domestic demand led model of economic growth is likely to sustain in the long term.

The steel industry in India continues to remain in growth mode and the ongoing capacity additions by the steel majors is expected to raise the country's existing installed capacity of about 75 million tonnes to about 100 million tonnes by 2013–14. The Government's long term vision of significantly increasing steel making capacity by 2020 augurs well for the future growth of the gases industry.

On the other hand, the growth in refining and petrochemicals sector in 2011 has been particularly slow. It is however expected that the future expansion plans of the refineries in the public sector will lead to outsourcing of hydrogen, syngas and nitrogen from industrial gas companies. The oil and gas and refinery sector is therefore also expected to offer supply scheme opportunities which will sustain high momentum of demand for gases in the years ahead albeit in a fiercely competitive environment, where all the global gas majors are present.

As a member of The Linde Group, BOC India is well poised to leverage the strengths of its parent, both in the gases and engineering segment to aggressively bid for large tonnage gas supply contracts apart from growing its bulk and packaged gases businesses and healthcare segment.

Internal Control Systems and their adequacy

Your Company has an adequate system of internal control commensurate with the size and the nature of its business, which ensures that transactions are recorded, authorised and reported correctly apart from safeguarding its assets against loss from wastage, unauthorised use and removal.

The internal control system is supplemented by documented policies, guidelines and procedures. The Company's Internal Audit Department continuously monitors the effectiveness of the internal controls with a view to provide to the Audit Committee and the Board of Directors an independent, objective and reasonable assurance of the adequacy of the organization's internal controls and risk management procedures. The Internal Audit function submits detailed reports periodically to the management and the Audit Committee. The Audit Committee reviews these reports with the executive management with a view to provide oversight of the internal control systems. The Company reviews its policies, guidelines and procedures of internal control on an ongoing basis in view of the ever changing business environment.

Your Company's statutory auditors have, in their report, confirmed the adequacy of the internal control procedures.

Corporate Governance

As a member of The Linde Group, your Company recognises the importance of good corporate governance. Your Company is therefore, committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment, the Board of Directors supports high standards in corporate governance. It is the endeavour of the Board and the executive management of your Company to ensure that their actions are always based on principles of responsible corporate management. In The Linde Group, corporate governance is seen as an ongoing process. Your Company's Board will therefore closely follow future developments in the governance norms and will take lead in ensuring compliance with the same. A separate report on Corporate Governance along with the certificate of the Auditors, BSR & Co., confirming compliance of the conditions of corporate governance, as stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchanges is annexed.

Responsibility Statement

As required by Section 217 (2AA) of the Companies Act, 1956, the Directors state and confirm:

That in preparation of the annual accounts for the year ended 31 December 2011, applicable accounting standards had been followed along with proper explanations relating to material departures, if any.

That they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the aforesaid financial year and of the profit or loss of the Company for that period.

That they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities.

That they had prepared the aforesaid annual accounts on a going concern basis.

Directors

During the year, Mr Arun Balakrishnan was appointed as an additional non-executive independent director of the Company at its meeting held on 18 October 2011. Subsequently, at the Board meeting held on 9 February 2012, Mr Aditya Narayan was appointed as an additional non-executive independent director of the Company. Both Mr Balakrishnan and Mr Narayan hold office as Additional Directors under Article 92 of the Articles of Association of the Company till the ensuing Annual General Meeting and it is proposed to appoint them as Directors of the Company at the said meeting. Mr Jyotin Mehta, non-executive independent director of the Company retires by rotation at the ensuing Annual General Meeting and offers himself for re-election.

Necessary resolution for appointment of Mr Arun Balakrishnan and Mr Aditya Narayan as Directors of the Company and for re-appointment of Mr Jyotin Mehta as a Director of the Company is included in the Notice of the ensuing Annual General Meeting. The Board recommends the said resolutions for your approval.

At the meeting of the Board of Directors of the Company held on 9 February 2012, your Board had to regretfully accept Mr Susim Mukul Datta's resignation as a Director and Chairman of the Board of your Company with effect from the conclusion of that meeting. Mr Datta joined the Board of your Company in the year 1996 and soon took over as the Chairman of the Audit Committee in the year 1997. Mr Datta was later also inducted in the Remuneration Committee and Shareholders'/Investors' Grievance Committee of the Board and was elected Chairman of the Board in the year 2007. During his tenure as a Director, including as Chairman of the Audit Committee and the Board, the Company's Board as well its Audit, Remuneration and the Shareholders' Grievance Committees have benefited immensely from his wise counsel and advice. Your Directors therefore, place on record their most sincere appreciation of the immense contribution made by Mr Datta to the deliberations of the Board as well as in upholding high standards of corporate governance.

In view of the above, your Board unanimously elected Mr Sanjiv Lamba, a non-executive director of BOC India as the Chairman of the Board of Directors of the Company with effect from conclusion of the Board meeting held on 9 February 2012. Mr Lamba represents The Linde Group, the promoters of the Company and is a member of the Executive Board of Linde AG and is presently responsible for the Group's operations in its Regional Business Units of Asia Pacific and Greater China.

Cost Audit

The Central Government's directions vide their Order dated 10 August 2000 pursuant to Section 233B of the Companies Act, 1956, requires audit of the cost accounting records of the Company relating to Industrial Gases, for every financial year. Messrs S. Gupta & Co., a firm of Cost Accountants in Kolkata conducted this audit for the Company's financial year ended 31 December 2010. As per The Companies (Cost Audit Report) Rules, 2011, the due date for forwarding this report to the Central Government was 30 June 2011 and the Cost Auditors filed their reports with the Central Government on 25 June 2011. The Cost Auditors' appointment for the financial year 2011 was considered by the Board of Directors on the recommendation of the Audit Committee and necessary application for approval of the appointment of the cost auditor had been filed with the Central Government. The Company has subsequently received the approval of the Ministry of Corporate Affairs in the Central Government for appointment of M/s. S. Gupta & Co. as Cost Auditors for auditing the cost accounts relating to industrial gases for the financial year ended 31 December 2011. The Cost Auditors would take up their audit as soon as possible and would submit their report for the financial year ended 31 December 2011 within the due date.

Auditors

Messrs BSR & Co., Chartered Accountants, Auditors of the Company retires, and being eligible, offers them for re-appointment. The Company has obtained a written consent from Messrs BSR & Co. to the effect that their re-appointment if made, will be within the limits specified under Section 224 (1B) of the Companies Act, 1956.

Disclaimer

Certain statements in this report relating to Company's objectives, projections, outlook, expectations, estimates, etc may be forward looking statements within the meaning of applicable laws and regulations. Although the Company believes that the expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, actual results or performance could differ materially from such expectations, projections, etc whether express or implied as a result of among other factors, changes in economic conditions affecting demand and supply, success of business and operating initiatives and restructuring objectives, change in regulatory environment, other government actions including taxation, natural phenomena such as floods and earthquakes, customer strategies, etc over which the Company does not have any direct control.

On Behalf of the Board

S Lamba
Chairman

S Menon
Managing Director

Annexure to Directors' Report.

INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 ('THE RULES') AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

- (i) Energy Audit carried out in Bellary and Selaqui tonnage plants.
- (ii) Reduction of liquid nitrogen separator pressure in Bellary tonnage plant resulting in reduced losses and more efficient plant operation.
- (iii) Installation of HT capacitor bank in Hyderabad plant to improve power factor.
- (iv) Replacement of Intercooler of MAC in Hyderabad plant, which has reduced the compressor power.
- (v) Recommissioning including overhauling of HT motor of 500 tpd IGP plant at Jamshedpur resulting in higher plant efficiency.

(b) Additional Investments and Proposals:

- (i) Investment planned for more efficient plant operation through Remote Operation Center (ROC) by centralized team of experts.
- (ii) Major investment planned towards turn around maintenance of 1290 tpd plant at Jamshedpur for improving efficiency of plant operations.
- (iii) Investment planned for Installation of ABT meter in Hyderabad for getting power through open access.

(c) Impact of above measures on energy consumption and cost of production:

The above measures will have a positive impact on the electrical power usage and will lead to significant reduction in specific power usage per unit of output.

(d) Energy conservation in respect of specified industries:

Not applicable

B. TECHNOLOGY ABSORPTION

(e) As per Form-B of the Rules

I Research & Development (R&D)

1 Areas in which R&D carried out:

- (i) On-going development of shielding gases for quality welding in automobile and fabrication industry has been continued.
- (ii) Customer specific composition of Deuterium-Nitrogen mixture for high quality fibre optics has been continued with.

2 Benefits:

- (i) Improved quality.
- (ii) Product quality improvement.

3 Future plan of action:

- (i) Continue to develop new varieties of shielding gases to meet specific need of the market.
- (ii) As a member of The Linde Group, the Company has access to various Research & Development carried out by the Group globally. In view of this, the R&D activities of the Company are restricted to specific local requirements.

4 Expenditure on R&D:

(a) Capital	Rs. Nil
(b) Recurring	Rs. 1.90 million
(c) Total	Rs. 1.90 million
(d) Total R&D expenditure as a percentage of total turnover	0.02%

II Technology Absorption, Adaptation and Innovation

1 Efforts made:

1. Significant growth in supply of bulk liquid helium in ISO containers to optic fibre customer in Aurangabad. This system has been designed, installed and run by the Company to meet the customer specific requirement for manufacture of optic fibre cables.
2. Designing, installation, commissioning and supply of electronic and special gases at Solar cell manufacturing customer sites in Solar Photovoltaic industry has been continued.
3. High pressure state of the art helium debulking centre is under commissioning at Taloja with a view to enter growing helium market.

2 Benefits derived:

1. Gaining of significant market share in helium business.
2. Participating in the growth, development and usage of solar energy, one of the clean forms of renewable energy.
3. Gaining of significant share in the helium merchant market.

3 Technology Imported: Nil

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(f) Activities relating to exports, initiatives taken to increase exports, etc and export plans:

During the year, about 0.89 % of our revenues was derived from exports. The exports mainly included supply of electronic gases and related equipment to Solar Photovolatic customers in Special Economic Zone, revenue from Project Engineering Division's export orders from Sri Lanka and Indonesia and supply of liquid argon and liquid oxygen to customers in Bangladesh. The Company's strategy is to grow revenues from export orders in the Project Engineering business and look for export opportunities of liquid argon in short to medium term.

(g) Total Foreign exchange used and earned:

Total Foreign exchange used during the year was Rs. 2,127.28 million and total foreign exchange earned during the year was Rs. 143.29 million, which included Rs. 104.50 million from exports.

Corporate Governance.

Report on Corporate Governance.

In accordance with Clause 49 of the Listing Agreement entered into with the Stock Exchanges in India, the details of compliance by the Company with the norms on Corporate Governance are as under:

Company's philosophy on Corporate Governance

BOC India Limited believes in good corporate governance and continuously endeavours to improve focus on it by increasing transparency and accountability to its shareholders in particular and other stakeholders in general. The Company undertakes to behave responsibly towards its shareholders, business partners, employees, society and the environment. As a member of The Linde Group, the Company is committed to business integrity, high ethical values and professionalism in all its activities.

Board of Directors (Board)

Composition of the Board as on 31 December 2011
BOC India's Board has an appropriate mix of Executive and Non-Executive Directors. The Non-Executive Directors including Independent Directors impart balance to the Board and bring independent judgment in its deliberations and decisions. As on 31 December 2011, the Board of BOC India comprised of 6 Directors, detail whereof is given below:

- A Non-Executive Independent Chairman;
- Two Non-Executive Independent Directors;
- Two Non-Executive Directors representing The Linde Group; and
- One Executive Director.

The composition of the Board is in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

Board Meetings

During the year ended 31 December 2011, four Board meetings were held on 25 February 2011, 25 April 2011, 18 July 2011 and 18 October 2011. The gap between any two consecutive meetings did not exceed four months.

Board Agenda

The meetings of the Board are governed by a structured agenda. The Board members in consultation with the Chairman may bring up other matters for consideration at the Board meetings.

Information placed before the Board

Necessary information as required under the statute and as per the guidelines on Corporate Governance are placed before and reviewed by the Board from time to time.

Attendance of Directors at the Board Meetings of the Company held during the year ended 31 December 2011 and the last Annual General Meeting (AGM), Number of Other Directorship(s) and Other Board Committee Membership(s) held as on 31 December 2011

Name of Director	Category of Directorship	No. of Board meetings attended	Attendance at the last AGM	No. of other directorship(s)*	Other Board Committee membership(s)/ chairmanship(s)**
Mr S M Datta	(Chairman) Non-Executive Independent Director	4	Yes	14	8 (including 3 as Chairman)
Mr A Balakrishnan*****	Non-Executive Independent Director	1	N.A.	7	5
Mr J Mehta	Non-Executive Independent Director	4	Yes	1	1
Dr J J Irani****	Non-Executive Independent Director	2	No	N.A.	N.A.
Mr S Lamba***	Non-Executive Director	3	Yes	–	–
Mr B Patwari***	Non-Executive Director	3	Yes	–	–
Mr S Menon	(Managing Director) Executive Director	4	Yes	–	–

* Excludes directorships in Indian private limited companies, foreign companies, companies under Section 25 of the Companies Act, 1956 and Alternate Directorships.
** Represents memberships of Audit Committee and Shareholders'/Investors' Grievance Committee.
*** Director representing The Linde Group.
**** Dr J J Irani ceased to be a Director of the Company w.e.f. 2 June 2011.
***** Mr A Balakrishnan was appointed as an Additional Director of the Company at the Board Meeting held on 18 October 2011.

Code of Conduct

As a member of The Linde Group, the Company had earlier adopted Linde's Code of Ethics as the Code of Conduct for all its employees including its wholetime directors. Linde's Code of Ethics anchors ethical and legal behaviour within the organisation. A brief Code of Conduct was earlier adopted by the Board of Directors as the Code applicable to the Non-Executive Directors of the Company. The aforesaid Codes are available on the Company's website. All Directors and senior management personnel of the Company as on 31 December 2011 have individually affirmed their compliance with the applicable Code of Conduct. A declaration signed by the Managing Director (CEO) to this effect is enclosed at the end of this report.

The Company has a Code of Conduct for prevention of insider trading in its shares which applies to all its Directors and designated employees.

Risk Management

The Company had originally developed a risk management framework in the year 2006. During the year 2008, the Risk Management Services of The Linde Group further reviewed and refreshed the risks, when fresh risks were identified, assessed and scoped in qualitative and quantitative terms. These risks were thereafter assigned to various risk owners within the Company and appropriate mitigation plans were put in place in respect of the identified key risks. Subsequently, with a view to strengthen the risk management system in the Company, a process for identification, assessment and review of new risks by the executive management was implemented so that such risks are identified, assessed and reviewed on an ongoing basis and necessary mitigation plans are put in place in respect of these risks. The Board provides oversight of the risk management process followed by the Company and reviews the progress of the action plan for each risk on a quarterly basis.

CEO/CFO Certification

The Managing Director (CEO) and the Head - Finance & Control (CFO) of the Company have certified to the Board that all the requirements of Clause 49 (V) of the Listing Agreement, inter alia, dealing with the review of financial statements and cash flow statement for the year ended 31 December 2011, transactions entered into by the Company during the said year, their responsibility for establishing and maintaining internal control systems for financial reporting and evaluation of the effectiveness of the internal control system and making of necessary disclosures to the Auditors and the Audit Committee have been duly complied with.

Committees of the Board

There are presently three committees of the Board of Directors – Audit Committee, Remuneration Committee and Shareholders'/Investors' Grievance Committee.

The minutes of all Board and Committee meetings are placed before the Board and noted by the Directors at the Board meetings. The role and composition of Audit Committee, Remuneration Committee, Shareholders'/ Investors' Grievance Committee including the number of meetings held during the year ended 31 December 2011 and the related attendance are as follows:

Audit Committee

The Audit Committee of the Company was constituted in the year 1988. The present terms of reference of the Audit Committee includes the powers as laid out in Clause 49 (II) (C) and role as stipulated in Clause 49 (II) (D) of the Listing Agreement with the Stock Exchanges. The Audit Committee also reviews information as per the requirement of Clause 49 (II) (E) of the Listing Agreement.

The Audit Committee also complies with the relevant provisions of the Companies Act, 1956.

Terms of Reference

The brief description of the terms of reference of the Audit Committee in line with the Clause 49 of the Listing Agreement is:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommend to the Board the appointment/removal of statutory auditors, nature and scope of audit, fixation of audit fee and payment for any other services rendered by the statutory/external auditors.
- Review with the management, quarterly and annual financial statements before submission to the Board.
- Review with the management, performance of statutory and internal auditors.
- Review of the adequacy and effectiveness of Internal Audit function, the internal control system of the Company, structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors on any significant findings and follow up thereon including reviewing the findings of internal investigations, if any.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- And, generally all items listed in Clause 49 (II) (D) of the Listing Agreement.

The Audit Committee may also review such matters as considered appropriate by it or referred to it by the Board.

Composition

The composition of the Audit Committee is in accordance with the requirement of Clause 49 (II) (A) of the Listing Agreement. As on 31 December 2011, the Committee comprised of three Non-Executive Directors, two of whom, including the Chairman of the Committee were Independent Directors. Mr S M Datta (Chairman of the Committee), Mr S Lamba and Mr J Mehta were the Members of the Committee as on 31 December 2011. As per the requirement of Clause 49 of the Listing Agreement, all members of the Audit Committee are financially literate with at least one member having expertise in accounting or related financial management. The Chairman of the Audit Committee attended the previous Annual General Meeting held on 2 June 2011.

The Managing Director, Head – Finance & Control and Head- Internal Audit are permanent invitees in all meetings of the Committee. The Statutory Auditors of the Company are invited to attend the Audit Committee meetings. The Cost Auditors are also invited to the meeting(s) for discussion on Cost Audit Report and for other related matters, if any. The Company Secretary acts as the Secretary to the Committee.

Meetings and Attendance during the year

Four meetings of the Audit Committee were held during the year ended 31 December 2011. The meetings were held on 25 February 2011, 25 April 2011, 18 July 2011 and 18 October 2011. The gap between any two consecutive meetings did not exceed four months. The attendance of the Members at these meetings was as follows:

Name of the Director	No. of meetings held during tenure	No. of meetings attended
Mr S M Datta	4	4
Dr J J Irani*	2	2
Mr S Lamba	4	3
Mr J Mehta	4	4

* Ceased to be a Director w.e.f. 2 June 2011.

Remuneration Committee

The Remuneration Committee of the Board was constituted in the financial year 2002–03. The Committee is responsible for recommending to the Board the remuneration package of Managing/Wholetime Directors including their annual increments, variable compensation pay under the Linde Group's Short Term, Mid Term and Long term Incentive Plan etc. after reviewing their performance.

Composition

As on 31 December 2011, the Committee comprised of three Non-Executive Directors, two of whom were Independent Directors. Mr S M Datta, Mr J Mehta and Mr S Lamba were the Members of the Committee as on 31 December 2011. During the year, Dr J J Irani, the Chairman of the Committee retired from the Board at the 75th Annual General Meeting held on 2 June 2011 and thus ceased to be a Member of the Committee.

Attendance

During the year ended 31 December 2011, two meetings of the Committee were held on 25 April 2011 and 18 October 2011. The attendance of the Members at these meetings was as follows:

Name of the Director	No. of meetings held during tenure	No. of meetings attended
Mr S M Datta	2	2
Dr J J Irani*	1	1
Mr S Lamba	2	1
Mr J Mehta**	1	1

* Ceased to be a Director w.e.f. 2 June 2011.
** Inducted as a Member of the Committee in the Board Meeting held on 18 October 2011.

Remuneration Policy

Payment of remuneration to the Executive/Wholetime Directors is governed by the terms and conditions of their appointment as recommended by the Remuneration Committee and approved by the Board subject to the approval of the Shareholders and the Central Government, where applicable. The remuneration structure comprises basic salary, perquisites and allowances, variable compensation pay under the Linde Group's Short Term, Mid Term and Long term Incentive Plan and contribution to provident, superannuation and gratuity funds.

The Non-Executive Directors, other than the Directors representing The Linde Group are paid a sum of Rs.15,000 as sitting fees for attending each meeting of the Board and Audit Committee and a sum of Rs. 8,000 as sitting fees for attending other Committee meetings of the Board. Remuneration of Non-Executive Directors, other than the Directors representing The Linde Group, by way of commission is determined by the Board in terms of approval accorded by the Shareholders.

Details of Remuneration to Executive / Wholetime Directors

Details of remuneration to Executive / Wholetime Directors during the year ended 31 December 2011 [Refer Note (x) of Schedule 18 of the Accounts] are given below:

in rupees

Name of Director	Salary and Allowances	Variable Compensation Pay	Contribution to Provident and other Funds	Perquisites/Other Benefits	Total
Mr S Menon, Managing Director	6,955,636	4,613,122	1,204,326	2,250,031	15,023,115

The Agreement entered into with the Managing Director is for a period of 3 years from the date of his re-appointment and can be terminated by either party by giving not less than six months notice in writing. The Agreement does not provide for payment of any severance fees. Presently, the Company does not have a scheme for grant of stock options to its employees.

Details of Remuneration to Non-Executive Directors

Details of remuneration to the Non-Executive Directors during the year ended 31 December 2011 are given below:

in rupees

Name of Director	Sitting Fees	Commission*
Mr A Balakrishnan	15,000	100,000
Mr S M Datta	144,000	1,700,000
Dr J J Irani	68,000	350,000
Mr J Mehta	136,000	700,000

* Payable to Directors after approval of the audited accounts at the AGM.

In accordance with the approval of the Shareholders in the Annual General Meeting held on 26 July 2006, the payment of commission to Non-Executive Directors, other than the Directors representing The Linde Group has been determined by the Board, which is well within the ceiling of 1% of net profits of the Company for the year ended 31 December 2011 as computed under applicable provisions of the Companies Act, 1956. The allocation of the commission amongst the eligible Non-Executive Independent Directors has been decided by the Board with each interested director present not participating in the deliberations in respect of his own commission.

Other than above, the Non-Executive Directors do not have any other pecuniary relationship or transactions with the Company.

The details of shares/convertible instruments held by the Non-Executive Director(s) of the Company as on 31 December 2011 are as follows:

Name of the Director	Number of Equity Shares	No. of convertible Instruments
Mr S Lamba	400	N.A.

Shareholders'/ Investors' Grievance Committee

The Committee oversees redressal of complaints and grievances of the shareholders/investors and quarterly reports on reconciliation of share capital audit as well as compliance with other related guidelines of Securities and Exchange Board of India.

Composition

As on 31 December 2011, the Shareholders'/Investors' Grievance Committee comprised of three Directors – two Non-Executive Independent Directors, viz. Mr S M Datta and Mr J Mehta and Mr S Menon, Managing Director of the Company.

The members present at the meeting elected one of the Non-Executive Independent Directors to act as the Chairman. The Company Secretary acts as the Secretary to the Committee.

During the year ended 31 December 2011, the Committee met once on 18 July 2011. The attendance of the Members at the meeting was as follows:

Name of the Director	No. of meetings held during tenure	No. of meetings attended
Mr S M Datta*	1	1
Mr J Mehta	1	1
Mr S Menon	1	1

* Elected to chair the meeting.

The Board of Directors has delegated the power of approving the share transfers, transmission etc. to the Managing Director and Company Secretary of the Company for expediting these processes. The Committee of Delegates meets once in a fortnight to dispose of all matters relating to share transfers, transmission, etc.

Compliance Officer

The Board of Directors has designated Mr Pawan Marda, Asst. Vice President and Company Secretary of the Company as the Compliance Officer.

Shareholders' Complaints

During the year ended 31 December 2011, the Company received 6 complaints from the shareholders/investors. As on 31 December 2011, no complaint was pending. It is the endeavour of the Company to attend to shareholders'/investors' complaints and other correspondence within a period of 15 days except where constrained by disputes or legal impediments.

Pending Share Transfers & Dematerialisation Requests

The Company's shares are required to be compulsorily traded in electronic form and as such the Company receives few transfers in physical form. During the year ended 31 December 2011, the Company processed 13,504 shares for transfer. As on 31 December 2011, 680 shares received in the second fortnight of December 2011 were pending for transfer, which have been transferred on 12 January 2012. A total of 5 dematerialisation requests covering 621 equity shares received in the second half of December 2011 were pending as on 31 December 2011, which have been processed/ confirmed on 10 January 2012.

General Body Meetings

A. Location and time for last three Annual General Meetings (AGM):

Financial Year	Date of AGM	Venue	Time	No. of Special Resolution(s) passed
Year ended 31 December 2010	2 June 2011	Kala Mandir, Kolkata	10.00 a.m.	None
Year ended 31 December 2009	24 May 2010	Kala Mandir, Kolkata	3.00 p.m.	None
Year ended 31 December 2008	28 May 2009	Kala Mandir, Kolkata	3.00 p.m.	None

B. None of the businesses proposed to be transacted at the ensuing Annual General Meeting require passing a resolution through Postal Ballot. The Company will seek Shareholders' approval through postal ballot in respect of resolutions relating to such businesses as are prescribed in the Companies (Passing of Resolution by Postal Ballot) Rules, 2011, as and when the occasion arises.

C. Information about Directors proposed to be appointed/re-appointed as required under Clause 49 (IV) (G) of the Listing Agreement with the Stock Exchanges is furnished under Note 10 of the Notice of the ensuing Annual General Meeting.

Disclosures

- Materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large:
  None of the transactions with any of the related parties were in conflict with the interests of the Company. However, the related party relationship and transactions given under Note (xxiii) of Schedule 18 of the audited accounts for the year ended 31 December 2011 may be referred.

- Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to the capital markets, during the last three years:
  No penalties or strictures have been imposed by any regulatory authority on any matter related to capital markets during the last three years.

- Material non-listed subsidiary companies as defined in Clause 49 of the Listing Agreement with Stock Exchanges:
  None.

- Inter se relationships between Directors of the Company:
  None.

- Whistle Blower Policy and affirmation that no personnel has been denied access to the audit committee:
  The Linde Group's Code of Ethics encourages all employees who have concerns about their work or the business of the Company, to discuss these issues with their line managers. The employees also have free access to Human Resource, Internal Audit and Legal Services Departments for resolving their concerns.

- ## Non Mandatory Requirements

  The Company complies with the following non-mandatory requirements:

  Chairman's Office
  During the year ended 31 December 2011, the Company maintained office of the non-executive Chairman and paid/reimbursed expenses incurred by him in performance of his duties.

  Tenure of Independent Directors
  No specific tenure has been specified for the Independent Directors. However, none of the Independent Directors on the Board has served for a tenure exceeding 9 years from the date when the revised Clause 49 became effective.

  Remuneration Committee
  The Company has a Remuneration Committee of the Board. The details of the Remuneration Committee have been covered elsewhere in the report.

  Audit Qualifications
  There are no qualifications in the Auditors' Report to the Members on the financial statements for the year ended 31 December 2011.

  Training of Board Members
  Presentations are made by the Managing Director giving an overview of Company's operations to familiarise the new Non-Executive Directors with the operations and business model of the Company. The Non-Executive Directors are also apprised of industry developments and new initiatives, risk framework and management strategy of the Company as well as important changes in applicable legislation, enactment, guidelines, accounting standards, etc. to enable them to take informed decisions.

  Shareholders' Rights
  The quarterly, half yearly and annual financial results of the Company are published in leading newspapers and are also posted on the Company's website. Significant press releases are also posted on the website in the Media Release section under BOC News. The complete Annual Report is sent to every shareholder of the Company.

  Other Non Mandatory Requirements
  The Company would implement other non-mandatory requirements in due course as and when required and/or deemed necessary by the Board.

Means of Communication

- The unaudited quarterly financial results in respect of the first three quarters of the financial year were approved, taken on record and submitted to the Stock Exchanges along with "limited review report" within forty five days of the close of the relevant quarter. Audited financial results in respect of the last quarter were submitted to the Stock Exchanges along with the results of the entire financial year with a note stating that the figures for the quarter ended 31 December 2011 were published as balancing figures between audited figures in respect of the full financial year and the published year to date figures upto 30 September 2011. Such results were thereafter sent to the Stock Exchanges in the proforma prescribed under the Listing Agreement and also published in prominent business dailies in English and a regional newspaper published in Bengali.

- The Company also issues official press releases to the print media. The BOC News section in the Company's website includes all major press releases made by the Company.

- The Company has its own website "www.boc-india.com", where information about the Company, extracts of the last three audited Balance Sheets and Profit & Loss Accounts, quarterly and annual audited financial results, distribution of shareholding at the end of the each quarter, official press releases etc. are displayed and regularly updated.

- Management Discussion and Analysis is a part of the Directors' Report.
- The Company has not made any presentation to institutional investors/ analysts during the year.

- The Company has an exclusive section on "Investor Relations" in its website "www.boc-india.com" for the purpose of giving necessary information to the Shareholders on various matters such as transfer, transmission, dematerialisation and rematerialisation of shares, issue of duplicate share certificates, nomination facility, use of electronic clearing service for payment of dividend, green initiative, etc. These information, procedures, formats, etc. are available on the aforesaid website in downloadable formats as a measure of added convenience to the investors.

General shareholder information

Date, time & venue of the Annual General Meeting		17 May 2012 at 3.00 p.m. at Kala Mandir Auditorium 48, Shakespeare Sarani, Kolkata 700 017
	I. Financial year	January 2012 to December 2012
	II. First Quarter Results	23 April 2012
	III. Second Quarter and Half yearly Results	19 July 2012
	IV. Third Quarter Results	18 October 2012
Financial Calendar 2012 (tentative and subject to change)	V. Audited Annual Results	February 2013
Book Closure Period	8 May 2012 to 17 May 2012 (both days inclusive)	
Dividend Payment Date	On or after 22 May 2012	
Listing on Stock Exchanges	a) The Calcutta Stock Exchange Ltd., 7 Lyons Range, Kolkata 700 001	
	b) Bombay Stock Exchange Ltd., P. J. Towers, Dalal Street, Mumbai 400 001	
	c) National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Bandra Kurla Complex, Bandra (East), Mumbai 400 051	
Annual Listing Fees have been paid to all these stock exchanges for the year 2011–12.		
Stock Code	a) The Calcutta Stock Exchange Ltd., Physical: 16; Demat: 10000016	
	b) Bombay Stock Exchange Ltd., Physical: 23457; Demat: 523457	
	c) National Stock Exchange of India Ltd., Symbol: BOC	

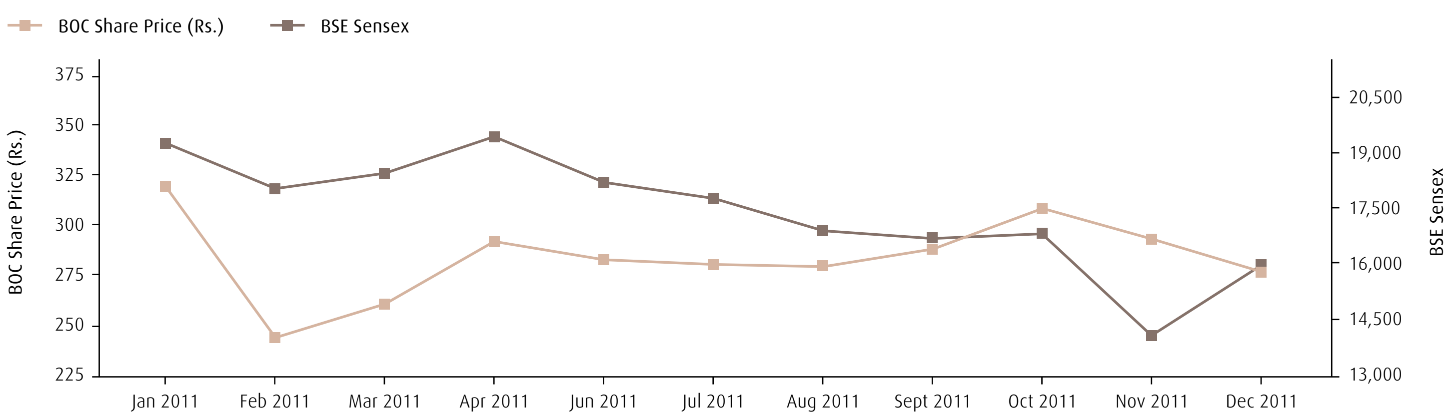
Stock Market Price Data

Monthly high and low quotations and volume of shares traded on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) during the year ended 31 December 2011.

Month			BSE			NSE
in rupees	High	Low	Volume of shares traded	High	Low	Volume of shares traded
January 2011	366.40	237.50	2,473,891	365.00	255.05	3,717,487
February 2011	269.90	222.00	278,056	270.00	224.00	500,478
March 2011	315.00	241.05	391,202	290.00	242.00	486,813
April 2011	325.00	287.10	338,148	325.00	285.10	508,769
May 2011	313.00	270.00	126,638	312.45	276.25	130,049
June 2011	307.00	272.10	212,364	307.30	271.05	298,836
July 2011	316.00	274.05	342,827	316.00	273.00	631,099
August 2011	307.50	262.15	133,542	309.90	248.35	203,050
September 2011	314.70	265.00	235,554	314.50	269.15	325,267
October 2011	322.00	295.00	164,329	324.00	295.00	257,531
November 2011	315.95	274.20	64,143	316.00	275.00	82,797
December 2011	294.60	265.00	39,986	295.00	263.20	85,338

During the year, there were no transactions in the shares of the Company on the Calcutta Stock Exchange.

Performance of the Company's shares to broad based indices such as BSE Sensex
BOC Share Price vs. BSE Sensex (Average Monthly Closing)



Registrar and Transfer Agents	Link Intime India Pvt. Ltd., (Formerly "Intime Spectrum Registry Ltd.") 59C, Chowringhee Road, 3rd Floor, Kolkata 700 020, India Phone : +91 33 2289-0540; Fax : +91 33 2289-0539, kolkata@linkintime.co.in
Share Transfer System	Share transfers in physical form should be lodged at the office of the Registrar and Transfer Agents, Link Intime India Pvt. Ltd., Kolkata at the address given above or at the Registered Office of the Company. All share transfers are normally processed within 15 days of lodgment thereof and are approved by the Committee of Managing Director and Company Secretary, who have been delegated this power by the Board of Directors for expediting these processes. The Committee of Delegates meets once in a fortnight to dispose of all matters relating to transfers, transmission etc. Dematerialisation of shares is processed normally within a period of 10 days from the date of receipt of the Demat Request Form.
Dematerialisation of shares and Liquidity	The Company's shares are compulsorily required to be traded in electronic form and are available for trading in the depository systems of both National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The International Securities Identification Number (ISIN) of the Company, as allotted by NSDL and CDSL, is INE 473A01011. As on 31 December 2011, a total of 83,999.481 equity shares of the Company constituting 98.49 % of the total Subscribed and Paid up Share Capital stand dematerialised.

Distribution of shareholding as on 31 December 2011

Number of Shares Slab	Number of Shareholders	% of Shareholders	Number of Shares held	% of Shares held
1–50	7,432	36.50	159,536	0.19
51–100	3,876	19.03	348,326	0.41
101–250	3,908	19.19	694,894	0.81
251–500	2,748	13.49	1,028,004	1.21
501–1000	1,394	6.85	1,038,250	1.22
1001–5000	843	4.14	1,724,510	2.02
5001–10000	77	0.38	558,307	0.65
10001–100000	78	0.38	1,755,042	2.06
Above 100000	8	0.04	77,977,354	91.43
Total	**20,364**	**100.00**	**85,284,223**	**100.00**

Shareholding pattern as on 31 December 2011

Category	Number of Shares held	% of Shares held
Foreign Promoters (The BOC Group Ltd, U.K., a part of The Linde Group)	76,308,293	89.48
Foreign Holdings (FIIs,OCBs & NRIs)	254,188	0.30
Financial Institutions, Insurance Companies & Banks	781,648	0.92
Other Corporate Bodies	1,550,307	1.82
Mutual Funds	23,584	0.02
Individuals & Others	6,366,203	7.46
Total	85,284,223	100.00

Outstanding GDRs/ADRs, Warrants or any Convertible instruments, conversion date and likely impact on equity: Not Applicable

Plant locations:

Ahmedabad
Rakhial Road
Ahmedabad 380 023

Asansol
G T Road (West)
Gopalpur, Asansol 713 304
Dist. Burdwan

Bangalore
Plot No. 1/2, Phase-I,
Peenya Industrial Estate
Bangalore 560 058

Bellary
Tonnage Plant (1800 tpd)
Torunagallu, Sandur Taluk
Dist. Bellary, Karnataka 583 123

Bhiwadi
Plot No. B-821, RIICO Industrial Area
Bhiwadi 301 019, Dist. Alwar

Chennai
Plot No. G-21, SIPCOT Industrial Park
Irungattukottai,
Dist. Kancheepuram 602 105

Plot No. 21E (NP), SIDCO Industrial
Estate, Ambattur, Chennai 600 098

Greater Noida SEZ
Electronic Gases Plant
Gate No. 3, 66 Udyog Vihar
Gautam Budha Nagar
Greater Noida 201 306

Howrah
Village: Pakuria, P.O. Lakhenpur
P.S. Domjur, Howrah 711 114

Hyderabad
Tonnage Plant (65 tpd) & Packaged
Gases and Products Plant
Plot No. 178 & 179
IDA Pashamylaram, Phase III
Dist. Medak 502 307

Jamshedpur
Tonnage Plant (1290 tpd)
Industrial Gases Plants
(500 tpd, 275 tpd x 2)
Long Tom Area, (Behind NML)
Burma Mines, Jamshedpur 831 007

Tonnage Plant (225 tpd)
Near "L" Town Gate
Opposite Bari Maidan
Sakchi, Jamshedpur 831 001

Mona Road, Burma Mines
Jamshedpur 831 007

Kolkata
Plant Manufacturing Works
P-41 Taratala Road
Kolkata 700 088

48/1 Diamond Harbour Road
Kolkata 700 027

Navi Mumbai
Tonnage Plant
T-8 MIDC Industrial Area
Taloja, Navi Mumbai 410 208
Dist. Raigad

Taloja PGP Plant
T-25, MIDC Industrial Area
Taloja, Navi Mumbai 410 208
Dist. Raigad

Pune
B 16/2, MIDC Industrial Area
Chakan,Village – Mahalunge,
Tal – Khed, Dist. Pune 410 501

Selaqui
Tonnage Plant (221 tpd)
Khasara No. 122, MI
Behind Pharma City
Selaqui, Dehradun 248 197

Tarapur
Tonnage Plant
Plot No. F-7/2, Road C
MIDC Industrial Area,
Tarapur 401 506, Dist. Thane

Trichy
Plot no. 30, 31 & 32
Sidco Industrial Estate, Mathur
Dist. Pudukkottai 622 515

Visakhapatnam
51-1-1 Nakkavanipalem
P.O. P & T Colony
Visakhapatnam 530 013

Jajpur
Tonnage Plant (418 tpd)
Jindal Stainless Ltd.
Kalinganagar Industrial Complex,
Duburi, District Jajpur-755026,
Orissa

Address for correspondence
Asst. Vice President and Company
Secretary

BOC India Limited
Oxygen House
P 43 Taratala Road
Kolkata 700 088, India
Phone : +9133 2401-4708
Fax : +9133 2401-4206
pawan.marda@boci.co.in

Declaration by the Managing Director (CEO) under Clause 49 of the Listing Agreement

To,
The Members of
BOC India Limited

I, Srikumar Menon, Managing Director of BOC India Limited declare that to the best of my knowledge and belief, all the Members of the Board and senior management personnel of the Company have affirmed their respective compliance with the applicable Code of Conduct for the year ended 31 December 2011.

Srikumar Menon
Managing Director

Kolkata
9 February 2012

Auditor's Certificate on compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement

To,
The Members of
BOC India Limited

We have examined the compliance of conditions of Corporate Governance by BOC India Limited ('the Company') for the year ended on 31 December 2011, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For BSR & Co.
Chartered Accountants
Firm's Registration No.: 101248W
Vikram Advani, Partner
Membership No.: 091765

Kolkata
9 February 2012

Financial Statement.

Balance Sheet.

Balance Sheet

in rupees million	Schedules	As at 31 Dec. 2011	As at 31 Dec. 2010
Source of funds			
Shareholders' funds			
Share capital	1	852.84	852.84
Reserves and surplus	2	11,767.01	10,297.75
		12,619.85	**11,150.59**
Loan funds	3		
Unsecured loans		8,380.30	4,691.60
Deferred tax liabilities (net)	4	1,135.67	797.75
		22,135.82	**16,639.94**
Application of funds			
Fixed assets	5		
Gross block		14,780.99	12,717.67
Less: Depreciation and impairment		4,853.15	4,291.93
		9,927.84	8,425.74
Capital Work-in-Progress		10,595.41	7,872.21
		20,523.25	**16,297.95**
Investments	6	150.00	150.00
Current assets, loans and advances			
Inventories	7	739.53	653.95
Sundry debtors	8	3,240.29	2,014.80
Cash and bank balances	9	231.18	572.31
Other current assets	10	2,506.97	1,399.95
Loans and advances	11	2,413.43	2,115.51
		9,131.40	**6,756.52**
Less: Current liabilities and provisions			
Current liabilities	12	5,126.52	4,445.48
Provisions	13	2,542.31	2,119.05
		7,668.83	**6,564.53**
Net current assets		1,462.57	191.99
		22,135.82	**16,639.94**
Significant Accounting Policies and Notes to Account	18		

The Schedules referred above form an integral part of the Balance Sheet.

As per our report attached
for BSR & Co.
Chartered Accountants
Firm Registration No.: 101248W
Vikram Advani, Partner
Membership No.: 091765

M Sadhukhan, Chief Financial Officer

For and on behalf of Board of Directors:
S M Datta, Chairman
S Menon, Managing Director
P Marda, Company Secretary

Kolkata
9 February 2012

Profit and Loss Account.

Profit and Loss Account

in rupees million	Schedules	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Income			
Gross Sales*		11,681.64	10,361.08
Less: Excise Duty		627.74	503.61
Net Sales		11,053.90	9,857.47
Other Income	14	537.96	166.88
		11,591.86	**10,024.35**
Expenditure			
Materials consumed and change in stock	15	1,927.00	2,149.25
Expenses	16	7,274.00	6,042.45
Depreciation and impairment	5	708.21	588.88
		9,909.21	**8,780.58**
Profit before interest and tax		1,682.65	1,243.77
Interest income (net)	17	65.85	51.93
Profit before tax		**1,748.50**	**1,295.70**
Provision for			
Current tax		(393.33)	(203.32)
Deferred tax		(138.60)	(156.06)
Profit after taxation		**1,216.57**	**936.32**
Profit and Loss Account brought forward		2,856.34	2,116.02
		4,072.91	**3,052.34**
Appropriations			
Proposed dividend		127.93	127.93
Dividend tax		20.75	21.25
Transfer to general reserve		60.83	46.82
Profit and loss account carried forward		3,863.40	2,856.34
		4,072.91	**3,052.34**
Earnings per Equity share (Refer note (XV.) on schedule 18)			
Basic [Nominal value of shares Rs. 10 (Previous year Rs. 10)] (Rs.)		14.26	10.98
Diluted [Nominal value of shares Rs. 10 (Previous year Rs. 10)] (Rs.)		14.26	10.98
Significant Accounting Policies and Notes to Account	18		

* Also refer note (XVI.) a) on Schedule 18.

The Schedules referred above form an integral part of the Profit and Loss Account.

As per our report attached
for BSR & Co.
Chartered Accountants
Firm Registration No.: 101248W
Vikram Advani, Partner
Membership No.: 091765

M Sadhukhan, Chief Financial Officer

For and on behalf of Board of Directors:
S M Datta, Chairman
S Menon, Managing Director
P Marda, Company Secretary

Kolkata
9 February 2012

Cash Flow Statement.

Cash Flow Statement

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
A. Cash Flow from operating activities		
Profit before tax	1,748.50	1,295.70
Adjustments for		
Depreciation and impairment	708.21	588.88
Provision for doubtful debts	49.10	16.64
Provision for contingencies	(7.68)	12.62
Provision for warranties	175.73	88.56
Provision for liquidated damages	–	134.62
Unrealised foreign exchange loss	20.11	1.42
Dividends on long term investments – Trade	(15.00)	(15.00)
(Profit)/ Loss on sale of fixed assets (net)	(54.15)	1.83
Liabilities no longer required written back	(415.46)	–
Interest income (net)	(31.02)	(12.49)
Operating profit before working capital changes	2,178.34	2,112.78
Adjustments for		
Trade receivables	(1,274.59)	(828.25)
Other receivables	(680.92)	(97.30)
Inventories	(85.58)	21.70
Trade payables	1,898.14	377.03
Cash generated from operations	2,035.39	1,585.96
Direct Taxes paid	(331.29)	(267.52)
Direct Taxes refunds received	226.08	82.73
Net Cash generated from operating activities	1,930.18	1,401.17
B. Cash Flow from investing activities		
Purchase of fixed assets	(4,331.73)	(5,118.22)
Proceeds from sale of fixed assets	80.79	86.28
Dividend received	15.00	15.00
Interest received	42.55	48.04
Net Cash used in investing activities	(4,193.39)	(4,968.90)
C. Cash Flow from financing activities		
Proceeds from long term borrowings	2,751.07	3,880.35
Interest paid	(680.64)	(314.35)
Dividend paid	(127.10)	(126.93)
Dividend tax paid	(21.25)	(21.25)
Net cash generated from financing activities	1,922.08	3,417.82
Net decrease in cash and cash equivalents (A.+B.+C.)	(341.13)	(149.91)
Opening cash and cash equivalents	572.31	722.22
Closing cash and cash equivalents	231.18	572.31

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
I. Notes		
Cash and cash equivalents comprises of (Refer Schedule 9)		
Cash in Hand	4.72	5.03
With scheduled banks		
on current accounts	119.44	141.29
on fixed deposits	101.32	420.40
on unclaimed dividend accounts *	5.70	5.59
	231.18	572.31

* Accounts are not available for use by the company.

II. Notes

The above "Cash Flow Statement" has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 on Cash Flow Statements as prescribed by Companies (Accounting Standard) Rules, 2006 (as amended).

The Schedules referred above form an integral part of the Cash Flow Statement.

As per our report attached
for BSR & Co.
Chartered Accountants
Firm Registration No.: 101248W
Vikram Advani, Partner
Membership No.: 091765

M Sadhukhan, Chief Financial Officer

For and on behalf of Board of Directors:
S M Datta, Chairman
S Menon, Managing Director
P Marda, Company Secretary

Kolkata
9 February 2012

Schedules.

Schedules to the Balance Sheet.

1. Share Capital

in rupees million		As at 31 Dec. 2011	As at 31 Dec. 2010
Authorised			
86,000,000	(Previous Year 86,000,000) Equity Shares of Rs. 10 each	860.00	860.00
Issued			
85,286,209	(Previous Year 85,286,209) Equity Shares of Rs. 10 each	852.86	852.86
Subscribed & Paid up			
73,182,743	(Previous Year 73,182,743) for cash	731.83	731.83
222,666	(Previous Year 222,666) for consideration other than cash	2.22	2.22
11,878,814	(Previous Year 11,878,814) as bonus shares by capitalisation of Reserves and Securities Premium	118.79	118.79
85,284,223*	(Previous Year 85,284,223) Equity Shares of Rs. 10 each fully paid up	**852.84**	**852.84**

*Subscribed equity share capital includes **76,308,293** (Previous year 76,308,293) equity shares held by The BOC Group Limited, U.K., the holding company. The ultimate holding company is Linde AG, Germany.

2. Reserves and Surplus

in rupees million		As at 31 Dec. 2011	As at 31 Dec. 2010
Revaluation Reserve [Refer Note (I.) e) on Schedule 18]			
As per last accounts	16.84		
Less: Transfer to general reserve	0.38		
		16.46	16.84
Securities Premium account		6,972.52	6,972.52
Capital Incentive		2.00	2.00
General Reserve			
As per last accounts	831.90		785.08
Add			
Transfer from revaluation reserve	0.38		–
Transfer from profit and loss account	60.83		46.82
		893.11	831.90
Translation & Hedging Reserve			
As per last accounts	(381.85)		(164.08)
Add: Movement during the year net of deferred tax **Rs. 9.37** (Previous year Rs. 189.95) [Refer Note (XXI.) on Schedule 18]	401.37		(217.77)
		19.52	(381.85)
Profit and loss account		3,863.40	2,856.34
		11,767.01	**10,297.75**

3. Loan Funds

in rupees million	As at 31 Dec. 2011	As at 31 Dec. 2010
Unsecured Loan		
Long term foreign currency loan from ultimate holding company	8,380.30	4,691.60

Note
The Company has entered into a long term loan agreements in the nature of external commercial borrowing of Euro 58.00 million and Euro 64.00 million with Linde AG, ultimate holding company. The said Loans will be repaid in full by May 2016 and September 2017, respectively. As at 31 December 2011 the Company has availed loan – Euro 122.00 million (Previous Year Euro 78.43 million). [Also Refer Note (XXI.) on Schedule 18].

4. Deferred Tax Liabilities (net)

in rupees million	As at 31 Dec. 2011	As at 31 Dec. 2010
Deferred tax liability on		
Difference between net book value of depreciable assets as per books and written down value as per Income tax	1,117.58	972.92
Mark to Market on derivative contracts	9.37	–
Future Income from finance lease arrangement	99.80	107.93
Others	1.02	1.12
(A.)	1,227.77	1,081.97
Deferred tax asset on		
Mark to Market on derivative contracts	–	189.95
Provision for doubtful debts, contingencies and employee benefits	81.06	78.26
Voluntary separation payments	11.04	16.01
(B.)	92.10	284.22
(A.) – (B.)	**1,135.67**	**797.75**

5. Fixed Assets

in rupees million	As at 1 Jan. 2011	Additions during the year	Deductions/ Adjustments during the year	As at 31 Dec. 2011
	Gross block at cost or valuation			
	(A.)	(B.)	(C.)	(D. = A.+B.-C.)
Tangibles				
Land – Freehold	193.11	43.08	1.00	235.19
Land – Leasehold	106.32	75.50	–	181.82
Buildings*	706.89	85.86	9.54	783.21
Plant and Machinery	11.374.89	1,928.39	143.57	13,159.71
Motor Vehicles	60.88	2.88	11.03	52.73
Furniture and Fittings	58.91	1.50	–	60.41
Other Office Equipments	216.67	30.32	12.67	234.32
Sub total	**12,717.67**	**2,167.53**	**177.81**	**14,707.39**
Intangibles				
Customer Lists	–	25.39	–	25.39
Softwares	–	48.21	–	48.21
Sub total	–	**73.60**	–	**73.60**
Total	**12,717.67**	**2,241.13**	**177.81**	**14,780.99**
Capital Work-in-Progress	–	–	–	10,625.51**
				25,406.50
Previous Year	10,658.14	2,127.97	68.44	20,624.15

* Includes Revaluation on Building – **Rs. 16.46** (Previous Year Rs. 16.84) done by an external valuer on 30 September 1966 and 1 October 1980.
** Includes unsecured Capital Advances aggregating **Rs. 5,604.90** (Previous Year Rs. 5,435.19) that are considered good and borrowing costs aggregating **Rs. 1,159.87** (Previous Year Rs. 421.23) net of interest income on surplus funds which was not immediately utilised and invested in fixed deposits **Rs 62.65** (Previous Year Rs 37.74).
*** Includes Capital Work in Progress Rs 7,872.21 (net of impairment Rs 34.28) pertaining to previous year.

Capital Advances includes advances paid to companies under the same management as defined under section 370 (IB) of Companies Act, 1956:

Name	As at 31 Dec. 2011	As at 31 Dec. 2010
Linde AG	5,364.61	5,154.05
Cryostar SAS	31.85	–
AGA Aktiebolag	16.90	–
Linde Process Plants, Inc.	1.12	–
Chemogas NV	–	1.56
Total	**5,414.48**	**5,155.61**

	Depreciation/Amortisation				Impairment	Net book value	
	As at 1 Jan. 2011	Depreciation/ Amortisation during the year	Deductions/ Adjustments during the year	As at 31 Dec. 2011	As at 31 Dec. 2011****	As at 31 Dec. 2011	As at 31 Dec. 2010
	(E.)	(F.)	(G.)	(H. = E.+F.-G.)	(I.)	(J. = D.-H.-I.)	(K.)
	–	–	–	–	–	235.19	193.11
	11.00	2.28	–	13.28	–	168.54	95.31
	152.73	24.68	7.45	169.96	1.92	611.33	552.22
	3,896.27	660.36	124.47	4,432.16	11.72	8,715.83	7,463.85
	23.59	6.18	7.16	22.61	–	30.12	37.28
	24.27	2.50	–	26.77	–	33.64	34.64
	167.26	12.22	12.09	167.39	0.06	66.87	49.33
	4,275.12	708.22	151.17	4,832.17	13.70	9,861.52	8,425.74
	–	1.72	–	1.72	–	23.67	–
	–	5.56	–	5.56	–	42.65	–
	–	**7.28**	**–**	**7.28**	**–**	**66.32**	**–**
	4,275.12	**715.50**	**151.17**	**4,839.45**	**13.70**	**9,927.84**	**8,425.74**
	–	–	–	–	30.10	10,595.41**	–
					43.80	20,523.25	
	3,740.02	588.88	53.78	4,275.12	51.08	16,297.95***	–

****Movement in impairment

in rupees million	As at 1 Jan. 2011	Provision during the year	Released on sale/adjustment during the year	As at 31 Dec. 2011
	(A.)	(B.)	(C.)	(D.=A.+B.-C.)
Buildings	1.94	–	0.02	1.92
Plant and Machinery	14.79	–	3.07	11.72
Furniture and Fittings	0.08	–	0.02	0.06
	16.81	**–**	**3.11**	**13.70**
Capital Work-in-Progress	34.28	–	4.18	30.10
Total	**51.09**	**–**	**7.29**	**43.80**
Previous Year	52.21	–	1.12	51.09

6. Investments (fully paid up)

in rupees million	As at 31 Dec. 2011	As at 31 Dec. 2010
Trade Investments		
Long Term – at cost		
Unquoted		
I. Bellary Oxygen Company Private Limited **15,000,000** (Previous Year 15,000,000) Equity Shares of Rs. 10 each	150.00	150.00
II. At Nominal value of Re 1 each		
a) Woodlands Hospital and Medical Research Centre Limited **Nil** (Previous Year 30) 1/2% Debentures of Rs. 100 each	–	0.00
b) Woodlands Multispeciality Hospital Limited **2,980** (Previous Year Nil) Equity shares of Rs. 10 each (Woodlands Hospital and Medical Research Centre Limited has been amalgamated with Woodlands Multispeciality Hospital Limited and equity shares are being issued against the above stated debentures)	0.00	–
c) Belvedere Estates Limited		
1 (Previous Year 1) 1/2% Debentures of Rs. 325 each	0.00	0.00
25,000 (Previous Year 25,000) Ordinary Shares of Rs. 10 each	0.00	0.00
	150.00	150.00

7. Inventories (valued at lower of cost and net realisable value)

in rupees million	As at 31 Dec. 2011	As at 31 Dec. 2010
Stores and Spare Parts [including in transit **Rs. Nil** (Previous Year Rs. 2.32)]	371.84	284.42
Raw Materials and Components [including in transit **Rs. 13.35** (Previous Year Rs. 21.40)]	36.79	48.64
Finished Goods [including in transit **Rs. 14.43** (Previous Year Rs. 46.85)]	269.98	239.91
Contract Work-in-Progress	60.92	80.98
	739.53	653.95

8. Sundry debtors

in rupees million	As at 31 Dec. 2011	As at 31 Dec. 2010
Debts outstanding for a period exceeding six months		
Secured, Considered good	47.38	–
Unsecured, Considered good*	1,346.28	726.26
Unsecured, Considered doubtful	99.46	106.20
Other debts		
Secured, Considered good	62.34	–
Unsecured, Considered good**	1,784.29	1,288.54
Unsecured, Considered doubtful	31.80	6.99
	3,371.55	2,127.99
Less: Provision for doubtful debts	131.26	113.19
	3,240.29	2,014.80
Includes above debts outstanding from companies under the same management as defined u/s 370(IB) of Companies Act, 1956		
BOC Bangladesh Limited	3.36	0.00
BOC Kenya Limited	0.26	0.26
Linde Engineering India Private Limited	–	0.05

* Including **Rs. 5.37** (Previous Year – Rs. 7.66) due from a joint venture company.
** Including **Rs. 10.30** (Previous Year – Rs. 4.96) due from a joint venture company.

9. Cash and bank balances

in rupees million	As at 31 Dec. 2011	As at 31 Dec. 2010
Cash in hand	4.72	5.03
With scheduled banks		
on current accounts	119.44	141.29
on fixed deposits	101.32	420.40
on unclaimed dividend accounts*	5.70	5.59
	231.18	572.31

* Accounts are not available for use by the company.

10. Other current assets (unsecured and considered good)

in rupees million	As at 31 Dec. 2011	As at 31 Dec. 2010
Claims including escalation	16.71	9.85
Prepaid expenses [Refer Note (XII.) on Schedule 18]	25.43	18.74
Balances with Customs, Excise, etc.	1,170.30	792.61
Other deposits	248.68	176.47
Receivables from finance lease arrangement	307.54	324.91
Mark to Market on derivative contracts	600.68	–
Unbilled Revenue	97.74	–
Other Receivable	39.89	77.37
	2,506.97	1,399.95

11. Loans and advances (unsecured and considered good)

in rupees million	As at 31 Dec. 2011	As at 31 Dec. 2010
Loans and advances recoverable in cash or in kind or for value to be received*	818.92	650.34
Advance Tax (Including Fringe Benefit Tax)	1,594.51	1,465.17
	2,413.43	2,115.51
*Includes Loans and advances outstanding from companies under the same management as defined u/s 370(IB) of Companies Act, 1956 [Refer Note (VI.) on Schedule 18]		
Cryostar SAS	42.39	18.77
Linde AG	39.77	–
Linde Gas Singapore Pte. Limited	0.61	0.61
Linde Electronics & Speciality Gases (Suzhou) Company Limited	–	0.95
Thai Industrial Gases Public Co Limited	–	0.91
Chemogas N.V.	–	0.56
Linde LLC	–	0.12

12. Current liabilities

in rupees million	As at 31 Dec. 2011	As at 31 Dec. 2010
Sundry Creditors		
Total outstanding dues of micro and small enterprises [Refer Note (V.) on Schedule 18]	3.74	0.75
Total outstanding dues of creditors other than micro and small enterprises*	2,997.50	2,968.13
Advance from Customers	1,584.41	408.63
Billing in excess over cost and profit	323.23	–
Interest accrued but not due on loans	211.94	124.29
Mark to Market on derivative contracts	–	938.09
Investor Education and Protection Fund shall be credited by unpaid dividend (not yet due to be credited)	5.70	5.59
	5,126.52	4,445.48
*Includes		
Towards Statutory Liabilities	16.92	38.30
Towards Contribution to provident and other funds	3.70	2.91
Towards Voluntary Separation Scheme	–	2.84

13. Provisions

in rupees million	As at 31 Dec. 2011	As at 31 Dec. 2010
Provision for Contingencies *	69.10	76.78
Provision for Warranties *	364.20	188.46
Provision for Liquidated Damages *	144.46	294.23
Provision for Tax (Including Fringe Benefit Tax)	1,636.07	1,247.46
Provision for Employee Benefits	178.59	162.45
Provision for Proposed Dividend (including tax thereon)	149.89	149.67
	2,542.31	2,119.05

* Refer Note (XVI.) on Schedule 18.

14. Other income

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Rent	11.79	11.92
Dividends on Long Term Investments – Trade	15.00	15.00
Profit on Disposal of Fixed Assets (net)	54.15	–
Liabilities no longer required written back (also Refer Note (XVI.) a) on Schedule 18)	415.46	51.89
Insurance claims including loss of profits	14.97	–
Miscellaneous	26.59	88.07
	537.96	166.88

15. Materials consumed and change in stock

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Opening Stock		
Raw Materials and Components	48.64	171.37
Finished Goods	239.91	175.52
Contract Work-in-Progress	80.98	126.47
	369.53	473.36
Purchases during the year (including finished goods purchased)	1,925.16	2,045.42
	2,294.69	2,518.78
Less: **Closing Stock**		
Raw Materials and Components	36.79	48.64
Finished Goods	269.98	239.91
Contract Work-in-Progress	60.92	80.98
	1,927.00	2,149.25
Change in Excise Duty on Closing Stock of Finished Goods included above	4.50	(0.82)

16. Expenses

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Stores and Spare Parts consumed	209.01	225.50
Salaries, Wages and Bonus	535.02	410.02
Provident Fund and Employee Benefit Expenses	48.53	53.94
Workmen and Staff Welfare Expenses	35.86	63.71
Travelling	150.43	113.50
Power and Fuel	3,490.89	2,596.54
Repairs to		
Plant and Machinery	127.97	102.12
Buildings	23.69	15.25
Others	26.76	34.89
Insurance	50.99	41.25
Freight and Transport	801.26	650.61
Rent	44.64	17.82
Rates and Taxes	22.90	25.55
Communication Cost	31.86	22.81
Separation Payments to Employees	2.32	4.27
Loss on Foreign Exchange (net)	21.09	15.99
Loss on Disposal of Fixed Assets (net)	–	1.83
Contract Job Expenses	946.24	979.92
Provision for Warranties	175.73	88.56
Provision for Liquidated Damages	–	134.62
Bad Debts written off [Net of provision adjusted Rs. 31.03 (Previous Year Rs. 34.32)]	–	–
Provision for Doubtful Debts	49.10	16.64
Technical Support Fees	195.87	152.39
Miscellaneous	283.84	274.72
	7,274.00	6,042.45

17. Interest income (net)

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Income		
On Deposits and Others [Tax deducted at source Rs. 1.22 (Previous Year Rs. 1.71)]	12.23	17.14
On Income Tax Refund	24.13	–
On Finance Lease Arrangement [Refer Note (XIII.) on Schedule 18]	34.83	39.45
Expenses		
On Bank and Others	5.34	4.66
	65.85	51.93

18. Significant accounting policies and Notes to Accounts

I. Significant Accounting Policies

a) Basis of Preparation of Financial Statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting following generally accepted accounting principles in India (GAAP) and comply with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956, to the extent applicable.

b) Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of the financial statements, and reported amounts of income and expenses during the period. Actual results could differ from those estimates. Any changes in the estimates are adjusted prospectively.

c) Revenue Recognition

Revenue from sale of gas is recognised on transfer of risk and rewards of ownership to the customer and facility charge is recognised on accrual basis as per the terms of the contract with the customers.

Income from fixed price long term construction contracts are recognised under the percentage of completion method with reference to the estimated overall profitability of the contract that is reassessed on a regular basis. Percentage of completion is ascertained on the basis of work completed under the contract and accepted by the customer based on the extent of work performed in accordance with the terms of the contract. Provision for expected loss is recognised immediately when it is probable that the total estimated contract costs will exceed total contract revenue.

Contract revenue and contract costs associated with the long term construction contracts entered on or after 1 January 2011 are recognised as revenue and expenses respectively by reference to the stage of completion of the project at the balance sheet date. The stage of completion of project is determined by the proportion that contract costs incurred for work performed upto the balance sheet date bear to the estimated total contract costs. If total cost is estimated to exceed total contract revenue, the company provides for foreseeable loss.

Revenue from cost plus contracts is recognised based on cost incurred on the project plus the mark up agreed with the customer.

Interest is recognised on a time proportion basis. Income from dividend is recognised on declaration of dividend by the investee company.

d) Fixed Assets

Fixed assets are stated at cost of acquisition/revalued amounts less accumulated depreciation. Cost of acquisition includes taxes, duties, freight and other costs that are directly attributable to bringing assets to their working condition for their intended use.

Spares that can be used only with particular items of plant and machinery and such usage is expected to be irregular are capitalised.

The costs of Fixed Assets not ready for intended use before such date are disclosed as capital work-in-progress.

e) Depreciation/Amortisation

Tangible Assets

Depreciation is provided under straight line method. The rates of depreciation prescribed by Schedule XIV of the Companies Act, 1956, are considered as minimum rates. If the management's estimate of useful life of a fixed asset at the time of acquisition of the asset or the remaining useful life on a subsequent review is shorter than the useful life derived from the rate of depreciation prescribed in Schedule XIV, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. Accordingly, certain components of Plant & Machinery are being depreciated at the rate of 10% and 6.91% that are higher than the corresponding rates prescribed in the aforesaid Schedule XIV.

In case of revalued fixed assets, depreciation is provided as aforesaid, on the total value of fixed assets as appearing in the books of account after revaluation. Additional depreciation attributable to revalued amount is charged to the Profit and Loss Account. On disposal of a previously revalued item of fixed asset, the difference between the net disposal proceeds and the net book value is charged or credited to the Profit and Loss Account except that, to the extent such loss is related to an increase which was previously recorded as a credit to revaluation reserve and which has not been subsequently reversed or utilised, is charged directly to that account. The amount standing in revaluation reserve following the retirement or disposal of an asset, which relates to that asset is transferred to general reserve.

Consideration for obtaining leasehold rights over land is being amortised over the period of the lease.

Assets individually costing Rs. 5,000 or less are depreciated fully in the year of acquisition.

Spares capitalised are being depreciated over the useful life/remaining useful life of the plant and machinery with which such spares can be used.

Intangible Assets

Computer software is amortised over its useful life of 5 years as estimated by management.

Customer List arising on account of business acquisition is amortised over the period of 5 years, being the useful life as estimated by management.

f) Impairment of Fixed Assets

The carrying amounts of fixed assets and capital work in progress are reviewed at each Balance Sheet date in accordance with Accounting Standard 28 on "Impairment of Assets" prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended), to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amounts are estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit of which it is a part exceeds the corresponding recoverable amount. Impairment losses are recognised in the Profit and Loss Account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

g) Borrowing Costs

Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

h) Investments

Long Term Investments are stated at cost. Provision is made for diminution, other than temporary, in the value of investments, wherever applicable. Current investments are stated at lower of cost and fair value.

i) Inventories

Raw materials, components, stores and spare parts are valued at lower of cost and net realisable value. Cost includes purchase price, duties and taxes (other than those subsequently recoverable by the Company from taxing authorities), freight inward and other expenditure in bringing inventories to present locations and conditions. In determining the cost, weighted average cost method is used. The carrying costs of raw materials, components and stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and the finished products in which they will be incorporated are expected to be sold below cost.

Finished goods are valued at the lower of cost and net realisable value. The comparison of cost and net realisable value is made on an item by item basis. Cost comprises of direct material and labour expenses and an appropriate portion of production overheads incurred in bringing the inventory to their present location and condition. Fixed production overheads are allocated on the basis of normal capacity of the production facilities.

Excise duty liability is included in the valuation of year – end inventory of finished goods.

Costs incurred on long term contracts representing general purpose item of inventories are disclosed as contract work in progress net of provision for loss.

j) Leases

Finance Leases

Assets made available to customers under arrangements which are in the nature of finance lease are recognised as a receivable at the inception of the lease at an amount equal to the net investment in the lease or the fair value of the leased assets, whichever is lower. The excess of net investment in the lease/fair value of the leased asset, as the case may be, over the book value of the leased asset are recognised as gain in the Profit and Loss Account at the inception of the lease. Lease rentals are apportioned between principal and interest based on a pattern reflecting a constant periodic return on the net investment of the lessor outstanding in respect of the finance lease. The lease rental amount received reduces the net investment in the lease and interest is recognised as revenue. Initial direct costs are recognised immediately in the Profit and Loss Account.

Operating Leases

Lease payments under operating leases are recognised as expense in the Profit and Loss Account on a straight line basis over the lease term.

k) Research and Development

Revenue expenditure on research and development is expensed in the year in which it is incurred and related capital expenditure is considered as addition to fixed assets.

l) Employee Benefits

The Company's obligations towards various employee benefits have been recognised as follows:

Short Term Benefits

Cost of accumulating compensated absences that are expected to be availed within a period of 12 months from the period end are recognised when the employees render the service that increases their entitlement to future compensated absences. Cost is computed based on past trends and is not discounted.

Cost of non-accumulating compensated absences is recognised when absences occur. Costs of other short term employee benefits are recognised on accrual basis based on the terms of employment contract and other relevant compensation policies followed by the Company.

Post Employment Benefits

- Monthly contributions to Provident Funds which are in the nature of defined contribution schemes are charged to Profit and Loss Account and deposited with the Provident Fund authorities on a monthly basis.

  Provident fund administered through Company's trust for certain employees (in accordance with Provident Fund Regulation) are in the nature of defined benefit obligations with respect to the yearly interest guarantee. Annual charge is recognised based on actuarial valuation of the Company's related obligation on the reporting date. Actuarial gains or losses for the year are recognised in the Profit and Loss Account as income or expenses.

- Gratuity and superannuation schemes which are in the nature of defined benefit plans, excepting Plan B of Executive Staff Pension Fund, are administered by the Trustees. Annual contributions are recognised on the basis of actuarial valuation of related obligations and plan assets conducted by an external actuary appointed by the Company and are paid to the respective funds. Plan B of Executive Staff Pension Fund which is a defined contribution scheme for which the Trustees of the scheme have entrusted the administration of the related fund to the Life Insurance Corporation of India (LICI). The contributions are charged to Profit and Loss Account and deposited with LICI on a monthly basis.

Other Long Term Benefits

Cost of long term benefit by way of accumulating compensated absences that are expected to be availed after a period of 12 months from the period-end are recognised when the employees render the service that increases their entitlement to future compensated absences. Such costs are recognised based on actuarial valuation of related obligation on the reporting date. Actuarial gains and losses for the year are recognised in the profit and loss account as income or expense.

Termination Benefits

Costs of termination benefits have been recognised only when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle such obligation and the amount of the obligation can be reliably estimated.

m) Foreign Exchange Transactions

Foreign exchange transactions are recorded at the exchange rate prevailing on the dates of the transactions. Year-end monetary assets and liabilities denominated in foreign currencies are translated at the year-end foreign exchange rates.

Exchange differences arising on settlements/translations are recognised in the Profit and Loss Account. In case of forward exchange contracts which are entered into to hedge the foreign currency risk of a receivable/payable recognised in these financial statements, premium or discount on such contracts are amortised over the life of the contract and exchange differences arising thereon in the reporting period are recognised in the Profit and Loss Account.

n) Derivative Instruments and Hedge Accounting

The Company has entered into forward contracts and principal and interest swap contracts with a bank to hedge its risks associated with foreign currency and variable interest rate fluctuations related to certain firm commitments and forecasted transactions. These derivative contracts are being considered as cash flow hedges applying the recognition and measurement principles set out in the Accounting Standard 30 "Financial Instruments: Recognition and Measurement" (AS 30). The use of hedging instruments is governed by the Company's policies approved by the Board of Directors. The Company does not use these contracts for trading or speculative purposes.

To designate a forward contract/swap contract as an effective hedge, management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in offsetting cash flows attributable to the hedged risk.

Hedging instruments are initially measured at fair value and are re-measured at subsequent reporting dates at fair value. Gain/loss arising from year end translation of borrowings drawn down and gain/loss arising from changes in fair values of these derivatives that are effective hedges are recognized directly in the shareholders' funds and retained there till these hedging instruments either expire or are sold, terminated, exercised or no longer qualify for hedge accounting. When a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholders' funds is transferred to the Profit and Loss Account for the year.

In the absence of designation as effective hedge, gain or loss arising from changes in fair values of these swap contracts are recognized in the Profit and Loss Account.

o) Provisions and Contingent Liabilities

A provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

p) Tax

Income tax expense comprises current (i.e. amount of taxes for the year determined in accordance with the Income-tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

q) Government Grants

Grants/subsidies are recognised when no uncertainties exist as regards receipt of the amount of such grant/subsidy and compliance with the attached terms and conditions.

When the grant or subsidy relates to an expense item, it is recognised as income over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Grants/subsidies in respect of fixed assets are adjusted against the cost of the related items of fixed assets/capital reserve as the case may be.

r) Earnings per Share

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year, except where the results would be anti dilutive.

Notes to accounts

II.

Interest in Joint Venture

a) The Company does not have a subsidiary and is not required to present consolidated financial statements under Accounting Standard 21 – "Consolidated Financial Statements" prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended). Interest in Joint-venture has been accounted for as a long term investment in these financial statements. The details as per Accounting Standard 27 – "Financial Reporting of Interest in Joint Ventures" as prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended) are disclosed regarding the assets, liabilities, income and expenses of the joint venture company as additional information to the users of the financial statements.

b) The Company's interest, as a venturer, in a jointly controlled entity (Incorporated Joint Venture) is:

Name of the Joint Venture	Country of Incorporation	Percentage of ownership interest as at 31 Dec. 2011	Percentage of ownership interest as at 31 Dec. 2010
Bellary Oxygen Company Private Limited (Belloxy)	India	50	50

The Company's share in the financial position and the financial performance of Belloxy for the year ended 31 December 2011 are as follows:

in rupees million	As at 31 Dec. 2011 (Unaudited)	As at 31 Dec. 2010 (Unaudited)
Assets		
Fixed assets	742.58	773.82
Capital Work-in-Progress	7.19	3.67
Investments	55.18	55.18
Current assets, loans and advances		
Inventories	13.39	36.34
Trade Debtors	139.09	194.09
Cash and bank balances	19.23	14.59
Loans and advances and other current assets	55.42	38.51
Liabilities		
Secured Loans	308.02	420.82
Trade Deposit	291.25	291.25
Current Liabilities and Provisions		
Liabilities	35.94	54.80
Provisions	0.22	0.22
Deferred tax liability (net)	100.94	82.13

in rupees million	Year ended 31 Dec. 2011 (Unaudited)	Year ended 31 Dec. 2010 (Unaudited)
Income		
Sales (net)	396.69	361.76
Other income	8.56	4.12
Expenses		
Manufacturing and other expenses	270.17	225.58
Depreciation	58.41	53.89
Interest	30.20	39.79
Provision for taxation	17.74	20.91
Profit after tax	28.73	25.71

c) Estimated Capital commitments (net of advance) not provided for **Rs. Nil** (Previous Year Rs. Nil).

d) Contingent Liabilities not provided for **Rs. Nil** (Previous Year Rs. Nil).

e) Company's transactions with Belloxy, being a related party, during the year ended 31 December 2011 are disclosed in Note (XXIII.) below.

III.

Estimated Capital commitments (net of advance) not provided for **Rs. 536.24 million** (Previous Year Rs. 2,201.08 million).

IV.

Contingent Liabilities not provided for:

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Excise Duty & Service tax matters*	37.92	32.09
Other Excise matters**	–	–
Sales tax matters*	31.93	35.91
Guarantee given by the Company	308.02	420.82
Sales tax liability transferred to a beneficiary***	27.60	27.60
Bills Discounted	11.65	12.31
Other claims	19.65	22.64

* Excludes disputed matters in view of favourable appellate decisions on similar issues.

** Cryogenic vessels for gases were cleared from one factory for captive installation at to the other factory of the Company. The Company is contesting the Department's allegation that the assessable value of such inter unit transfer was not calculated as per the principles of Cost Accounting Standards-4 (CAS-4). As per the view of the management based on the facts of the case and document available, the liability would not devolve on the Company.

*** Pursuant to an approved scheme of Government of Maharashtra, certain Sales Tax Liabilities of the Company had been transferred to an eligible beneficiary, at a discount, for which a bank guarantee had been provided by the beneficiary to ensure timely payment to the concerned authorities.

V.

Details of dues to Micro and Small Enterprise as per Micro, Small and Medium Enterprise Development Act, 2006:

in rupees million	As at 31 Dec. 2011	As at 31 Dec. 2010
Principal amount due at the end of accounting year	2.85	–
The interest due on the principal remaining outstanding as at the end of the year	–	–
The amount of interest paid under the Act, alongwith the amount of payment made beyond the appointed date during the year	–	–
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	–	–
The amount of interest accrued and remaining unpaid at the end of the accounting year	–	–
The amount of further interest remaining due and payable even in the succeeding year, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowances as a deductible expenditure under the Act	–	–

VI.

Loans and Advances recoverable in cash or in kind or for value to be received in Schedule 11 includes:

a) **Rs. 3.04 million** (Previous Year Rs. 1.10 million) being interest free loans (car loan, furniture loan and education loan) to various employees which are recovered from their remuneration in accordance with relevant repayment schedule contained in the relevant schemes/specific approvals.

b) **Rs. 250.00 million** (Previous Year Rs. 250.00 million) being long term advance to a Joint Venture Company [Also refer note (XXIII.) below] for purchase of gases in future.

VII.
The details of employee benefits for the year on account of gratuity and superannuation which are funded defined employee benefit plans are as under:

		Pension		Gratuity		Provident Fund	
in rupees million		2011	2010	2011	2010	2011	2010
Components of Employer Expense							
Current service cost		0.78	0.62	4.63	3.77	1.76	1.59
Interest cost		1.88	1.46	4.07	2.68	0.75	0.60
Expected return of plan assets		(1.51)	(1.46)	(3.28)	(2.83)	–	–
Past service cost		–	–	–	12.16	–	–
Actuarial losses/(Gains)		6.30	5.36	0.92	3.20	(0.94)	(0.13)
Total Expenses recognised in profit & loss Account		7.45	5.98	6.34	18.98	1.57	2.06
Actual returns for the year ended		1.13	1.50	2.81	5.12	–	–
Net Liability recognised in Balance Sheet as at the year end							
Present Value of Defined Benefit Obligation		30.98	24.54	56.64	54.29	10.91	9.34
Fair value of plan assets		18.93	19.94	40.40	44.38	–	–
Status – Deficit		12.05	4.60	16.24	9.91	10.91	9.34
Net Liability recognised in Balance Sheet		12.05	4.60	16.24	9.91	10.91	9.34
Change in Defined Benefit Obligation (DBO) during the year ended							
Present value of DBO at the beginning of year		24.54	18.59	54.29	35.07	9.34	8.61
Current service cost		0.78	0.62	4.63	3.77	1.76	1.59
Interest cost		1.88	1.46	4.07	2.68	0.75	0.60
Plan amendments		–	–	–	12.16	–	–
Actuarial (Gains)/Losses		5.92	5.41	0.44	5.49	(0.94)	(0.13)
Benefits paid		(2.14)	(1.54)	(6.79)	(4.88)	–	(1.33)
Present value of DBO at the end of year		30.98	24.54	56.64	54.29	10.91	9.34
Change in fair value of plan assets during the year ended							
Fair value of plan assets at the beginning of year		19.94	18.04	44.38	31.55	–	–
Expected return on plan assets		1.51	1.46	3.28	2.83	–	–
Actuarial gains/(Losses)		(0.38)	0.04	(0.47)	2.29	–	–
Actual company contribution		–	1.94	–	12.59	–	1.33
Benefits paid		(2.14)	(1.54)	(6.79)	(4.88)	–	(1.33)
Fair value of plan assets at the end of the year		18.93	19.94	40.40	44.38	–	–
Actuarial Assumptions							
Discount rate	in %	8.5	8.0	8.5	8.0	8.1	8.0
Expected return on plan assets	in %	8.0	8.0	8.0	8.0	–	–
Salary escalation rate	in %	5.0	5.0	5.0	5.0	–	–
Major category of planned assets							
Government of India Securities (Central & State)	in %	–	40.21	–	21.03	–	–
Cash (including special deposits)	in %	–	59.79	–	78.97	–	–
Insurance managed funds	in %	100.0	–	100.0	–	–	–

Net Assets/(Liability) recognised in Balance Sheet (including experience adjustment impact):

in rupees million	2011	2010	2009	2008	2007
Pension					
Present Value of Defined Benefit Obligation	30.98	24.54	18.59	25.14	83.88
Fair value of Plan Assets	18.93	19.94	18.03	19.54	83.97
Status – Deficit	12.05	4.60	0.56	5.60	(0.09)
Experience Adjustment of Plan Assets [(Gain)/Loss]	0.38	(0.04)	(0.39)	2.19	(1.38)
Experience Adjustment of obligation [(Gain)/Loss]	6.65	5.17	1.38	5.06	1.32
Actuarial (Gain)/Loss due to change on assumptions	(0.73)	0.24	(1.30)	(0.47)	3.38
Gratuity					
Present Value of Defined Benefit Obligation	56.64	54.29	35.08	44.52	40.04
Fair value of Plan Assets	40.40	44.38	31.55	41.91	45.25
Status – Deficit	16.24	9.91	3.53	2.61	(5.21)
Experience Adjustment of Plan Assets [(Gain)/Loss]	0.47	(2.29)	2.83	2.16	1.77
Experience Adjustment of obligation [(Gain)/Loss]	2.97	4.59	3.96	1.63	(1.06)
Actuarial (Gain)/Loss due to change on assumptions	(2.53)	0.90	(4.22)	3.87	0.72
Provident Fund					
Present Value of Defined Benefit Obligation	10.91	9.34	8.61	–	–
Fair value of Plan Assets	–	–	–	–	–
Status – Deficit	10.91	9.34	8.61	–	–
Experience Adjustment of Plan Assets [(Gain)/Loss]	–	–	–	–	–
Experience Adjustment of obligation [(Gain)/Loss]	(0.83)	(0.30)	(0.22)	–	–
Actuarial (Gain)/Loss due to change on assumptions	(0.11)	0.17	0.58	–	–

Notes

a) The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.

b) The discount rate is based on the prevailing market yield on Government Securities as at the balance sheet date for the estimated terms of obligation.

c) The Pension Expenses and Gratuity Expenses have been recognised in “Provident Fund and Employee Benefit Expenses” under Schedule 16 to the Profit and Loss Account.

d) The estimates of future salary increases, considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

VIII. Auditors' Remuneration

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
As Auditors		
Audit Fee	1.50	1.50
Limited Reviews	0.60	0.60*
Group Reporting Package Review	0.54	0.54*
Other Certificates	0.30	0.16*
Reimbursement of expenses	0.42	0.40
	3.36	3.20

* Includes Rs. 0.30 paid to the erstwhile auditor.

IX. Expenditure on Research and Development

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Revenue Expenditure	1.90	2.17

X. Remuneration to Directors*

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Salaries	6.96	9.20
Variable Compensation Pay	4.61	6.96
Contribution to Provident Fund and other Funds	1.20	1.62
Other Benefits	2.25	0.86
Commission to Non-Whole time Directors (Note (XI.) right)	2.85	2.50
Sitting Fees	0.36	0.36
	18.23	21.50

*As the liabilities for gratuity and leave encashment are provided on an actuarial basis for the Company as whole, the amount pertaining to Directors are not included.

XI.

Computation of Directors' Commission for the Year ended 31 December 2011 in accordance with Section 349 of the Companies Act, 1956.

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Profit Before Tax	1,748.50	1,295.70
Add		
Depreciation charged to accounts	708.21	588.88
Directors' Remuneration	18.23	21.50
Termination benefits to employees	2.32	4.27
Wealth tax	1.00	1.00
Less		
Capital Profit on disposal of fixed assets	61.63	5.44
Depreciation (to the extent specified under Section 350 of Companies Act, 1956)	708.21	588.88
Net Profit as per Section 349 of the Companies Act, 1956	1,708.42	1,317.03
Directors' Commission thereon –1% of profit, restricted to	2.85	2.50

XII.

Prepaid expenses in Schedule 10 include **Rs. 9.00** (Previous Year Rs. 10.54) towards rent adjustable over a period of 20 years from April 1998.

XIII.

a) Certain plant and machineries have been made available by the Company to the customers under a finance lease arrangement. Such assets given under a finance lease arrangement have been recognised, at the inception of the lease, as a receivable at an amount equal to the net investment in the lease. The finance income arising from the lease is being allocated based on a pattern reflecting constant periodic return on the net investment in the lease.

b) Details with respect to the above leased asset under finance lease arrangements in accordance with Accounting Standard 19 –"Leases" as prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended).

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Total gross investment in the lease	526.20	578.40
Less		
Present value of minimum lease payments	207.59	246.23
Present Value of unguaranteed residual value	21.19	21.19
Unearned finance income	297.42	310.98
Gross investment in the lease		
Not later than one year [Present value of minimum lease payments receivable **Rs. 34.91** (Previous Year Rs. 38.64)]	52.20	52.20
Later than one year but not later than five years [Present value of minimum lease payments **Rs. 109.07** (Previous Year Rs. 120.70)]	208.80	208.80
Later than five years [Present value of minimum lease payments **Rs. 84.81** (Previous Year Rs. 108.09)]	265.20	317.40
Contingent rent recognised in the Profit and loss account	9.48	6.15
Uncollectable minimum lease payments receivable at the balance sheet date	–	–

XIV.

Company has taken various residential and office premises under operating lease or leave and license agreements. These agreements are for a period of 11 months to 3 years, cancelable during the life of the contract at the option of both the parties and do not contain stipulation for increase in lease rentals. Minimum lease payment charged during the year to the profit and loss account aggregated to **Rs. 51.29 million** (Previous Year Rs. 20.25 million).

XV.

Earnings per share:

	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Profit after Taxation (in rupees million)	1,216.57	936.32
Weighted average number of Equity Shares of Rs. 10 each outstanding during the year	85,286,209	85,286,209
Basic and diluted earnings per Equity Share of Rs. 10 each	14.26	10.98

XVI.
Movement in provisions:

	Liquidated damages		Warranties		Contingencies	
in rupees million	2011	2010	2011	2010	2011	2010
Balance as at 1 January 2011	294.23	159.61	188.46	99.90	76.78	64.16
Add: Provision during the year	–	173.88	200.31	106.17	2.50	33.00
Less: Utilised/reversed during the year	149.77	39.26	24.57	17.61	10.18	20.38
Balance as at 31 December 2011	144.46	294.23	364.20	188.46	69.10	76.78

a) Provision for Liquidated damages
Liquidated damages are provided based on contractual terms when the delivery/commissioning dates of an individual project have exceeded or are likely to exceed the delivery/commissioning dates and/or on the deviation in contractual performance as per the respective contracts. This expenditure is expected to be incurred over the respective contractual terms upto closure of the contract (including warranty period).

Estimated amount of Liquidated Damages (LD) for the Project Engineering division have been reduced from contract revenue on contracts which are currently in progress. Such LDs were recorded as a charge to Profit and Loss Account till previous year. Accordingly provision for LD on such contracts has been reversed and recorded as prior period adjustment under "liabilities written-back" with appropriate adjustment to "gross sales" and billing in excess over cost and profit for the year aggregating to Rs 125.04 million. The above treatment does not have any impact on the profit after tax for the year.

b) Provision for warranty
Warranty costs are provided based on a technical estimate of the costs required to be incurred for repairs, replacement, material cost, servicing and past experience in respect of warranty costs. It is expected that this expenditure will be incurred over the contractual warranty period.

c) Provision for Contingencies
Provision is towards known contractual obligation, litigation cases and pending assessments in respect of taxes, duties and other levies in respect of which management believes that there are present obligations and the settlement of such obligations are expected to result in outflow of resources, to the extent provided for.

XVII.
Information in accordance with the requirements of the Revised Accounting Standard 7 on Construction Contracts as prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended).

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Contract revenue recognised	3,215.28	3,164.89
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) for all the contracts in progress	10,748.10	7,650.24
Amount of customer advances outstanding for contracts in progress	1,549.48	367.10
Amount of retention due from customers for contracts in progress	1,224.59	754.90
Gross amount due from customers for contracts in progress	158.66	80.98
Gross amount due to customers for contracts in progress	323.23	–

XVIII.

Details of un-hedged foreign currency exposures are as follows:

in million		As at 31 Dec. 2011	As at 31 Dec. 2010
	GBP	0.02	0.28
	EUR	0.97	1.73
	USD	0.84	3.17
	AUD	0.00	0.06
	SGD	0.03	0.12
	DKK	0.13	0.29
	MYR	0.00	0.00
	JPY	5.05	0.88
	HKD	0.02	0.02
Creditors	SEK	0.00	0.00
	GBP	0.01	0.01
	EUR	0.21	0.02
Debtors/Other receivable	USD	0.19	0.35

XIX.

Provision for taxation has been recognised with reference to the taxable profit for the year ended 31 December 2011 in accordance with the provision of the Income tax Act, 1961. The ultimate tax liability for the assessment year 2012–2013 will be determined on the basis of total income for the year ending on 31 March 2012.

XX.

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under Sections 92–92F of the Income-tax Act, 1961. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

XXI.

As explained in note (I.) n) above, the Company has designated principal and interest swap contracts with a bank as hedges of foreign currency borrowing facilities aggregating Euro 122.00 million (previous year Euro 122.00 million) equivalent to Rs. 7,808.97 million (previous year Rs. 7,808.97 million) available to the Company at variable interest rates based on LIBOR. Rs. 386.27 million (net of deferred tax Rs. 185.52 million) [Previous Year Rs. 244.61 million (net of deferred tax Rs. 121.68 million)] being the translation loss on foreign currency borrowings drawn down till the year-end and Rs. 397.22 million (net of deferred tax Rs. 190.78 million) [Previous Year Rs. 472.83 million (net of deferred tax Rs. 235.21 million)] being the portion of gain arising from changes in fair values of the aforesaid swap contracts that are determined to be effective hedge of the aforesaid foreign currency borrowing facilities at variable interest and the related hedged transaction expected to occur in future have been recognized in Translation and Hedging Reserve in Shareholders' Funds.

Further, the translation gain on the forward covers for firm commitments which are determined to be effective hedge of foreign currency payables aggregating to Rs. 8.57 million (net of deferred tax Rs. 4.12 million) [Previous Year Rs. 153.62 million (net of deferred tax Rs. 76.42 million)] has been recognised in translation & hedging reserve in shareholders' funds.

XXII.

Segment information in accordance with Accounting Standard 17 prescribed by the Companies (Accounting Standards) Rule, 2006 (as amended).

a) Determination of segment information is based on the organisational and management structure of the Company and its internal financial reporting system. The Company business segments namely "Gases and Related Products" and "Project Engineering" have been considered as primary segments for reporting format. Segment revenue, results, assets and liabilities include the respective amounts that are directly attributable to or can be allocated on a reasonable basis to each of the segments. Revenue, expenses, assets and liabilities which relate to the enterprise as a whole and are neither attributable to nor can be allocated on a reasonable basis to each of the segments, have been disclosed as unallocable.

b) The Company operates predominantly within the geographical limits of India, accordingly secondary segments have not been considered.

c) Inter-segment revenue has been recognised at cost.

Information about business segment:

in rupees million	Gases and Related Products	Project Engineering	Total	Gases and Related Products	Project Engineering	Total
			As at 31 Dec. 2011			As at 31 Dec. 2010
1. Segment Revenue						
External Revenue (Net of Excise Duty) (A.)	8,124.29	3,360.22	11,484.51	6,950.25	3,029.88	9,980.13
Interest Income (B.)	34.83	–	34.83	39.45	–	39.45
Interest Income – Unallocable			36.36			17.14
Other Income – Unallocable			107.36			44.22
Total External Revenue			11,663.06			10,080.94
Inter Segment Revenue (C.)	–	1,713.26	1,713.26	–	1,002.99	1,002.99
Total Segment Revenue (A.) + (B.) + (C.)	8,159.12	5,073.48	13,232.60	6,989.70	4,032.87	11,022.57
2. Segment Results	1,024.74	809.66	1,834.40	1,002.36	369.68	1,372.04
Interest Income	34.83	–	34.83	39.45	–	39.45
Total Segment Result	1,059.57	809.66	1,869.23	1,041.81	369.68	1,411.49
Interest Income (net) – Unallocable			31.02			12.49
Other unallocable expenses (net of unallocable income)			(151.75)			(128.28)
Profit before Tax			1,748.50			1,295.70
Less: Provision for Taxation			531.93			359.38
Profit after tax			1,216.57			936.32
3. Segment assets	23,683.02	3,636.94	27,319.96	19,072.05	1,823.26	20,895.31
Unallocated assets			2,334.69			2,159.16
Unallocated Investments			150.00			150.00
Total assets			29,804.65			23,204.47
4. Segment liabilities						
Current liabilities & Provisions	1,365.95	4,243.28	5,609.23	1,807.57	2,128.82	3,936.39
Unallocable Current liabilities & Provisions			2,059.60			2,628.14
Loan Funds			8,380.30			4,691.60
Deferred Tax Liability (net)			1,135.67			797.75
Total liabilities			17,184.80			12,053.88
5. Cost incurred to acquire fixed assets	4,898.54	1.14	4,899.68	5,721.00	1.73	5,722.73
Unallocable			64.65			11.81
			4,964.33			5,734.54
6. Depreciation/amortisation	692.50	1.76	694.26	570.64	1.38	572.02
Unallocated depreciation/amotisation			13.95			16.86
			708.21			588.88
7. Impairment Released						
On disposal of fixed assets	7.29	–	7.29	1.12	–	1.12
8. Significant non cash expenses other than depreciation/amortisation	41.42	–	41.42	29.26	–	29.26

XXIII.

Information in accordance with the requirements of Accounting Standard 18 on Related Party Disclosures prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended).

1. List of Related Parties

a) **Ultimate Holding Company** (entity having control over the Company)
Linde AG, Germany

b) **Holding Company** (entity having control over the Company)
The BOC Group Limited, United Kingdom
(Wholly owned Subsidiary of Linde AG)

c) Fellow Subsidiaries and Joint Venture with whom transactions have taken place during the year:

Located outside India

Fellow Subsidiary	**Country**
BOC Bangladesh Limited	Bangladesh
Chemogas NV	Belgium
BOC (China) Holdings Company Limited	China
Linde Electronics & Speciality Gases (Suzhou) Company Limited	China
Hangzhou Linde International Trading Company Limited	China
Cryostar SAS	France
Hong Kong Oxygen & Acetylene Company Limited	Hong Kong
Linde Gáz Magyarország Zrt.	Hungary
PT. Linde Indonesia	Indonesia
Linde Japan Limited	Japan
BOC Kenya Limited	Kenya
Linde Korea Company Limited	Korea
MOX-Linde Gases Sdn. Bhd.	Malaysia
Malaysian Oxygen Berhad	Malaysia
Linde Philippines Inc.	Philippines
Linde Gas Singapore Pte Limited	Singapore
Linde Gas Asia Pte Limited	Singapore
African Oxygen Limited (Afrox)	South Africa
Linde Electronics South Africa (Pty) Limited	South Africa
Ceylon Oxygen Limited	Sri Lanka
Cryo Aktiebolag	Sweden
AGA Aktiebolag	Sweden
BOC Lienhwa Industrial Gases Company Limited	Taiwan
Thai Industrial Gases Public Company Limited	Thailand
Linde CryoPlants Limited	United Kingdom
BOC Limited	United Kingdom
Linde North America Inc.	United States of America
Linde Gas North America LLC	United States of America
Linde Process Plants, Inc.	United States of America
Linde RSS LLC	United States of America
Linde LLC	United States of America
Selas Fluid Processing Corporation	United States of America

Located in India	
Fellow Subsidiary	
Linde Global Support Services Private Limited	
Linde Engineering India Private Limited	
Joint Venture	
Bellary Oxygen Company Private Limited	

d) **Key Management Personnel of the Company**
Mr S Menon, Managing Director

2. Transactions with Related Parties during the year:

in rupees million	Ultimate Holding Company		Holding Company		Fellow Subsidiaries (Refer "3.")		Joint Venture		Key Management Personnel (Refer "4.")	
Nature of Transaction	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Purchase of goods	41.40	57.53	–	–	182.08	127.77	90.57	97.93	–	–
Purchase of fixed assets	864.16	583.33	–	–	74.14	11.38	–	–	–	–
Services received	31.56	20.46	195.87	152.39	17.13	41.51	–	–	–	–
Facility fees received	–	–	–	–	2.75	3.00	–	–	–	–
Sale of goods/services	–	–	–	–	65.28	15.69	16.09	9.17	–	–
Recovery of expenses	18.27	6.55	–	4.04	23.95	18.69	10.99	10.68	–	–
Reimbursement of expenses	0.10	–	–	0.01	2.75	0.17	–	–	–	–
Rent received	–	–	–	–	11.26	10.24	–	–	–	–
Managerial remuneration	–	–	–	–	–	–	–	–	15.02	18.64
Dividend paid/payable	–	–	114.46	114.46	–	–	–	–	–	–
Dividend received	–	–	–	–	–	–	15.00	15.00	–	–
Borrowings during the year	2,751.07	3,880.35	–	–	–	–	–	–	–	–
Interest	360.85	162.11	–	–	–	–	–	–	–	–
Outstanding balances										
Receivables/Debtors	15.12	1.97	1.05	0.80	19.98	15.92	18.36	22.39	–	–
Payables/Creditors	83.97	130.65	83.43	64.96	28.03	73.22	70.53	112.12	3.36	3.74
Payables for borrowings	8,380.30	4,691.60	–	–	–	–	–	–	–	–
Interest accrued but not due	110.53	54.86	–	–	–	–	–	–	–	–
Advance from customers	–	–	–	–	1,143.70	–	–	–	–	–
Advance to vendors/Capital advances	5,404.38	5,154.05	–	–	92.87	23.49	250.00	250.00	–	–
Guarantee given by the company	–	–	–	–	–	–	308.02	420.82	–	–

3. Details of transactions with fellow subsidiaries (included under Column "Fellow Subsidiaries" in "2.") the amount of which is in excess of 10 % of the total related party transactions of the similiar nature.

in rupees million

Nature of Transaction	Name of Fellow Subsidiaries	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Purchase of goods	Cryostar SAS	91.34	21.84
	Linde North America, Inc.	72.10	80.33
	Linde Electronics & Speciality Gases (Suzhou) Company Limited	5.45	16.70
Purchase of fixed assets	Selas Fluid Processing Corporation	34.06	–
	Linde Engineering India Private Limited	21.16	–
	BOC Process Systems	11.35	–
	Cryostar SAS	0.48	6.35
	Linde Cryoplants Limited	0.37	4.10
Services received	Cryostar SAS	3.05	3.62
	Linde Gas Asia Pte Limited	7.88	–
	Linde Engineering India Private Limited	2.37	37.09
	Linde Gas Singapore Pte Limited	0.87	0.46
Facility fees received	Linde Global Support Services Private Limited	2.75	3.00
Sale of goods/services	BOC Bangladesh Limited	11.43	14.50
	Ceylon Oxygen Limited	47.94	–
Recovery of expenses	Linde Gas Asia Pte Limited	19.73	14.99
	Linde Global Support Services Private Limited	3.43	3.70
Reimbursement of expenses	Cryostar SAS	2.75	–
	Linde Gas Asia Pte Limited	–	0.11
	Linde North America, Inc.	–	0.02
	Linde Electronics & Speciality Gases (Suzhou) Company Limited	–	0.04
Rent received	Linde Global Support Services Private Limited	11.26	10.24
Outstanding balances			
Receivables/Debtors	Linde Global Support Services Private Limited	3.99	2.46
	Linde Gas Asia Pte Limited	10.59	11.92
	BOC Bangladesh Limited	3.36	–
Payables/Creditors	BOC (China) Holdings Company Limited	12.51	12.51
	BOC Limited	11.53	11.20
	Linde Gas Asia Pte Limited	4.49	6.11
	Linde Electronics & Speciality Gases (Suzhou) Company Limited	4.28	7.18
	Linde Gas North America LLC	–	21.81
Advance to Vendors/Capital Advances	Cryostar SAS	74.24	20.33
	AGA Aktiebolag	16.90	–
Advance from customers	Linde Indonesia	1,029.97	–

4. Details of transactions with Key Management Personnel (included under Column "Key Management Personnel" in "2.") the amount of which is in excess of 10 % of the total related party transactions of the similar nature.

Nature of Transaction	Name of Party	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Managerial Remuneration	S Menon	15.02	13.19
	K Roy	–	5.45
Payables	S Menon	3.36	3.74

XXIV. Gross sales:

in rupees million		Year ended 31 Dec. 2011		Year ended 31 Dec. 2010	
Class of goods	Units	Quantity	Amount	Quantity	Amount
Air separation unit gases	1,000,000 cum	1,700.18	7,568.46	1,675.89	6.363.77
Other cylinder gases	1,000,000 cum	2.77	554.01	3.18	511.05
Vessels, plants and related accessories (Project Engineering)		***	3,069.31	***	3,031.08
Others		***	489.86	***	455.18
			11,681.64		10,361.08

XXV. Raw materials and components consumed:

in rupees million		Year ended 31 Dec. 2011		Year ended 31 Dec. 2010	
Class of goods	Units	Quantity	Amount	Quantity	Amount
Ferrous, non-ferrous metals & components		***	1,115.47	***	1,277.36
Chemicals	tonnes	2,570.29	75.07	2,629.21	80.32
			1,190.54		1,357.68

XXVI. Licensed capacity, installed capacity and production:

in rupees million		Year ended 31 Dec. 2011			Year ended 31 Dec. 2010		
Class of goods	Units	Licensed Capacity*	Installed Capacity**	Production	Licensed Capacity*	Installed Capacity**	Production
Air separation unit gases	1,000,000 cum	N.A.	2,007.75	1,638.70	N.A.	1,988.07	1,624.70
Other cylinder gases	1,000,000 cum	N.A.	10.18	1.20	N.A.	10.18	0.84
Air separation & gas plants, associated and cryogenic equipment	Nos/Sets	N.A.	38.00	3.00	N.A.	38.00	3.00

* N.A. represents not appicable in view of Government of India's notification No. S.D.477(E) dated 25 July 1991.
** Information on installed capacity have been certified by management and have not been audited since it is technical in nature.

XXVII. Closing stock of finished goods:

in rupees million		As at 31 Dec. 2011		As at 31 Dec. 2010		As at 31 Dec. 2009	
Class of goods	Units	Quantity	Amount	Quantity	Amount	Quantity	Amount
Air separation unit gases	1,000,000 cum	12.48	100.41	9.59	45.35	13.18	57.26
Other cylinder gases	1,000,000 cum	0.18	108.96	0.15	65.08	0.09	41.93
Others		***	60.61	***	129.48	***	76.34
			269.98		239.91		175.53

XXVIII. Finished Goods purchased:

in rupees million		Year ended 31 Dec. 2011		Year ended 31 Dec. 2010	
Class of goods	Units	Quantity	Amount	Quantity	Amount
Air separation unit gases	1,000,000 cum	64.37	433.85	47.59	450.02
Other cylinder gases	1,000,000 cum	1.60	231.93	2.39	244.94
Others		***	80.69	***	115.51
			746.47		810.47

*** The quantitative details are not given as the company deals in a large number of items of different measurement units and therefore it is not practical to give quantitative details in respect thereof.

XXIX. Value of imports on CIF basis:

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Raw materials	–	–
Components and spare parts	295.37	499.16
Capital goods	1,103.01	749.12
	1,398.38	1,248.28

XXX. Consumption of raw materials, components and stores & spare parts:

	Year ended 31 Dec. 2011		Year ended 31 Dec. 2010	
in rupees million	Amount	% of total Consumption	Amount	% of total Consumption
Raw materials				
Imported	–	–	–	–
Indigenous	75.07	100.00	80.32	100.00
	75.07	100.00	80.32	100.00
Components and stores & spare parts				
Imported	318.98	24.08	435.36	28.97
Indigenous	1,005.50	75.92	1,067.50	71.03
	1,324.48	100.00	1,502.86	100.00

XXXI. Expenditure in foreign currency:

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Travelling expenses	0.90	0.89
Technical support fees	195.87	152.39
Services received	53.97	30.77
Interest expense	360.85	162.11
Reimbursement of expenses	2.85	0.22
	614.44	346.38

Dividend warrants of certain non-residents shareholders send to their bankers in India have been excluded.

XXXII. Earnings in foreign exchange:

in rupees million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Export (F. O. B. basis)	104.50	146.29
Recovery of expenses	38.79	6.55
	143.29	152.84

XXXIII. Remittance in foreign currency on account of dividend:

	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010
Number of non-resident shareholders	One	One
Dividend for the year	2010	2009
Number of shares held	76,308,293	76,308,293
Against amount remitted (in rupees million)	114.46	114.46

XXXIV.

Expenses are net of reimbursement received aggregating **Rs. 53.21 million** (Previous Year Rs. 39.96 million)

XXXV.

Amount aggregating to Rs. 51.89 million reported in the cash flow statement for the year ended 31 December 2011, under "Trade payables" as at 31 December 2010, requires regrouping to "Liabilities no longer required written back" to confirm to the current year's classification.

As per our report attached
for BSR & Co.
Chartered Accountants
Firm Registration No.: 101248W
Vikram Advani, Partner
Membership No.: 091765

M Sadhukhan, Chief Financial Officer

For and on behalf of Board of Directors:
S M Datta, Chairman
S Menon, Managing Director
P Marda, Company Secretary

Kolkata
9 February 2012

Information pursuant to Part IV of Schedule VI to the Companies Act, 1956

a) Registration Details	
CIN No.	L40200WB1958PLC008184
Balance Sheet Date	31 December 2011
State Code	21
b) Capital raised during the period (in rupees million)	
Public Issue	Nil
Bonus Issue	Nil
Rights Issue	Nil
Private Placement	Nil
c) Position of Mobilisation and Deployment of Funds (in rupees million)	
Total Liabilities	22,135.82
Sources of Funds	
Paid up Capital	852.84
Reserves and Surplus	11,767.01
Secured Loans	–
Unsecured Loans	8,380.30
Deferred Tax Liability (Net)	1,135.67
Total Assets	22,135.82
Application of Funds	
Net Fixed Assets	20,523.25
Investments	150.00
Net Current Assets	1,462.57
d) Performance of Company (in rupees million)	
Turnover (Representing Total Income including Other Income)	11,663.05
Total Expenditure	9,914.55
Profit/(Loss) Before Tax	1,748.50
Profit/(Loss) After Tax	1,216.57
Earning per share (in rupees)	14.26
Dividend rate %	15
e) Generic Names of three Principal Products/Services of the Company	
Item Code No. (ITC Code)	Product Description
28044000	Oxygen
28043000	Nitrogen
28042100	Argon

M Sadhukhan, Chief Financial Officer

On behalf of Board of Directors:
S M Datta, Chairman
S Menon, Managing Director
P Marda, Company Secretary

Auditors' Report.

To the members of BOC India Limited

I.
We have audited the attached Balance Sheet of BOC India Limited ('the Company') as at 31 December 2011 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

II.
We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

III.
As required by the Companies (Auditor's Report) Order, 2003, as amended ('Order'), issued by the Central Government of India in terms of subsection (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

IV.
Further to our comments in the Annexure referred to above, we report that:

a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

e) on the basis of written representations received from directors as on 31 December 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December 2011 from being appointed as a Director in terms of Section 274 (1) g) of the Companies Act, 1956;

f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Balance Sheet, of the state of the affairs of the Company as at 31 December 2011;
- in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
- in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For BSR & Co.
Chartered Accountants
Firm Registration No.: 101248W
Vikram Advani, Partner
Membership No.: 091765

Kolkata
9 February 2012

Annexure to the Auditors' Report.*

I.

a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

II.

a) The inventory, except goods-in-transit has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

III.

The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

IV.

In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.

V.

a) In our opinion and according to the information and explanations given to us, the particulars of the contract or arrangement referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

b) Under the aforesaid contract or arrangement, certain services that are rendered by the Company as per the specialised requirements of a buyer and the value of such services exceeds Rs. 5 lakhs during the year, suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.

VI.

The Company has not accepted any deposits from the public during the year.

VII.

In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

VIII.

We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209 (1) d) of the Companies Act, 1956 in respect of the products and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

IX.

a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Investor Education and

* Referred to in our report of even date.

Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues have generally been regularly deposited during the year by the Company with appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 December 2011 for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, there are no dues of Customs duty and Wealth tax which have not been deposited with the appropriate authorities on account of any dispute.

According to the information and explanations given to us, dues of Income-tax, Sales tax, Service tax and Excise duty which have not been deposited by the Company on account of any dispute are listed below:

Name of the Statute	Nature of Dues	Amount in rupees million*	Period to which amount relates	Forum where the dispute is pending
Central State Sales Tax Act and VAT Acts	Sales Tax	2.53	1982–1992	High Court
		243.17	1981–1988 1992–2008	Revisional Board
		5.49	1993–1994 1995–1997 2003–2006	Tribunal
		18.71	2008–2009	Senior Joint Commissioner (Appeals) of Commercial Taxes
		41.27	2003–2005 2006–2009	Joint Commissioner (Appeals) of Commercial Taxes
		35.76	2005–2008 1997–1998	Deputy Commissioner (Appeals) of Commercial Taxes
		2.05	2007–2008	Assistant Commissioner of Commercial Taxes
		30.67	1998–1999 2001–2003 2005–2007 2008–2010	Commissioner of Commercial Taxes
Central Excise Act, 1944	Excise Duty	21.72	1999–2009	Supreme Court
		2.26	1998–2001	High Court
		126.94**	1991–2011	Customs, Excise and Service Tax Appellate Tribunal
		7.89	1991–2010	Commissioner (Appeals)
		24.69	2007–2010	Commissioner of Central Excise
		4.14	2010–2011	Additional Commissioner
		2.52	2006–2010	Deputy Commissioner
		4.46	2005–2011	Assistant Commissioner
Finance Act, 1994	Service Tax	32.40	2005–2008	Customs, Excise and Service Tax Appellate Tribunal
		5.94	2005–2010	Commissioner (Appeals)
		121.48	2004–2010	Commissioner of Service Tax
		3.24	2004–2007	Additional Commissioner
		0.13	2009–2011	Deputy Commissioner
		6.04	2007–2011	Assistant Commissioner

* Excluding the demands the proceedings of which have been set aside or remanded for reassessment by the appropriate authorities.
** Including disputed dues aggregating to Rs. 31.06 million in respect of Excise dispute, which have been stayed by respective authorities.

X.
The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

XI.
In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding debentures during the year.

XII.
The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

XIII.
In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.

XIV.
According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

XV.
In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.

XVI.
Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/surplus fund which were not required for immediate utilisation have been gainfully invested in fixed deposits with banks. The maximum amount of idle/surplus fund in fixed deposits during the year was Rs. 1,100.00 million. There is no outstanding idle/surplus fund as at the end of the year.

XVII.
According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.

XVIII.
The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.

XIX.
The Company did not have any outstanding debentures during the year.

XX.
The Company has not raised any money by public issues during the year.

XXI.
According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For BSR & Co.
Chartered Accountants
Firm Registration No.: 101248W
Vikram Advani, Partner
Membership No.: 091765

Kolkata
9 February 2012

Ten-year financial data.

Ten-year financial data

in rupees million	2003	2004	2005	2006	2007	31 Dec. 2007 (9 months)	31 Dec. 2008 (12 months)	2009	2010	2011
Sales										
Home	3,206.6	3,469.8	4,243.5	5,607.1	4,954.7	3,259.8	5,697.3	8,245.6	10,214.8	11,577.1
Export	16.1	1.9	0.1	2.2	11.1	12.1	19.3	113.6	146.3	104.5
Profit/(Loss) before tax and extraordinary item	114.6	201.4	455.9	809.1	437.7	240.2	832.3	920.0	1,295.7	1,748.5
Tax	36.5	76.6	189.6	326.0	183.3	96.0	212.3	376.1	359.4	531.9
Profit/(Loss) after tax, before extraordinary item	78.1	124.8	266.3	483.2	254.4	144.2	620.0	543.9	936.3	1,216.6
Extraordinary item, (net of tax)	85.2	168.1	13.4	303.1	191.6	472.4	180.4	(11.5)	–	–
Profit after Tax	163.3	292.9	279.7	786.3	446.0	616.6	800.4	532.4	936.3	1,216.6
Share Capital	490.8	490.8	490.8	490.8	490.8	490.8	852.8	852.8	852.8	852.8
Reserves and Surplus	1,529.5	1,767.1	1,898.9	2,517.2	2,819.7	3,246.0	9,509.7	9,728.4	10,297.8	11,767.0
Shareholders´ Funds	2,020.3	2,257.9	2,389.7	3,008.1	3,310.5	3,736.8	10,362.5	10,581.2	11,150.6	12,619.8
Loan Funds	1,142.9	848.4	768.6	1,087.3	917.3	2,190.0	–	1,176.1	4,691.6	8,380.3
Gross Block*	5,041.9	5,219.8	5,836.3	5,862.4	7,298.4	9,456.1	12,248.2	14,958.0	20,624.2	25,406.5
Depreciation**	2,227.9	2,384.1	2,674.2	2,752.7	3,012.8	3,217.3	3,363.1	3,792.2	4,326.2	4,883.3
Net Block*	2,814.0	2,835.7	3,162.1	3,109.7	4,285.6	6,238.8	8,885.1	11,165.8	16,298.0	20,523.2
Investments	0.6	121.7	650.0	290.1	150.0	150.0	150.0	150.0	150.0	150.0
Net Current Assets	327.0	233.6	(396.4)	1,187.9	275.7	21.4	1,822.7	1,188.6	192.0	1,462.6
Total Capital Employed	3,141.6	3,191.0	3,415.7	4,587.7	4,711.3	6,410.2	10,857.8	12,504.4	16,640.0	22,135.8
Dividend (incl. tax thereon)	–	55.4	84.1	167.9	143.6	199.6	149.7	149.7	149.1	148.7
Rate of Dividend	–	10 %	15 %	30 %	25 %	20 %	15 %	15 %	15 %	15 %
No of Shareholders	27,034	27,993	28,675	32,061	31,772	31,663	29,178	26,759	21,824	20,364
No of Employees	633	591	588	633	643	657	722	666	726	797

* Includes Capital Work-in-Progress.
** Includes Impairment.

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