

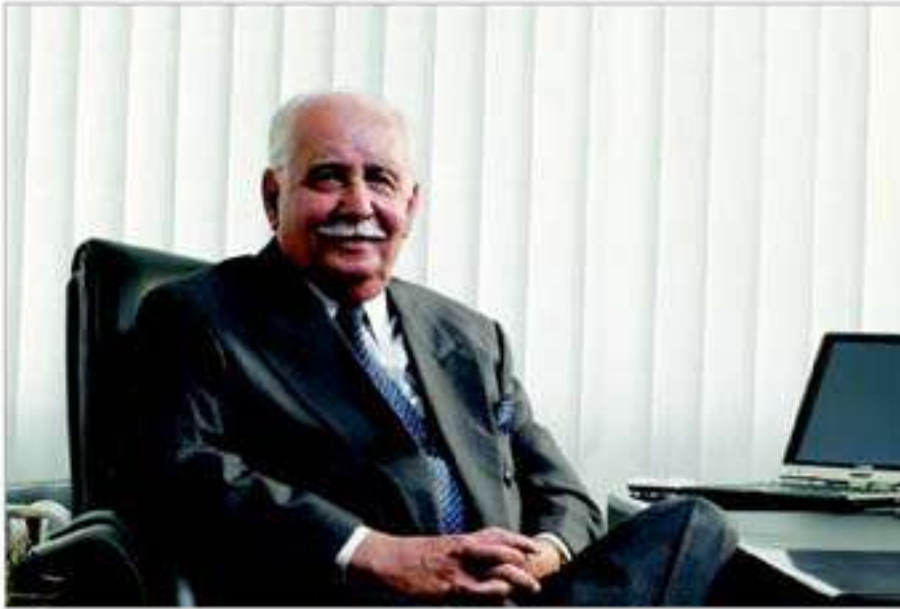
Annual Report 2006-07





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A tribute to J N Sapru

Mr J N Sapru, Chairman of BOC India, passed away on 8 May 2007 after a brief illness. He was 73.

A visionary, a futurist and an achiever, Mr Sapru's tenure as Non - Executive Chairman of BOC India coincided with some of the most sweeping changes seen in Indian industry. A Master in Economics from Allahabad University, Mr Sapru was widely reputed in management circles for his business acumen, simplicity and leadership qualities. As Non-Executive Chairman, he guided BOC India for a period of 14 years including some difficult times.

While the void created by Mr Sapru's demise will be difficult to fill, his principles and ideals will continue to guide the Company and inspire the BOC family towards achieving and surpassing the high standards of performance and governance that he had set.

The BOC family pays sincere tribute to its Chairman for his wise counsel and guidance as well as for his warmth and reassuring presence during his tenure.

Leading

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“ It is not the strongest species that survives, nor the most intelligent, but the most responsive to change. ”

Charles Darwin



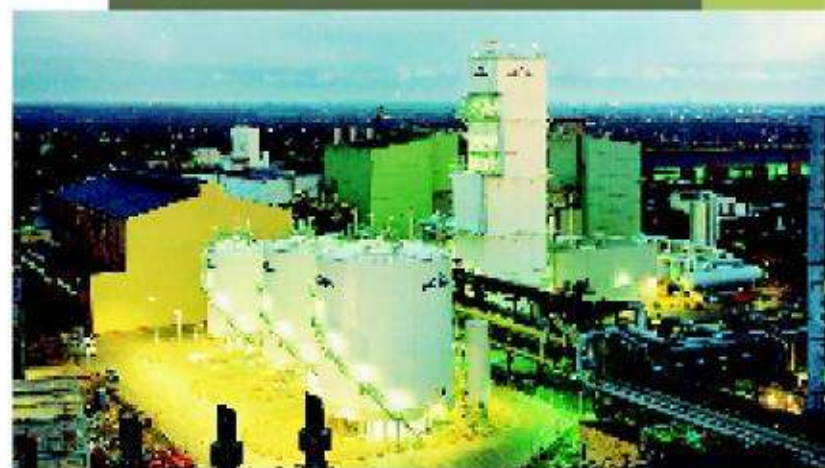
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A lot has changed in BOC India's world over the past twelve months. The merger of The BOC Group with Linde AG in September last year and the emergence of The Linde Group as the largest industrial gases and engineering group in the world made a quantum shift globally; in the way the Gases Industry is configured.

The impact of the global merger was felt in India too with several positive changes, as BOC India became a member of The Linde Group. Linde's leadership position in Europe and South America coupled with BOC's dominance in Asia Pacific and North America ensures a leading position for The Linde Group across 70 countries and provides BOC India with the framework to leverage their global span, operational expertise and large customer base. More importantly, the widened technological base now available in terms of in-house engineering capabilities within The Linde Group, provides a competitive edge to the Project Engineering Division within BOC India.

But changes have not merely been structural. With increased globalisation, several new generation industries in diverse areas such as electronics, biotechnology and cleaner energy

sources have entered the Indian market providing new application opportunities to the Gases Industry. BOC India is well poised to take advantage of The Linde Group's technology base and applications knowledge to widen its business portfolio in the emerging sectors.



Leading techn

“ Any sufficiently advanced technology
is indistinguishable from magic. ”

Arthur C. Clarke



ology

BOC India, a pioneer in the gases industry in the country, has always been in the forefront of leading technological changes in the country, from large Air Separation Units to new patented technology for improving quality such as the Advanced Glass Melting (CGM™) in glass making.

The merger of The BOC Group with Linde AG has now opened up a large and exciting pool of new and advanced technologies for BOC India. While several of these technologies may not find immediate application in the Indian context, cutting edge technologies in areas such as production of environment friendly fuels, liquification of natural gas for shipping and CO₂ Sequestration will find new applications as the Indian economy and the industry mature.

Project Engineering Division of BOC India had collaborated with the Engineering Division of Linde AG to execute several large and complex projects within the country. Post merger, Linde's cutting edge technological inputs complemented by the Project Engineering Division's project execution skills in local conditions will help win several of the projects currently being bid for by the Company.

BOC India has been considering to enter into the production of hydrogen. Since hydrogen has been declared as a 'cleaner fuel', Linde has pioneered the development of this environment friendly technological process. Today, BOC India, through The Linde Group, has access to technology required for the complete hydrogen value chain, from hydrogen production to fuelling. It is well equipped to make quick inroads into this expanding market at the appropriate time and showcase its responsibilities to the environment.



Leading . innO

“ Innovation is not the product of logical thought, although the result is tied to logical structure. ”

Albert Einstein



vation

BOC India has always striven to raise the bar on performance through continuous innovation and upgradation of technology.

From steel to food processing, from refinery to environment and from glass to healthcare, BOC India offers innovative gas solutions and processes, contributing greatly to improvement in productivity and quality across a wide range of industries.

Oxygen enrichment to improve productivity in processes as diverse as blast furnace iron-making to Electric/LD/BOF steelmaking and the use of high pressure nitrogen for slag splashing to increase the life of refractory linings are some examples of innovative solutions.

With our patented Advanced Glass Melting (CGM™) technology in glass manufacturing, we improve efficiency, cost effectiveness and glass quality in furnaces.

Our gases also play a significant role in the food industry where gas mixtures, especially with nitrogen, help retain the flavour and freshness of fruits, poultry and bakery products.

While ensuring that conventional medical gases like oxygen and nitrous oxide meet the highest standards of quality and safety, BOC has also introduced new generation gas mixtures like Entonox™, which provides pain relief and comfort to mothers in labour.

BOC has very recently launched a new state-of-the-art sales service called Cryospeed™. This service uses BOC's specially designed vehicles to carry and deliver liquids into Portable Cryogenic Containers (PCC) installed at the customer premises. With our primary intent to enhance productivity for the customer, this service is a step towards further enhancement of our service levels.



Leading saf

“ Safety is something that happens between your ears, not something you hold in your hands. ”

Jeff Cooper



ety

Safety is a prerequisite to any business that we undertake. In fact, safety is 100% of our behaviour, 100% of the time.

The Linde Group's commitment to safety is reflected in their mission statement "In The Linde Group, we do not want to harm people or the environment." At BOC India, we believe that a safe environment leads to a better future and our workforce undergoes continuous training on safety to make our sites and the environment safer.

BOC's commitment to Safety, Health, Environment and Quality (SHEQ) is embedded in its business philosophy. After the merger with Linde, a new Group SHEQ policy has been launched which sets out mandatory guidelines in all areas of business and reinforces the principle of safety and occupational health and hygiene.

The top priority of the Company is to avoid injuries and vehicle related incidents. BOC India has initiated many projects to ensure that these safety policies are implemented across the country. Our launch of the Drive Safe campaign, communication protocol on violation of policies and Defensive Driving Techniques have all been embraced by our people to achieve our objective of zero incidents.

The Integrated Management Systems and Standards (IMSS) which is a vast resource base for training and competency development is now well entrenched and all employees have undergone the training connected to their work. This method of competency assessment has also been extended to our contracted staff to ensure that they become a part of our safety systems. This has also translated in higher levels of efficiency and increased engagement at work.

We stand out not only for being the largest gases producer but also for our safe working practices.



Leading val

“ Open your arms to change,
but don't let go of your values. ”

Dalai Lama



ues

Organisational values largely set the culture that drives the company in achieving high levels of performance. Values provide the framework that help guide decisions and actions that influence the behaviour of individuals. Without such values, we will not be able to pursue behaviours that are in line with their own individual value systems. These values are what we stand for and what differentiate us from competition.

The biggest challenge of the merger of the BOC Group with Linde AG was faced in terms of organisational value-sets. The process of merger resulted in certain concerns and uncertainties which were felt by the employees at various levels. For a smooth transition, Management of Change (MoC) was the greatest challenge for the Human Resources function. This was successfully met through the creation of a Local Integration Team (LIT) that actively worked on and supported the MoC activities. Various Focus Group Discussions were initiated to support the employees during some very trying

times. Regular communication with employees was initiated through various channels like face to face discussions, communication meetings, employee surveys, management news, etc. and various initiatives were taken to keep the employee involvement and morale high.

At BOC, we strive for excellence and improve every aspect of our organisation, process and operations, look at opportunities

to learn and to develop high performance cultures. This improvement in performance is eventually aimed at creating value for all our stakeholders.



Leading

CUSTOMER

“ The single most important thing to remember about any enterprise is that there are no results inside its walls. The result of a business is a satisfied customer. ”

Peter Drucker



mer care

An organisation's success lies in the interests of its customers and BOC India is no exception. Which is why, we have tried to positively influence the customers' perception of BOC India through strong customer focus. Our 'Customer Service Centre' (CSC) set up in the year 2002 was an effort to establish a single point of contact for all after-sales requirements and clear ownership of all customers' requests and queries. Over the last few years, CSC has emerged as the 'Champion' for the customer within the business, using analysis to influence and drive continuous improvements between business and customer. We have leveraged the gap between industry and technology to ensure effective and accurate capturing of information and convert these into data for finding root causes, thus helping the business.

We have implemented a centralised indenting and order taking initiative for capturing accurate demand of customers. Monitoring of customer orders (placed with CSC) along with accurate and proactive feedback on deliveries to customer has been a regular practice.

Customer services cover the entire country and are presently provided in several regional languages such as Hindi, Tamil, Telugu, Bengali, Kannada and Oriya. There is constant tracking and monitoring of all the complaints and a root cause analysis is undertaken to drive change.



Leading the

“ My interest is in the future because I am going to spend the rest of my life there. ”

Charles F. Kettering



future

The merger of The BOC Group with Linde AG to form The Linde Group has resulted in the creation of the world's leading industrial gases and engineering company. With operations spread over 70 countries covering all the continents, The Linde Group has an employee strength of over 51,000 and a turnover of Euro 12.4 billion.

As a member of The Linde Group, BOC India is in the process of aligning its organisation in line with the Group and is now imminently poised to leverage the universally acknowledged technological competence of Linde's Engineering Division. This will enable the Company to deliver optimal and cost effective solutions across industry segments.

BOC India is continuously working on the opportunities to set up large supply schemes in various end use segments, notable being the steel industry.

BOC India has also been exploring the benefits of the small on-site projects (ECOVAR)[™] in the country, winning new opportunities in this segment. The Company expects that the small on-site project wins would significantly improve its reach and market share in the gases industry in the near future.

Hydrogen is considered to be the most important fuel of the future, which will play a significant role in the long term in

automotive transportation in view of the increasingly short supply of the fossil fuels and the commitments made under the Kyoto agreement. The Linde Group has world-class technology in the field of hydrogen and production of bio-hydrogen is the focus of its research and development activities. BOC India, with the support of Linde is also exploring opportunities in hydrogen business, which will provide growth opportunities as the economy matures in the years to come.

BOC India is a pioneer in the gases industry in India, having power zones in East, South and West. In line with its strategy to develop its market share in North India, the Company is looking at opportunities to set up a merchant air separation unit in North India to tap the potential of this market.

With the economy on the upswing, BOC India is stemmed with possibilities. Possibilities, which we will turn into realities.



board of directors*



J N SAPRU
Chairman



E R RAJ NARAYANAN
Managing Director



S M DATTA
Chairman, Audit Comm.



T J BURT



S LAMBA



R N GREENFIELD



M S HUGGON



J J IRANI



J MEHTA



S MENON



P B RAMANUJAM

BOC India Limited

BOARD OF DIRECTORS*

Jagdish Narain Sapru, *Chairman*
E R Raj Narayanan, *Managing Director*
Susim Mukul Datta, *Chairman-Audit Committee*
Trevor John Burt
Robert Neil Greenfield
Michael Stewart Huggon
Jamshed Jiji Irani
Sanjiv Lamba
Jyotin Mehta, *Nominee of ICICI Bank Ltd.*
Srikumar Menon, *Finance Director*
Pillappakkam Bahukutumbi Ramanujam, *Nominee of GIC*

COMPANY SECRETARY

Pawan Marda

AUDITORS

Price Waterhouse

SOLICITORS

Crawford Bayley & Co.
Khaitan & Co.

BOARD COMMITTEES*

AUDIT COMMITTEE

Susim Mukul Datta, *Chairman*
Jamshed Jiji Irani
Sanjiv Lamba
Jyotin Mehta
Jagdish Narain Sapru

SHAREHOLDERS'/INVESTORS'

GRIEVANCE COMMITTEE

Susim Mukul Datta
Jyotin Mehta
E R Raj Narayanan
Jagdish Narain Sapru

REMUNERATION COMMITTEE

Jamshed Jiji Irani, *Chairman*
Susim Mukul Datta
Michael Stewart Huggon
Sanjiv Lamba
Jagdish Narain Sapru

ADMINISTRATIVE COMMITTEE

Susim Mukul Datta
E R Raj Narayanan
Jagdish Narain Sapru

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

REGISTERED OFFICE

Oxygen House
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Fax : 91-33-2401 4974/4206

*as on 31 March 2007

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 March 2007.

Chairman of the Board

At the outset, your Directors express their deepest sorrow and profound regret on the sad demise of Mr Jagdish Narain Sapru, the Chairman of the Board of Directors on 8 May 2007 and pay tribute to him for his immense contribution towards the growth of your Company during his tenure as its Chairman. Mr Sapru joined the Board of your Company in the year 1992 and became the Chairman of the Board effective 1 January 1993. During this period, he provided leadership to the Company's Board over a span of 14 years including through its most difficult times in the late nineties.

The Board of Directors of the Company proposes to elect a new chairman of the Board at its next meeting to be held on 31 July 2007.

Financial Results

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

	Year ended 31 March 2007 Rs. in million	Year ended 31 March 2006 Rs. in million
Gross Sales	4965.82	5609.34
Operating Profit after depreciation, impairment and interest, but before extraordinary items	437.66	809.14
Extraordinary items (Net)	242.94	409.52
Profit before tax	680.60	1218.66
Provision for current, deferred tax & fringe benefits tax	234.56	432.39
Profit after tax	446.04	786.27
Transfer from Debenture Redemption Reserve	—	2.66
Profit available for appropriation	446.04	788.93
Appropriations :		
Proposed Dividend @ 25% (Previous year @30%) on 49,084,223 Equity Shares of Rs.10 each, absorbing	122.71	147.25
Tax on Proposed Dividend	20.86	20.65
Transfer to General Reserve	44.60	78.63
Balance carried forward	257.87	542.40

Financial Performance

Turnover for the year at Rs. 4965.82 million was 11% lower than Rs. 5609.34 million in the previous year. The decline in the turnover during the year was mainly due to lower billings of the Project Engineering Division in connection with the sale of plant and machinery and components to Bellary Oxygen Co. Pvt. Ltd. (Belloxy) for the construction of their 855 tpd plant and technical problems with the 1290 tpd air separation plant at Jamshedpur. The billings for Belloxy's 855 tpd plant

during the year were to the tune of Rs.569.82 million compared to Rs.1366.56 million in the previous year. The technical problems faced at the Company's 1290 tpd air separation plant in Jamshedpur which led to its shutdown for a period of 20 days during the month of December 2006, also significantly affected the turnover and performance of the Company. This loss of turnover during the year was partially offset by higher sales of liquid nitrogen, argon and its derivatives,

new product ranges like refrigerants, fire suppressants and welding & safety products.

The operating profit after depreciation, impairment and interest but before extraordinary items declined by 46% to Rs. 437.66 million. The shutdown of the 1290 tpd plant during December 2006 resulted in loss of revenue and contribution during the period. Higher maintenance cost of the plant, purchase of liquid products and additional costs incurred to transport them to meet the customers' demand during the period of shutdown also eroded margins. The power tariff in Maharashtra which increased by approximately 27% over last year's rates, also impacted the profitability as the entire cost increase could not be passed on to the customers. Review of the useful lives of the fixed assets, mainly relating to the I&SP segment resulted in revision of depreciation rates leading to an additional one-time depreciation charge of Rs. 89.31 million. The depreciation rates in respect of these fixed assets are now aligned to those specified in Schedule XIV of the Companies Act, 1956. The depreciation charge was also higher due to commissioning of two state-of-the-art liquid compression sites at Pune and Trichy. Interest costs were higher by Rs. 15.92 million due to hardening of rates and short term loans taken during the year to meet temporary cash flow mismatches.

During the year, your Company disposed off the land at Tondiarpet, in Chennai. Your Company recorded an extra-ordinary income of Rs. 242.94 million arising from this transaction, taking the net profit after taxes to Rs. 446.04 million. This net profit was 43% lower as compared to the previous year, which however, included significantly higher extraordinary income of Rs.474.66 million, also arising from sale of property.

Dividend

Your Directors are pleased to recommend a dividend of 25% (Rs.2.50 per equity share) for the year 2006-07 as against 30% (Rs.3.00 per equity share) paid for the year 2005-06. The Board has recommended this dividend after careful consideration of your Company's financial performance and the need to conserve resources for financing the ongoing projects of your Company. The dividend together with dividend tax will entail a cash outlay of Rs.143.57 million (previous year Rs. 167.91 million). The Board also recommends a transfer to General Reserve of Rs.44.60 million (previous year Rs. 78.63 million) in compliance with the Companies (Transfer of Profits to Reserves) Rules, 1975.

Industry Developments

The gases business is capital intensive and requires large investments in manufacturing units, distribution assets and storage networks to service bulk volumes at competitive prices. The industry comprises of large captive users in steel, fertiliser 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. Merchant market growth has typically been in line with growth in the Index of Industrial Production (IIP). New applications in areas like food freezing, refrigeration, fire suppression, etc. continue to provide growth opportunities. This growth is expected to be supplemented by 'Build Own Operate' (BOO) type of supply scheme opportunities arising from the trend of captive users increasingly outsourcing their gases requirements to the gases specialists, while focusing on their core competencies.

India's economy continues to grow rapidly. With the surge in the Indian economy coupled with the growth in end user segments, the gases industry is poised for a quantum jump. The Indian steel industry is also very vibrant and the national steel policy has set a production target of 110 million tonnes by 2020 from the present level of 40 million tonnes. All the major steel producers in the country have announced modernisation and expansion plans. Global players have also evinced keen interest in setting up steel capacity in India. With this exponential growth in steel sector, the demand for gases, in particular, oxygen will witness a substantial increase. Opportunities for growth also come from the increasing Government focus in streamlining of its policies in new application areas such as electronics and food processing.

While your Company continues to be the leading gases company in India, other global gas players are also increasing their market presence and their sphere of activities in the country. Apart from these major global players, the market is also served by several regional and local gas companies, including those operating their own plants. With large-scale capacity additions, competition in the gases industry is likely to intensify.

Merger of The BOC Group with Linde AG

Linde AG completed its acquisition of The BOC Group plc on 5 September 2006 under a scheme of arrangement approved by the Courts in the U.K. The two entities, have combined to form The Linde Group,

which has become one of the world's leading industrial gases and engineering groups. Operating in over 70 countries with more than 51,000 employees worldwide, The Linde Group enjoys leadership position in most of its markets and achieved a combined turnover of Euro 12.4 billion for the year ended 31 December 2006.

Lines of Business

The Lines of Business operating model of the BOC Group plc, which your Company has been following, is undergoing a change following organisational changes globally. The Linde Group reports its financial performance under the two business segments, viz., Gases Division and Engineering Division. As a member of The Linde Group, your Company is in the process of aligning its business segments with those of The Linde Group from the financial year beginning 1 April 2007.

As the LoB operating model continued to be functional during the year under review, the results for the financial year ended 31 March 2007 have been reported in line with the same.

Process Gas Solutions (PGS)

Process Gas Solutions (PGS) focuses on customers requiring bulk supplies of gases from on-site plants or by pipelines as well as deliveries of liquified gases. The Project Engineering Division dealing with large customers across diverse industries forms a core part of the PGS line of business.

During the year, volumes in the PGS business grew by about 6%, primarily backed by increased liquid nitrogen sales. The liquid products from Bellary Oxygen Co. Pvt. Ltd., a joint venture of your Company, which commenced operations of its 855 tpd air separation plant at Bellary improved product availability in Southern India. This contributed to winning new accounts in the pharmaceutical and food industries, besides, ISRO, a renowned space research organisation of the Government of India.

While liquid argon volumes also showed an upward trend, competitive pressure and improved supply scenario had a marked influence on argon prices. The higher demand also enabled full loading of the 65 tpd plant at Medak, Hyderabad.

Logistics continued to support the PGS business during the year with the addition of new tankers to the distribution fleet. Supported by the new plants in the

South, your Company is now well poised to serve the burgeoning demand for gases in the Southern and Western regions.

During the year under review, the 1290 tonnes per day plant at Jamshedpur could not be operated at full production capacity in the month of December 2006 due to technical problems faced in the plant, adversely impacting the performance of your Company. Although the plant recommenced operations after modifications during the course of the month, it could not attain optimum production levels. On the basis of continuous monitoring of its performance and a root cause analysis carried out by the global team of experts from the Group, the Company has taken a planned shutdown of the plant in the first week of May 2007 for major repairs, which are progressing well.

The tonnage plants of your Company at Taloja and Tarapur operated satisfactorily during the year under review.

Your Company's objective to expand presence in Southern India received further momentum with the signing of the second long term contract with JSW Steel Ltd. to cater to their increased demand arising from major expansion of their steel works in Bellary, Karnataka. Your Company is presently setting up an 1800 tpd ASU for supply of oxygen, nitrogen and argon to the steel major. The plant is expected to come on stream in 2008. This contract follows the earlier contract for an 855 tpd plant, which was commissioned during the year under review. The second win is a testimony of BOC's capability to offer superior technology at competitive costs and the trust that the customer reposes on your Company.

During the year, your Company also signed a contract to set up a 100 tpd ASU for the supply of gases to Adhunik Metalik's steel works in Rourkela. To execute this contract, your Company will be relocating its existing plant from Dolvi, which is expected to be commissioned in the third quarter of 2007.

Project Engineering Division (PED)

PED turned in another year of good performance with turnover at Rs. 1350.72 million for third party projects, excluding in-house projects. In keeping with its successful track record of executing projects, the Division commissioned an 855 tpd ASU at Bellary, Karnataka. During the year, the Division also commissioned a nitrogen generator for Indian Oil Corporation's refinery at Haldia, an ASU for Andhra

Paper Mills and a hydrogen pressure swing adsorption plant for Hindustan Petroleum Corporation's refinery at Mumbai.

The Division is currently engaged in the execution of two in-house projects. It is constructing the Company's largest ASU at the steel works of JSW Steel Ltd. at Bellary, Karnataka. The construction of the plant is progressing as per schedule and the plant is expected to go on stream in 2008. The Division is also relocating the 100 tpd ASU from Dolvi to the steel works of Adhunik Metaliks Ltd. at Rourkela.

The Division, in collaboration with Linde Engineering, recently won an order from a major gas player in India for setting up of a 1250 tpd Air Separation Unit. The winning of this contract after the successful completion of the 1260 tpd ASU in Dolvi, reflects the confidence that customers repose on the execution capabilities of the Division. Besides, a 220 tpd air separation plant for Jindal Stainless in Hissar, Harayana is also progressing as per schedule.

During the financial year, the Division won numerous orders for setting up air separation plants and related projects for various third party customers in core industries and scientific research institutes, contributing to a healthy order book, which is currently valued at around Rs. 1200 millions. While maintaining its leadership in cryogenic nitrogen generators, the Division is also actively pursuing several opportunities for hydrogen pressure swing adsorption plants and vacuum pressure swing adsorption plants.

The Plant Manufacturing Works, the fabrication facility of Project Engineering Division, continues to manufacture cryogenic storage tanks and provides support to the Gases business.

The Division has successfully collaborated with Linde Engineering in the past as their technology partner and the merger of BOC with Linde AG further strengthens this association. Post merger, PED with the support from Linde Engineering has participated in the bidding process for various prestigious projects in India. This consortium expects to win several projects on the strength of Linde Engineering's cutting edge technology complemented by Project Engineering Division's local capabilities and execution skills to suit the Indian industry.

Industrial & Special Products (I&SP)

I&SP covers customers mainly in the fabrication and medical sectors as well as special products like helium

and calibration gases.

The industrial gases business grew by 9% during the year. The increase in demand from the fabrication industry for high purity argon and argon mixtures was the main driver for growth. Taking a quantum jump to become a total solutions provider, BOC has re-entered the welding equipment market and during the year launched the MIG & TIG welding machines, along with a range of accessories and safety products. During the year, your Company also aggressively pursued new application areas like laser cutting and is currently the only gases company in India dealing in such gases.

During the year, your Company substantially increased its market share in special gases. The commissioning of a new liquid compression station (LCS) at Pune has helped the Company make inroads into the fast expanding, yet extremely competitive, automotive market in this region. Besides Pune, a new LCS was also commissioned in Trichy in Southern India. The LCS in Faridabad is being relocated to Bhiwadi, Rajasthan and work on commissioning the plant is nearing completion.

Your Company's medical business also performed well during the year. Liquid medical oxygen registered a volume growth of around 18% and continued to be the main growth driver. During the year, a number of Vacuum Insulated Evaporators (VIE) were installed to supply medical oxygen to hospitals. All operations and engineering directives were observed in installation of these vessels, ensuring the highest standards of safety for our customers. The medical pipeline business continues to support the medical portfolio. After establishing leadership position in the Eastern region, the business is now slowly expanding into the Western and Southern parts of the country as well and your Company is concentrating on building a dedicated team to focus on these regions.

Entonox™, an analgesic inhalant for pain relief in child birth and one of the flagship products of the medical portfolio grew in popularity, registering improved volumes compared to last year. Several new hospitals were added to the customer portfolio and the business also won its first order for supply of Entonox™ through a pipeline manifold during the year. With the healthcare industry expanding in India, your Company is also expanding its geographical spread by entering new markets.

A number of new initiatives were undertaken during the year to improve the operational efficiency of the

I&SP business. Bar coding system for cylinder tracking to gain better control over the all-important asset class, improving the productivity of our test shops, introduction of palletised delivery vehicles for transporting packaged gases were some of the initiatives introduced during the year.

Installation of deluge systems and providing air stream helmets to the operators improved the safety standards at our dissolved acetylene plants.

Your Company has recently launched a new state-of-the-art service called Cryospeed™. This service uses BOC's specially designed vehicle to transport and deliver liquid into Portable Cryogenic Containers (PCC) installed at the customer premises. This service creates a competitive advantage to BOC India by offering several benefits to its customers, such as continuous use without any downtime, elimination of cylinder handling, cost efficiencies, increased safety, etc.

Finance

Cash generation from operations at Rs.1043.70 million reflects growth of around 156% as compared to the previous year. This was mainly due to collections from Bellary Oxygen Co. Pvt. Ltd. towards billings in respect of the 855 tpd plant during the year.

Capital expenditure of Rs.1531.10 million (2005-06: Rs. 207.99 million) during the year was mainly towards the capital work in progress of 1800 tpd ASU at Bellary, new liquid compression sites at Faridabad, Pune and Trichy and on procurement of cylinders and distribution resources. Financing arrangements in respect of the 1800 tpd ASU plant at Bellary are now in place and the drawdown is expected shortly.

The interest cost of the Company went up by Rs. 15.92 million owing to reduced interest income compared to the previous year and general hardening of interest rates in the market. The strong cash flows during the year helped in reducing the borrowings by around 16% over the previous year despite significantly higher capital advances in connection with 1800 tpd plant at Bellary. This phenomenon resulted in temporary utilisation of short term funds towards capital expenditure at the year end.

Your Company has transferred a total sum of Rs. 0.08 million of matured deposits and interest thereon to the Investor Education & Protection Fund pursuant to Section 205C of the Companies Act,1956.

Prescribed Particulars

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

Human Resources

The acquisition of BOC by Linde resulted in the change of organisation structure from the existing LoB operating model to a new matrix organisation structure, which is presently under implementation.

A management of change programme was launched to more effectively manage the process of integration. Local Integration Teams were set up to actively support management of change activities. Regular communication with employees was initiated through various channels like face to face discussions, communication meetings, employee surveys, management news, etc. Various initiatives were taken to maintain employee involvement in the integration process and resolve all concerns arising from the process.

Through our Recruitment and Selection process, we continued to attract and select the best talent both from the premier educational institutes as well as the industry.

Your Company had manpower strength of 643 employees as on 31 March 2007. Your Company continues to enjoy harmonious industrial relations at all its plants and offices.

Safety, Health, Environment and Quality (SHEQ)

Safety continues to be the top most priority for BOC. The Company's commitment to Safety, Health, Environment & Quality (SHEQ) is embedded in its business philosophy and the existing programmes, maintained momentum during the year. The Behavioural Safety Program, initiated to orient management behaviour towards safety, which was first implemented at the Taloja unit has now been rolled out in several units. The programme is resulting in visible improvements in our safety standards and the organisation is gradually moving from a "dependent" to an "independent" culture in safety.

Transport Safety remains the single biggest challenge and focus area for improvement. Your Company has improved the tracking system of its Vacuum Insulated Transport Tankers (VITTs) through Global Positioning

System (GPS). All the units have gone through a formal Transport Safety Audit to identify areas that need improvements.

Outlook

In the year 2006-07, the Indian economy sustained the growth momentum, while maintaining strong macro-economic fundamentals. Business in the Indian market therefore, continues to be buoyant as a result of high level of economic activities in India. Steady growth within the steel and metallurgical industries is driving the industrial gases sector towards a vibrant future. India is likely to become one of the leading gases markets in the world in the years to come. As a member of The Linde Group, your Company will be able to access and leverage the cutting edge technology from their Engineering Division and is thus well poised to take advantage of the emerging opportunities in the industry.

With the country's steel making capacity projected to touch 110 million tonnes per annum by 2020, steel continues to be the major growth driver for the gases industry in India. The competition however, is expected to be intense amongst the major global gas players in the market. Emerging applications in industries such as glass, oil, electronics, fibre optics and food would also contribute to the growth of the industrial gases sector. Your Company is also examining a possible entry into the hydrogen market in the country while working on to maintaining its leadership position in the 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 and an extensive program of review carried out by the Company's Internal Audit function which submits detailed reports periodically to the management and the Audit Committee.

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

Corporate Governance

Your Company is 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. A separate report on Corporate Governance along with the certificate of the Auditors, Messrs Price Waterhouse, 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 March 2007, 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 judgements 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

Mr J N Sapru, the Chairman of the Board of Directors of the Company passed away on 8 May 2007. Your Directors once again express their deepest sorrow and profound regret on the sad demise of Mr J N Sapru and place on record their sincere appreciation of the wise counsel and guidance received from him as well as for the invaluable contribution made by him towards the growth of the Company during his tenure as its Chairman.

During the year, Mr David Neil Lindsay, Director- Industrial & Special Products resigned as a Director of the Company with effect from the close of business hours on 29 March 2007 consequent upon completion of his two years term as Whole Time Director of the

Company. The Board of Directors wishes to place on record its appreciation of the contribution made by Mr Lindsay in providing a sharp focus towards improving the operations of the Company's I&SP Line of Business.

In view of the organisational changes following the acquisition of The BOC Group by Linde AG, Mr John Bevan resigned as Director of the Company on 26 October 2006. Following the resignation of Mr Bevan, Mr Peter Hyland, Alternate Director to Mr Bevan ceased to be a Director of the Company. The Board also places on record its sincere appreciation of the invaluable support and guidance given by Mr Bevan during his tenure on the Board.

Mr Trevor Burt was appointed as an Additional Director of the Company representing The Linde Group w.e.f. 18 January 2007. Mr Burt vacates his office as Additional Director under Article 92 of the Articles of Association of the Company at the ensuing Annual General Meeting and it is proposed to appoint him as a Director at the said meeting.

Mr S Lamba and Mr R N Greenfield retire by way of rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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, conducted this audit for the financial year 2005-06. The Company has received the approval of the Central Government for appointment of M/s. S. Gupta & Co., for audit of cost records for the financial year 2006-07, which would commence soon.

Auditors

Messrs Price Waterhouse, Chartered Accountants, the Auditors of the Company will hold office till the

conclusion of the ensuing Annual General Meeting. The retiring auditors have expressed their unwillingness to be re-appointed as Auditors of the Company. It is proposed to appoint Messrs BSR & Company, Chartered Accountants, as Auditors of the Company in place of the retiring auditors. The Company has also obtained a written consent from M/s BSR & Company to the effect that their 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



E R Raj Narayanan
Managing Director



S M Datta
Director

Mumbai
18 May 2007

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 MARCH 2007.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken :

- (i) Maintenance management package, MAXIMO, a very useful tool to improve reliability of plants has been implemented at all existing Tonnage Plants. This has positive influence on specific power usage by improving plant reliability.
- (ii) Utilisation of cold recovered from liquid evaporators for cooling of water is under study, which will help in reducing power consumption of cooling tower.
- (iii) Use of energy efficient sources like steam for heating application instead of electrical heater.
- (iv) Introduction of high pressure pump in place of low pressure pump for product filling to reduce losses.
- (v) On-going energy conservation measures such as maintaining high load factor/power factor, demand management, use of energy efficient equipment were continued with at all sites.

(b) Additional Investments and Proposals :

- (i) Investments planned for upgradation of Data Capturing System at Taloja Tonnage plant. This will enhance plant reliability and contribute to enhancement in plant uptime, which will have positive impact on specific power.
- (ii) Installation of online partial discharge monitoring systems for critical HT motors planned for improving plant reliability. Enhancement in plant uptime will have positive impact on specific power.
- (iii) Investment planned for new heat exchangers at Taloja and Jamshedpur Tonnage plants for improved energy usage efficiency.
- (iv) Investment was also made towards additional capacitors for some of the Plants.

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

The above measures will directly impact the electrical power usage positively and lead to 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) Developed oxygen application using Vitox system in chemical and pharmaceutical industries for treatment of industrial effluents.
- (ii) Developed nitrogen applications in furnace atmospheres for heat treatment and metal processing industries.
- (iii) Developed sheilding gases for quality welding.

2 Benefits :

- (i) Pollution control to protect environment.
- (ii) Improved quality.
- (iii) Improved quality.

3 Future plan of action :

- (i) Continue work on oxygen application in Vitox System.
- (ii) Continue work on application of nitrogen in furnace atmospheres for heat treatment and metal processing industries.

4 Expenditure on R&D :

(a) Capital	Rs. 0.261 million
(b) Recurring	Rs. 2.715 million
(c) Total	Rs. 2.976 million
(d) Total R&D expenditure as a percentage of total turnover	0.06%

II Technology Absorption, Adaptation and Innovation

1 Efforts made :

Continued interaction with BOC Technology Group for adapting gases application technologies by process conceptualisation, hardware development and process optimisation to suit the Indian market.

2 Benefits derived :

- (i) Improved quality and business growth in terms of gas sales.
- (ii) Environment protection.

3 Technology Imported : Nil

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(f) Your Company's exports include plant and plant spares.

(g) Total foreign exchange used during the year was Rs. 1544.98 million and total foreign exchange earned during the year was Rs. 79.71 million.

INFORMATION AS PER SECTION 217(2A) READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2007

Name	Designation	Qualification	Total working experience (years)	Date of commencement of employment	Remuneration Rs.	Age (years)	Previous Employment/ Position held
1	2	3	4	5	6	7	8
Employees who were employed throughout the year							
Narayanan, E R Raj	Managing Director	B.Tech. (Chemical), PG Diploma in Management	23	16 03 2005	84,49,788	45	Managing Director LANXESS India Pvt Ltd.
Lindsay, David Neil #	President-Special Projects	B.Sc. (Mechanical Engg.)	30	01 11 2004	1,61,35,167	48	G.M. - ISP & Director Consolidated Industrial Gases Inc., Philippines
Menon, Srikumar	Finance Director	B.Com.(Hons.), ACA	28	01 10 2001	58,51,042	54	Vice. President - Finance Pidilite Industries Ltd.
Bengani, Hanuman Mal	Head - PED	B.E.(Hons), Chemical Engg.	32	14 05 1980	53,67,489	53	Erection & Comm. Engineer Bharat Heavy P & V Ltd.
Chaudhuri, Monojitt	Head - PGS Operations	B.E. (Chemical Engg.)	24	01 01 2004	31,78,121	47	Site General Manager-Manufacturing and Supply ICI India Ltd.
Ganguly, Subir	National Sales Manager - PGP & Bulk	B.E. (Metallurgical), MBA (Marketing)	26	17 12 1997	31,21,446	48	Asst General Manager Saraswati Industrial Syndicate, Unit: ISGEC
K, Manoharan	Head-PG&P Operations	B.E., Diploma in Maintenance Management	22	21 04 2003	25,83,876	45	Chief Manager - Packaged & Speciality Gases Praxair India Pvt. Ltd.
Banerjee, Moloy	Marketing Manager	B.Tech. (Mech.)	20	20 01 1997	27,70,542	40	Project Manager Warren Industrial Ltd.
Employees who were employed for part of the year							
Joseph, Roy	Head - Human Resources	B.Com., PGDPM & IR (XLRI, Jamshedpur)	20	04 09 2002	17,45,033	43	Manager H. R. - Selection Employee Relations & Talent Development (Middle East and South Asia) Standard Chartered Bank
Ahluwalia, Jaswinder Singh	Head - Logistics	MBA	22	05 08 2002	10,63,508	49	General Manager - Logistics Transport Corporation of India
Sen, Dhurva	Head - Human Resources	B.Sc.(Hons.), LLB PGDPM & IR (XLRI, Jamshedpur)	22	15 03 2007	1,16,549	46	Head - HR Operations Nokia India Pvt. Ltd.

Mr D N Lindsay was earlier a Wholtime Director of the Company, designated as Director - Industrial & Special Products upto 29 March 2007.

- NOTES : 1) Remuneration includes, inter-alia, Company's contribution to Provident and other Funds and perquisites at actual cost or as evaluated as per Income Tax Rules, 1962.
2) All appointments are contractual.
3) None of the above employees is a relative of any Director of the Company.

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. During the year, the Company became a member of The Linde Group w.e.f. 6 September 2006 on completion of Linde's acquisition of The BOC Group plc under a scheme of arrangement. Linde and BOC have each adhered closely to clearly defined values with regard to business ethics and conduct, which provide the foundation of The Linde Group. 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 March 2007

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 judgement in its deliberations and decisions. As on 31 March 2007, the Board of BOC India comprised of 11 Directors, detail whereof is given below:

- > A Non-Executive Independent Chairman (up to 8 May 2007);
- > Two Non-Executive Independent Directors;
- > Two Non-Executive Independent Nominee Directors;
- > Four Non-Executive Directors representing The Linde Group; and
- > Two Executive Directors.

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

Board Meetings held during the year

During the financial year ended 31 March 2007, five Board meetings were held on 8 May 2006, 26 July 2006, 26 October 2006, 18 January 2007 and 30 March 2007. 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 March 2007 and the last Annual General Meeting (AGM), Number of Other Directorship(s) and Other Board Committee Membership(s) held

Name of Director	Category of Directorship	No. of Board meetings attended	Attendance at the last AGM	No. of other directorship(s) ⁽¹⁾	Other Board Committee membership(s) / chairmanship(s) ⁽²⁾
Mr J N Sapru ⁽³⁾ (upto 8 May 2007)	(Chairman) Non-Executive Independent Director	3	Yes	5	3 (including 2 as Chairman)
Mr J A Bevan ^{(4) & (5)}	Non-Executive Director	1	No	N.A.	N.A.
Mr T J Burt ^{(4) & (6)}	Non-Executive Director	1	N.A.	–	–

Name of Director	Category of Directorship	No. of Board meetings attended	Attendance at the last AGM	No. of other directorship(s) ⁽¹⁾	Other Board Committee membership(s) / chairmanship(s) ⁽²⁾
Mr S M Datta	Non-Executive Independent Director	5	Yes	11	2 (including 1 as Chairman)
Mr R N Greenfield ⁽⁴⁾	Non-Executive Director	1	No	—	—
Mr M S Huggon ⁽⁴⁾	Non-Executive Director	—	No	—	—
Dr J J Irani	Non-Executive Independent Director	4	No	10	1
Mr S Lamba ⁽⁴⁾	Non-Executive Director	5	Yes	—	—
Mr D N Lindsay ⁽⁷⁾	(Director-Industrial & Special Products) Executive Director	4	Yes	N.A.	N.A.
Mr J Mehta	(Nominee of ICICI Bank Ltd.as Lender) Non-Executive Independent Director	4	No	1	—
Mr S K Menon	(Finance Director) Executive Director	5	Yes	—	—
Mr E R Raj Narayanan	(Managing Director) Executive Director	5	Yes	—	—
Mr P B Ramanujam	(Nominee of GIC of India as Investor) Non-Executive Independent Director	5	Yes	2	1 (as Chairman)
ALTERNATE DIRECTOR					
Mr P A Hyland ⁽⁵⁾	Alternate to Mr J A Bevan	1	—	N.A.	N.A.

- (1) Excludes directorships in Indian private limited companies, foreign companies, companies under Section 25 of the Companies Act, 1956 and Alternate Directorships.
- (2) Represents memberships of Audit Committee and Shareholders'/Investors' Grievance Committee.
- (3) Mr J N Sapru passed away on 8 May 2007 and thereby ceased to be a Director of the Company.
- (4) Representing The Linde Group.
- (5) Mr J A Bevan resigned from the Board w.e.f. the conclusion of the Board meeting held on 26 October 2006. As a consequence of Mr Bevan's resignation, Mr P A Hyland ceased to be the Alternate Director from the same date.
- (6) Mr T J Burt was appointed Additional Director in the Board meeting held on 18 January 2007.
- (7) Mr D N Lindsay resigned from the Board w.e.f. close of business hours on 29 March 2007 consequent upon completion of his two years term as Whole Time Director of the Company.

Code of Conduct

The Company had earlier adopted the BOC's global Code of Conduct for all its employees including its wholetime directors. A brief Code on the lines of the BOC Group's global Code of Conduct was also adopted by the Board of Directors as the Code applicable to the Non-Executive Directors of the Company. The existing code remains in force until a new code of conduct designed to meet the new requirements of The Linde Group comes into effect in due course. The aforesaid Codes are posted on the Company's website. All Directors and senior management personnel of the Company as on 31 March 2007 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 Directors and designated employees of the Company.

Risk Management

The Company had earlier developed a risk management framework with the help of the Risk Management Services of The BOC Group plc. The process of identification of the risks and assessment thereof together with the identified key risks were informed to the Board. The mitigation plans in respect of the identified key risks were

presented to the Board during the year. The Board provides oversight of the risk management process and reviews the same. As a member of The Linde Group, the Company will benefit from the monitoring and risk management systems of Linde which are continually being updated and adapted by their Executive Board to take account of changing circumstances.

CEO/ CFO Certification

The Managing Director (CEO) and the Finance Director (CFO) of the Company have certified to the Board that all the requirements of the 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 March 2007, transactions entered into by the Company during the 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 four committees of the Board of Directors – Audit Committee, Remuneration Committee, Shareholders' / Investors' Grievance Committee and Administrative Committee. The minutes of all Board 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 and Administrative Committee including the number of meetings held during the financial year 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 complies with the relevant provisions of the Companies Act, 1956.

The Audit Committee also reviews information as per the requirement of Clause 49 (II) (E) of the Listing Agreement.

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:

- a. 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.
- b. 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.
- c. Review with the management, quarterly and annual financial statements before submission to the Board.
- d. Review with the management, performance of statutory and internal auditors.
- e. 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.
- f. Discussion with internal auditors on any significant findings and follow up thereon including reviewing the findings of internal investigations, if any.
- g. 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.
- h. 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 March 2007, the Committee comprised of five Non- Executive Directors, four of whom, including the Chairman of the Committee were Independent Directors. Mr S M Datta (Chairman of the Committee), Dr J J Irani, Mr S Lamba, Mr J Mehta and Mr J N Sapru were the Members of the Committee as on 31 March 2007.

Mr J N Sapru, a Non-Executive Independent Director was Member of the Committee up to 8 May 2007. 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 26 July 2006.

The Managing Director, Finance Director 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

Five meetings of the Audit Committee were held during the year 2006-07. The meetings were held on 8 May 2006, 26 July 2006, 26 October 2006, 18 January 2007 and 30 March 2007. 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	5	5
Dr J J Irani	5	4
Mr S Lamba	5	5
Mr J Mehta	5	4
Mr J N Sapru	5	3

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, etc. after reviewing their performance.

Composition

As on 31 March 2007, the Committee comprised of five Non- Executive Directors, three of whom, including the Chairman of the Committee were Independent Directors. Dr J J Irani (Chairman of the Committee), Mr S M Datta, Mr M S Huggon, Mr S Lamba and Mr J N Sapru were the Members of the Committee as on 31 March 2007. Mr J N Sapru, a Non-Executive Independent Director was Member of the Committee up to 8 May 2007.

Attendance

During the year 2006-07, the Committee met on 26 October 2006 and 30 March 2007. The attendance of the Members at the meeting were as follows:

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

*Inducted as a Member of the Committee in the Board meeting held on 30 March 2007.

Remuneration Policy

Payment of remuneration to the Managing/ Wholetime Directors is governed by the terms and conditions of their appointment, including remuneration, as recommended by the Remuneration Committee and approved by the Board subject to the approval of the shareholders and Central Government, where applicable. The remuneration structure comprises basic salary, perquisites and allowances, variable compensation pay, contribution to provident fund, superannuation and gratuity funds.

The Non-Executive Directors, other than the Directors representing The Linde Group are paid a sum of Rs.8,000 as sitting fees for attending each meeting of the Board and/or Committee thereof. 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 Managing/ Wholetime Directors

Details of remuneration to Managing / Wholetime Directors during the year 2006-07 (refer Note xii of Schedule 18 of the Accounts) are given below:

Name of the Director	Salary and Allowances Rs.	Variable Compensation Pay Rs.	Contribution to Provident and other Funds Rs.	Perquisites/ Other Benefits Rs.	Total Rs.
Mr E R Raj Narayanan, Managing Director	53,79,649	16,39,065	10,58,535	3,72,539	84,49,788
Mr D N Lindsay, Director-Industrial & Special Products*	1,17,13,609	15,27,649	—	28,09,618	1,60,50,876
Mr S Menon, Finance Director	29,03,650	11,67,285	4,84,155	12,95,952	58,51,042

*Ceased to be Director of the Company consequent upon completion of his two years term as Whole Time Director.

The Agreements with the existing Directors are for a period of 3 years from the respective dates of their appointments and can be terminated by either party by giving not less than six months notice in writing. The Agreements do 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 Independent Directors

Details of remuneration to the Non-Executive Independent Directors for the year 2006-07 are given below:

Name of the Director	Sitting Fees Rs.	Commission* Rs.
Mr S M Datta	104,000	5,00,000
Dr J J Irani	80,000	3,33,334
Mr J Mehta	80,000 #	3,33,333 #
Mr P B Ramanujam	40,000	3,33,333 #
Mr J N Sapru	64,000	10,00,000

* Payable after approval of the annual accounts by the Members.

Paid/ payable to the Institution / Company, the Director represents.

In accordance with the approval of the shareholders in the meeting held on 30 July 2001, 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 financial year 2006-07 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 Directors of the Company as on 31 March 2007 are as follows:

Name of the Director	No. of Equity Shares	No. of Convertible Instruments
Mr J N Sapru	10,000	N. A.
Mr S M Datta	5,000	N. A.
Mr S Lamba	400	N. A.

Shareholders' / Investors' Grievance Committee

The Committee oversees redressal of complaints and grievances of the shareholders/ investors and quarterly Secretarial Audit Reports as well as compliance with other related guidelines of Securities and Exchange Board of India.

Composition

As on 31 March 2007, the Shareholders'/ Investors' Grievance Committee comprised of four Directors - three Non-Executive Independent Directors, viz. Mr S M Datta, Mr J Mehta and Mr J N Sapru and Mr E R Raj Narayanan, Managing Director of the Company. Mr J N Sapru, a Non-Executive Independent Director was Member of the Committee up to 8 May 2007.

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

The Committee met twice during the year on 26 October 2006 and 30 March 2007. 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
Mr J Mehta	2	2
Mr J N Sapru	2	1
Mr E R Raj Narayanan	2	2

The Board of Directors has delegated the power of approving the share transfers, transmission, etc. to the Managing Director, Finance 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, Company Secretary of the Company as the Compliance Officer.

Shareholders' complaints

During the year, the Company received 57 complaints from the shareholders/ investors. As on 31 March 2007, 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 March 2007, the Company processed 53,408 shares for transfer. As on 31 March 2007, 345 shares received towards the end of March 2007 were pending for transfer, which have been transferred on 16 April 2007. A total of 17 dematerialisation requests covering 4,171 equity shares received in the second half of March 2007 were pending as on 31 March 2007, which have been processed/ confirmed by 13 April 2007.

Administrative Committee

The Committee was set up to deal with routine administrative matters depending on exigencies of business and matters specifically delegated to it by the Board from time to time. As on 31 March 2007, the Committee

comprised of Mr J N Sapru and Mr S M Datta, both Non-Executive Independent Directors and Mr E R Raj Narayanan, Managing Director of the Company. Mr D N Lindsay, Director - Industrial & Special Products of the Company ceased to be Member of the Committee w.e.f. close of business hours on 29 March 2007 consequent upon the expiry of his two years term as wholetime director. Mr J N Sapru, a Non-Executive Independent Director was Member of the Committee up to 8 May 2007. The Company Secretary acts as the Secretary to the Committee. No meeting of the Administrative Committee was held during the year.

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 March 2006	26 July 2006	Science City, Kolkata	3.00 p.m.	One
Year ended 31 March 2005	25 July 2005	Science City, Kolkata	3.00 p.m.	One
Year ended 31 March 2004	21 July 2004	Science City, Kolkata	3.00 p.m.	None

- B. No special resolution was passed last year through Postal Ballot. Similarly, no special resolution is being proposed to be conducted through a Postal Ballot for the ensuing Annual General Meeting. 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, 2001, 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

- **Disclosures on 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 (xxi) (A) & (B) of Schedule 18 of the audited annual accounts for the year ended 31 March 2007 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.

- **Non - Mandatory Requirements**

The Company complies with the following non-mandatory requirements :

Chairman's Office

During the year 2006-07, 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 this report.

Audit Qualifications

There are no qualifications in the Auditors' Report to the Members on the financial statements for the year ended 31 March 2007.

Training of Board Members

Presentations are made by the Executive Directors 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.

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 were approved and taken on record within one month of the close of the relevant quarter and the audited annual financial results were approved and taken on record within two months of the close of the financial year. 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.
- As the Company publishes the audited annual financial results within the stipulated period of three months from the close of the financial year as per the Listing Agreement with the Stock Exchanges, the unaudited financial results for the last quarter of the financial year are not published.
- The Company also issues official press releases to the print media.
- 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.
- The Company also electronically files unaudited quarterly and audited annual Financial Results, Segment Results, Shareholding Pattern, etc. on the EDIFAR website "www.sebiedifar.nic.in" as required by SEBI/ the Listing Agreement with the Stock Exchanges.
- 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, 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	:	31 July 2007 at 3.00 p.m. at Science City Main Auditorium JBS Haldane Avenue, Kolkata 700 046															
Financial Calendar 2007-2008 (tentative and subject to change)	:	<table border="0"> <tr> <td>i. Financial Year</td> <td>:</td> <td>April 2007 to March 2008</td> </tr> <tr> <td>ii. First Quarter Results</td> <td>:</td> <td>31 July 2007</td> </tr> <tr> <td>iii. Second Quarter and Half Yearly Results</td> <td>:</td> <td>16 October 2007</td> </tr> <tr> <td>iv. Third Quarter Results</td> <td>:</td> <td>22 January 2008</td> </tr> <tr> <td>v. Audited Annual Results</td> <td>:</td> <td>May 2008</td> </tr> </table>	i. Financial Year	:	April 2007 to March 2008	ii. First Quarter Results	:	31 July 2007	iii. Second Quarter and Half Yearly Results	:	16 October 2007	iv. Third Quarter Results	:	22 January 2008	v. Audited Annual Results	:	May 2008
i. Financial Year	:	April 2007 to March 2008															
ii. First Quarter Results	:	31 July 2007															
iii. Second Quarter and Half Yearly Results	:	16 October 2007															
iv. Third Quarter Results	:	22 January 2008															
v. Audited Annual Results	:	May 2008															
Book Closure Period	:	17 July 2007 to 31 July 2007 (both days inclusive)															
Dividend Payment Date	:	On or after 7 August 2007															

Listing on Stock Exchanges

- a) The Calcutta Stock Exchange Association 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 2007-08.

Stock Code

- a) The Calcutta Stock Exchange Association Ltd.
Physical : 16; Demat : 10000016
- b) Bombay Stock Exchange Ltd.
Physical : 23457; Demat : 523457
- c) National Stock Exchange of India Ltd.
Symbol : BOC

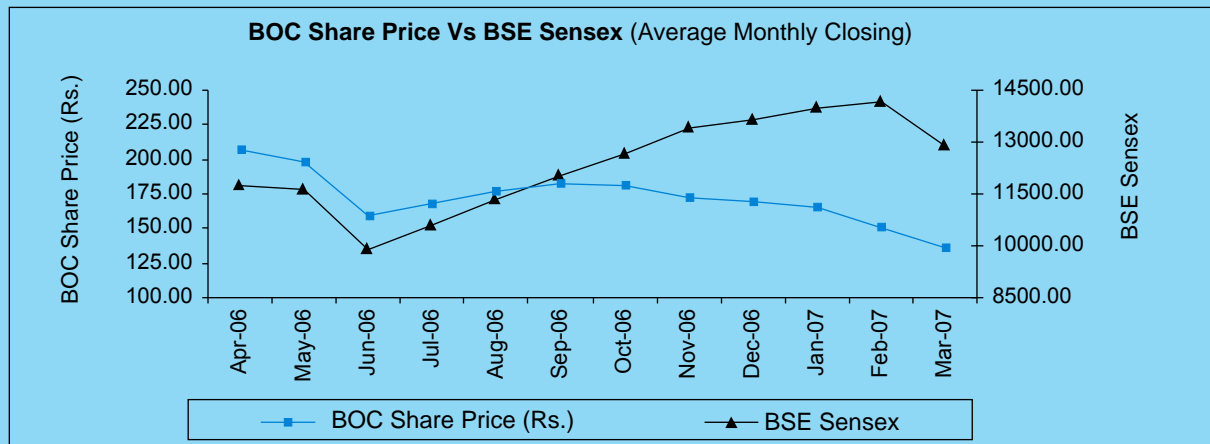
Stock Market Price Data

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 financial year 2006-07

Month	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume of shares traded	High (Rs.)	Low (Rs.)	Volume of shares traded
April 2006	223.40	169.30	90,40,122	224.00	171.80	1,62,63,127
May 2006	244.00	153.60	49,80,133	242.90	153.00	96,06,528
June 2006	176.00	128.00	18,57,818	179.50	128.30	35,16,729
July 2006	176.80	160.00	12,79,486	176.40	156.00	20,66,249
August 2006	192.20	162.25	22,78,962	192.30	160.15	32,81,145
September 2006	194.00	168.15	20,34,191	194.00	169.00	25,03,609
October 2006	197.85	174.00	13,06,539	198.00	173.60	17,35,419
November 2006	186.40	158.65	12,16,967	186.25	160.00	17,63,952
December 2006	186.50	157.05	6,20,038	186.00	157.00	8,75,330
January 2007	176.50	151.00	9,59,636	176.95	142.65	12,88,512
February 2007	164.40	132.00	5,29,559	164.20	126.00	7,32,420
March 2007	146.00	126.70	5,51,746	146.80	128.00	5,81,986

During the year, there were no significant 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



- Registrar and Transfer Agents** : Intime Spectrum Registry Ltd.
59C, Chowringhee Road, 3rd Floor, Kolkata 700 020
Phone : 91-33-2289 0540; Telefax : 91-33-2289 0539
Email : kolkata@intimespectrum.com
- Share Transfer System** : Share transfers in physical form should be lodged at the office of the Registrar and Transfer Agents, Intime Spectrum Registry 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 lodgement thereof and are approved by the committee of Managing Director, Finance 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 March 2007, a total of 2,02,31,072 equity shares of the Company constituting 41.22 % of the total Subscribed and Paid up Share Capital stands dematerialised.

Distribution of shareholding as on 31 March 2007

Number of Shares Slab	Number of Shareholders	% of Shareholders	Number of Shares held	% of Shares held
1-50	9,663	30.41	258,477	0.53
51-100	6,982	21.97	642,604	1.31
101-250	6,491	20.43	1,168,601	2.38
251-500	4,654	14.65	1,764,550	3.59
501-1000	2,366	7.45	1,770,067	3.61
1001-5000	1,433	4.51	2,920,133	5.95
5001-10000	95	0.30	674,885	1.37
10001-100000	66	0.21	1,705,866	3.48
Above 100000	22	0.07	38,179,040	77.78
Total	31,772	100.00	49,084,223	100.00

Shareholding pattern as on 31 March 2007

Category	Number of Shares held	% of Shares held
Foreign Promoters (The BOC Group plc, U.K., a part of The Linde Group)	26,898,891	54.80
Foreign Holdings (FIs, OCBs & NRIs)	6,744,670	13.74
FIs, Insurance Companies & Banks	2,995,686	6.10
Other Corporate Bodies	1,652,055	3.37
Mutual Funds	1,927,739	3.93
Individuals & Others	8,865,182	18.06
Total	49,084,223	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

Chennai

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

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

Faridabad

13/1 Mathura Road
Faridabad 121 003

Howrah

Village : Pakuria, P.O. Lakhenpur
P.S. Domjur, Howrah 711 323

Hyderabad

Bombay Road, Sanat Nagar
Hyderabad 500 018

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

Jamshedpur

Tonnage Plant (1290 tpd)
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

Jamshedpur (Contd.)

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

Special Gases Centre
E-27, MIDC Industrial Area
Dist. Raigad, Taloja
Navi Mumbai 410 208

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

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

Pune

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

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

Address for correspondence : The Company Secretary
BOC India Limited
Oxygen House
P 43 Taratala Road, Kolkata 700 088
Phone : 91-33-2401 4708; 2401 5172 (Dir.)
Fax : 91-33-2401 4974; 2401 4206
Email : 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, E R Raj Narayanan, 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 March 2007.

Mumbai
18 May 2007

E R Raj Narayanan
Managing Director

Auditors' 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, for the year ended 31st March 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's 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 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 Agreement.

We 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.

Mumbai
18th May, 2007

S K DEB
Partner
Membership No.: 13390
For and on behalf of
PRICE WATERHOUSE

Balance Sheet as at 31 March 2007

	Schedule	As at 31 March 2007 Rs. '000	As at 31 March 2006 Rs. '000
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	490,842	490,842
Reserves and Surplus	2	2,819,688	2,517,218
		<u>3,310,530</u>	<u>3,008,060</u>
LOAN FUNDS			
Secured Loans	3	452,302	328,287
Unsecured Loans		465,000	759,000
		<u>917,302</u>	<u>1,087,287</u>
DEFERRED TAX LIABILITY (NET)	4	483,476	492,391
		<u>4,711,308</u>	<u>4,587,738</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	5,995,259	5,655,655
Less : Depreciation		2,953,068	2,690,209
		<u>3,042,191</u>	<u>2,965,446</u>
Capital Work-in-Progress		1,303,187	206,728
		<u>4,345,378</u>	<u>3,172,174</u>
Less : Impairment		59,754	62,446
		<u>4,285,624</u>	<u>3,109,728</u>
INVESTMENTS	6	150,000	290,126
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	281,792	389,315
Trade Debtors	8	706,503	857,296
Cash and Bank Balances	9	13,155	624,709
Other Current Assets	10	170,477	167,685
Loans and Advances	11	381,546	557,383
		<u>1,553,473</u>	<u>2,596,388</u>
Less :			
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	12	1,018,228	1,098,320
Provisions	13	259,561	310,184
		<u>1,277,789</u>	<u>1,408,504</u>
NET CURRENT ASSETS		275,684	1,187,884
		<u>4,711,308</u>	<u>4,587,738</u>
Notes on Accounts	18		

This is the Balance Sheet referred to in our Report of even date to the Members of BOC India Limited.

S K DEB
Partner
Membership No. : 13390
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Mumbai
18 May 2007

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

On Behalf of the Board

Director J J IRANI
Managing Director E R RAJ NARAYANAN
Finance Director S MENON
Company Secretary P MARDA

Profit and Loss Account for the year ended 31 March 2007

	Schedule	Year ended 31 March 2007 Rs. '000	Year ended 31 March 2006 Rs. '000
INCOME			
Gross Sales		4,965,816	5,609,342
Less : Excise Duty		404,847	387,421
Net Sales		4,560,969	5,221,921
Other Income	14	132,290	115,458
		<u>4,693,259</u>	<u>5,337,379</u>
EXPENDITURE			
Materials Consumed	15	951,826	1,462,010
Expenses	16	2,907,175	2,781,678
Depreciation and Impairment	5	344,097	247,972
Interest	17	52,499	36,577
		<u>4,255,597</u>	<u>4,528,237</u>
PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEMS			
		437,662	809,142
Extraordinary items - Profit / (Charge)			
Profit on disposal of Fixed Assets (Property) (Note vi on Schedule 18)		242,936	474,660
Settlement compensation for closed units		—	(65,138)
PROFIT BEFORE TAXATION			
		680,598	1,218,664
Provision for -			
Current Tax		(230,977)	(245,311)
Fringe Benefits Tax		(12,500)	(16,090)
Deferred Tax (Charge)/Credit		8,915	(170,990)
PROFIT AFTER TAXATION			
		446,036	786,273
Transfer from Debenture Redemption Reserve		—	2,656
Profit and Loss Account Brought Forward		520,516	(21,881)
		<u>966,552</u>	<u>767,048</u>
APPROPRIATIONS			
Proposed Dividend		122,711	147,253
Dividend Tax		20,855	20,652
Transfer to General Reserve		44,604	78,627
Profit and Loss Account Carried Forward		778,382	520,516
		<u>966,552</u>	<u>767,048</u>
Earnings per Equity Share of Rs. 10/- each (Note xvi on Schedule 18)			
on Profit after taxation and before extraordinary items			
Basic (Rs.)		5.18	9.84
Diluted (Rs.)		5.18	9.84
on Profit after taxation			
Basic (Rs.)		9.09	16.02
Diluted (Rs.)		9.09	16.02
Notes on Accounts	18		

This is the Profit and Loss Account referred to in our Report of even date to the Members of BOC India Limited.

S K DEB
Partner
Membership No. : 13390
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Mumbai
18 May 2007

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

On Behalf of the Board

Director J J IRANI
Managing Director E R RAJ NARAYANAN
Finance Director S MENON
Company Secretary P MARDA

Cash Flow Statement for the year ended 31 March 2007

	Year ended 31 March 2007 Rs. '000	Year ended 31 March 2006 Rs. '000
A Cash Flow from Operating Activities :		
Net Profit before Tax and Extraordinary items	437,662	809,142
Adjustments for :		
Depreciation and Impairment	344,097	247,972
Unrealised Foreign Exchange (Gain) / loss	1,068	(108)
Profit on Sale of Investments	—	(6,054)
Dividends	(6,090)	(243)
Profit on Sale of Fixed Assets (Net)	(7,159)	(51,768)
Interest (Net)	52,499	36,577
Operating Profit before working capital changes	<u>822,077</u>	1,035,518
Adjustments for :		
Trade Receivables	150,793	(414,745)
Other Receivables	43,058	(106,326)
Inventories	107,523	(181,374)
Trade Payables	(79,747)	74,545
Cash generated from operations	1,043,704	407,618
Direct Taxes paid	(228,262)	(133,318)
Direct Taxes refunds received	24,740	7,571
Voluntary Separation payments	(2,163)	(5,717)
Cash Flow before Extraordinary item	<u>838,019</u>	276,154
Extraordinary item :		
Settlement compensation for closed units	—	(18,486)
Net Cash from Operating Activities	<u>838,019</u>	<u>257,668</u>
B Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(1,559,669)	(231,065)
Proceeds from Sale of Fixed Assets	16,457	64,034
Long Term Investments in Joint Venture	—	(100)
Advance paid towards share application money in Joint Venture	—	(149,900)
Proceeds from sale of Long Term Investments	—	52,661
Proceeds from sale of Current Investments	2,220,027	2,193,610
Purchase of Current Investments	(1,930,000)	(1,880,243)
Long term deposit in Joint Venture	—	(250,000)
Dividend received	6,090	243
Interest received	12,335	18,405
Cash Flow before Extraordinary item	<u>(1,234,760)</u>	(182,355)
Extraordinary item :		
Proceeds from sale of Fixed Assets (Property)	244,742	474,776
Direct Taxes on Extraordinary item	(51,301)	(106,065)
Net Cash from / (used in) Investing Activities	<u>(1,041,319)</u>	<u>186,356</u>

Cash Flow Statement for the year ended 31 March 2007 (Contd.)

	Year ended 31 March 2007 Rs. '000	Year ended 31 March 2006 Rs. '000
C Cash Flow from Financing Activities :		
Increase in Short Term Borrowings (Net)	14,415	789,000
Redemption of Debentures	—	(12,500)
Repayment of Long Term Borrowings	(184,400)	(457,776)
Interest paid	(71,507)	(61,982)
Dividend paid	(146,110)	(73,415)
Dividend Tax paid	(20,652)	(10,326)
Net cash from / (used in) Financing Activities	<u>(408,254)</u>	<u>173,001</u>
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C)	(611,554)	617,025
Opening Cash and Cash Equivalents	624,709	7,684
Closing Cash and Cash Equivalents	13,155	624,709
Notes :		
(i) Cash and Cash Equivalents comprises (Refer Schedule 9) :		
Cash in Hand	1,497	1,114
With Scheduled Banks		
— Unclaimed Dividend Accounts	2,146	1,003
— Current Accounts	1,969	5,049
— Deposit Accounts	7,543	617,543
	<u>13,155</u>	<u>624,709</u>

(ii) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.

(iii) Previous year's figures have been rearranged / regrouped wherever necessary.

This is the Cash Flow Statement referred to in our Report of even date to the Members of BOC India Limited.

S K DEB
Partner
Membership No. : 13390
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Mumbai
18 May 2007

The Schedule referred above forms an integral part of the Cash Flow Statement.

On Behalf of the Board

Director J J IRANI
Managing Director E R RAJ NARAYANAN
Finance Director S MENON
Company Secretary P MARDIA

Schedules to the Balance Sheet

	As at 31 March 2007 Rs. '000	As at 31 March 2006 Rs. '000
1 SHARE CAPITAL		
Authorised		
60,000,000 Equity Shares of Rs. 10 each	<u>600,000</u>	<u>600,000</u>
Issued		
49,086,209 Equity Shares of Rs. 10 each	<u>490,862</u>	<u>490,862</u>
Subscribed		
36,982,743 for Cash	369,827	369,827
222,666 for other considerations pursuant to Contracts	2,227	2,227
11,878,814 as Bonus Shares by Capitalisation of Reserves and Securities Premium	118,788	118,788
<u>49,084,223</u> Equity Shares of Rs. 10 each fully paid	<u>490,842</u>	<u>490,842</u>
Out of the above Shares 26,898,891 Shares are held by The BOC Group plc, the holding company [also refer note (xxi) (A) (ii) on Schedule 18]		
2 RESERVES AND SURPLUS		
Capital Reserve		
Revaluation Reserve	23,990	23,990
As at 1 April 2006	4,169	—
Less : Transfer to General Reserve	<u>19,821</u>	23,990
Securities Premium Account	1,361,522	1,361,522
Capital Incentive (from Government of Maharashtra)	2,000	2,000
Debenture Redemption Reserve		
As at 1 April 2006	—	2,656
Less : Transfer to Profit and Loss Account	<u>—</u>	2,656
General Reserve		
As at 1 April 2006	609,190	530,563
Add : Transfer from Revaluation Reserve	4,169	—
Add : Transfer from Profit and Loss Account	44,604	78,627
	<u>657,963</u>	609,190
Profit and Loss Account	778,382	520,516
	<u>2,819,688</u>	<u>2,517,218</u>

Schedules to the Balance Sheet

	As at 31 March 2007 Rs. '000	As at 31 March 2006 Rs. '000
3 LOAN FUNDS		
Secured Loans		
From Banks :		
Term Loans	113,887	228,287
Working Capital Demand Loans	90,000	100,000
Bank Overdraft	<u>248,415</u>	<u>—</u>
	452,302	328,287
Unsecured Loans		
From Banks :		
Term Loans	<u>465,000</u>	<u>759,000</u>
	<u>917,302</u>	<u>1,087,287</u>

Notes :

- The Company's bankers have first charge by way of hypothecation of the stocks of raw materials and components, finished goods, work-in-progress, stores and spare parts and book debts as security for overdraft facility and working capital borrowings availed by the Company.
- Term Loans from Banks are secured by way of mortgage of immovable properties and hypothecation of movable properties of 1290 TPD plant at Jamshedpur, except book debts, subject to prior charge in favour of the Company's bankers of the assets stated in item 1 above.
- Unsecured Loans from Banks repayable within 1 year Rs. 465,000 thousand (2006 - Rs. 759,000 thousand).

	As at 31 March 2007 Rs. '000	As at 31 March 2006 Rs. '000
4 DEFERRED TAX LIABILITY (NET)		
Deferred Tax Liability		
Difference between net book value of depreciable capital assets as per books vis-à-vis written down value as per Income Tax	<u>569,199</u>	585,905
(A)	<u>569,199</u>	<u>585,905</u>
Deferred Tax Asset		
Voluntary Separation payments	4,414	6,166
Settlement compensation for closed units	4,328	10,228
Provision for doubtful debts, advances, other current assets, contingencies and leave encashment	<u>76,981</u>	<u>77,120</u>
(B)	<u>85,723</u>	<u>93,514</u>
Deferred Tax (Net)	(A) - (B)	
	<u>483,476</u>	<u>492,391</u>

Schedules to the Balance Sheet

5 FIXED ASSETS

Rs. '000

	GROSS BLOCK AT COST OR VALUATION			DEPRECIATION / AMORTISATION			IMPAIRMENT	NET BOOK VALUE	
	As at 1 April 2006 (a)	Additions during the year (B)	Deductions during the year (C)	As at 1 April 2006 (E)	Depreciation / Amortisation for the year (F)	Deductions during the year (G)		As at 31 March 2007 (d)	As at 31 March 2007 (J = D-H-I)
Land - Freehold	31,704	96,964	1,392	—	—	—	—	56,576	31,704
- Leasehold	59,265	36	—	6,322	614	—	—	52,365	59,943
Buildings	376,495	55,428	9,614	84,109	18,715	5,887	3,311	322,061	287,271
Plant and Machinery	4,946,714	315,049	65,219	2,406,225	312,532	55,924	21,676	2,512,035	2,517,925
Motor Vehicles	30,733	15,979	7,181	14,752	2,891	5,881	—	27,769	15,981
Office Equipment and Furniture	210,744	21,882	11,628	178,801	7,034	11,235	123	46,275	31,820
	5,655,655	434,638	95,034	2,690,209	341,786	78,927	25,110	3,017,081	2,937,644
Capital Work-in-Progress									
				1,303,187			34,644	1,268,543 (b)	
				7,998,446			59,754	4,985,624	
2006	5,306,887	530,684	181,916	2,610,328	224,740	144,859	62,446	3,109,798 (c)	

(a) Includes Revaluation on 30 September 1966 and 1 October 1980 by an external valuer.

(b) Includes Capital Advance of Rs. 844,014 thousand (unsecured and considered good) for 1800 tonnes per day Air Separation unit at Bellary.

(c) Includes Capital Work-in-Progress Rs. 172,084 thousand (net of Impairment - Rs. 34,644 thousand).

(d) Movement in Impairment (also refer Note vii on Schedule 18) :

	As at 1 April 2006 (A)	Provision during the year (B)	Released on sale/adjustment during the year (C)	As at 31 March 2007 (D = A+B-C)
Buildings	5,115	1,567	3,371	3,311
Plant and Machinery	22,564	707	1,595	21,676
Office Equipment and Furniture	123	37	37	123
	27,802	2,311	5,003	25,110
Capital Work-in-Progress	34,644	—	—	34,644
	62,446	2,311 (e)	5,003	59,754
2006	63,889	23,232	24,675	62,446

(e) Included under Depreciation and Impairment in Profit and Loss Account.

Schedules to the Balance Sheet

	As at 31 March 2007 Rs. '000	As at 31 March 2006 Rs. '000
6 INVESTMENTS (Fully paid up)		
A. Long Term - at cost or under		
Trade Investments		
Unquoted		
Bellary Oxygen Company Private Limited 15,000,000 Shares of Rs. 10 each [14,990,000 Shares allotted during the year]	150,000	100
B. Current Investments - at lower of cost and fair value		
Other than Trade - Quoted		
In Mutual Funds		
GCCD Grindlays Cash Fund - Plan C - Daily Dividend Nil (2006 - 14,000,536.886) units of Rs. 10 each	—	140,005
Principal Cash Management Fund - Liquid Option Institutional Premium Plan - Dividend Reinvestment Daily Nil (2006 - 5,000,404.131) units of Rs. 10.0007 each	—	50,008
Templeton India Treasury Management Account Institutional Plan - Daily Dividend Reinvestment Nil (2006 - 99,988.253) units of Rs. 1000.25 each	—	100,013
	<u>150,000</u>	<u>290,126</u>

Notes :

- Aggregate Book Value of Quoted Investments — 290,026
- Aggregate Market Value of Quoted Investments — 290,026
- Units of Mutual Funds purchased and/or sold during the year :

Nature of Investment	No. of Units	
	Purchased	Sold
i) GCCD Grindlays Cash Fund - Plan C - Daily Dividend	62,108,196.354	76,108,733.240
ii) Principal Cash Management Fund - Liquid Option Institutional Premium Plan - Dividend Reinvestment Daily	62,318,898.177	67,319,302.308
iii) Templeton India Treasury Management Account Institutional Plan - Daily Dividend Reinvestment	214.227	100,202.480
iv) Standard Chartered Liquidity Manager - Plus - Daily Dividend	691,492.442	691,492.442

- Year-end investments also include the following unquoted investments which have been written down to a nominal value of Re 1:-
 - 30 Nos. 1/2% Debentures of Rs. 100 each of Woodlands Hospital and Medical Research Centre Limited
 - 1/2% Debenture Stock of Rs. 325 thousand of Belvedere Estates Limited
 - 25,000 Ordinary Shares of Rs. 10 each in Belvedere Estates Limited

Schedules to the Balance Sheet

	As at 31 March 2007 Rs. '000	As at 31 March 2006 Rs. '000
7 INVENTORIES		
[Note (i) (c) on Schedule 18]		
Stores and Spare Parts	172,218	132,227
Raw Materials and Components	7,869	11,180
Finished Goods	92,866	86,118
Construction Work-in-Progress	8,839	159,790
	<u>281,792</u>	<u>389,315</u>
8 TRADE DEBTORS		
Unsecured		
Debts considered good :		
Outstanding over six months	95,925	103,828
[including retention money pertaining to construction contracts Rs. 30,835 thousand (2006 - Rs. 8,910 thousand)]		
Other Debts*	610,578	753,468
[including retention money pertaining to construction contracts Rs. 28,200 thousand (2006 - Rs. 21,632 thousand)]		
	<u>706,503</u>	<u>857,296</u>
Debts considered doubtful :		
Outstanding over six months	141,884	125,830
Less : Provision for Doubtful Debts	141,884	125,830
	<u>—</u>	<u>—</u>
	<u>706,503</u>	<u>857,296</u>
* Includes Rs. 114,861 thousand (2006 - Rs. 366,558 thousand) due from a Joint Venture		
9 CASH AND BANK BALANCES		
Cash in Hand	1,497	1,114
With Scheduled Banks		
— Unclaimed Dividend Accounts	2,146	1,003
— Current Accounts	1,969	5,049
— Deposit Accounts	7,543	617,543
	<u>13,155</u>	<u>624,709</u>

Schedules to the Balance Sheet

	As at 31 March 2007 Rs. '000	As at 31 March 2006 Rs. '000
10 OTHER CURRENT ASSETS		
Unsecured and considered good :		
Claims including Escalation (Net)	—	1,928
Prepaid Expenses (Note xiv on Schedule 18)	22,837	25,577
Balances with Customs, Port Trust, Central Excise, etc.	55,182	54,958
Deposit – Others	69,494	67,404
Other Recoverables	22,964	17,818
	<u>170,477</u>	<u>167,685</u>
11 LOANS AND ADVANCES		
Unsecured and considered good :		
Advances recoverable in cash or in kind or for value to be received (Note ix on Schedule 18)	381,546	557,383
	<u>381,546</u>	<u>557,383</u>
Unsecured and considered doubtful :		
Advances recoverable in cash or in kind or for value to be received	—	2,726
Less : Provision for Doubtful Advances	—	2,726
	<u>—</u>	<u>—</u>
	<u>381,546</u>	<u>557,383</u>
12 LIABILITIES		
Sundry Creditors (Note viii on Schedule 18)	904,411	1,024,657
Advances from Customers	108,630	68,201
Interest accrued but not due on loans	1,966	4,402
Provision for Escalations Claims (Net)	1,028	—
Investor Education and Protection Fund shall be credited by the following amounts namely :-		
Unpaid Dividends (not yet due for payment)	2,146	1,003
Unpaid Public Deposits (not yet due for payment)	47	57
	<u>1,018,228</u>	<u>1,098,320</u>
13 PROVISIONS		
Provision for Contingencies (Note xvii on Schedule 18)	60,371	75,371
Provision for leave encashment and other employee benefits	36,106	32,365
Taxation (including Fringe Benefits Tax) net of advance payments	19,518	34,543
Provision for Proposed Dividend (including tax thereon)	143,566	167,905
	<u>259,561</u>	<u>310,184</u>

Schedules to the Profit and Loss Account

	Year ended 31 March 2007 Rs. '000	Year ended 31 March 2006 Rs. '000
14 OTHER INCOME		
Rent	4,554	1,554
Profit on Sale of Investment		
- Long term Investments	—	2,661
- Current Investments	—	3,393
Dividends on Current Investment	6,090	243
Gain on Foreign Exchange (Net)	—	892
Profit on Disposal of Fixed Assets (Net)	7,159	51,768
Liabilities no longer required written back	85,219	40,320
Insurance claims including Loss of Profits	18,204	8,550
Miscellaneous	11,064	6,077
	<u>132,290</u>	<u>115,458</u>
15 MATERIALS CONSUMED		
Opening Stock		
Raw Materials and Components	11,180	13,222
Finished Goods	86,118	73,596
Construction Work-in-Progress	159,790	36,911
	<u>257,088</u>	<u>123,729</u>
Purchases during the year	<u>804,312</u>	<u>1,595,369</u>
	1,061,400	1,719,098
Less : Closing Stock		
Raw Materials and Components	7,869	11,180
Finished Goods	92,866	86,118
Construction Work-in-Progress	8,839	159,790
	<u>951,826</u>	<u>1,462,010</u>
16 EXPENSES		
Stores and Spare Parts consumed	147,058	114,430
Salaries, Wages and Bonus	282,137	225,770
Contribution to Provident and Pension Funds	28,517	22,584
Contribution to Gratuity Funds	8,693	6,141
Workmen and Staff Welfare Expenses	87,130	90,758
Travelling Expenses	94,443	89,674
Power and Fuel	1,191,557	1,108,714
Repairs to Plant and Machinery	46,255	45,051
Repairs to Buildings	8,681	6,938
Repairs - Others	22,384	17,530
Insurance	41,348	43,560
Freight and Transport	395,009	319,390
Rent	15,475	15,212
Rates and Taxes	3,487	6,429
Communication Expenses	25,915	27,781
Separation Payments to Employees	3,068	24,428
Loss on Foreign Exchange (Net)	7,254	—
Contract Job Expenses	330,906	403,805
Bad Debts and Advances previously provided written off	29,744	58,911
Provision for Doubtful Debts, Advances and Other Current Assets (Net)	13,328	14,190
Technical Support Fees	33,701	81,985
Miscellaneous	193,023	167,793
	<u>3,009,113</u>	<u>2,891,074</u>
Less : Transferred to Fixed Assets	21,547	82,877
Recovery of Expenses	80,391	26,519
	<u>2,907,175</u>	<u>2,781,678</u>
17 INTEREST		
Debentures and Loans	60,220	54,036
Others	8,851	6,338
	<u>69,071</u>	<u>60,374</u>
Less : Interest Income	16,572	23,797
[Tax deducted at source Rs. 2,634 thousand (2006– Rs. 5,038 thousand)]	<u>52,499</u>	<u>36,577</u>

18 Notes on Accounts

(i) Significant Accounting Policies

(a) Basis of preparation of accounts

These accounts have been prepared in accordance with the historical cost convention modified by revaluation of certain fixed assets and are based on assumptions of going concern, consistency and accrual.

(b) Sales

Revenue for sales / services (exclusive of Sales Tax) is being recognised on accrual basis in keeping with related arrangements with customers and for long-term contracts being appropriate to completion stage based on customer acceptance.

(c) Inventories

For long-term contracts, work-in-progress is stated at cost less provision for loss, as may be estimated for completion thereof. Other inventory items are valued at lower of weighted average cost and net realisable value.

(d) Fixed Assets

Fixed Assets are valued at cost of acquisition / construction (including expenses / interest on borrowings, directly attributable to such asset, during construction period) together with resultant write up due to revaluation, as there may be.

(e) Depreciation

Tangible / intangible fixed assets are amortised / depreciated on straight line method based on lives arrived at by using the rates specified in Schedule XIV to the Companies Act, 1956. Leasehold properties are amortised over the period of the lease. Assets costing Rs. 5,000/- or below purchased during the year are fully depreciated (Also refer Note v below).

(f) Investments

Long Term Investments are carried at cost less provision for permanent diminution in value of such investments. Current Investments are carried at lower of cost and fair value.

(g) Voluntary Separation Payments

Expenditure on Voluntary Separation is charged to accounts in the year in which it is incurred.

(h) Retirement Benefits

Contributions to Provident Fund are accounted for on accrual basis. Liabilities in respect of Gratuity and Superannuation (with provisions) on the basis of actuarial valuations as at Balance Sheet date / defined contribution, as applicable, are funded with approved Funds. Leave encashment on retirement is accounted for on accrual basis, based on actuarial valuation as at Balance Sheet date.

(i) 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.

(j) Foreign Currency Transaction

Transactions in foreign currencies are recognised at the rates existing at transaction time at which the transaction is settled. Year-end balances of monetary items are translated at applicable forward contract / year-end rates and resultant translation differences is recognised in the Profit and Loss Account except in case of imported fixed assets where it is adjusted against the respective fixed assets.

(k) Accounting for Taxes on Income

Income Tax expense comprises current tax, fringe benefits tax and deferred tax charge. Current tax is determined as the amount of tax payable in respect of taxable income for the year based on applicable tax rates and laws. Deferred tax is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets on unabsorbed depreciation and / or carry forward of losses are recognised only if there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets will be realised. Such assets are reviewed as at each Balance Sheet date to reassess realisability thereof.

18 Notes on Accounts

(ii) Interest in Joint Venture

a) 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 March 2007	Percentage of ownership interest as at 31 March 2006
Bellary Oxygen Company Private Limited (Belloxy)	India	50	50

The Company's interest in this Joint Venture is reported as Long Term Investments (Schedule – 6) and stated at cost. The financial statements of Belloxy has been audited upto 31 March 2006. Accordingly, the Company's share of each of the assets, liabilities, income and expenses, etc. (each without elimination of the effect of transactions between the Company and Belloxy) related to its interest in this Joint Venture set out below are based on unaudited numbers for the year ended 31 March 2007:

Particulars	As at 31 March 2007 (Rs. '000)	As at 31 March 2006 (Rs. '000)
ASSETS		
Fixed Assets	953,221	1
Capital Work-in-Progress	—	802,582
Investments	55,175	55,175
Current Assets, Loans and Advances:		
(a) Inventories	1,900	
(b) Trade Debtors	37,303	
(c) Cash and Bank Balances	31,927	14,879
(d) Other Current Assets	111,049	
(e) Loans and Advances	2,511	2,510
Miscellaneous Expenditure (To the extent not written off)	1,331	
LIABILITIES		
Secured Loans	660,000	10,000
Unsecured Loans	291,250	531,250
Current Liabilities and Provisions:		
(a) Liabilities	88,690	183,895
(b) Provisions	75	2

Particulars	Year Ended 31 March 2007 (Rs. '000)	Year Ended 31 March 2006* (Rs. '000)
INCOME		
Sales	146,631	
Other Income	2,559	
EXPENSES		
Manufacturing and other expenses	80,088	
Depreciation	33,487	
Interest	31,838	
Provision for Taxation	75	

* Refer Note (ii) (b) below

18 Notes on Accounts

- b) Belloxy has commenced commercial operations during the year ended 31 March 2007 following commissioning of its 855 tonnes per day Air Separation Unit at Bellary. Accordingly, there is no profit or loss for the year ended 31 March 2006.
- c) The share of the Company in the capital commitments of Belloxy as at 31 March 2007 is **Nil** (2006 - Rs. 245,326 thousand).
- d) Company's transactions with Belloxy, being a related party, during the year ended 31 March 2007 are disclosed in Note xxi below.
- (iii) Estimated Capital commitments (net of advance) not provided for **Rs. 933,403 thousand** (2006 - Rs. 99,028 thousand).
- (iv) Contingent Liabilities :
Claims against the Company in respect of taxes, duties etc. not acknowledged as debts are estimated as below:

	2007	2006
	Rs. '000	Rs. '000
a) Excise Duty matters*	55,979	61,127
b) Sales Tax matters*	65,422	74,346
c) Guarantee given by the Company for car/furniture loans taken by its employees from a bank	38	278
d) Sales Tax Liability transferred to a beneficiary**	27,600	27,600
e) Bills Discounted	5,273	—
f) Other claims	7,791	25,017

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

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

- (v) Depreciation on the straight line method has been provided at the following rates (revised in certain cases based on technical / commercial assessment effective from 1 April 2006), which in the opinion of the management are reasonable and adequate having regard to the estimated useful lives of the assets.
Building - **1.63%, 3.34%** (2%, 3%, 4% upto 31 March 2006)
Plant and Machinery - **4.75%, 5.28%, 7.42%, 16.21%** (5%, 5.28%, 6%, 10% upto 31 March 2006)
Motor Vehicles - **7.42%, 9.5%** (20% upto 31 March 2006)
Office Equipment and Furniture - **4.75%, 6.33%, 16.21%, 20%** (10%, 20% upto 31 March 2006)
Consequent on aforesaid rate revision, depreciation charge for the year is higher by **Rs. 89,306 thousand** with corresponding effect of reduction in both, profits for the year and the net block of fixed assets as at the year end.
- (vi) An extraordinary profit, net of related expenses, amounting to **Rs. 242,936 thousand** from the sale of a property at Chennai has been recognised during the year.
- (vii) (a) Arising out of an ongoing modernisation programme of its Industrial and Special Products business located at various sites, certain assets were identified as no longer usable and related impairment loss aggregating **Rs. 2,311 thousand** has been recognised after assessment of their net selling price.
(b) Provision for Impairment losses in respect of certain fixed assets, recognised in earlier years, have been released on disposal of such assets.
- (viii) There are no outstanding dues to Small Scale Industrial undertakings as has been identified on the basis of information available with the Company.
- (ix) Advances recoverable in cash or in kind or for value to be received include:-
(a) **Rs. 710 thousand** (2006 - Rs. 1,477 thousand) being interest free loans (car loan, furniture loan and education loan) to various employees which are recovered from their remuneration as per the repayment schedules in terms of the relevant schemes / specific approvals. The above includes **Rs. 93 thousand** (2006 - Rs 133 thousand) to an Officer of the Company; [Maximum amount due during the year Rs 133 thousand (2006 - Rs 173 thousand)].

18 Notes on Accounts

- (b) **Rs.2,077 thousand** (2006 – Rs. 9,797 thousand) representing year end balance of amounts paid to Banks as front-end fees for loan restructuring, which is being amortised over the period through which benefit of lower interest arises.
- (c) **Rs. 250,000 thousand** (2006 – Rs. 250,000 thousand) Long term deposit to a Joint Venture (Also refer note xxi below).

	Year ended 31 March 2007 Rs. '000	Year ended 31 March 2006 Rs. '000
(x) Auditors' Remuneration:		
As Auditors		
Audit Fee	700	700
Tax Audit	150	125
Limited Reviews	350	350
Group Reporting Package Review	250	200
Miscellaneous certificates, etc.	346	118
Reimbursement of expenses	51	52
(xi) Total expenditure on Research and Development during the year:		
Capital Expenditure	261	8
Revenue Expenditure	2,715	2,178
(xii) Remuneration to Directors:		
(a) Salaries	19,997	17,812
(b) Variable Compensation Pay	4,334	2,982
(c) Contribution to Provident Fund and Other Funds	1,543	1,372
(d) Other Benefits	4,478	4,456
(e) Commission to Non-Wholetime Directors	2,500	2,800
(f) Sitting Fees	368	440
	<u>33,220</u>	<u>29,862</u>
(xiii) Computation of Directors' Commission for the year ended 31 March 2007:		
	2007 Rs. '000	2006 Rs. '000
Profit Before Taxation	680,598	1,218,664
Add : Depreciation (excluding impairment) charged to Accounts	341,786	224,740
Directors' Remuneration	33,220	29,862
Provision for Doubtful Debts / Advances / Contingencies etc.	51,364	75,736
Separation Payments to Employees	3,068	24,428
Settlement compensation for closed units	—	65,138
Wealth tax	700	450
	<u>1,110,736</u>	<u>1,639,018</u>
Less : Capital Profit		
- on disposal of fixed assets	235,150	480,622
- on sale of investments	—	6,054
Depreciation under Section 350 of the Companies Act, 1956	341,786	223,327
Provision for Doubtful Debts / Advances / Contingencies etc. written back	46,721	76,627
	<u>487,079</u>	<u>852,388</u>
Profit for the purpose of Directors' Commission		
Directors' Commission thereon		
Eligible Non Executive Directors upto 1%, restricted to	2,500	2,800

18 Notes on Accounts

- (xiv) Prepaid expenses in Schedule 10 include **Rs. 15,840 thousand** (2006 – Rs.17,280 thousand) towards rent adjustable over a period of 20 years from April 1998.
- (xv) The Company has taken various residential and office premises under operating lease or leave and license agreements. These are generally cancellable, have a term between 11 months and 3 years and have no specific obligations for renewal. Lease payments are recognised in the Profit and Loss Account under Rent (for office premises) and Workmen and Staff Welfare Expenses (for residential premises) in Schedule 16.
- (xvi) In calculating Basic and Diluted Earnings per Share :

	<u>2007</u>	<u>2006</u>
a) Numerator used :		
Profit before taxation and extraordinary items	437,662	809,142
Less : Taxes thereon	183,261	<u>325,988</u>
Profit after taxation and before extraordinary items	254,401	483,154
Add: Extraordinary items (Net)	242,936	409,522
Less: Taxes thereon	51,301	<u>106,403</u>
Profit after Taxation	446,036	<u>786,273</u>
b) Denominator used:		
Number of Equity Shares of Rs.10 each outstanding during the year	49,084,223	49,084,223

	Rs. '000		
	Excise and Sales Tax cases	Others	Total
Carrying amount as at 1 April 2006	50,293	25,078	75,371
	(50,293)	(42,795)	(93,088)
Amount provided during the year	—	—	—
Amount utilised against provision	—	5,000	5,000
Unused amount released during the year	—	10,000	10,000
	—	(17,717)	(17,717)
Carrying amount as at 31 March 2007	50,293	10,078	60,371
	(50,293)	(25,078)	(75,371)

Previous year's figures are in brackets.

Excise and sales tax cases relate to those that are pending before various adjudicating Authorities for a considerable period of time and where based on decision in similar cases / counsel's opinion, management considers, on a prudent basis, that possible outflow of resources may arise in the future. Other provisions on prudent basis are towards possible outflow of resources in respect of legal cases pending against the Company / contractual obligations.

- (xviii) Information in accordance with the requirements of the Revised Accounting Standard 7 on Construction Contracts issued by The Institute of Chartered Accountants of India :

	Year ended 31 March 2007 Rs. '000	Year ended 31 March 2006 Rs. '000
a) Contract revenue recognised for the year	1,383,581	2,123,288
b) Aggregate amount of contract costs incurred and recognised profits (less recognised losses) for all the contracts in progress	4,157,972	3,069,630
c) Amount of customer advances outstanding for contracts in progress	64,733	58,860
d) Amount of retention due from customers for contracts in progress	50,731	27,497
e) Gross amount due from customers for contracts in progress	8,839	159,790

- (xix) Derivative Instruments: Forward cover for firm commitments for imports of fixed assets as at 31 March 2007 is **Rs. 798, 611 thousand** (2006 - Nil).

18 Notes on Accounts

(xx) Information in accordance with the requirements of Accounting Standard 17 on Segment Reporting issued by The Institute of Chartered Accountants of India.

- a) The Company has two primary business segments viz. :
1. Process Gas Solutions : Comprises manufacture and sale of industrial gases from on site plants or by pipeline as well as deliveries of liquified gases in bulk to customers in diverse industries like metal, glass, pharmaceutical, etc. Project Engineering, which is engaged in manufacture and sale of cryogenic and non-cryogenic vessels as well as designing, supplying, testing, erecting and commissioning of projects, across diverse industries, forms an integral part of this business segment.
 2. Industrial and Special Products : Comprises manufacture and sale of industrial and medical gases to customers mainly in the fabrication and medical sectors as well as of special products like helium, calibration gases and other gas mixtures.
- b) 'Others' represents all unallocable items not included in the segments.
- c) The Company operates predominantly within the geographical limits of India, accordingly secondary segments have not been considered.
- d) Intersegment revenue has been recognised at cost plus appropriate mark-up.

Information about Business Segments :

	For the year ended 31 March 2007 Rs. '000	For the year ended 31 March 2006 Rs. '000		For the year ended 31 March 2007 Rs. '000	For the year ended 31 March 2006 Rs. '000
REVENUE EXTERNAL (Net of Excise Duty)			PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS		
Process Gas Solutions	3,267,887	4,019,598	Process Gas Solutions	594,183	950,722
Industrial and Special Products	1,408,572	1,298,322	Industrial and Special Products	43,604	71,084
Others	16,800	19,459	Others	(200,125)	(212,664)
Total	4,693,259	5,337,379	Total	437,662	809,142
INTER SEGMENT REVENUE			NET FIXED ASSETS		
Process Gas Solutions	327,536	323,488	Process Gas Solutions	3,265,222	2,319,121
Industrial and Special Products	—	—	Industrial and Special Products	941,498	734,346
Others	—	—	Others	78,904	56,261
Total	327,536	323,488	Total	4,285,624	3,109,728
DEPRECIATION AND AMORTISATION			CURRENT ASSETS		
Process Gas Solutions	(185,605)	(169,965)	Process Gas Solutions	1,093,180	1,578,450
Industrial and Special Products	(145,420)	(67,660)	Industrial and Special Products	371,523	413,502
Others	(18,481)	(22,716)	Others	88,770	604,436
Total	(349,506)	(260,341)	Total	1,553,473	2,596,388
NON CASH EXPENSES OTHER THAN DEPRECIATION, AMORTISATION AND IMPAIRMENT			CURRENT LIABILITIES AND PROVISIONS		
Process Gas Solutions	(30,072)	(16,360)	Process Gas Solutions	(711,696)	(775,608)
Industrial and Special Products	34,296	(44,888)	Industrial and Special Products	(305,495)	(268,781)
Others	(4,554)	(2,636)	Others	(260,598)	(364,115)
Total	(330)	(63,884)	Total	(1,277,789)	(1,408,504)
IMPAIRMENT LOSS			CAPITAL EXPENDITURE		
Process Gas Solutions	—	(4,551)	Process Gas Solutions	1,181,014	29,738
Industrial and Special Products	(2,311)	(18,681)	Industrial and Special Products	312,130	174,106
Others	—	—	Others	37,953	4,150
Total	(2,311)	(23,232)	Total	1,531,097	207,994
IMPAIRMENT RELEASE (On disposal of fixed assets)					
Process Gas Solutions	—	—			
Industrial and Special Products	5,003	24,675			
Others	—	—			
Total	5,003	24,675			

18 Notes on Accounts

(xxi) Information in accordance with the requirements of Accounting Standard 18 on Related Party Disclosures issued by The Institute of Chartered Accountants of India.

A) List of Related Parties

i) Ultimate Holding Company

Linde AG (with effect from 6 September 2006)

ii) Holding Company

The BOC Group plc. (Wholly owned subsidiary of Linde AG with effect from 6 September 2006)

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

a) Located outside India

Fellow Subsidiary	Country
BOC Ltd.	England
Edwards High Vacuum International Ltd.	England
Cryostar SAS	France
BOC Gases Pte Ltd.	Singapore
Singapore Oxygen Air Liquide Pte Ltd.	Singapore
Linde Gas Singapore Pte Ltd.	Singapore
BOC Australia Pty Ltd.	Australia
Thai Industrial Gases Public Co. Ltd.	Thailand
MOX Gases Sdn Berhad	Malaysia
BOC Bangladesh Ltd.	Bangladesh
Chemogas N.V.	Belgium
BOC, Inc	United States of America
Linde BOC Process Plants LLC	United States of America

b) Located in India

Fellow Subsidiary

BOC Global Support Services Private Ltd.

Joint Venture

Bellary Oxygen Company Private Ltd.

iv) Key Management Personnel of the Company

Mr E R Raj Narayanan, Managing Director

Mr S Menon, Finance Director

Mr D N Lindsay, Director - Industrial and Special Products - ceased to be a Director w.e.f. 30 March 2007.

B) Transactions with Related Parties during the year

Rs. '000

Nature of Transaction	Ultimate Holding Company	Holding Company	Fellow Subsidiaries (Refer 'C' below)	Joint Venture	Key Management Personnel (Refer 'D' below)
Purchase of Goods	8,534		39,271 (30,659)	45,752	
Purchase of Fixed Assets			8,803 (8,859)		
Services received	44,503	35,018 (81,985)	18,033 (25,297)		
Sale of Goods			8,262 (2,155)	569,816 (1,366,558)	
Advances given for : - Fixed Assets - Others	421,005 5,631		6,837		
Recovery of Expenses		3,082 (3,259)	76,492 (27,986)	5,391 (218)	
Rent Received			3,000		
Managerial remuneration					30,352 (26,622)
Dividend		80,697 (40,348)			
Interest Income				722 (5,942)	
Investment in Equity Capital				(150,000)	
Loans - Given				45,000 (519,000)	
- Receipt towards Repayment				45,000 (269,000)	
Outstanding balance as on 31 March 2007					
- Receivables/Debtors		94 (1,624)	15,269 (15,976)	117,588 (366,776)	
- Payables/Creditors		4,731 (31,111)	27,229 (12,648)	25,445	
- Long Term Deposits				250,000 (250,000)	
- Advance to suppliers	818,694		6,837		

Previous year's figures are in brackets.

18 Notes on Accounts

C) Details of transactions with fellow subsidiaries (included under Column 'Fellow Subsidiaries' in 'B' above) the amount of which is in excess of 10% of the total related party transactions of the same type

Rs. '000

Nature of Transaction	Name of Fellow Subsidiaries	Amount 2007	Amount 2006
1. Purchase of goods	BOC Ltd.	18,030	10,226
	Cryostar SAS	17,538	20,067
2. Purchase of fixed assets	BOC Ltd.	6,799	8,859
	Cryostar SAS	2,004	—
3. Services Received	BOC Ltd.	9,623	14,327
	Cryostar SAS	3,523	10,639
	BOC Gases PTE Ltd.	3,818	331
4. Sale of goods	BOC Bangladesh Ltd.	7,811	—
	BOC Kenya Ltd.	—	2,155
5. Advances given	Cryostar SAS	3,492	—
	MOX Gases Sdn Berhad	2,386	—
6. Recovery of expenses	BOC Gases PTE Ltd.	22,283	12,596
	BOC Ltd.	22,577	5,808
	Edwards High Vacuum International Ltd.	14,917	9,582
	BOC Global Support Services Private Ltd.	10,997	—
7. Rent Received	BOC Global Support Services Private Ltd.	3,000	—
Outstanding balance as on 31 March 2007			
— Receivables/Debtors	Edwards High Vacuum International Ltd.	4,906	1,134
	BOC Gases PTE Ltd.	5,743	9,124
	BOC Ltd.	2,835	5,719
— Payables/Creditors	BOC Ltd.	23,190	6,690
	BOC, Inc	1,737	5,044
— Advance to suppliers	Cryostar SAS	3,492	—
	MOX Gases Sdn Berhad	2,386	—

D) Details of transactions with Key Management Personnel (included under Column 'Key Management Personnel' in 'B' above) the amount of which is in excess of 10% of the total related party transactions of the same type

Rs. '000

Nature of Transaction	Party	Amount 2007	Amount 2006
Managerial Remuneration	Mr E R Raj Narayanan	8,450	7,398
	Mr S Menon	5,851	4,761
	Mr D N Lindsay	16,051	14,463
Payables	Mr E R Raj Narayanan	1,302	749
	Mr S Menon	912	438
	Mr D N Lindsay	1,717	535

18 Notes on Accounts

(xxii) Gross Sales

Class of Goods	Units	2007		2006	
		Quantity	Rs. '000	Quantity	Rs. '000
Air Separation Unit Gases	1000 cum	559,583	2,953,212	605,656	2,950,324
Other Cylinder Gases	1000 cum	2,170	267,081	1,560	203,868
Vessels, plants and related accessories			1,350,720		2,080,743
Others			394,803		374,407
			<u>4,965,816</u>		<u>5,609,342</u>

(xxiii) Raw Materials and Components consumed

Class of Goods	Units	2007		2006	
		Quantity	Rs. '000	Quantity	Rs. '000
Ferrous, Non-Ferrous Metals & Components			484,833		1,353,152
Chemicals	tonnes	2,625	65,461	3,043	74,341
			<u>550,294</u>		<u>1,427,493</u>

(xxiv) Licensed Capacity, Installed Capacity and Production

Class of Goods	Units	2007			2006		
		Licensed Capacity*	Installed Capacity**	Production	Licensed Capacity*	Installed Capacity**	Production
Air Separation Unit Gases	1000 cum	N.A.	903,403	541,566	N.A.	903,403	600,243
Other Cylinder Gases	1000 cum	N.A.	7,548	1,808	N.A.	7,802	1,208
Air Separation & Gas Plants, Associated and Cryogenic Equipment	Nos/Sets	N.A.	94	32	N.A.	94	32

* N.A. represents not applicable in view of Government of India's notification No. S.D.477(E) dated 25 July 1991.

** As certified by the management.

(xxv) Closing Stock of Finished Goods

Class of Goods	Units	2007		2006		2005	
		Quantity	Rs. '000	Quantity	Rs. '000	Quantity	Rs. '000
Air Separation Unit Gases	1000 cum	7,259	38,595	7,145	33,253	7,049	34,282
Other Cylinder Gases	1000 cum	96	21,136	89	20,254	87	19,210
Others			33,135		32,611		20,104
			<u>92,866</u>		<u>86,118</u>		<u>73,596</u>

(xxvi) Finished Goods purchased

Class of Goods	Units	2007		2006	
		Quantity	Rs. '000	Quantity	Rs. '000
Air Separation Unit Gases	1000 cum	18,131	146,979	5,509	72,476
Other Cylinder Gases	1000 cum	369	45,127	354	37,788
Others			41,509		24,704
			<u>233,615</u>		<u>134,968</u>

18 Notes on Accounts

(xxvii) Value of Imports on CIF basis

	2007 Rs. '000	2006 Rs. '000
Raw Materials, Components and Spare Parts	371,123	572,453
Capital Goods	944,646	146,529
	<u>1,315,769</u>	<u>718,982</u>

(xxviii) Consumption of Raw Materials, Components and Stores & Spares

	2007		2006	
	Rs. '000	% of total Consumption	Rs. '000	% of total Consumption
Imported	235,788	34	1,189,780	77
Indigenous	461,564	66	352,143	23
	<u>697,352</u>	<u>100</u>	<u>1,541,923</u>	<u>100</u>

(xxix) Expenditure in Foreign Currency

	2007 Rs. '000	2006 Rs. '000
Travelling expenses	3,891	3,815
Technical Know-how / Services	129,068	85,579
Others	15,557	26,602
	<u>148,516</u>	<u>115,996</u>

(xxx) Earnings in Foreign Exchange

	2007 Rs. '000	2006 Rs. '000
Export (F.O.B. basis)	11,129	2,155
Others	68,578	31,245
	<u>79,707</u>	<u>33,400</u>

(xxxi) Remittance in Foreign Currency on account of Dividend

Dividend for the financial year ended	2007			2006		
	Number of Non Resident Shareholders	Net Number of Shares held	Net Dividend Remitted Rs. '000	Number of Non Resident Shareholders	Net Number of Shares held	Net Dividend Remitted Rs. '000
31 March 2006 Final Dividend	1	26,898,891	80,697	1	26,898,891	40,348

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

(xxxii) Previous year's figures have been rearranged / regrouped where necessary to conform to those of the current year.

Signatures to Schedule '1' to '18'

On behalf of the Board

Director J J IRANI
 Managing Director E R RAJ NARAYANAN
 Finance Director S MENON
 Company Secretary P MARDA

Mumbai
 18 May 2007

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

(a) Registration Details

CIN No.	L40200WB1958PLC008184	State Code	21
Balance Sheet Date	31 March 2007		

(b) Capital raised during the period (Amounts in Rs. thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

(c) Position of Mobilisation and Deployment of Funds (Amounts in Rs. thousands)

Total Liabilities	4,711,308	Total Assets	4,711,308
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Sources of Funds :

Paid up Capital	490,842
Reserves and Surplus	2,819,688
Secured Loans	452,302
Unsecured Loans	465,000
Deferred Tax Liability (Net)	483,476

Application of Funds :

Net Fixed Assets	4,285,624
Investments	150,000
Net Current Assets	275,684

(d) Performance of Company (Amounts in Rs. thousands)

Turnover *	5,098,106
(*Representing Total Income including Other Income)	
Total Expenditure	4,660,444
Profit / (Loss) Before Tax	680,598
Profit / (Loss) After Tax	446,036
Earning per share (Rs.)	9.09
Dividend rate %	25

(e) Generic Names of three Principal Products / Services of the Company

Item Code No. (ITC Code)	28044000	Product Description	Oxygen
Item Code No. (ITC Code)	28043000	Product Description	Nitrogen
Item Code No. (ITC Code)	28042100	Product Description	Argon

On behalf of the Board

Director	J J IRANI
Managing Director	E R RAJ NARAYANAN
Finance Director	S MENON
Company Secretary	P MARDA

Auditors' Report

To the members of BOC India Limited

1. We have audited the attached Balance Sheet of BOC India Limited, as at 31st March, 2007, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about 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.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we report that :-
 - 3.1 (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
 - (b) The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which is considered to be reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a part of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
 - (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
 - 3.2 (a) The inventory of the Company at all its locations has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory, followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) On the basis of our examination of the inventory records, in our opinion, the Company has maintained proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records, which were not material, have been properly dealt with in the books of account.
 - 3.3 (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii) (b), (iii) (c) and (iii) (d) of Paragraph 4 of the aforesaid Order are not applicable.
 - (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses (iii) (f) and (iii) (g) of Paragraph 4 of the aforesaid Order are not applicable.
 - 3.4 In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
 - 3.5 According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act, the particulars of which are required to be entered in the Register

maintained under that Section. Further, there have been no transactions made in pursuance of such contracts and exceeding the value of rupees five lakhs in respect of any party during the year.

- 3.6 The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed thereunder.
- 3.7 In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.
- 3.8 We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 3.9 (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing during the year the undisputed statutory dues including 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, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, as at 31st March, 2007, there were no dues in respect of income tax, wealth tax, service tax, customs duty and cess which have not been deposited on account of a dispute other than certain disputed sales tax and excise duty dues (including Rs.229,812 thousand for which stays have been obtained) as set out below:

Name of the Statute	Nature of the Dues	Amount Rs. '000	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Duty	63,290	1991 - 2005	Customs, Excise and Service Tax Appellate Tribunal
Central Sales Tax Act and Various State Sales Tax Acts	Sales Tax	2,783	1982 - 2005	High Court
		228,881	1981 - 2002	Revisional Board / Tribunal
		1,581	1991 - 2002	Commissioner (Appeals) of Commercial Taxes
		1,867	1982 - 2004	Joint Commissioner of Commercial Taxes
		26,132	1984 - 2002	Deputy Commissioner (Appeals) of Commercial Taxes
		171	1998 - 2001	Assistant Commissioner (Appeals) of Commercial Taxes

- 3.10 The Company has no accumulated losses as at 31st March, 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- 3.11 According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date. The Company had neither any outstanding debenture at the beginning of the year nor has it issued any debenture during the year.
- 3.12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 3.13 The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.

- 3.14 In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- 3.15 In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for the loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
- 3.16 In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purpose for which they were obtained.
- 3.17 On the basis of an overall examination of the balance sheet of the Company and according to the information and explanations given to us, we report that short term funds of Rs.777,731 thousand have been used for long term investment as at the year end.
- 3.18 The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- 3.19 The Company had neither any outstanding debenture at the beginning of the year nor has it issued any debenture during the year and accordingly, the question of creation of security or charge in this respect does not arise.
- 3.20 The Company has not raised any money by public issues during the year.
- 3.21 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
4. Further to our comments in paragraph 3 above, we report that :
- 4.1 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;
- 4.2 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;
- 4.3 The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- 4.4 In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the applicable Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
- 4.5 On the basis of written representations received from the directors, as on 31st March, 2007, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- 4.6 In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and also give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007
- (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Mumbai
Date : 18th May, 2007

S K DEB
Partner
(Membership No. : 13390)
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Ten-Year Financial Data

(Rs. million)

	1997	1998	2000	2001	2002	2003	2004	2005	2006	2007
	(18 Months)									
Sales : Home	2,320.7	2,357.8	3,973.2	2,978.5	3,031.3	3,206.6	3,469.8	4,243.5	5,607.1	4,954.7
Export	8.6	7.8	5.0	35.2	6.6	16.1	1.9	0.1	2.2	11.1
Profit / (Loss) before Tax and Extraordinary Item	83.9	(26.8)	(794.4)	18.1	35.5	114.6	201.4	455.9	809.1	437.7
Tax	8.0	—	—	—	(15.0)***	36.5	76.6	189.6	326.0	183.3
Profit / (Loss) after Tax, before Extraordinary Item	75.9	(26.8)	(794.4)	18.1	50.5	78.1	124.8	266.3	483.2	254.4
Extraordinary Item, (net of Tax)	8.2	88.2	—	—	(24.7)	85.2	168.1	13.4	303.1	191.6
Profit after Tax	84.1	61.4	(794.4)	18.1	25.8	163.3	292.9	279.7	786.3	446.0
Share Capital	490.8	490.8	490.8	490.8	490.8	490.8	490.8	490.8	490.8	490.8
Reserves and Surplus	2,076.6	2,138.0	1,549.9	1,564.6	1,523.0	1,529.5	1,767.1	1,898.9	2,517.2	2,819.7
Shareholders' Funds	2,567.5	2,628.9	1,834.2	1,851.0	1,857.1	2,020.3	2,257.9	2,389.7	3,008.1	3,310.5
Loan Funds	1,219.0	1,860.6	1,839.0	1,562.5	1,408.9	1,142.9	848.4	768.6	1,087.3	917.3
Gross Block *	4,022.0	4,665.6	4,788.2	4,833.3	4,911.5	5,041.9	5,219.8	5,836.3	5,862.4	7,298.4
Depreciation **	1,063.1	1,190.6	1,560.4	1,803.5	2,009.5	2,227.9	2,384.1	2,674.2	2,752.7	3,012.8
Net Block *	2,958.9	3,475.0	3,227.8	3,029.8	2,902.0	2,814.0	2,835.7	3,162.1	3,109.7	4,285.6
Investments	5.5	33.4	0.8	0.7	0.7	0.6	121.7	650.0	290.1	150.0
Net Current Assets	820.1	981.2	430.9	355.0	338.9	327.0	233.6	(396.4)	1,187.9	275.7
Total Capital Employed	3,784.5	4,489.6	3,659.6	3,385.5	3,241.6	3,141.6	3,191.0	3,415.7	4,587.7	4,711.3
Dividend (Incl. Tax thereon)	55.5	—	—	—	—	—	55.4	84.1	167.9	143.6
Rate of Dividend	20%	—	—	—	—	—	10%	15%	30%	25%
No of Shareholders	24,774	25,559	25,806	25,860	26,196	27,034	27,993	28,675	32,061	31,772
No of Employees	1,424	1,199	660	636	613	633	591	588	633	643

* Includes Capital Work-in-Progress

** Includes Impairment

*** Excess provision for taxation for earlier years written back

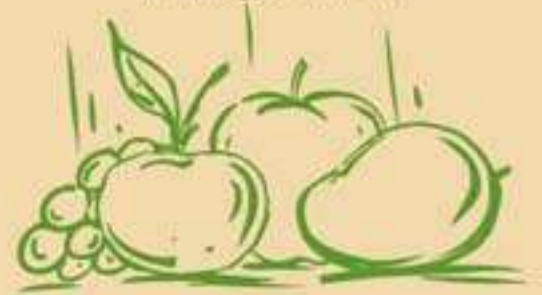
GASES - THE INVISIBLE FABRIC OF LIFE

Extracting resources



Oil and Gas

Keeping food fresh



Food

Imparting purity



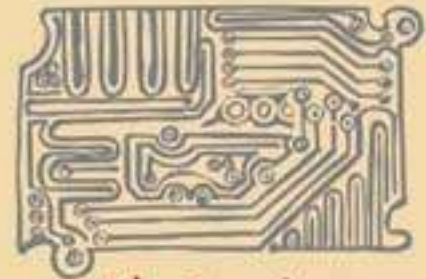
Glass

Saving lives



Medical

Enabling emerging technologies



Electronics

Welding the future



Automobile

Strengthening structures



Steel



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