

→ Formerly known as BOC India Limited

THE LINDE GROUP

*Linde*

# Linde India Limited.

Annual Report 2012.

# Linde India.

Linde India is the leading industrial gases company in India. We own and operate India's largest air separation plant and run more than 20 production facilities and filling stations across the country. We supply a wide variety of gases and mixtures as well as provide a range of related services including the construction and installation of plants, equipment, pipelines and associated engineering services catering to the needs of diverse industries. Linde India has the largest sales and distribution network in the country giving us a wide geographic reach and placing us close to our customers in any part of India.



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## About The Linde Group and Linde India.

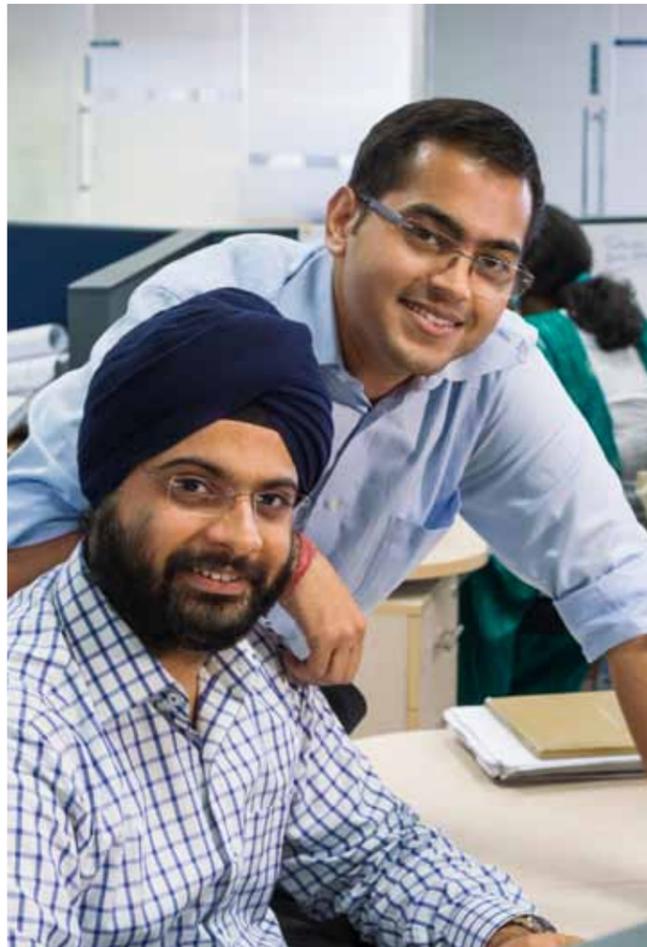
The Linde Group is a world-leading gases and engineering company with around 62,000 employees in more than 100 countries worldwide. In the 2012 financial year, Linde generated revenue of EUR 15.280 bn.

The strategy of the Group is geared towards long-term profitable growth and focuses on the expansion of its international business with forward-looking products and services. Linde acts responsibly towards its shareholders, business partners, employees, society and the environment – in every one of its business areas, regions and locations across the globe. The company is committed to technologies and products that unite the goals of customer value and sustainable development.

Linde India, formerly BOC India, is a member of The Linde Group. We have been a steady partner in the economic and industrial development of the country, delivering innovative, quality and reliable services and solutions that have been creating value for our customers for over 75 years.

Combining The Linde Group's advanced technology, our deep understanding of our customers' businesses and strong local expertise in gases and engineering, we are able to provide tailor-made solutions that help our customers to increase efficiency, productivity and flexibility in their operations, while reducing energy costs and safeguarding the environment. Linde India's customers are leading companies that span the steel making, metals processing, automotive, manufacturing, fabrication, glass, chemicals, petrochemicals, food & beverage, pharmaceuticals and healthcare industries.

The leadership position and reputation we enjoy today is built on the commitment, untiring efforts and customer-first attitude of our people. Linde India continues to invest heavily in developing its people and relentlessly improving its capabilities. We are uniquely poised to successfully capitalise on the many exciting growth opportunities in India.



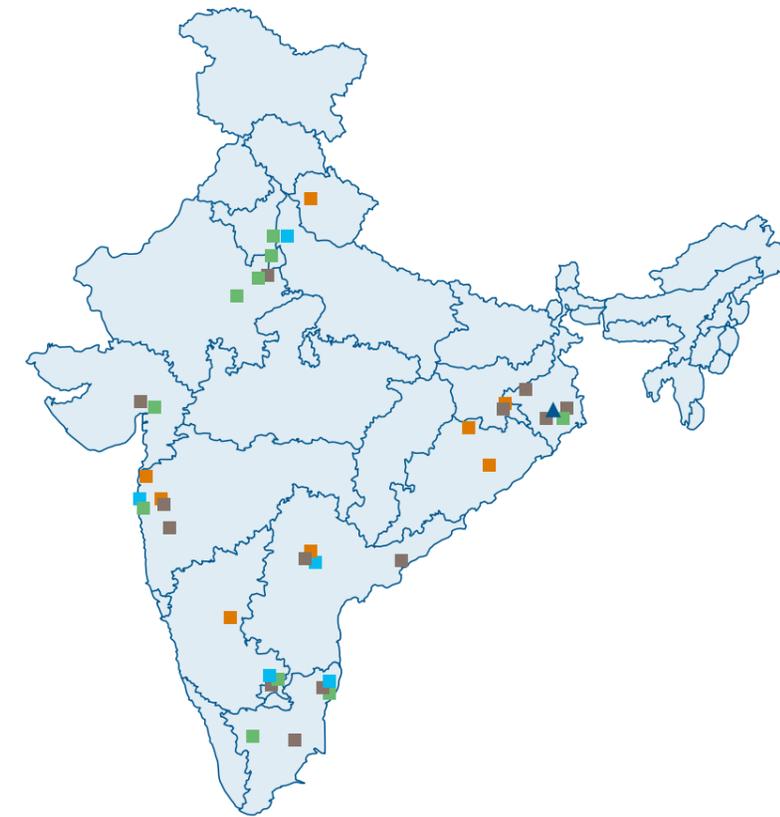
# Global technology and strong local capabilities.

With strong local capabilities backed by global technology, Linde India provides gaseous products, facilities and turnkey services and solutions which are customised to meet the unique needs of our customers and add value to their businesses.

We have the largest gases manufacturing and direct sales network in the country and the widest range of bulk and compressed gases product lines, including oxygen, nitrogen, argon, carbon dioxide, hydrogen, acetylene, helium, shielding gases, high purity gases and specialty gas mixtures, among others.

We supply gases to our customers via a variety of transportation and distribution modes, including pipelines, on-site plants, bulk storage systems and an extensive fleet of vehicles consisting of cryogenic road tankers, cylinder trucks and hydrogen trailers.

We view each business as unique and take pride in our expert team who are able to provide on-site technical evaluation and advice in accordance with each customer's specific needs, supporting their business requirements now and in the future.



Our 20 production facilities, in addition to the largest sales and distribution team, supported through a country-wide warehouse, dealers and depot network, all these enable Linde to reach out to its customers across India efficiently.

- ASU sites** ■  
Jamshedpur, Bellary, Jajpur, Taloja, Selaqui, Hyderabad, Rourkela
- PGP sites** ■  
Kolkata, Asansol, Jamshedpur, Vizag, Howrah, Hyderabad, Chennai, Trichy, Bangalore, Pune, Taloja, Bhiwadi, Ahmedabad
- Sales offices** ■  
Hyderabad, Chennai, Mumbai, Delhi, Bangalore
- Warehouses** ■  
Kolkata, Chennai, Coimbatore, Bangalore, Bhiwadi, Goregaon, Baroda, Jaipur, Faridabad, New Delhi (Kirtinagar)
- Head office** ▲  
Kolkata

# Board of Directors.



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

Mr Sanjiv Lamba, 48 years old, is a B.Com. (Hons.) and a Chartered Accountant. Mr Lamba joined the Company in the Finance function in 1989 and gathered a wealth of experience from the Company's business both in India and overseas and was the Managing Director of the Company up to 31 March 2005. Mr Lamba later moved to various senior management positions within the erstwhile BOC Group until its merger with Linde AG in the year 2006.

Mr Lamba is presently a Member of the Executive Board of Linde AG and is responsible for the Asia/Pacific segment, the Asian joint Ventures and the Business Area Electronics (electronic gases).



**J Mehta**  
Non-Executive Independent Director

Mr Jyotin Mehta, 55 years old, is a B.Com, FCA, FCS and FICWA. Mr Mehta has rich experience of about 30 years in finance, secretarial, internal audit and quality deployment functions across diverse industries.

At present, Mr Mehta is the Vice President and Chief Internal Auditor at Voltas Ltd. and is also an independent director of Speciality Restaurants Ltd.



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

Mr Binod Patwari, 41 years old, is a B.Com (Hons.), CFA, MBA (Finance) and a Company Secretary from India. Mr Patwari joined the Company in the Finance function in the year 1997 and later moved overseas to various senior positions within the erstwhile BOC Group until its merger with Linde AG in the year 2006.

Mr Patwari has approximately 16 years of experience in all areas of finance including accounting, treasury, planning and control and is presently Head of Finance and Control, Asia Pacific of The Linde Group.



**S Menon**  
Managing Director

Mr Srikumar Menon, 61 years old, is a B.Com (Hons.) and a Chartered Accountant. Mr Menon joined the Company in October 2001 as Vice President – Finance and was appointed as Finance Director in November 2001. Mr Menon has broad finance experience across Public Sector, Private Sector and Multinational Companies.

Mr Menon was appointed as the Managing Director of the Company on 23 October 2008 and was reappointed as the Managing Director for a further term of three years with effect from 23 October 2011.



**A Balakrishnan**  
Non-Executive Independent Director

Mr Arun Balakrishnan, 63 years old, is a B.E (Chemical) from College of Engineering, Trichur, Kerala and has a Post Graduate Diploma in Management from IIM, Bangalore.

Mr Balakrishnan was the Chairman and Managing Director of Hindustan Petroleum Corporation Ltd. from 1 April 2007 to 31 July 2010 and is presently the Chairman of HPCL-Mittal Energy Ltd.



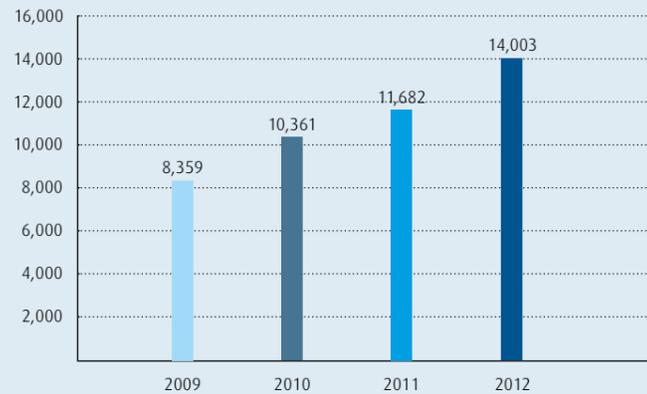
**A Narayan**  
Non-Executive Independent Director

Mr Aditya Narayan, 61 years old, is a B.Tech from IIT Kanpur, an LLB from Kanpur University and a Masters in Sciences from the University of Rochester, USA.

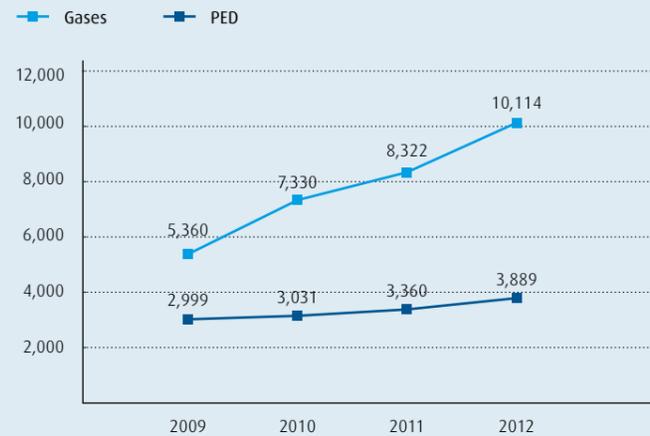
With over three decades of experience at ICI India, now Akzo Nobel India, Mr Narayan grew through diverse businesses and functions, in India and overseas, before serving as its Managing Director during 1996–2003 and then as its Non Executive Chairman during 2003–2010.

# Graphical representation of financial performance.

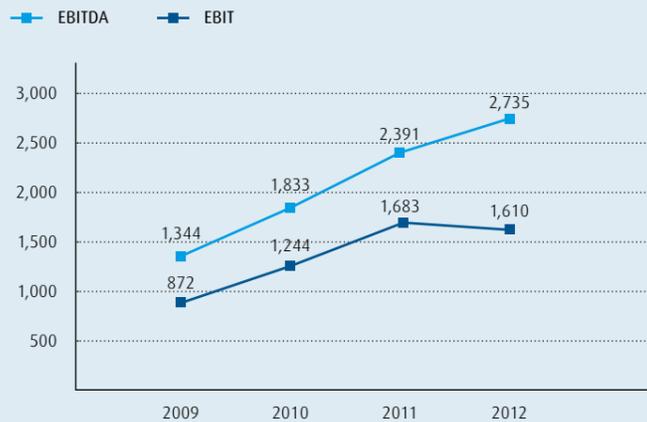
Gross turnover (in rupees million)



Gross turnover – by segment (in rupees million)



EBITDA & EBIT (in rupees million)\*



\* EBITDA and EBIT are post-exceptional

Average capital employed and ROCE (in rupees million & %)



# Company information.

## Board of Directors

Sanjiv Lamba, Chairman  
Arun Balakrishnan  
Jyotin Mehta  
Aditya Narayan  
Binod Patwari  
Srikumar Menon, Managing Director

## Asst. Vice President & Company Secretary

Pawan Marda

## Auditors

BSR & Co.

## Solicitors

Khaitan & Co.

## Bankers

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

## Audit Committee

Jyotin Mehta, Chairman  
Arun Balakrishnan  
Sanjiv Lamba  
Aditya Narayan

## Shareholders' / Investors' Grievance Committee

Aditya Narayan, Chairman  
Jyotin Mehta  
Srikumar Menon

## Remuneration Committee

Arun Balakrishnan, Chairman  
Sanjiv Lamba  
Jyotin Mehta

## Registered office

Oxygen House  
P43 Taratala Road  
Kolkata – 700 088  
India  
Phone +91 33 2401 4708 / 4710-16  
Fax +91 33 2401 4206

# Directors' report and management discussion and analysis.

## Directors' report and management discussion and analysis.

The Directors have pleasure in submitting their Report together with the Audited Accounts of your Company for the year ended 31 December 2012:

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

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
Revenue from Operations	14,113.45	12,158.52
Operating Profit after depreciation, impairment and interest, but before exceptional items	536.38	1,748.50
Exceptional items (net)	718.62	-
Profit before tax	1,255.00	1,748.50
Provision for current and deferred tax	(360.20)	(531.93)
Profit after tax	894.80	1,216.57
Profit brought forward	3,863.40	2,856.34
Profit available for appropriation	4,758.20	4,072.91
Appropriations		
Proposed Dividend @ 15% (previous year @ 15%) on 85,284,223 Equity Shares of Rs. 10 each, absorbing	127.93	127.93
Tax on Proposed Dividend	20.75	20.75
Transfer to General Reserve	44.74	60.83
Balance carried forward	4,564.78	3,863.40

### Change of name

With a view to benefit from the global brand image of Linde AG in gases and engineering businesses and communicate one identity, particularly to the global customers of the promoter group, your Company initiated action for change of its name to align it with the Linde Group. Pursuant to the special resolution passed by the members of the Company through postal ballot and e-voting on 6 February 2013 and consequent upon all relevant approvals, the name of your Company has been changed to 'Linde India Limited' with effect from 18 February 2013.

### Financial performance

Your company recorded a rather subdued performance during the year 2012 against the backdrop of weak economic conditions and sluggish performance across most industrial sectors. During the year under review, your Company had to contend with significant headwinds, which among others included lower demand from major customers, delay in major projects related to customer delays, inflationary trends in power and other costs, etc. Revenue from Operations for the year 2012 at Rs. 14,113.45 million showed an increase of about 16% over the previous year. Turnover from the gases business grew by nearly 15% mainly driven by commissioning of new air separation units, viz. a 2550 tonnes per day Air Separation Unit for Tata Steel Works at Jamshedpur and a merchant Air Separation Unit having a total liquid capacity of 450 tonnes per day at Taloja. The commissioning of a new steam methane refined hydrogen plant for Sterlite Technologies at Aurangabad and a Vacuum Pressure Swing Adsorption plant for Vishnu Chemicals at Vishakhapatnam also contributed to higher revenues in the tonnage business. Healthcare business also contributed to the higher turnover by achieving higher volumes of liquid and compressed medical oxygen as compared to the previous year. Other drivers of growth for the Gases business were the packaged gases and special gases. The Project Engineering Division achieved its highest ever turnover during the year amounting to Rs. 3,888.55 million, which recorded an increase of about 16% over the previous year. The growth of the Project Engineering business was mainly driven by execution of large customer projects relating to air separation units, nitrogen VPSA plants, hydrogen PSA plants, pressure reducing stations across refinery and steel industries both in public and private sectors. The Project Engineering Division's revenues include billings from overseas projects being executed in Bangladesh, Sri Lanka and Indonesia.

The profit before depreciation, interest and taxes for the year 2012 stood at Rs. 2,065.76 million as compared to Rs. 2,462.05 million in the previous year. The profit from operations during the year before exceptional items however, was significantly lower at Rs. 536.38 million as compared to Rs. 1,748.50 million recorded in the previous year.

This sharp decrease in the profits is the result of significantly higher finance costs on long term borrowings and higher depreciation following the capitalization of new plants. The depreciation includes impairment provision of Rs. 84.52 million relating to assets at an electronic gases customer's site, arising from the discontinuance of their operations. During the year, your Company disposed of surplus factory land at Vizag and Bangalore and a profit of Rs. 718.62 million arising from the same has been accounted for as an exceptional item. The profit before tax for the year amounted to Rs. 1,255.00 million as compared to Rs. 1,748.50 million in the previous year and the net profit after tax for the year 2012 amounted to Rs. 894.80 million as compared to Rs. 1,216.57 million achieved in the previous year.

### Dividend

Your directors are pleased to recommend a dividend of 15% (Rs. 1.50 per equity share of Rs. 10 each) for the year 2012 in respect of 85,284,223 equity shares of Rs. 10 each in the Company. The Board has recommended this dividend after careful consideration of the need to cater to the expectation of the shareholders on a sustained basis and the need to conserve resources for financing the ongoing investment program towards setting up of new plants and potential acquisitions. The dividend together with dividend tax will result in a cash outlay of Rs. 148.68 million. The Board has also recommended a transfer to General Reserve of Rs. 44.74 million (previous year Rs. 60.83 million) in compliance with the Companies (Transfer of Profits to Reserves) Rules, 1975.

### Industry developments

The gases business is capital intensive by nature as it requires large investments in setting up of air separation units as well new packaged gases sites. The supply chain in the gases business also requires significant investments in the form of distribution assets and storage networks to service bulk volumes as well as in the form of cylinders to service relatively smaller volumes in packaged gases business. The industry comprises of large captive users in steel, fertilizer and refinery sectors and a large number of merchant liquid customers primarily in metal, glass, automobile, petrochemicals and pharmaceutical sectors, besides customers for medical

gases. New applications in segments like oil and gas, food freezing, refrigeration, fire suppression, cement, paper, etc. continue to provide growth opportunities. This growth is being further supported by 'Build Own Operate' (BOO) type of supply scheme opportunities from the users mainly in steel and refinery sectors, which are increasingly outsourcing their gases requirements.

### Business segments

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

### Gases and related products

The Gases and Related Products segment comprises of pipeline gas supplies to very large industrial customers (tonnage), gases in bulk and packaged gases for industrial and healthcare segments. The tonnage customers are supplied gaseous oxygen, nitrogen and argon by pipelines directly from the tonnage plants. Gases in bulk consist of liquid oxygen, nitrogen and argon and packaged gases consist of compressed industrial, electronic and special gases. The Healthcare business is served by a mix of bulk and compressed medical gases, such as medical oxygen, nitrous oxide, etc.

The strategy of the tonnage and bulk business continues to be building and sustaining market leadership through aggressive but profitable growth. The strategy of the healthcare business is to sustain its leadership position in the large hospitals in metro cities and increase penetration in tier 2 cities with particular focus on supporting private hospital chains in providing total gas management solutions.

The turnover of your Company's gases business for the year 2012 recorded a growth of about 15% as compared to the previous year. This growth has been mainly driven by incremental revenues from the commissioning of new plants during the year, viz. the 2550 tonnes per day Air Separation Unit for Tata Steel works at Jamshedpur, merchant Air Separation Unit at Taloja, a new steam methane reformed hydrogen plant for Sterlite Technologies at Aurangabad and a Vacuum Pressure Swing Adsorption plant for Vishnu Chemicals at Vishakhapatnam.

Healthcare business also contributed to the higher turnover by achieving higher volumes of liquid and compressed medical oxygen as compared to the previous year. During the year under review, your Company entered into an agreement for taking over the assets and gases business of Uttam Gases, comprising Uttam Air Products and Uttam Special Gases, one of the prominent players in the healthcare segment in North India. The acquisition is in an advanced stage of completion and is expected to strengthen your Company's position and enhance its healthcare revenues in the years ahead. Other drivers of growth for the Gases business were the packaged gases and special gases.

The markets during the year witnessed sluggish demand for industrial gases with some of our customers consolidating or reducing their capacity utilization. The demand landscape from some of the major customers forced some of our tonnage plants to operate at lower than full capacity during the year. Our primary markets, viz. steel, glass, automobile, pharmaceuticals, construction and infrastructure sectors demonstrated lower investment appetite for growth. The gases demand was not supported by significant greenfield expansions especially in the automobile sector. The delay in commissioning of large tonnage projects, particularly SAIL Rourkela Steel Plant ASU, which is being constructed on build, own and operate (BOO) basis has adversely impacted the gases business during the year.

The year 2012 also witnessed rising input costs especially, power and diesel in most of the states in India. The power cost increase in West India was quite significant and the sluggish market situation made it difficult to fully recover such increased costs, thereby putting margins under pressure. The steel production in the country in 2012 was more or less stable as the steel majors, Tata Steel and SAIL had to meet their local and export demand despite the cost pressures arising from increased cost for coking coal and iron ore. Our customers among smaller non integrated steel mills also showed flat demand for gases and reeled under liquidity and input cost pressures in 2012. The demand from auto and ancillary industries as well as stainless steel industry also remained flat round the year. This sector is a major consumer of Argon and has a significant impact on high value Argon sales. Besides, commissioning of a captive onsite ASU by one of the customers in Eastern India significantly reduced the demand for liquid oxygen in these markets.

The slowdown in the solar photovoltaic industry reported last year did not show any signs of recovery. During the year, one of the major electronic gases customer discontinued operations in view of their thin film photovoltaic cell technology becoming uncompetitive. As a result, your Company had to take a significant hit by way of impairment of assets at the customer's plant.

The Application Technology sales organization in the gases business which was set up last year has been successful in securing business by enhancing productivity of customers' processes in varying industries. Success stories of the Application Technology sales include REBOX<sup>®</sup> Oxyfuel conversion at Kalyani Carpenter Steel, Pune, LINSPRAY<sup>®</sup> for metal coating at GE Infrastructure Energy, HIGHJET<sup>®</sup>, for cupola furnaces and CRYOFLEX<sup>®</sup>, a cryo treatment equipment using liquid nitrogen in the automotive segment. Your Company has also made successful foray into cement industry with a trial order at a leading cement plant in India for their rotary kilns and deco risers. This is the first such initiative for converting air-fuel to oxy fuel kiln operations in the country and is expected to open opportunities in the cement industry. Our packaged shielding gases witnessed significantly higher volumes as a result of focus on technology sales in 2012.

During the year under review, your company steadily expanded its product and service offerings by adding hydrogen, helium and CO<sub>2</sub> in its portfolio. A new Helium transfill station was commissioned in 2012 at Taloja. New application based sales leveraging Linde's expertise continues to be an opportunity. This is one of the growth strategies for the gases business of your Company moving forward. The Company also plans to make new investments for growing its retail packaged gases business in 2013 with a view to regain market share in select geographies.

Sharp increase in power costs and poor quality and reliability of power supply continues to be a major concern for our operations. Our ASUs in Hyderabad and Selaqui in North India continue to be impacted as a result of these issues. Economic slowdown and competitive activities owing to over capacity in the market also puts our business under significant pricing pressures.

## Project engineering

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

The year 2012 witnessed another spectacular performance from the Project Engineering business, which achieved revenue of Rs. 3,888.55 million from third party projects. This performance of the Division surpassed previous year's all time high revenue of Rs. 3,360.22 million achieved by PED and is therefore, the highest ever turnover recorded by the Division so far. As in the previous year, this sterling performance of PED was driven by execution of several projects relating to large air separation units, nitrogen plants, pressure reducing stations (PRS), cryogenic storage tanks and hydrogen PSA plants across refineries and steel industries both in public and private sector.

The Division commissioned a nitrogen plant for Mangalore Refinery and is currently engaged in commissioning of several other nitrogen plants at LNG Kochi Terminal, National Fertilisers Ltd., Nangal and ONGC Mangalore Petrochemicals Ltd. Besides these, several nitrogen plant projects are at different stages of execution including those for ONGC Petro, Dahej and Matix Fertilizers, Durgapur and at GAIL, Pata. The Division has thus maintained its leadership in cryogenic nitrogen plants. In addition, during the year, the Division also successfully commissioned an oxygen plant for Sesa Goa.

The Division is also currently engaged in the execution of record number of third party large ASU and other projects, progress of which are satisfactory. The 600 tonnes per day oxygen plant for Bhusan Power & Steel and a 420 tonnes per day ASU for Neelachal Ispat are under commissioning. The Scale 1000 oxygen plant for Bhusan Steel Ltd, Angul is progressing well. During the year, the Project Engineering Division bagged its largest

ever order from National Mineral Development Corporation to the tune of Rs. 3,707 million for supply of 2x1250 tonnes per day Oxygen Plants at Nagarnar, which is under execution. The execution of export orders for Oxygen Plants for customers in Sri Lanka, Indonesia and Bangladesh are also progressing well.

The Division continues to provide greater focus to execution of in-house ASU projects for the Gases Division and is currently executing several large size internal projects for the Company. During the year, the Division successfully commissioned a 2550 tonnes per day ASU at Jamshedpur for supply of gases to Tata Steel pursuant to a long term contract with them. This plant is the largest ASU in India and is also the largest ASU of the Linde Group in South and East Asia. The Division also commissioned a merchant ASU at Taloja having capacity of 450 tonnes per day of merchant products and a 1270 NM3 per hour VPSA Oxygen Plant for Vishnu Chemicals at Vizag for the Gases Division of the Company. The Company's supply scheme project of 2x853 tonnes per day ASUs located at Rourkela Steel Plant are under pre-commissioning stages. During the year, PED has started execution of 2 nos. scale 1000 Project for Tata Steel at Kalinganagar, which is one of the largest strategic in-house projects under execution.

The Division has given highest priority to make its business more competitive and has taken several initiatives in this regard. Such initiatives include indigenous manufacture of erstwhile imported components like radial absorber vessels, ambient vaporizers and special spiral wound steam heated vaporizers, etc.

The Division's effective collaboration with Linde Engineering as their technology partner continues. This partnership has been successful in bidding and winning several prestigious projects and your Company expects further enhancement in the consortium activities in near future. The Division bagged orders valuing about Rs. 4,491 million during the year taking the total third party orders in hand to about Rs. 6,837 million as on 31 December 2012.

Your Company's business in both its Segments – Gases and Project Engineering is exposed to a variety of risks, which emanate from both internal and external sources. As explained in the report on Corporate Governance, the Company has an adequate risk management system that takes care

of identification, assessment and review of risks as well as their mitigation plans put in place by their risk owners. The risks identified and being addressed by the Company during the year under review included risk concerning coordination issues in the execution model of the Company for its projects, risks related to merchant and plant loading targets in view of the economic slowdown, over dependence of the business on steel sector, risk of reliability and cost of power at existing plants, risk of competitive pressures, etc. Since the Project Engineering Division of your Company is engaged in execution of various in house and third party projects, it has an inherent risk of time and cost overruns due to various reasons. Your Board of Directors provides oversight of the risk management process in the Company and reviews the progress of the action plans for each of the identified key risks on a quarterly basis.

## Finance

The Company had two fully drawn down loan facilities by way of External Commercial Borrowing (ECB) totalling EUR 122 million from Linde AG for funding of 2550 tonnes per day ASU for Tata Steel and 2x853 tonnes per day ASUs for Steel Authority's Rourkela Steel Plant projects. As on 31 December 2012, the aggregate outstanding against the aforesaid ECBs was EUR 115.6 million (Rs. 8,389.57 million). The said ECBs are fully hedged both with regard to the principal and interest payments.

During the year, the Company negotiated a two year term loan facility of Rs. 1,000 million from Citibank for financing of ongoing relatively smaller capital expenditure requirements. As on 31 December 2012, this facility is fully drawn down.

Further, during the year, for financing the Tata Steel Kalinganagar project and Asian Peroxide's project, the Company has finalized funding arrangement of EUR 77.6 million (Rs. 5,553.83 million) by way of a new ECB facility from the parent Company, Linde AG.

Capital expenditure of Rs. 3,820.62 million during the year was mainly towards setting up of 2550 tonnes per day ASU for Tata Steel at Jamshedpur, 450 tonnes per day merchant ASU at Taloja and towards procurement of distribution resources.

## Prescribed particulars

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

There were 7 employees who were employed throughout the year and were in receipt of remuneration aggregating to Rs. 6 million or more or were employed for part of the year and were in receipt of remuneration aggregating to Rs. 0.5 million per month or more during the year ended 31 December 2012. In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder as amended, the names and other particulars of employees are set out in the annexure to the Directors' Report. However, in terms of the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to all the shareholders of the Company excluding the said information. The aforesaid statement is available for inspection by shareholders at the Registered Office of the Company during business hours on working days up to the date of the ensuing Annual General Meeting. Any shareholder interested in obtaining a copy of the said information may write to the Company Secretary at the Registered Office of the Company.

## Human resources

The Human Resources function ensures that all employees are aligned to the organisation's shared values, management principles and a high performance culture. To this end, the Human Resource function endeavours to acquire employees best suited to the Group, nurture them and to build long term loyalty. Your Company offers all its employees safe and attractive working conditions, fair and respectful treatment and reward for excellent performance. The Company has some of the best practices in place to become an "Employer of Choice" and in this area regularly seeks inputs and feedback from employees. Linde maintains a competitive edge by ensuring the right talent for the right job. This is ensured by using multi-pronged selection tools like assessment centers and one on one interview. Our recruitment process is now being managed online through recruitment software which connects various stakeholders on a common platform. We also have a visibility on various social networking sites and have created a strong employer brand.

At Linde India, learning and development is a way of life. We encourage our employees to show their skills and provide a conducive environment for personal and professional growth. In the year 2012, training needs were identified for 100% of employees in supervisory and management roles. Each employee had been encouraged to identify his/her training needs, depending on their role in the organisation. Based on the training needs, we drew up a detailed training calendar comprising training programmes, which are a blend of national and international programmes. In addition to this, all new employees underwent a structured induction program 'SAMPARK'. The induction programme provides an opportunity to all new recruits to engage with Company's senior management and to understand the organization vision, business pattern and functional roles.

Our Graduate Development programme called 'CATALYST' which was launched in the previous year for recruitment and development of bright graduates has been very successful and has inspired young graduate trainees for taking higher responsibilities in the organization in the years ahead. As a result, your Company was recognized by the Great Place To Work Institute and The Economic Times as India's best company to work for in 2012 in a special category and your Company also received recognition for People Excellence in the Linde Group. We also launched the Emerging Talent Development Programme – Linde Cluster Talent Circle (LCTC) 2012. It is a unique two-year development programme for emerging talent, which is aimed to nurture and groom talent in South Asia Cluster.

The organisation's rewards philosophy is in line with the competitive reward system in the market that motivates employees for achieving stretch business performance. Various reward schemes are in place to motivate and retain skilled employees to achieve business strategy and goals. Your organization has improved processes for many Human Resource interfaces with employees to drive process excellence and higher level of employee satisfaction. Various other initiatives like Health Awareness Programs, CSR activities, team building exercises for employees across locations were carried out during the year.

Your company had manpower strength of 797 as on 31 December 2012 and continues to enjoy harmonious industrial relations at all its plants and offices across the country.

### Safety, health, environment and quality (SHEQ)

As a member of The Linde Group, your Company continues to make steady progress on the safety journey while maintaining the highest standards of safety, health and environmental protection covering all aspects of its operations, distribution and project execution.

Safety is one of the foundation principles upon which the Linde value system is built and is therefore a top priority for The Linde Group in its own business processes as well as in use of its products by customers. This view is well articulated in the Linde Group's SHEQ policy which is embraced by your Company. It states that "The Linde Group will avoid harm to people, society and the environment while providing quality products and services to our customers".

In order to reinforce on the SHEQ agenda, your Company continues to focus on ensuring compliance with Linde's Golden Rules of Safety, which are a set of 7 mandatory rules framed to manage, mitigate and control high risk jobs across all operations of the Company both in the Gases and Project Engineering Division at all times. During the year, the Gases Division of your Company achieved a significant safety milestone by completing 500 Major Incident free days, which demonstrates commitment of our teams to the safety agenda.

In the backdrop of our aspirations of becoming the leading gases and engineering company in India, your Company has made significant investment in setting up large Air Separation Units, new state of the art packaged gases sites, covered increasingly higher number of kilometers for delivery of its products in a very challenging environment, and grown its project engineering business to its all time high. All this was achieved without any Lost Time Injury to our employees and contractors during the year, which demonstrates that we are taking the first early steps towards an "injury free" organization.

Your Company continues to mandate complete transparency in SHEQ reporting and all accidents and incidents, even the minor ones are reported. Thereafter, depending on the incidents, they are duly investigated, corrective actions are identified and actioned upon. The "Lessons from Incidents" (LFIs) of all major Incidents are circulated to prevent repeat of similar incidents.

Transport Safety remains the single biggest challenge and focus area for improvement. Your Company has risen to the challenge by significantly improving its focus on this area. Trained staff at our Fleet Control Room (FCR) monitor driver behaviour for our entire fleet of over 400 transport tankers. The FCR monitors speed, driving hours/rest hours, harsh braking, night driving restrictions and this has significantly contributed to safer driving and lesser transport related incidents.

Your Company also aims to establish a minimum standard for health management and to promote various measures to improve the health management of its employees and contractors. On the Health and Occupational Hygiene front, various training & awareness initiatives and mitigation actions have been taken covering manual handling, asbestos and noise management.

Your Company has set up water recycling and rain harvesting facilities at a number of its sites. As an integral part of its initiative to protect the environment, your Company monitors waste generation, emission of green house gases, effluents, quality of air, etc at the plant sites. Most of our key sites have already been covered under ISO 14001:2004 accreditation while the other sites are in the process of acquiring the certification.

Air Separation plants are highly energy intensive and our greatest challenge is to continuously use energy efficiently as well as in reducing green house gas emissions. When our gases are transported by road whether they be liquefied gases transported in tankers or compressed gases transported in cylinders, we take care to optimize routes so as to reduce fuel consumption and thereby reduce emission of green house gases. Across all industry sectors there are gases applications which can make the processes more environment friendly whether by substituting materials, improving the efficiency of the combustion processes or by reducing emissions and waste.

Security arrangements at the plant sites and offices have been reviewed to make them more effective and alert against all possible threats with a view to make our plants and work places safer. Security vulnerability risk assessments are being carried out at high risk sites and CCTV monitoring arrangements are being made to improve security at our sites and offices.

### Outlook

The global economy has witnessed weaker growth in 2012 as a result of, among others, high sovereign debt worldwide, volatile financial markets, currency fluctuations and political unrest in some parts of the world. Indian economy has not been any exception and has witnessed sluggishness throughout 2012. The economy is facing historically high current account deficit, high fiscal deficit, inflationary trends and deepening growth concerns with GDP growth rate for 2012-2013 estimated to fall below 5.5%. Your Company thus has had a difficult and challenging 2012, which reflected the gloomy conditions in the economy.

The global economy led by a fall in unemployment data and housing recovery in the US is expected to show some improvement in 2013. Indian economy is also expected to benefit from easing liquidity, lower interest rates, speed on policy reforms and hopefully normal monsoons. The presence of a large and young population, particularly the large middle class is expected to drive demand to ensure continued economic growth in India, which augurs well for the long term prospects of the industrial gases business of the Company.

Your Company has already committed significant investments in the gases business for setting up large capacities for catering to the customers in steel sector and merchant markets. Although, the outlook for the steel sector remains somewhat uncertain in the short term, the medium to long term outlook appears positive and the demand is likely to pick up in the next financial year on the back of expected revival in economic growth and the need to increase investments in the infrastructure sector. Your Company's strategy to increase penetration in hospitals in tier 2 cities with focus on private hospital chains and of leveraging the Group's industry specific expertise in gas applications is likely to have a positive impact on the gases business in the medium to long term. Your Company has also been making steady progress in its HPO (high performance organisation) journey and will continuously endeavour to leverage the strengths of its parent, in growing its businesses across the gases and engineering segments. The overall outlook for 2013 is therefore cautiously optimistic.

### Internal control systems and their adequacy

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

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

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

### Corporate governance

As a member of The Linde Group, your Company recognises the importance of good corporate governance. Your Company is therefore, committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment, the Board of Directors supports high standards in corporate governance. It is the endeavor of the Board and the executive management of your Company to ensure that their actions are always based on principles of responsible corporate management. In The Linde Group, corporate governance is seen as an ongoing process. Your Company's Board will therefore closely follow future developments in the governance norms and will take lead in ensuring compli-

ance with the same. A separate report on Corporate Governance along with the certificate of the Auditors, B S R & Co., confirming compliance of the conditions of corporate governance, as stipulated under Clause 49 of the Listing Agreement entered into with the Stock Exchanges is annexed.

### Responsibility statement

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

That in preparation of the annual accounts for the year ended 31 December 2012, applicable accounting standards had been followed along with proper explanations relating to material departures, if any.

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

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

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

### Directors

Mr Aditya Narayan, an additional director w.e.f. 9 February 2012 was appointed as a Director of the Company at the 76th Annual General Meeting held on 17 May 2012. There has not been any change in the Board of your Company since the last Annual General Meeting.

Mr Sanjiv Lamba, Chairman of the Board, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. Necessary resolution for reappointment of Mr Lamba as a Director of the Company is included in the Notice of the ensuing Annual General Meeting. The Board recommends the said resolution for your approval.

### Cost audit

The Central Government's directions vide their Order dated 10 August 2000 pursuant to Section 233 B of the Companies Act, 1956, requires audit of the cost accounting records of the Company relating to Industrial Gases, for every financial year. Messrs S. Gupta & Co., a firm of Cost Accountants in Kolkata conducted this audit for the Company's financial year ended 31 December 2011. The Cost Auditors' appointment for the financial year 2012 was considered by the Board of Directors on the recommendation of the Audit Committee and necessary application for approval of the appointment of the cost auditor had been filed with the Central Government. The Company has subsequently received the approval of the Ministry of Corporate Affairs in the Central Government for appointment of M/s. Rammani Sarkar & Co. as Cost Auditors for auditing the cost accounts relating to industrial gases as well as Project Engineering Division for the financial year ended 31 December 2012. The Cost Auditor would take up the audit as soon as possible and would submit its report for the year 2012 within the due date.

### Auditors

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

With regard to the Statutory Auditors' remarks in their report about utilization of short term funds for long term purposes, your Company believes that this gap in the long term funds was temporary in nature, when it had to utilize short term funds for procurement of distribution assets and towards setting up of a packaged gases site.

### Disclaimer

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

On Behalf of the Board



S Lamba  
Chairman



S Menon  
Managing Director

On behalf of the Board:  
S Lamba, Chairman  
S Menon, Managing Director

Kolkata  
19 February 2013

# Annexure to Directors' Report.

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 ('THE RULES') AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012.

## A. CONSERVATION OF ENERGY

### a) Energy conservation measures taken:

- (i) Commissioned new ASU at Taloja to replace old inefficient plants at Tarapur and Taloja resulting in reduction in power consumption per unit of output.
- (ii) Several operating plants have been taken under Remote Operation Centre (ROC) for efficient plant operation by centralized team of experts.
- (iii) Installation of ABT Meter at Hyderabad plant for getting power through Open Access with a view to optimize energy cost.
- (iv) Ongoing energy conservation measures such as maintaining power factor, demand management, best operating practices, use of energy efficient lights and equipment were undertaken across most of the plant sites.

### b) Additional investments and proposals:

- (i) Major investment planned towards turn around maintenance of 1290 tonnes per day plant at Jamshedpur for improving efficiency of plant operations.
- (ii) Major investment planned for interconnection of wet air lines between plants in Jamshedpur for improving overall system efficiency.

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

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

### d) Energy conservation in respect of specified industries:

Not applicable

## B. TECHNOLOGY ABSORPTION

### e) As per Form-B of the Rules

#### I. Research & Development (R&D)

##### 1. Areas in which R&D carried out:

- (i) Widening application of shielding gases for fusion welding and allied processes specific to customer requirement.

##### 2. Benefits:

- (i) Improved quality

##### 3. Future plan of action:

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

##### 4. Expenditure on R&D:

(a) Capital	Rs. Nil
(b) Recurring	Rs. 1.65 million
(c) Total	Rs. 1.65 million
(d) Total R&D expenditure as a percentage of total turnover	0.01 %

## II. Technology absorption, adaptation and innovation

### 1. Efforts made:

1. Commissioning of (NG) new generation state of the art packaged gases sites at Vizag and Bangalore as per Linde's engineering standards for improving safety and productivity.
2. Implementing "Project Condor plus" for oxygen filling for improved safety.
3. Commissioning of helium debulking centre and filling of 200 bar cylinders and liquid dewars.
4. Implementation of remote carbide charging in generator of the DA plants for avoiding manual intervention and improving safety.
5. Providing alternate energy through hydrogen for powering cellular phone towers.

### 2. Benefits derived:

1. Improved productivity and safety in compressed gases business.
2. Gaining of significant market share in merchant helium business.
3. Improving safety standards in operations.

### 3. Technology Imported:

Nil

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

During the year, the Company's export activities recorded a significant increase mainly on account of revenues from export orders executed by the Project Engineering Division. The export revenues are largely towards sale of oxygen plants by the Project Engineering Division to Sri Lanka and Bangladesh. Besides, Gases Division also exported liquid oxygen, argon, medical oxygen and nitrous oxide to Bangladesh. The Company will continue to explore export opportunities in the Project Engineering business as well as export of ASU gases to neighboring countries, especially Bangladesh in short to medium term.

### g) Total foreign exchange used and earned:

Total foreign exchange used during the year was Rs. 7392.10 million and total foreign exchange earned during the year was Rs. 1470.38 million, which included Rs. 1425.77 million from exports.

# Corporate governance.

## Report on corporate governance.

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

### Company's philosophy on Corporate governance

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

### Board of Directors (Board)

#### Composition of the Board as on 31 December 2012

Linde India's Board has an appropriate mix of Executive and Non-Executive Directors. The Non-Executive Directors including Independent Directors impart balance to the Board and bring independent judgment in its deliberations and decisions. As on 31 December 2012, the Board of the Company comprised of 6 Directors, detail whereof is given below:

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

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

### Board meetings

During the year ended 31 December 2012, four Board meetings were held on 9 February 2012, 23 April 2012, 19 July 2012 and 2 November 2012. The gap between any two consecutive meetings did not exceed four months.

### Board agenda

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

### Information placed before the Board

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

#### Attendance of Directors at the Board Meetings of the Company held during the year ended 31 December 2012 and the last Annual General Meeting (AGM), Number of Other Directorship(s) and Other Board Committee Membership(s) held as on 31 December 2012

Name of the Director	Category of Directorship	No. of Board meetings attended	Attendance at the last AGM	No. of other directorship(s)*	Other Board Committee membership(s)/ chairmanship(s)**
Mr S M Datta***	(Chairman) Non-Executive Independent Director	1	N.A.	N.A.	N.A.
Mr S Lamba****	(Chairman) Non-Executive Director	4	Yes	-	-
Mr A Balakrishnan	Non-Executive Independent Director	3	No	6	4
Mr J Mehta	Non-Executive Independent Director	4	Yes	1	1
Mr S Menon	(Managing Director) Executive Director	4	Yes	-	-
Mr B Patwari****	Non-Executive Director	3	Yes	-	-
Mr A Narayan*****	Non-Executive Independent Director	4	Yes	2	2

\* Excludes directorships in Indian private limited companies, foreign companies, companies under Section 25 of the Companies Act, 1956 and Alternate Directorships.

\*\* Represents memberships of Audit Committee and Shareholders'/Investors' Grievance Committee.

\*\*\* Mr S M Datta ceased to be a Director and Chairman of the Board on conclusion of the Board Meeting held on 9 February 2012.

\*\*\*\* Director representing The Linde Group.

\*\*\*\*\* Mr S Lamba was appointed as the Chairman of the Board of Directors of the Company w.e.f. 9 February 2012.

\*\*\*\*\* Mr A Narayan was appointed as an Additional Director of the Company at the Board Meeting held on 9 February 2012 and was subsequently appointed as a Director at the 76th Annual General Meeting held on 17 May 2012.

#### Code of conduct

As a member of The Linde Group, the Company had earlier adopted Linde's Code of Ethics as the Code of Conduct for all its employees including its wholetime directors. Linde's Code of Ethics anchors ethical and legal behaviour within the organisation. A brief Code of Conduct was also adopted by the Board of Directors as the Code applicable to the Non-Executive Directors of the Company. The aforesaid Codes are available on the Company's website. All Directors and senior management personnel of the Company as on 31 December 2012 have individually affirmed their compliance with the applicable Code of Conduct. A declaration signed by the Managing Director (CEO) to this effect is enclosed at the end of this report.

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

#### Risk management

The Company had originally developed a risk management framework in the year 2006. During the year under review, a fresh Risk workshop was conducted on 23 July 2012, which was attended by the senior management team of the Company. The senior management team deliberated on the identified fresh risks and prioritized them on the basis of their EBIT impact and probability scores. These risks were thereafter assigned to various risk owners within the Company and appropriate mitigation plans were put in place in respect of them. The executive management of the Company additionally reviews new risks on a quarterly basis so that such risks are identified, assessed and reviewed on an ongoing basis and necessary mitigation plans are put in place in respect of such new risks. The Board provides oversight of the risk management process followed by the Company and reviews the progress of the action plan for each risk on a quarterly basis.

#### CEO/CFO certification

The Managing Director (CEO) and the Head – Finance & Control (CFO) of the Company have certified to the Board that all the requirements of Clause 49 (V) of the Listing Agreement, inter alia, dealing with the review of financial statements and cash flow statement for the year ended 31 December 2012, transactions entered into by the Company during the said year, their responsibility for establishing and maintaining internal control systems for financial reporting and evaluation of the effectiveness of the internal control system and making of necessary disclosures to the Auditors and the Audit Committee have been duly complied with.

#### Committees of the Board

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

The minutes of all Board and Committee meetings are placed before the Board and noted by the Directors at the Board meetings. The role and composition of Audit Committee, Remuneration Committee and Shareholders' / Investors' Grievance Committee including the number of meetings held during the year ended 31 December 2012 and the related attendance are as follows:

#### Audit committee

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

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

#### Terms of reference

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

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

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

## Composition

The composition of the Audit Committee is in accordance with the requirement of Clause 49 (II) (A) of the Listing Agreement. Mr S M Datta, erstwhile chairman of the Audit Committee stepped down from the Board of the Company at the conclusion of the Board Meeting held on 9 February 2012. At the aforesaid Meeting, Mr Arun Balakrishnan and Mr Aditya Narayan were inducted into the Audit Committee of the Board of Directors and Mr Jyoti Mehta, a Non-Executive Independent Director and an existing member of the Audit Committee was appointed as the next Chairman of the Audit Committee. As on 31 December 2012, the Committee comprised of four Non-Executive Directors, three of whom, including the Chairman of the Committee were Independent Directors. Mr J Mehta (Chairman of the Committee), Mr S Lamba, Mr A Balakrishnan and Mr A Narayan were the Members of the Committee as on 31 December 2012. 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 17 May 2012.

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

## Meetings and attendance during the year

Four meetings of the Audit Committee were held during the year ended 31 December 2012. The meetings were held on 9 February 2012, 23 April 2012, 19 July 2012 and 2 November 2012. 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 A Balakrishnan	3	2
Mr S M Datta*	1	1
Mr S Lamba	4	4
Mr J Mehta	4	4
Mr A Narayan	3	3

\* Ceased to be a Director and Chairman of the Committee on conclusion of the Board Meeting held on 9 February 2012.

## Remuneration committee

The Remuneration Committee of the Board was constituted in the financial year 2002 – 2003. The Committee is responsible for recommending to the Board the remuneration package of Managing / Wholetime Directors including their annual increments, variable compensation pay under the Linde Group's Short Term, Mid Term and Long Term Incentive Plan etc. after reviewing their performance.

## Composition

At the Board Meeting held on 9 February 2012, Mr Arun Balakrishnan, a Non-Executive Independent Director of the Company was inducted in the Remuneration Committee of the Board and was appointed as the Chairman of the Committee. As on 31 December 2012, the Committee comprised of three Non-Executive Directors – two Independent Directors, namely Mr A Balakrishnan and Mr J Mehta, besides Mr S Lamba, a Non-Executive Director representing The Linde Group.

## Attendance

During the year ended 31 December 2012, the Committee met once on 19 July 2012. 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 A Balakrishnan*	1	1
Mr S M Datta**	-	N.A.
Mr S Lamba	1	1
Mr J Mehta**	1	1

\* Inducted as a Member and Chairman of the Committee in the Board Meeting held on 9 February 2012.

\*\* Ceased to be a Director and Member of the Committee w.e.f. 9 February 2012.

## Remuneration policy

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

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

## Details of remuneration to Executive / Wholetime Directors

Details of remuneration to Executive / Wholetime Directors during the year ended 31 December 2012 are given below:

in rupees

Name of the Director	Salary and Allowances	Variable Compensation Pay	Contribution to Provident and other Funds	Perquisites / Other Benefits	Total
Mr S Menon, Managing Director	8,164,282	12,039,726	1,634,808	1,739,290	23,578,106

The Agreement entered into with the Managing Director is for a period of 3 years from the date of his re-appointment i.e. 22 October 2011 and can be terminated by either party by giving not less than six months notice in writing. The Agreement does not provide for payment of any severance fees. Presently, the Company does not have a scheme for grant of stock options to its employees.

## Details of remuneration to Non-Executive Directors

Details of remuneration to the Non-Executive Directors during the year ended 31 December 2012 are given below:

in rupees

Name of the Director	Sitting Fees*	Commission**
Mr S M Datta	30,000	300,000
Mr A Balakrishnan	83,000	500,000
Mr J Mehta	136,000	800,000
Mr A Narayan	113,000	500,000
<b>Total</b>	<b>362,000</b>	<b>2,100,000</b>

\* Exclusive of Service Tax

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

In accordance with the approval of the Shareholders in the Annual General Meeting held on 17 May 2012, the payment of commission to Non-Executive Directors, other than the Directors representing The Linde Group has been determined by the Board, which is well within the ceiling of 1 % of net profits of the Company for the year ended 31 December 2012 as computed under applicable provisions of the Companies Act, 1956. The allocation of the commission amongst the eligible Non-Executive Independent Directors has been decided by the Board with each interested director present not participating in the deliberations in respect of his own commission.

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

The details of shares / convertible instruments held by the Non-Executive Director(s) of the Company as on 31 December 2012 are as follows:

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

## Shareholders' / Investors' Grievance Committee

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

## Composition

At the Board Meeting held on 9 February 2012, Mr A Narayan, a Non-Executive Independent Director of the Company was inducted in the Shareholders' / Investors' Grievance Committee of the Board and was appointed as the Chairman of the Committee. As on 31 December 2012, the Shareholders' / Investors' Grievance Committee comprised of three Directors – two Non-Executive Independent Directors, viz. Mr A Narayan and Mr J Mehta and one Executive Director, viz. Mr S Menon, Managing Director of the Company.

The Company Secretary acts as the Secretary to the Committee.

During the year ended 31 December 2012, the Committee met once on 19 July 2012. The attendance of the Members at the meeting was as follows:

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

\* Inducted as a Member and Chairman of the Committee in the Board Meeting held on 9 February 2012

\*\* Ceased to be a Director and Member of the Committee w.e.f. 9 February 2012.

The Board of Directors has delegated the power of approving the share transfers, transmission etc. to the Managing Director and Company Secretary of the Company for expediting these processes. The Committee of Delegates met once in a fortnight till 30 September 2012 to dispose of all matters relating to share transfers, transmission, etc. As per the direction of the Securities and Exchange Board of India, the Stock Exchanges have amended the Listing Agreement with effect from 1 October 2012 with a view to expedite the transfer process of shares and debt securities in the interest of the investors. As per the said amendment in the Listing Agreement, the time line for registering the transfer of equity shares and debt securities in the listed Companies has been reduced from one month to 15 days w. e. f. 1 October 2012. In view of this amendment, the Committee of Delegates has been meeting at an interval of about 10 days since 1 October 2012 to ensure transfer of shares within the stipulated period of 15 days.

## Compliance officer

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

## Shareholders' complaints

During the year ended 31 December 2012, the Company received 19 complaints from the shareholders / investors. As on 31 December 2012, no shareholders' / investors' complaint was pending. It is the endeavour of the Company to attend to shareholders' / investors' complaints and other correspondence within a period of 15 days except where constrained by disputes or legal impediments.

## Pending share transfers & dematerialisation requests

The Company's shares are required to be compulsorily traded in electronic form and as such the Company receives few transfers in physical form. During the year ended 31 December 2012, the Company processed 15,926 shares for transfer. As on 31 December 2012, nil shares were pending for transfer. A total of 9 dematerialisation requests covering 1,711 equity shares received in the second half of December 2012 were pending as on 31 December 2012, which have been processed / confirmed on 4 January and 8 January 2013.

## General body Meetings

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

Financial Year	Date of AGM	Venue	Time	No. of Special Resolution(s) passed
Year ended 31 December 2011	17 May 2012	Kala Mandir, Kolkata	3.00 p.m.	1
Year ended 31 December 2010	2 June 2011	Kala Mandir, Kolkata	10.00 a.m.	None
Year ended 31 December 2009	24 May 2010	Kala Mandir, Kolkata	3.00 p.m.	None

### B. Special resolutions:

At the 76th Annual General Meeting of the Company held on 17 May 2012, a Special Resolution was passed for payment of commission to the Directors of the Company (other than a Managing Director, a Whole-time Director, a Director not resident in India and an alternate Director).

**C. Postal Ballot:**

No Postal Ballot was conducted during the year 2012. A postal ballot for passing a special resolution for change of the name of the Company was conducted in the month of January 2013, details whereof would be provided in the report for the year 2013.

None of the businesses proposed to be transacted at the ensuing Annual General Meeting require passing a resolution through Postal Ballot.

**D. Appointment / Re-appointment of Directors:**

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

**Disclosures**

- **Materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large:** None of the transactions with any of the related parties were in conflict with the interests of the Company. However, the related party disclosures about list of related parties and transactions given under note 44 of notes to the financial statements for the year ended 31 December 2012 may be referred.
- **Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to the capital markets, during the last three years:** No penalties or strictures have been imposed by any regulatory authority on any matter related to capital markets during the last three years.
- **Material non-listed subsidiary companies as defined in Clause 49 of the Listing Agreement with Stock Exchanges:** None.
- **Inter-se relationships between Directors of the Company:** None.

- **Whistle Blower Policy and affirmation that no personnel has been denied access to the audit committee:**

The Linde Group's Code of Ethics encourages all employees who have concerns about their work or the business of the Company, to discuss these issues with their line managers. The employees also have free access to Human Resource, Internal Audit and Legal Services Departments for resolving their concerns.

- **Non mandatory requirements**

The Company complies with the following non-mandatory requirements:

**Tenure of Independent Directors**

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

**Remuneration committee**

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

**Audit qualifications**

The qualifications contained in the Auditors' Report to the Members on the financial statements for the year ended 31 December 2012 relating to utilisation of short term funds for long term purposes has been duly addressed in the Directors' Report.

**Training of board members**

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

**Shareholders' rights**

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

**Other Non mandatory requirements**

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

**Means of communication**

- The unaudited quarterly financial results in respect of the first three quarters of the financial year were approved, taken on record and submitted to the Stock Exchanges along with "limited review report" within forty five days of the close of the relevant quarter. Audited financial results in respect of the last quarter were submitted to the Stock Exchanges along with the results of the entire financial year with a note stating that the figures for the quarter ended 31 December 2012 were published as balancing figures between audited figures in respect of the full financial year and the published year to date figures upto 30 September 2012. Such results were thereafter sent to the Stock Exchanges in the proforma prescribed under the Listing Agreement and also published in prominent business dailies in English and a regional newspaper published in Bengali.
- The Company also issues official press releases to the print media. The News and Media Section in the Company's website includes all major press releases made by the Company.

- Consequent upon the change of name of the Company to Linde India Limited, the website address of the Company has been changed from www.boc-india.com to www.linde.in. The new website displays 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. which are regularly updated.

- Management Discussion and Analysis is a part of the Directors' Report.

- The Company has not made any presentation to institutional investors / analysts during the year.

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

**General shareholder information**

<b>Date, time &amp; venue of the Annual General Meeting</b>	17 May 2013 at 3.00 p.m. at Kala Mandir Auditorium 48, Shakespeare Sarani, Kolkata 700 017
<b>I. Financial year</b>	January 2013 to December 2013
<b>II. First Quarter Results</b>	27 April 2013
<b>III. Second Quarter and Half yearly Results</b>	30 July 2013
<b>IV. Third Quarter Results</b>	30 October 2013
<b>V. Audited Annual Results</b>	February 2014
<b>Financial Calendar 2013 (tentative and subject to change)</b>	
<b>Book Closure Period</b>	8 May 2013 to 17 May 2013 (both days inclusive)
<b>Dividend Payment Date</b>	On or before 24 May 2013
<b>Listing on Stock Exchanges</b>	a) The Calcutta Stock Exchange Ltd., 7 Lyons Range, Kolkata 700 001 b) Bombay Stock Exchange Ltd., P. J. Towers, Dalal Street, Mumbai 400 001 c) National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Bandra Kurla Complex, Bandra (East), Mumbai 400 051
<b>Annual Listing Fees have been paid to all these stock exchanges for the year 2012-2013.</b>	
<b>Stock Code</b>	a) The Calcutta Stock Exchange Ltd., Physical: 16; Demat: 10000016 b) Bombay Stock Exchange Ltd., Physical: 23457; Demat: 523457 c) National Stock Exchange of India Ltd., Symbol: BOC

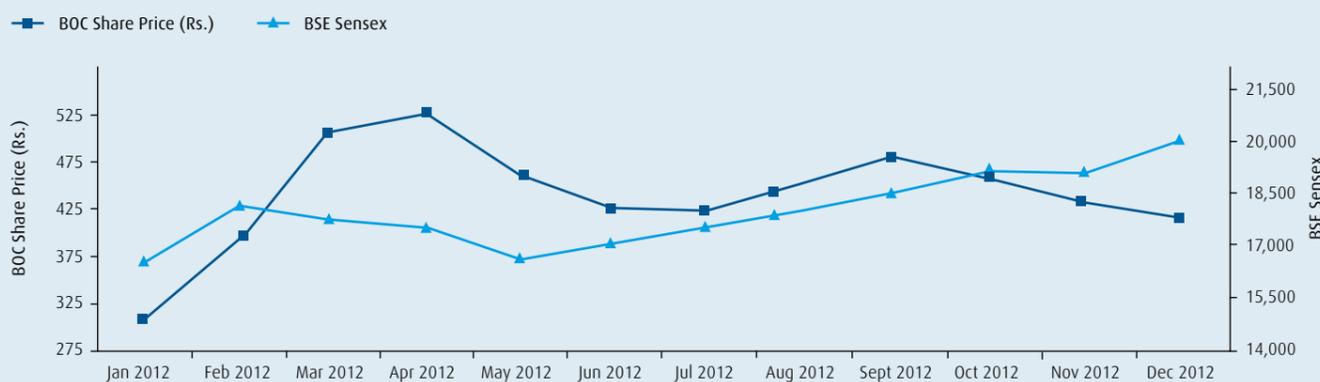
## Stock market price data

Monthly high and low quotations and volume of shares traded on Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) during the year ended 31 December 2012.

Month	BSE			NSE		
	High	Low	Volume of shares traded	High	Low	Volume of shares traded
in rupees						
January 2012	330.00	271.00	155,118	330.00	270.00	231,686
February 2012	461.10	313.00	1,499,226	460.70	310.00	2,478,804
March 2012	506.00	442.10	1,233,934	505.50	441.00	2,077,942
April 2012	530.00	434.95	729,366	526.30	418.70	1,179,357
May 2012	469.85	370.40	565,695	474.95	371.00	790,942
June 2012	422.00	368.45	412,894	421.90	368.05	649,565
July 2012	413.00	374.95	243,693	411.85	381.00	587,641
August 2012	452.00	386.05	764,608	452.25	385.65	1,236,754
September 2012	473.95	415.00	306,603	473.90	415.00	565,177
October 2012	451.40	402.60	114,261	452.45	402.90	272,941
November 2012	425.75	380.00	235,633	426.80	381.00	479,623
December 2012	418.00	373.90	76,783	418.00	373.35	281,208

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

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



Link Intime India Pvt. Ltd., (Formerly "Intime Spectrum Registry Ltd.")  
59C, Chowringhee Road, 3rd Floor, Kolkata 700 020, India  
Phone : +91 33 2289-0540; Fax : +91 33 2289-0539, kolkata@linkintime.co.in

### Registrar and Transfer Agents

Share transfers in physical form should be lodged at the office of the Registrar and Transfer Agents, Link Intime India Pvt. Ltd., Kolkata at the address given above or at the Registered Office of the Company. All share transfers are normally processed within 15 days of lodgment thereof and are approved by the Committee of Managing Director and Company Secretary, who have been delegated this power by the Board of Directors for expediting these processes. The Committee of Delegates has now been meeting at an interval of about 10 days since 1 October 2012 to dispose of all matters relating to transfers, transmission, etc. within the stipulated period of 15 days. Dematerialisation of shares is processed normally within a period of 10 days from the date of receipt of the Demat Request Form.

### Share Transfer System

The Company's shares are compulsorily required to be traded in electronic form and are available for trading in the depository systems of both National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL). The International Securities Identification Number (ISIN) of the Company, as allotted by NSDL and CDSL, is INE 473A01011. As on 31 December 2012, a total of 8,40,72,891 equity shares of the Company constituting 98.58% of the total Subscribed and Paid up Share Capital stand dematerialised.

### Dematerialisation of shares and Liquidity

## Distribution of shareholding as on 31 December 2012

Number of Shares Slab	Number of Shareholders	% of Shareholders	Number of Shares held	% of Shares held
1-50	8,008	38.35	170,699	0.20
51-100	3,892	18.64	347,167	0.41
101-250	3,916	18.75	696,551	0.82
251-500	2,670	12.78	1,000,737	1.17
501-1000	1,343	6.43	994,256	1.16
1001-5000	888	4.25	1,804,554	2.12
5001-10000	85	0.41	608,424	0.71
10001-100000	75	0.36	1,985,741	2.33
Above 100000	6	0.03	77,676,094	91.08
<b>Total</b>	<b>20,883</b>	<b>100.00</b>	<b>85,284,223</b>	<b>100.00</b>

## Shareholding pattern as on 31 December 2012

Category	Number of Shares held	% of Shares held
Foreign Promoters (The BOC Group Ltd, U.K., a part of The Linde Group)	76,308,293	89.48
Foreign Holdings (FIIs, OCBS & NRIs)	154,661	0.18
Financial Institutions, Insurance Companies & Banks	781,348	0.92
Other Corporate Bodies	1,133,757	1.33
Mutual Funds	100	0.00
Individuals & Others	6,906,064	8.09
<b>Total</b>	<b>85,284,223</b>	<b>100.00</b>

**Outstanding GDRs / ADRs, warrants or any convertible instruments, conversion date and likely impact on equity:**  
Not applicable

**Plant locations:**

<b>Ahmedabad</b> Rakhial Road Ahmedabad 380 023	<b>Hyderabad</b> Tonnage Plant (65 tpd) & Packaged Gases and Products Plant Plot No. 178 & 179 IDA Pashamylaram, Phase III Dist. Medak 502 307	<b>Taloja</b> Tonnage Plant T-8 MIDC Industrial Area Taloja, Navi Mumbai 410 208 Dist. Raigad	<b>Visakhapatnam</b> Plot No. 62, J N Pharma City Thanam Village, Parwada Mandal Visakhapatnam, 531 021
<b>Asansol</b> G T Road (West) Gopalpur, Asansol 713 304 Dist. Burdwan	<b>Jamshedpur</b> Tonnage Plant (2550 tpd) Tonnage Plant (1290 tpd) Industrial Gases Plants (500 tpd, 275 tpd x 2) Long Tom Area, (Behind NML) Burma Mines, Jamshedpur 831 007	<b>Taloja PGP Plant</b> T-25, MIDC Industrial Area Taloja, Navi Mumbai 410 208 Dist. Raigad	<b>Address for correspondence</b> Asst. Vice President and Company Secretary
<b>Bangalore</b> Plot No. 1 & 2 (Part), Survey Nos 59/1 & 60 Sompura Industrial Area Dobaspet, 1st Stage, Bangalore-562111	<b>Pune</b> B 16/2, MIDC Industrial Area Chakan, Village – Mahalunge, Tal – Khed, Dist. Pune 410 501	<b>Linde India Limited</b> Oxygen House P 43 Taratala Road Kolkata 700 088, India Phone : +9133 2401-4708 Fax : +9133 2401-4206 pawan.marda@linde.com	
<b>Bellary</b> Tonnage Plant (1800 tpd) Torunagallu, Sandur Taluk Dist. Bellary, Karnataka 583 123	<b>Selaqui</b> Tonnage Plant (221 tpd) Khasara No. 122, MI Behind Pharma City Selaqui, Dehradun 248 197		
<b>Bhiwadi</b> Plot No. B-821, RIICO Industrial Area Bhiwadi 301 019, Dist. Alwar	<b>Trichy</b> Plot no. 30, 31 & 32 Sidco Industrial Estate, Mathur Dist. Pudukkottai 622 515		
<b>Chennai</b> Plot No. G-21, SIPCOT Industrial Park Irungattukottai, Dist. Kancheepuram 602 105	<b>Jajpur</b> Tonnage Plant (418 tpd) Jindal Stainless Ltd. Kalinganagar Industrial Complex, Duburi, District Jajpur-755026, Orissa		
<b>Howrah</b> Village: Pakuria, P.O. Lakhenpur P.S. Domjur, Howrah 711 114	<b>Kolkata</b> Plant Manufacturing Works P-41 Taratala Road Kolkata 700 088		
	48/1 Diamond Harbour Road Kolkata 700 027		

**Declaration by the Managing Director (CEO) under Clause 49 of the listing agreement**

To,  
The Members of  
BOC India Limited

I, Srikumar Menon, Managing Director of BOC India Limited declare that to the best of my knowledge and belief, all the Members of the Board and senior management personnel of the Company have affirmed their respective compliance with the applicable Code of Conduct for the year ended 31 December 2012.

**Srikumar Menon**  
Managing Director

Kolkata  
4 February 2013

**Auditor's certificate on compliance with the conditions of Corporate governance as stipulated in Clause 49 of the listing agreement**

To,  
The Members of  
Linde India Limited (formerly known as BOC India Limited)

We have examined the compliance of conditions of Corporate Governance by Linde India Limited (formerly known as BOC India Limited) ('the Company') for the year ended on 31 December 2012, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

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

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

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

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

Gurgaon  
19 February 2013

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Financial statements.

# Balance Sheet.

## Balance Sheet

in rupees million	Note	As at 31 Dec. 2012	As at 31 Dec. 2011
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	2	852.84	852.84
Reserves and surplus	3	12,486.28	11,767.01
		<b>13,339.12</b>	<b>12,619.85</b>
<b>Non-current liabilities</b>			
Long-term borrowings	4	8,504.17	7,940.68
Deferred tax liabilities (net)	5	1,439.52	1,135.67
Other long-term liabilities	6	228.13	197.66
Long-term provisions	7	2,409.65	1,382.63
		<b>12,581.47</b>	<b>10,656.64</b>
<b>Current liabilities</b>			
Short-term borrowings	8	1,600.00	-
Trade payables	9	2,577.77	2,507.03
Other current liabilities	10	3,059.47	2,819.22
Short-term provisions	7	982.86	1,201.91
		<b>8,220.10</b>	<b>6,528.16</b>
<b>Total</b>		<b>34,140.69</b>	<b>29,804.65</b>
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible fixed assets	11	16,782.71	9,861.52
Intangible fixed assets	12	58.42	66.32
Capital work-in-progress	11	5,761.75	4,990.50
Non-current investments	13	150.00	150.00
Long-term loans and advances	14	3,219.30	7,705.33
Other non-current assets	15	1,409.99	876.35
		<b>27,382.17</b>	<b>23,650.02</b>
<b>Current assets</b>			
Inventories	16	714.90	739.53
Trade receivables	17	3,095.64	3,240.29
Cash and bank balances	18	462.95	231.18
Short-term loans and advances	19	2,098.47	1,706.63
Other current assets	20	386.56	237.00
		<b>6,758.52</b>	<b>6,154.63</b>
<b>Total</b>		<b>34,140.69</b>	<b>29,804.65</b>
Significant accounting policies	1		

The notes referred to above form an integral part of the financial statements.

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

M Sadhukhan, Chief Financial Officer

For and on behalf of the Board of Directors:  
S Lamba, Chairman  
J Mehta, Director  
S Menon, Managing Director  
P Marda, Asst. Vice President  
& Company Secretary

Kolkata  
4 February 2013

# Statement of Profit and Loss.

## Statement of Profit and Loss

in rupees million	Note	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
<b>Income</b>			
Revenue from operations (gross)*	21	14,113.45	12,158.52
Less: Excise duty		869.05	627.74
Revenue from operations (net)		13,244.40	11,530.78
Other income	22	34.26	132.27
<b>Total income</b>		<b>13,278.66</b>	<b>11,663.05</b>
<b>Expenses</b>			
Cost of material consumed	23	2,339.77	1,190.54
Purchase of stock in trade	24	663.92	746.47
Changes in inventories of finished goods, contract work-in-progress and stock in trade	25	31.25	(10.01)
Employee benefits	26	822.86	621.73
Finance cost	27	404.17	5.34
Depreciation and amortisation (including impairment)	11, 12	1,125.21	708.21
Other expenses	28	7,355.10	6,652.27
<b>Total expenses</b>		<b>12,742.28</b>	<b>9,914.55</b>
<b>Profit before exceptional items and tax</b>		<b>536.38</b>	<b>1,748.50</b>
Exceptional item (Refer note 42)		718.62	-
<b>Profit before tax</b>		<b>1,255.00</b>	<b>1,748.50</b>
<b>Income Tax expense</b>			
Current tax [includes earlier year tax written back Rs.10.64 (previous year Rs. Nil)]		(255.34)	(393.33)
MAT credit entitlement		211.88	-
Deferred tax		(316.74)	(138.60)
<b>Profit after tax</b>		<b>894.80</b>	<b>1,216.57</b>
<b>Earnings per equity share [nominal value of share Rs. 10 (previous year Rs.10)] (Refer note 37)</b>			
<b>On profit before exceptional items</b>			
Basic and Diluted		4.36	14.26
<b>On profit after tax</b>			
Basic and Diluted		10.49	14.26
Significant accounting policies	1		

\* Also refer note 7 a)

The notes referred to above form an integral part of the financial statements.

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

M Sadhukhan, Chief Financial Officer

For and on behalf of the Board of Directors:  
S Lamba, Chairman  
J Mehta, Director  
S Menon, Managing Director  
P Marda, Asst. Vice President  
& Company Secretary

Kolkata  
4 February 2013

# Cash Flow Statement.

## Cash Flow Statement

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011	in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
<b>A. Cash flow from operating activities</b>			<b>C. Cash flow from financing activities</b>		
Profit before tax	1,255.00	1,748.50	Proceeds from borrowings	2,600.00	2,751.07
Adjustments for			Repayment of borrowings	(395.14)	-
Depreciation and impairment	1,125.21	708.21	Mark to market loss on roll forward of derivative contracts	(91.52)	-
Provision for doubtful debts	87.19	49.10	Finance cost paid	(1,030.67)	(680.64)
Provision for contingencies	-	(7.68)	Dividend paid	(129.08)	(127.10)
Provision for warranties	114.56	175.73	Tax paid on dividend	(20.75)	(21.25)
Unrealised foreign exchange (gain) / loss	(4.87)	20.11	<b>Net cash generated from financing activities</b>	<b>932.84</b>	<b>1,922.08</b>
Dividends on long-term investments – trade	(15.00)	(15.00)	Net increase / (decrease) in cash and cash equivalents (A.+B.+C.)	231.77	(341.13)
Profit on sale of fixed assets (net)	(700.94)	(54.15)	Cash and cash equivalents at the beginning of the period	231.18	572.31
Liabilities no longer required written back	(13.84)	(415.46)	Cash and cash equivalents at the end of the period	462.95	231.18
Finance cost (net)	398.09	(31.02)			
<b>Operating profit before working capital changes</b>	<b>2,245.40</b>	<b>2,178.34</b>			
Adjustments for					
Trade receivables	58.82	(1,274.59)			
Loans and advances	(482.31)	(631.17)			
Other assets	(173.70)	(49.75)			
Inventories	24.63	(85.58)			
Liabilities and provisions	(307.10)	1,898.14			
<b>Cash generated from operations</b>	<b>1,365.74</b>	<b>2,035.39</b>			
Direct taxes paid (net of refund)	(403.20)	(105.21)			
<b>Net cash generated from operating activities</b>	<b>962.54</b>	<b>1,930.18</b>			
<b>B. Cash flow from investing activities</b>					
Purchase of fixed assets (including intangible assets, capital advances and capital work in progress)	(2,462.33)	(4,331.73)			
Proceeds from sale of fixed assets	776.91	80.79			
Dividend received	15.00	15.00			
Interest received	6.81	42.55			
<b>Net cash used in investing activities</b>	<b>(1,663.61)</b>	<b>(4,193.39)</b>			

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
<b>Notes to cash flow statement</b>		
Cash and cash equivalents comprises of (Refer note 18)		
Cash on hand	5.14	4.72
Cheques on hand	125.00	-
With scheduled banks		
on current accounts	218.65	119.44
on deposit account (with original maturity of 3 months or less)	108.40	101.32
on unclaimed dividend accounts*	5.76	5.70
	<b>462.95</b>	<b>231.18</b>

\* accounts are not available for use by the company

# Notes to financial statements.

The notes referred to above form an integral part of the financial statements.

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

M Sadhukhan, Chief Financial Officer

For and on behalf of the Board of Directors:  
S Lamba, Chairman  
J Mehta, Director  
S Menon, Managing Director  
P Marda, Asst. Vice President  
& Company Secretary

Kolkata  
4 February 2013

## 1. Significant accounting policies

### a) Basis of preparation of financial statements

These financial statements have been prepared and presented on the accrual basis of accounting and comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, the relevant provisions of the Companies Act, 1956 and other accounting principles generally accepted in India, to the extent applicable. The financial statements are presented in Indian rupees rounded off to the nearest million.

This is the first year of application of the revised Schedule VI to the Companies Act, 1956 for the preparation of the financial statements of the Company. The revised Schedule VI introduces some significant conceptual changes as well as new disclosures. These include classification of all assets and liabilities into current and non-current. The previous year figures have also undergone a major reclassification to comply with the requirements of the revised Schedule VI.

### b) Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

### c) Current – non current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of manufacturing activity and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle for the purpose of current – non current classification of assets and liabilities:

- as 12 months for the gases and related products of the Company
- as 24 months for the Project Engineering Division of the Company which are engaged in the manufacture and construction of cryogenic and non-cryogenic air separation plants.

All assets and liabilities are classified into current and non-current.

### Assets

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

### Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within 12 months after the reporting date; or
- the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

### d) Revenue recognition

Revenue from sale of gas and related products in the course of ordinary activities is recognised when property in the goods and related products or all significant risk and rewards of ownership are transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of gas and its related products and regarding its collection. Facility charge is recognised on accrual basis as per the terms of the contract with the customers. The amount recognized as revenue is exclusive of sales tax, value added tax and service tax.

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

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the interest rate applicable.

Income from dividend is recognised when right to receive payment is established.

### e) Fixed assets

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

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

Fixed assets under construction are disclosed as capital work in progress.

### f) Depreciation / amortisation

Tangible fixed assets

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

In case of revalued fixed assets, depreciation is provided as aforesaid, on the total value of fixed assets as appearing in the books of account after revaluation. Additional depreciation attributable to revalued amount is charged to the Statement of Profit and Loss. On disposal of

a previously revalued item of fixed asset, the difference between the net disposal proceeds and the net book value is charged or credited to the Statement of Profit and Loss except that, to the extent such loss is related to an increase which was previously recorded as a credit to revaluation reserve and which has not been subsequently reversed or utilised, is charged directly to that account. The amount standing in revaluation reserve following the retirement or disposal of an asset, which relates to that asset is transferred to general reserve.

- Consideration for obtaining leasehold rights over land is being amortised over the period of the lease.
- Assets individually costing Rs. 5,000 or less are depreciated fully in the year of acquisition.
- Spares capitalised are being depreciated over the useful life / remaining useful life of the plant and machinery with which such spares can be used.
- Assets retired from active use and held for disposal are stated at lower of their net book value and net realizable value and shown under "Other current assets".

Intangible fixed assets

- Goodwill arising on account of business acquisition is amortised over the period of 5 years, being the useful life as estimated by management.
- Software is amortised over its useful life of 5 years as estimated by management.

### g) Impairment of fixed assets

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

**h) Borrowing costs**

Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**i) Investments**

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

**j) Inventories**

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

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

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

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

**k) Leases****Finance leases**

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

**Operating leases**

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

**l) 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.

**m) Employee benefits**

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

**Short term benefits**

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

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

**Post employment benefits**

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

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

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

**Other long-term benefits**

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

**Termination benefits**

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

**n) Foreign exchange transactions**

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

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

**o) Derivative instruments and hedge accounting**

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

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

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

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

**p) Provisions and contingent liabilities**

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

**q) Tax**

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which

such deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

Minimum Alternative Tax ("MAT") under the provisions of the Income-Tax Act, 1961 is recognised as current tax in the Statement of Profit and Loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

**r) Government grants**

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

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

**s) Earnings per share**

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

## 2. Share capital

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
<b>Authorised</b>		
86,000,000 (previous year 86,000,000) equity shares of Rs. 10 each	860.00	860.00
<b>Issued</b>		
85,286,209 (previous year 85,286,209) equity shares of Rs. 10 each	852.86	852.86
<b>Subscribed &amp; Paid up</b>		
85,284,223 (previous year 85,284,223) equity shares of Rs. 10 each fully paid up	852.84	852.84

Reconciliation of shares outstanding at the beginning and at the end of the reporting period	As at 31 Dec. 2012		As at 31 Dec. 2011	
	Number	Amount	Number	Amount
<b>Equity shares</b>				
At the commencement and at the end of the period	85,286,209	852.86	85,286,209	852.86

### Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid.

On winding up of the company, the holders of equity shares will be entitled to receive the residual assets of the company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

Shares held by holding / ultimate holding company and / or their subsidiaries / associates	As at 31 Dec. 2012		As at 31 Dec. 2011	
	Number	Amount	Number	Amount
Equity shares of Rs. 10 each fully paid up held by				
The BOC Group Ltd, U.K., holding company	76,308,293	763.08	76,308,293	763.08

Particulars of shareholders holding more than 5% shares of a class of shares	As at 31 Dec. 2012		As at 31 Dec. 2011	
	Number	% of total shares in class	Number	% of total shares in class
Equity shares of Rs. 10 each fully paid up held by				
The BOC Group Ltd, U.K., holding company	76,308,293	89.48	76,308,293	89.48

### 3. Reserves and surplus

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
<b>Securities premium account</b>		
At the commencement and at the end of the year	6,972.52	6,972.52
<b>Revaluation reserve</b>		
At the commencement of the year	16.46	16.84
Amount transferred to the general reserve	0.12	0.38
	<b>16.34</b>	<b>16.46</b>
<b>Capital incentive</b>		
At the commencement and at the end of the year	2.00	2.00
<b>General reserve</b>		
At the commencement of the year	893.11	831.90
Add: Transfer from revaluation reserve	0.12	0.38
Add: Transfer from surplus	44.74	60.83
	<b>937.97</b>	<b>893.11</b>
<b>Translation and hedging reserve</b>		
At the commencement of the year	19.52	(381.85)
Add: Movement during the year (Refer note 41)	(26.85)	401.37
	<b>(7.33)</b>	<b>19.52</b>
<b>Surplus (profit and loss balance)</b>		
At the commencement of the year	3,863.40	2,856.34
Profit for the year	894.80	1,216.57
Appropriations		
Proposed equity dividend [amount Rs. 1.5 per share (previous year: Rs. 1.5 per share)]	127.93	127.93
Tax on proposed equity dividend	20.75	20.75
Transfer to general reserve	44.74	60.83
	<b>4,564.78</b>	<b>3,863.40</b>
<b>Total reserves and surplus</b>	<b>12,486.28</b>	<b>11,767.01</b>

### 4. Long-term borrowings (unsecured)

in rupees million	Non-current portion		Current portion*	
	As at 31 Dec. 2012	As at 31 Dec. 2011	As at 31 Dec. 2012	As at 31 Dec. 2011
Foreign currency loan from Linde AG, ultimate holding company	7,504.17	7,940.68	885.40	439.62
Term loan from banks	1,000.00	-	-	-
	<b>8,504.17</b>	<b>7,940.68</b>	<b>885.40</b>	<b>439.62</b>

\* Amount disclosed under "other current liabilities" under note 10.

The Company has entered into long-term loan agreements in the nature of external commercial borrowing of EUR 58.00 million and EUR 64.00 million with Linde AG, ultimate holding company.

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011	Repayment schedule	Interest rate	Interest rate as per interest rate swap
<b>Borrowing</b>					
a) External commercial borrowings of EUR 58 million* (previous year EUR 58 million)	4,209.30	3,984.08	Half yearly installments commencing from Feb. 2013 to May 2016	3 months EURIBOR + 3.5%	11.24%
b) External commercial borrowings of EUR 57.60 million* (previous year EUR 64 million)	4,180.27	4,396.22	Yearly installments commencing from Aug. 2012 to Sep. 2017	4.585%	9.45%
c) Indian rupees term loan from banks**	1,000.00	-	August 2014	MIBOR + 285 basis points	11%

\* Against the above loan the company has designated principal and interest swap contracts with a bank as hedges of foreign currency borrowing facilities aggregating EUR 115.60 million (previous year EUR 122.00 million) equivalent to Rs. 8,389.57 (previous year Rs. 8,380.30). Also refer note 41.

\*\* Against the above loan the Company has designated interest rate swap contract with a bank as hedges of floating interest rate facilities. Also refer note 41.

## 5. Deferred tax liabilities (net)

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
<b>Deferred tax liability</b>		
Difference between net book value of depreciable assets as per books and written down value as per Income Tax Act, 1961	1,669.87	1,117.58
Mark to market on derivative contracts	-	9.37
Future Income from finance lease arrangement	127.25	99.80
Others	-	1.02
<b>(A)</b>	<b>1,797.12</b>	<b>1,227.77</b>
<b>Deferred tax asset</b>		
Mark to market on derivative contracts	3.52	-
Provision for doubtful debts, contingencies and employee benefits	103.61	81.06
Separation payment to employees	15.77	11.04
Unabsorbed depreciation	233.07	-
Others	1.63	-
<b>(B)</b>	<b>357.60</b>	<b>92.10</b>
<b>Deferred tax liabilities (net) (A) - (B)</b>	<b>1,439.52</b>	<b>1,135.67</b>

## 6. Other long-term liabilities

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
Sundry deposits	174.77	159.66
Other liabilities	53.36	38.00
	<b>228.13</b>	<b>197.66</b>

## 7. Provisions

in rupees million	Long-term		Short-term	
	As at 31 Dec. 2012	As at 31 Dec. 2011	As at 31 Dec. 2012	As at 31 Dec. 2011
<b>Provision for employee benefits</b>				
Gratuity*	30.23	16.24	-	-
Pension*	9.61	12.05	-	-
Compensated absences	14.48	18.95	1.94	2.19
Other employee benefits*	16.14	10.07	126.92	119.09
	<b>70.46</b>	<b>57.31</b>	<b>128.86</b>	<b>121.28</b>
<b>Other provisions</b>				
Provision for warranties	-	-	478.76	364.20
Provision for liquidated damages	-	-	157.46	157.46
Provision for contingencies	-	-	69.10	69.10
Provision for dismantling cost	417.00	-	-	-
Provision for proposed equity dividend	-	-	127.93	129.14
Tax on proposed equity dividend	-	-	20.75	20.75
Provision for tax (Including fringe benefit tax) [Refer note 14a)]	1,922.19	1,325.32	-	339.98
	<b>2,339.19</b>	<b>1,325.32</b>	<b>854.00</b>	<b>1,080.63</b>
<b>Total provisions</b>	<b>2,409.65</b>	<b>1,382.63</b>	<b>982.86</b>	<b>1,201.91</b>

\* Refer note 33

## Movement of provisions

in rupees million	Liquidated damages		Warranties		Contingencies		Dismantling costs	
	As at 31 Dec. 2012	As at 31 Dec. 2011	As at 31 Dec. 2012	As at 31 Dec. 2011	As at 31 Dec. 2012	As at 31 Dec. 2011	As at 31 Dec. 2012	As at 31 Dec. 2011
Balance as at 1 January 2012	157.46	307.23	364.20	188.47	69.10	76.78	-	-
Add: Provision during the year	-	-	147.18	200.30	-	2.50	417.00	-
Less: Utilised during the year	-	-	8.98	-	-	-	-	-
Less: Reversed during the year	-	149.77	23.64	24.57	-	10.18	-	-
Balance as at 31 December 2012	157.46	157.46	478.76	364.20	69.10	69.10	417.00	-

**a) Provision for liquidated damages**

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

Estimated amount of Liquidated Damages (LD) for the Project Engineering Division are reduced from contract revenue on all ongoing contracts.

Such LDs were recorded as a charge to the Statement of Profit and Loss till year ended 31 December 2010. Accordingly provision for LD on such contracts were reversed and recorded as prior period adjustments under "liabilities written-back" with appropriate adjustment to "gross sales" and "billing in excess over cost and profit" in the previous year aggregating to Rs. 125.04 million.

LD aggregating to Rs. 157.46 million were not reduced from contract revenue on certain contracts since no corresponding contract revenue were recognised from those projects in the current and previous year.

**b) Provision for warranties**

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

**c) Provision for contingencies**

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

**d) Provision for dismantling costs**

Provision is towards estimated cost to be incurred on dismantling of plants at the customers' site upon expiry of the tenure of the contractual agreement with the customer. Such cost has been capitalised under plant and machinery.

**8. Short-term borrowings**

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
Short-term loan from bank (unsecured)	1,600.00	-
The above loan is repayable on demand and it carries an interest rate in the range of 10.4% to 10.5% per annum payable monthly.		

**9. Trade payables**

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
Total outstanding dues to micro and small enterprises	1.39	3.74
Total outstanding dues of trade payables other than micro and small enterprises	2,576.38	2,503.29
	<b>2,577.77</b>	<b>2,507.03</b>
Details of dues to Micro and Small Enterprises as per Micro, Small and Medium Enterprise Development Act, 2006 (MSMED)		
<b>Particulars</b>		
The amounts remaining unpaid to micro and small suppliers as at the end of the year		
Principal	0.59	2.85
Interest	0.16	-
The amount of interest paid by the buyer as per the MSMED	-	-
The amounts of the payments made to micro and small suppliers beyond the appointed day during each accounting year	4.14	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED	0.28	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED	0.44	-

**10. Other current liabilities**

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
Current maturities of long-term debt (refer note 4)	885.40	439.62
Advance from customers	782.90	1,587.68
Billing in excess over cost and profit	586.81	323.23
Interest accrued but not due on borrowings	198.83	211.94
Amount liable to be deposited in investors education and protection fund but not yet due for deposit		
Unpaid dividend	5.76	5.70
Creditors for capital goods	563.23	235.32
Employee liabilities	24.14	5.18
TDS payable	9.28	8.09
Work contract tax payable	3.12	2.46
	<b>3,059.47</b>	<b>2,819.22</b>

## 11. Tangible fixed assets

	Freehold land	Leasehold land	Buildings*	Plant and equipments	Furniture and fixtures	Vehicles	Office equipments	Total
in rupees million								
<b>Gross Block</b>								
Balance as at 1 January 2011	193.11	106.32	706.89	11,374.89	58.91	60.88	216.67	12,717.67
Additions	43.08	75.50	85.86	1,928.39	1.50	2.88	30.32	2,167.53
Disposals / adjustments	1.00	-	9.54	143.57	-	11.03	12.67	177.81
<b>Balance as at 31 December 2011</b>	<b>235.19</b>	<b>181.82</b>	<b>783.21</b>	<b>13,159.71</b>	<b>60.41</b>	<b>52.73</b>	<b>234.32</b>	<b>14,707.39</b>
<b>Balance as at 1 January 2012</b>	<b>235.19</b>	<b>181.82</b>	<b>783.21</b>	<b>13,159.71</b>	<b>60.41</b>	<b>52.73</b>	<b>234.32</b>	<b>14,707.39</b>
Additions	5.26	-	136.22	7,419.84	9.07	6.90	17.85	7,595.14
Disposals / adjustments	19.38	36.90	21.15	111.16	0.52	-	11.77	200.88
Reclassification to assets held for sale	-	-	-	63.96	-	-	-	63.96
Other adjustments								
Borrowing costs	-	-	13.69	620.35	-	-	3.57	637.61
<b>Balance as at 31 December 2012</b>	<b>221.07</b>	<b>144.92</b>	<b>911.97</b>	<b>21,024.78</b>	<b>68.96</b>	<b>59.63</b>	<b>243.97</b>	<b>22,675.30</b>
<b>Depreciation and Impairment Losses</b>								
Balance as at 1 January 2011	-	11.00	154.67	3,911.06	24.27	23.59	167.34	4,291.93
Depreciation for the year	-	2.28	24.68	660.36	2.50	6.18	12.22	708.22
Impairment released during the year	-	-	(0.02)	(3.07)	-	-	(0.02)	(3.11)
Accumulated depreciation on disposals	-	-	(7.45)	(124.47)	-	(7.16)	(12.09)	(151.17)
<b>Balance as at 31 December 2011</b>	<b>-</b>	<b>13.28</b>	<b>171.88</b>	<b>4,443.88</b>	<b>26.77</b>	<b>22.61</b>	<b>167.45</b>	<b>4,845.87</b>
<b>Balance as at 1 January 2012</b>	<b>-</b>	<b>13.28</b>	<b>171.88</b>	<b>4,443.88</b>	<b>26.77</b>	<b>22.61</b>	<b>167.45</b>	<b>4,845.87</b>
Depreciation for the year	-	3.08	30.29	970.87	3.93	5.29	12.24	1,025.70
Impairment loss during the year***	-	-	1.56	82.27	0.69	-	-	84.52
Impairment released during the year	-	-	(1.52)	(0.40)	-	-	(0.01)	(1.93)
Accumulated depreciation on disposals	-	(2.60)	(7.20)	(28.92)	(0.49)	-	(11.71)	(50.92)
Reclassification to assets held for sale	-	-	-	(10.65)	-	-	-	(10.65)
<b>Balance as at 31 December 2012</b>	<b>-</b>	<b>13.76</b>	<b>195.01</b>	<b>5,457.05</b>	<b>30.90</b>	<b>27.90</b>	<b>167.97</b>	<b>5,892.59</b>
<b>Net Block</b>								
As at 31 December 2011	235.19	168.54	611.33	8,715.83	33.64	30.12	66.87	9,861.52
<b>As at 31 December 2012</b>	<b>221.07</b>	<b>131.16</b>	<b>716.96</b>	<b>15,567.73</b>	<b>38.06</b>	<b>31.73</b>	<b>76.00</b>	<b>16,782.71</b>
<b>Capital Work-in-Progress**</b>								
Balance as at 1 January 2011								2,915.27
Additions								4,172.81
Asset capitalised / adjusted during the year								2,097.58
<b>Balance as at 31 December 2011</b>								<b>4,990.50</b>
<b>Balance as at 1 January 2012</b>								<b>4,990.50</b>
Additions								8,660.11
Asset capitalised / adjusted during the year								7,888.86
<b>Balance as at 31 December 2012</b>								<b>5,761.75</b>

\* Includes Revaluation on Building Rs. 16.34 (previous year Rs. 16.46) done by an external valuer on 30 September 1966 and 1 October 1980

\*\* Includes borrowing costs aggregating Rs. 1,136.83 (previous year Rs. 1,159.87) net of interest income on surplus funds which was not immediately utilised and invested in fixed deposit Rs. 39.75 (previous year Rs. 62.65). The impairment provision recognised / (released) during the year against assets lying under capital work in progress aggregates to Rs. Nil [previous year (Rs. 4.18)]. Capital work in progress includes impairment balance of Rs. 30.10 (previous year Rs. 30.10)

\*\*\* The impairment loss represent the write-down of certain fixed assets to its nil value due to the non existence of demand of electronic gases and related equipments from one of the customer. The solar photovoltaic technology used by the customer has become non competitive and accordingly, the operations are discontinued by the customer. The recoverable amount of the assets has been considered as nil as the net selling price of the asset identified are considered at zero value. As a result, certain fixed asset related to plant situated at the customer's site were identified and impaired to the extent of Rs. 84.52.

The asset class wise impairment provided during the year is as follows:

Asset	Amount
Buildings	1.56
Plant and machinery	82.27
Furniture and fittings	0.69
<b>Total</b>	<b>84.52</b>

## 12. Intangible fixed assets

in rupees million	Goodwill	Software	Total
<b>Gross Block</b>			
Balance as at 1 January 2011	-	-	-
Additions	25.39	48.21	73.60
<b>Balance as at 31 December 2011*</b>	<b>25.39</b>	<b>48.21</b>	<b>73.60</b>
<b>Balance as at 1 January 2012</b>	<b>25.39</b>	<b>48.21</b>	<b>73.60</b>
Additions	-	9.02	9.02
<b>Balance as at 31 December 2012</b>	<b>25.39</b>	<b>57.23</b>	<b>82.62</b>
<b>Amortisation and impairment losses</b>			
Balance as at 1 January 2011	-	-	-
Amortisation for the year	1.72	5.56	7.28
<b>Balance as at 31 December 2011</b>	<b>1.72</b>	<b>5.56</b>	<b>7.28</b>
<b>Balance as at 1 January 2012</b>	<b>1.72</b>	<b>5.56</b>	<b>7.28</b>
Amortisation for the year	5.16	11.76	16.92
<b>Balance as at 31 December 2012</b>	<b>6.88</b>	<b>17.32</b>	<b>24.20</b>
<b>Net Block as at 31 December 2011</b>	<b>23.67</b>	<b>42.65</b>	<b>66.32</b>
<b>Net Block as at 31 December 2012</b>	<b>18.51</b>	<b>39.91</b>	<b>58.42</b>

\* Included as "customer list" in the previous year, have now been regrouped as "Goodwill" under intangible assets

## 13. Non current investments (valued at cost unless stated otherwise)

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
<b>Trade investments</b>		
Unquoted		
I. Bellary Oxygen Company Private Limited 15,000,000 (previous year 15,000,000) equity shares of Rs. 10 each	150.00	150.00
II. At Nominal value of Re 1 each		
a) Woodlands Multispeciality Hospital Limited 2,980 (previous year 2,980) equity shares of Rs. 10 each	0.00	0.00
b) Belvedere Estates Limited 2 (previous year 2) 1/2 % Debentures of Rs. 325,000 25,000 (previous year 25,000) ordinary shares of Rs.10 each	0.00 0.00	0.00 0.00
	<b>150.00</b>	<b>150.00</b>

#### 14. Long-term loans and advances

in rupees million	Non-current portion		Current portion*	
	As at 31 Dec. 2012	As at 31 Dec. 2011	As at 31 Dec. 2012	As at 31 Dec. 2011
<b>To parties other than related parties (Unsecured and considered good)</b>				
Capital advances	272.65	190.42	-	-
Security deposits	257.99	192.14	49.02	56.54
Other loans and advances				
Prepaid expenses	7.55	9.22	18.92	16.21
Balance with custom, excise etc.	153.12	306.24	1,089.40	864.06
Advance tax recoverable [Refer note a) below] [includes MAT credit entitlement Rs. 211.88 (previous year Rs. Nil)]	2,211.14	1,342.83	-	251.68
	<b>2,902.45</b>	<b>2,040.85</b>	<b>1,157.34</b>	<b>1,188.49</b>
<b>To related parties (Unsecured and considered good)</b>				
Capital advances	139.85	5,414.48	-	-
Other loans and advances	177.00	250.00	73.00	-
	<b>316.85</b>	<b>5,664.48</b>	<b>73.00</b>	<b>-</b>
	<b>3,219.30</b>	<b>7,705.33</b>	<b>1,230.34</b>	<b>1,188.49</b>

\* Amount disclosed under "short-term loans and advances" under note 19

a) Advance tax (net of provision) aggregates to Rs. 288.95 [previous year Rs. (70.79)]

#### 15. Other non current asset (Unsecured and considered good)

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
Receivable from finance lease arrangement	368.52	288.36
Mark to market on derivative contracts	1,041.47	587.99
	<b>1,409.99</b>	<b>876.35</b>

#### 16. Inventories (Valued at lower of cost and net realisable value)

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
Stores and spare parts	388.81	371.84
Raw materials and components [including in transit Rs. 5.13 (previous year Rs. 13.35)]	26.44	36.79
Finished goods [including in transit Rs. Nil (previous year Rs. 14.43)]	268.99	269.98
Contract work-in-progress	30.66	60.92
	<b>714.90</b>	<b>739.53</b>
<b>Closing stock of finished goods</b>		
<b>Class of goods</b>		
Air separation unit gases	111.64	100.41
Other cylinder gases	97.69	108.96
Others	59.66	60.61
	<b>268.99</b>	<b>269.98</b>

#### 17. Trade receivables

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
Receivables outstanding for a period exceeding six months from the date they became due for payment		
a) Secured, considered good	-	47.38
b) Unsecured, considered good	1,791.44	1,346.28
c) Doubtful	181.43	99.46
Other receivables		
a) Secured, considered good	2.59	62.34
b) Unsecured, considered good	1,301.61	1,784.29
c) Doubtful	12.49	31.80
	<b>3,289.56</b>	<b>3,371.55</b>
Less: Provision for doubtful receivables	193.92	131.26
	<b>3,095.64</b>	<b>3,240.29</b>

**18. Cash and bank balances**

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
Cash and cash equivalents		
Cash on hand	5.14	4.72
Cheques on hand	125.00	-
Balances with Banks		
on current accounts	218.65	119.44
on deposit account (with original maturity of 3 months or less)	108.40	101.32
on unclaimed dividend accounts*	5.76	5.70
	<b>462.95</b>	<b>231.18</b>

\* accounts are not available for use by the Company

**19. Short-term loans and advances (Unsecured and considered good)**

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
Current portion of long-term loans and advances (refer note 14)		
To parties other than related parties	1,157.34	1,188.49
To related parties	73.00	-
Other short-term loans and advances		
To parties other than related parties		
Advances for supply of goods and services	675.84	431.81
Loans and advances to employees	3.92	3.56
To related parties		
Advances for supply of goods and services	188.37	82.77
	<b>2,098.47</b>	<b>1,706.63</b>

**20. Other current assets (Unsecured and considered good)**

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
Claims including escalation	74.83	16.71
Receivables from finance lease arrangement	23.61	19.18
Mark to market on derivative contracts	15.40	12.69
Unbilled revenue	138.76	97.74
Fixed assets reclassified as held for sale (refer note 11)	53.31	-
Other receivable	80.65	90.68
	<b>386.56</b>	<b>237.00</b>

**21. Revenue from operations**

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
Sale of products (gross)	10,077.41	8,466.36
Revenue from construction contracts (refer note 38)	3,925.51	3,215.28
Other operating revenues (refer note 21a)	110.53	476.88
	<b>14,113.45</b>	<b>12,158.52</b>
Less: Excise duty	869.05	627.74
<b>Revenue from operations (net)</b>	<b>13,244.40</b>	<b>11,530.78</b>
<b>21. a) Other operating revenues</b>		
Interest income on finance lease arrangement	43.54	34.83
Liabilities no longer required written back	13.84	415.46
Income from finance lease	44.31	-
Miscellaneous	8.84	26.59
	<b>110.53</b>	<b>476.88</b>
<b>Breakup of revenue</b>		
Air separation unit gases	9,339.24	7,568.46
Other cylinder gases	272.61	554.01
Vessels, plants and other engineering project goods	3,925.51	3,215.28
Others	465.56	343.89
	<b>14,002.92</b>	<b>11,681.64</b>

**22. Other income**

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
Rent	12.39	11.79
Dividends on long-term investments – trade	15.00	15.00
Insurance claims including loss of profits	0.79	14.97
Profit on disposal of fixed assets (net)	-	54.15
Interest income		
on deposits and others [tax deducted at source Rs. 0.60 (previous year Rs. 1.22)]	6.08	12.23
on income tax refund	-	24.13
	<b>34.26</b>	<b>132.27</b>

**23. Cost of materials consumed**

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
<b>Opening stock</b>		
Inventory of materials	36.79	48.64
<b>Purchases</b>	2,329.42	1,178.69
<b>Less: Closing stock</b>		
Inventory of materials	26.44	36.79
	<b>2,339.77</b>	<b>1,190.54</b>
<b>Breakup of cost of material consumed</b>		
Ferrous, non-ferrous metals and components	2,265.99	1,115.47
Chemicals	73.78	75.07
	<b>2,339.77</b>	<b>1,190.54</b>
<b>Breakup of inventory – materials</b>		
Ferrous, non-ferrous metals and components	17.03	27.18
Chemicals	9.41	9.61
	<b>26.44</b>	<b>36.79</b>

**24. Breakup of purchase of stock in trade**

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
Air separation unit gases	305.36	433.85
Other cylinder gases	192.91	231.93
Others	165.65	80.69
<b>Total</b>	<b>663.92</b>	<b>746.47</b>

**25. Changes in inventories of finished goods, contract work in progress and stock in trade**

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
<b>Opening stock</b>		
Finished goods	269.98	239.91
Contract work-in-progress	60.92	80.98
	<b>330.90</b>	<b>320.89</b>
<b>Less: Closing stock</b>		
Finished goods	268.99	269.98
Contract work-in-progress	30.66	60.92
	<b>31.25</b>	<b>(10.01)</b>

**26. Employee benefits**

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
Salaries, wages and bonus	663.01	535.02
Provident fund and employee benefit expenses	79.57	48.53
Workmen and staff welfare expenses	49.44	35.86
Separation payments to employees	30.84	2.32
	<b>822.86</b>	<b>621.73</b>

**27. Finance cost**

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
on bank and others	404.17	5.34
	<b>404.17</b>	<b>5.34</b>

**28. Other expenses**

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
Stores and spare parts consumed	141.70	209.01
Travelling	147.85	150.43
Power and fuel	4,443.86	3,490.89
Repairs to		
Plant and machinery	132.54	127.97
Buildings	37.05	23.69
Others	17.10	26.76
Insurance	55.85	50.99
Freight and transport	958.27	801.26
Rent	65.58	44.64
Rates and taxes	6.70	22.90
Communication cost	39.57	31.86
Loss on foreign exchange (Net) [includes mark to market loss Rs. 8.14 (previous year Rs. Nil) (Refer note 41B)]	4.37	21.09
Loss on disposal of fixed assets (Net)	17.68	-
Contract job expenses	480.74	946.24*
Provision for warranties	114.56	175.73
Bad debts written off [Net of provision adjusted Rs. 24.53 (previous year Rs. 31.03)]	-	-
Provision for doubtful debts	87.19	49.10
Technical support fees	139.45	195.87
Miscellaneous	465.04	283.84
	<b>7,355.10</b>	<b>6,652.27</b>

\* Includes certain items aggregating to Rs. 157.23 which are of the nature of material costs. Current year material costs has been shown under note 23.

## 29. Interest in joint venture

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

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

Name of the Joint Venture	Country of Incorporation	Percentage of ownership interest as at 31 Dec. 2012	Percentage of ownership interest as at 31 Dec. 2011
Bellary Oxygen Company Private Limited (Belloxy)	India	50	50

The Company’s share in the financial position and the financial performance of Belloxy for the year ended 31 December 2012 are as follows:

in rupees million	As at / for year ended 31 Dec. 2012 (Unaudited)	As at / for year ended 31 Dec. 2011 (Unaudited)
Non-current assets	826.12	855.59
Current assets	158.29	176.49
Non-current liabilities	482.43	575.75
Current liabilities	140.59	160.62
Revenue	443.46	405.25
Expenses (including income tax expense)	361.61	376.52
Contingent liabilities	Nil	Nil
Capital commitments	11.08	Nil
Other commitments	Nil	Nil

c) Company’s transactions with Bellary oxygen limited, being a related party, during the year ended 31 December 2012 are disclosed in note 44 below.

30. Estimated capital commitments (net of advance) not provided for Rs. 3,647.89 million (previous year Rs. 536.24 million).

## 31. Contingent liabilities not provided for

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
a) Excise duty & service tax matters*	38.03	37.92
b) Other excise matters**	-	-
c) Sales tax matters*	54.14	31.93
d) Guarantee given by the Company	184.81	308.02
e) Sales tax liability transferred to a beneficiary***	27.60	27.60
f) Bills discounted	56.41	11.65
g) Other claims	21.69	19.65

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

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

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

## 32. Miscellaneous expenses under note 28 includes Auditors’ remuneration

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
As auditors		
Audit fee	1.40	1.50
Limited reviews	0.58	0.60
Group reporting package review	0.51	0.54
Tax audit fee	0.67	-
Other certificates etc.	0.60	0.30
Reimbursement of expenses	0.75	0.42
	4.51	3.36

33. The details of employee benefits for the year ended 31 December 2012 on account of gratuity and superannuation which are funded defined employee benefit plans and provident fund which is an Unfunded benefit plan are as under:

in rupees million	Pension		Gratuity		Provident Fund	
	2012	2011	2012	2011	2012	2011
<b>Components of employer expense</b>						
Current service cost	0.93	0.78	5.01	4.63	2.05	1.76
Interest cost	2.25	1.88	4.38	4.07	0.88	0.75
Expected return of plan assets	(1.42)	(1.51)	(2.88)	(3.28)	-	-
Actuarial losses / (gains)	2.40	6.30	8.68	0.92	3.67	(0.94)
Total expenses recognised in the statement of profit and loss	4.16	7.45	15.19	6.34	6.60	1.57
<b>Actual returns for the year ended</b>	1.65	1.13	2.30	2.81	-	-
<b>Net Liability recognised in balance sheet as at the year end</b>						
Present value of Defined Benefit Obligation	27.79	30.98	63.86	56.64	17.51	10.91
Fair value of plan assets	18.18	18.93	33.63	40.40	-	-
Status - deficit	9.61	12.05	30.22	16.24	17.51	10.91
Net Liability recognised in balance sheet	9.61	12.05	30.22	16.24	17.51	10.91
<b>Change in Defined Benefit Obligation (DBO) during the year ended</b>						
Present value of DBO at the beginning of the year	30.98	24.54	56.64	54.29	10.91	9.34
Current service cost	0.93	0.78	5.01	4.63	2.05	1.76
Interest cost	2.25	1.88	4.38	4.07	0.88	0.75
Actuarial (gains) / losses	2.63	5.92	8.10	0.44	3.67	(0.94)
Benefits paid	(9.00)	(2.14)	(10.27)	(6.79)	-	-
Present value of DBO at the end of year	27.79	30.98	63.86	56.64	17.51	10.91
<b>Change in fair value of plan assets during the year ended</b>						
Fair value of plan assets at the beginning of the year	18.93	19.94	40.40	44.38	-	-
Expected return on plan assets	1.42	1.51	2.88	3.28	-	-
Actuarial gains / (losses)	0.23	(0.38)	(0.58)	(0.47)	-	-
Actual company contribution	5.10	-	2.70	-	-	-
Benefits paid	(9.00)	(2.14)	(10.27)	(6.79)	-	-
Acquisition adjustment	1.50	-	(1.50)	-	-	-
Fair value of plan assets at the end of the year	18.18	18.93	33.63	40.40	-	-
<b>Actuarial Assumptions</b>						
Discount rate in %	8.40	8.50	8.40	8.50	8.50	8.10
Expected return on plan assets in %	8.00	8.00	8.00	8.00	-	-
Salary escalation rate in %	5.00	5.00	5.00	5.00	-	-
<b>Major category of planned assets</b>						
Insurance managed funds in %	100.00	100.00	100.00	100.00	-	-

Net assets / (liability) recognised in balance sheet (including experience adjustment impact)

in rupees million	2012	2011	2010	2009	2008
<b>Pension</b>					
Present value of Defined Benefit Obligation	27.79	30.98	24.54	18.59	25.14
Fair value of plan assets	18.18	18.93	19.94	18.03	19.54
Status - deficit	9.61	12.05	4.60	0.56	5.60
Experience adjustment of plan assets [(gain) / loss]	(0.23)	0.38	(0.04)	(0.39)	2.19
Experience adjustment of obligation [(gain) / loss]	2.50	6.65	5.17	1.38	5.06
Actuarial (gain) / loss due to change of assumptions	0.13	(0.73)	0.24	(1.30)	(0.47)
<b>Gratuity</b>					
Present value of Defined Benefit Obligation	63.86	56.64	54.29	35.08	44.52
Fair value of plan assets	33.63	40.40	44.38	31.55	41.91
Status - deficit	30.23	16.24	9.91	3.53	2.61
Experience adjustment of plan assets [(gain) / loss]	0.58	0.47	(2.29)	2.83	2.16
Experience adjustment of obligation [(gain) / loss]	7.53	2.97	4.59	3.96	1.63
Actuarial (gain) / loss due to change of assumptions	0.57	(2.53)	0.90	(4.22)	3.87
<b>Provident fund</b>					
Present value of Defined Benefit Obligation	17.51	10.91	9.34	8.61	-
Fair value of plan assets	-	-	-	-	-
Status - deficit	17.51	10.91	9.34	8.61	-
Experience adjustment of plan assets [(gain) / loss]	-	-	-	-	-
Experience adjustment of obligation [(gain) / loss]	2.17	(0.83)	(0.30)	(0.22)	-
Actuarial (gain) / loss due to change of assumptions	1.50	(0.11)	0.17	0.58	-

**Notes:**

- The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario. In order to protect capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.
- The pension expenses and gratuity expenses have been recognised in "Provident fund and employee benefit expenses" under note 26.
- The estimates of future salary increases, considered in actuarial valuations take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

### 34. Expenditure on research and development

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
Revenue expenditure	1.65	1.90

### 35.

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

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

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
Total gross investment in the lease	732.00	526.20
Less: Present value of minimum lease payments	267.50	207.59
Less: Present value of unguaranteed residual value	21.19	21.19
Unearned finance income	443.31	297.42
<b>Gross investment in the lease</b>		
Not later than one year [Present value of minimum lease payments receivable Rs. 45.83 (previous year Rs. 34.91)]	70.20	52.20
Later than one year but not later than five years [Present value of minimum lease payments Rs. 138.85 (previous year Rs. 109.07)]	279.50	208.80
Later than five years [Present value of minimum lease payments Rs. 104.01 (previous year Rs. 84.81)]	382.30	265.20
Contingent rent recognised in the Statement of profit and loss	12.64	9.48
Uncollectable minimum lease payments receivable at the balance sheet date	-	-

### 36.

Company has taken various residential and office premises under operating lease or leave and license agreements. These agreements are for a period of 11 months to 3 years, cancelable during the life of the contract at the option of both the parties and do not contain stipulation for increase in lease rentals. Minimum lease payment charged during the year to the Statement of Profit and Loss aggregated to Rs. 67.15 million (previous year Rs. 51.29 million).

### 37. Earnings per share

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
Numerator used:		
Profit before tax and exceptional item	536.38	1,748.50
Less: Taxes there on	164.62	531.93
Profit after tax and before exceptional item	371.76	1,216.57
Add: exceptional item	718.62	-
Less: taxes thereon	195.58	-
Profit after tax	894.80	1,216.57
Denominator used:		
Number of equity shares of Rs. 10 each used during the year	85,286,209	85,286,209
Earnings per share – on profit after tax and before exceptional item (basic and diluted earnings per equity shares of Rs. 10 each)	4.36	14.26
Earnings per share – on profit after tax (basic and diluted earnings per equity share of Rs. 10 each)	10.49	14.26

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

in rupees million	Year ended 31 Dec. 2012	Year ended 31 Dec. 2011
Contract revenue recognised	3,925.51	3,215.28
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) for all the contracts in progress	14,286.79	10,748.10
Amount of customer advances outstanding for contracts in progress	725.85	1,549.48
Amount of retention due from customers for contracts in progress	1,735.01	1,224.59
Gross amount due from customers for contracts in progress	169.42	158.66
Gross amount due to customers for contracts in progress	586.81	323.23

### 39. Details of un-hedged foreign currency exposures are as follows

in million		As at 31 Dec. 2012	As at 31 Dec. 2011
Trade payables	GBP	0.00	0.02
	EUR	0.00	0.97
	USD	0.65	0.84
	AUD	0.02	0.00
	SGD	0.03	0.03
	DKK	0.13	0.13
	JPY	0.00	5.05
	HKD	0.02	0.02
Trade receivable / other receivable	GBP	1.50	0.01
	EUR	0.50	0.21
	USD	0.11	0.19
	JPY	5.25	0.00

40.

- a) Provision for taxation has been recognised with reference to the taxable profit for the year ended 31 December 2012 in accordance with the provision of the Income Tax Act, 1961. The ultimate tax liability for the assessment year 2013–2014 will be determined on the basis of total income for the year ending on 31 March 2013.
- b) The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under Section 92–92F of the Income Tax Act, 1961. Since the law requires the existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation of the international transactions entered into with the associated enterprises during the assessment year and expects such records to be in existence latest by due date as required under law. The management is of the opinion that its international transaction are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.
- c) During the year the company has recognised **Rs. 211.88 million** as MAT credit entitlement and the same has been carried forward having regard to the trend of profitability and future projections. Management is of the opinion that the company will pay normal income tax during the period for which the MAT credit can be carried forward for setoff against the normal Tax liability.

41.

As explained in note 1(o) above, the Company has designated the following derivative contracts with banks:

A.

- a) Principal and interest swap as hedges of foreign currency borrowing facilities aggregating **EUR 115.60 million** (previous year EUR 122.00 million) equivalent to **Rs. 8,389.57 million** (previous year Rs. 8,380.30 million) available to the Company at variable interest rates based on LIBOR. The principal and interest rate swap aggregating to **Rs. 4,209.30 million** (previous year Rs. 3,984.08 million) and **Rs. 4,180.27 million** (previous year Rs. 4,396.22 million) will mature in the year 2016 and 2017 respectively, based on the remaining period as of the balance sheet date.
- b) Interest swaps as hedge of floating interest rate to fixed interest on a term loan of **Rs. 1,000.00 million** (previous year Rs. Nil). The interest swap will mature in the year 2014 based on the remaining period as of the balance sheet date.
- c) Further the Company has entered into certain firm commitments for purchase of **EUR 33,693 thousands** (previous year EUR 3,977 thousands) and **USD 1,010 thousands** (previous year USD Nil) and sale of **USD 6,557 thousands** (previous year USD 3,575 thousands).

The foreign exchange forward contracts mature between 1–24 months. The following table analysis of the derivative financial instruments into relevant maturity groupings based on the remaining period of the balance sheet date:

in rupees million	As at 31 Dec. 2012	As at 31 Dec. 2011
Not later than one month	1,852.06	–
Later than one month not later than three months	–	106.48
Later than three months and not later than one year	315.58	355.29
Later than one year and not later than two year	709.84	–

**Rs. 659.27 million (net of deferred tax Rs. 316.63 million)** [previous year Rs. 386.27 million (net of deferred tax Rs. 185.52 million)] being the translation loss on foreign currency borrowings drawn down till the year-end and **Rs. 648.37 million (net of deferred tax Rs. 311.40 million)** [previous year Rs. 397.22 million (net of deferred tax Rs. 190.78 million)] being the portion of gain arising from changes in fair values of the swap contracts referred to in point a) above that are determined to be effective hedge of the aforesaid foreign currency borrowing facilities at variable interest and the related hedged transaction expected to occur in future have been recognized in translation and hedging reserve in shareholders' funds.

**Rs. 9.75 million (net of deferred tax Rs. 4.69 million)** (previous year Rs. Nil) being the portion of loss arising from changes in fair values of the swap contracts referred in point b) above that are determined to be effective hedge of the aforesaid floating interest rate facilities and the related hedged transaction expected to occur in future have been recognized in translation and hedging reserve in shareholders' funds.

Further, the translation gain on the forward covers for firm commitments which are determined to be effective hedge of foreign currency payables and receivables referred in point c) above aggregating to **Rs. 13.32 million (net of deferred tax Rs. 6.40 million)** [previous year Rs. 8.57 million (net of deferred tax Rs. 4.12 million)] has been recognised in translation & hedging reserve in shareholders' funds.

B.

Hedged transaction aggregating of **Rs. 148.99 million** (equivalent to EUR 2.15 million) [previous year Rs. Nil (equivalent EUR Nil) which is no longer expected to occur, the net cumulative loss recognized in shareholders' funds is now transferred to the Statement of Profit and Loss for the year aggregating to **Rs. 8.14 million** (previous year Rs. Nil).

42.

During the year, the Company has sold factory land situated at Vizag and Bangalore and a profit of **Rs. 718.62 million** arising from sale of such land has been shown as exceptional item.

43.

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

- a) Determination of segment information is based on the organisational and management structure of the Company and its internal financial reporting system. The Company business segments namely "Gases and Related Products" and "Project Engineering" have been considered as primary segments for reporting format. Segment revenue, results, assets and liabilities include the respective amounts that are directly attributable to or can be allocated on a reasonable basis to each of the segments. Revenue, expenses, assets and liabilities which relate to the enterprise as a whole and are neither attributable to nor can be allocated on a reasonable basis to each of the segments, have been disclosed as unallocable.
- b) The Company operates predominantly within the geographical limits of India, accordingly secondary segments have not been considered.
- c) Inter-segment revenue has been recognised at cost.

## Information about business segment

in rupees million	As at 31 Dec. 2012			As at 31 Dec. 2011		
	Gases and related products	Project engineering	Total	Gases and related products	Project engineering	Total
<b>1. Segment revenue</b>						
External revenue (net of excise duty) (A)	9,309.51	3,888.55	13,198.06	8,124.29	3,360.22	11,484.51
Interest income (B)	43.54	-	43.54	34.83	-	34.83
Interest income – unallocable			6.08			36.36
Other income – unallocable			30.98			107.35
<b>Total external revenue</b>			<b>13,278.66</b>			<b>11,663.05</b>
Inter segment revenue (C)	-	1,113.13	1,113.13	-	1,713.26	1,713.26
<b>Total segment revenue (A) + (B) + (C)</b>	<b>9,353.05</b>	<b>5,001.68</b>	<b>14,354.73</b>	<b>8,159.12</b>	<b>5,073.48</b>	<b>13,232.60</b>
<b>2. Segment results</b>	440.32	639.73	1,080.05	1,024.74	809.66	1,834.40
Interest income	43.54	-	43.54	34.83	-	34.83
<b>Total segment result</b>	<b>483.86</b>	<b>639.73</b>	<b>1,123.59</b>	<b>1,059.57</b>	<b>809.66</b>	<b>1,869.23</b>
Interest income (net) – unallocable			(398.09)			31.02
Other unallocable expenses (net of unallocable income)			(189.12)			(151.75)
<b>Profit before tax and exceptional item</b>			<b>536.38</b>			<b>1,748.50</b>
Exceptional item	718.62	-	718.62	-	-	-
<b>Profit before tax</b>			<b>1,255.00</b>			<b>1,748.50</b>
Less: provision for taxation			360.20			531.93
<b>Profit after tax</b>			<b>894.80</b>			<b>1,216.57</b>
<b>3. Segment assets</b>	27,059.64	2,899.55	29,959.19	23,683.02	3,636.94	27,319.96
Unallocated assets			4,031.50			2,334.69
Unallocated investments			150.00			150.00
<b>Total assets</b>			<b>34,140.69</b>			<b>29,804.65</b>
<b>4. Segment liabilities</b>						
Liabilities and provisions	2,294.65	3,722.73	6,017.38	1,365.95	4,243.28	5,609.23
Unallocable liabilities and and provisions			2,355.10			2,059.60
Borrowings			10,989.57			8,380.30
Deffered tax liability (net)			1,439.52			1,135.67
<b>Total liabilities</b>			<b>20,801.57</b>			<b>17,184.80</b>
<b>5. Cost incurred to acquire fixed assets (includes capital advances)</b>	3,793.36	6.68	3,800.04	4,898.54	1.14	4,899.68
Unallocable			20.58			64.65
			<b>3,820.62</b>			<b>4,964.33</b>
<b>6. Depreciation / amortisation</b>	1,018.56	1.79	1,020.35	692.50	1.76	694.26
Impairment loss	84.52	-	84.52	-	-	-
Unallocated depreciation / amortisation			20.34			13.95
			<b>1,125.21</b>			<b>708.21</b>
<b>7. Impairment released</b>	1.93	-	1.93	7.29	-	7.29
On disposal of fixed assets						
<b>8. Significant non cash expenses other than depreciation / amortisation</b>	87.19	114.57	201.76	41.42	175.73	217.15

44.

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

## A. List of related parties

## a) Ultimate Holding Company (entity having control over the Company)

Linde AG, Germany

## b) Holding Company (entity having control over the Company)

The BOC Group Limited, United Kingdom (Wholly owned Subsidiary of Linde AG)

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

## Located outside India

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

## Located in India

## Fellow subsidiary

Linde Global Support Services Private Limited

Linde Engineering India Private Limited

## Joint Venture

Bellary Oxygen Company Private Limited

## d) Key Management Personnel of the Company

Mr S Menon, Managing Director

## B. Transactions with related parties during the year

rupees in million	Ultimate Holding Company		Holding Company		Fellow Subsidiaries (Refer 'C' below)		Joint Venture		Key Management Personnel	
	As at 31 Dec. 2012	As at 31 Dec. 2011	As at 31 Dec. 2012	As at 31 Dec. 2011	As at 31 Dec. 2012	As at 31 Dec. 2011	As at 31 Dec. 2012	As at 31 Dec. 2011	As at 31 Dec. 2012	As at 31 Dec. 2011
Nature of transaction										
Purchase of goods	198.30	41.40	-	-	356.79	182.08	97.93	90.57	-	-
Purchase of fixed assets	5,411.81	864.16	-	-	171.18	74.14	-	-	-	-
Services received	55.27	31.56	139.45	195.87	104.12	17.13	-	-	-	-
Facility fees received	-	-	-	-	3.60	2.75	-	-	-	-
Sale of goods / services	-	-	-	-	950.09	65.28	14.24	16.09	-	-
Recovery of expenses	13.49	18.27	-	-	35.46	23.95	10.65	10.99	-	-
Reimbursement of expenses	7.84	0.10	-	-	0.06	2.75	-	-	-	-
Rent received	-	-	-	-	11.49	11.26	-	-	-	-
Managerial remuneration	-	-	-	-	-	-	-	-	23.57	15.02
Dividend paid / payable	-	-	114.46	114.46	-	-	-	-	-	-
Dividend received	-	-	-	-	-	-	15.00	15.00	-	-
Borrowings during the year	-	2,751.07	-	-	-	-	-	-	-	-
Borrowings repaid during the year	395.14	-	-	-	-	-	-	-	-	-
Finance cost	369.44	360.85	-	-	-	-	-	-	-	-
Outstanding balances										
Receivables	22.91	15.12	0.80	1.05	31.57	19.98	35.21	18.36	-	-
Payables	103.54	83.97	93.25	83.43	273.31	28.03	4.35	70.53	3.14	3.36
Payables for borrowings	8,389.57	8,380.30	-	-	-	-	-	-	-	-
Interest accrued but not due	99.22	110.53	-	-	-	-	-	-	-	-
Advance from customers	-	-	-	-	292.43	1,143.70	-	-	-	-
Advance to Vendors / Capital Advances	152.91	5,404.38	-	-	175.31	92.87	250.00	250.00	-	-
Guarantee given by the Company	-	-	-	-	-	-	184.81	308.02	-	-

## 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 similar nature

Nature of transaction	Name of Fellow Subsidiaries	Year ended / As at 31 Dec. 2012	Year ended / As at 31 Dec. 2011
Purchase of goods	Cryostar SAS	218.91	91.34
	Linde North America, Inc.	127.90	72.10
	Linde Electronics & Speciality Gases (Suzhou) Company Limited	0.73	5.45
Purchase of fixed assets	Selas Fluid Processing Corporation	1.25	34.06
	Cryostar SAS	50.73	0.48
	AGA Aktiebolag	56.40	-
	Linde Engineering India Private Limited	61.84	21.16
Services received	BOC Process Systems	-	11.35
	Linde Cryo Plants Limited	-	0.37
	Linde Gas Asia Pte. Ltd.	25.23	7.88
Facility fees received	Linde North America, Inc.	61.05	-
	Linde Gas Singapore Pte. Limited	12.77	0.87
	Cryostar SAS	-	3.05
	Linde Engineering India Private Limited	-	2.37
Sale of goods / services	Linde Global Support Services Private Limited	3.60	2.75
	PT. Linde Indonesia	662.80	5.91
	Linde Bangladesh Limited	43.69	11.43
Recovery of expenses	Ceylon Oxygen Limited	243.60	47.94
	Linde Gas Asia Pte. Limited	30.98	19.73
	Linde Global Support Services Private Limited	4.34	3.43
Reimbursement of expenses	Cryostar SAS	-	2.75
	Linde Bangladesh Limited	0.06	-
Rent received	Linde Global Support Services Private Limited	11.49	11.26
Outstanding balances	Receivables		
	Linde Global Support Services Private Limited	1.70	3.99
	Linde Bangladesh Limited	7.98	3.36
Payables	Linde Gas Asia Pte. Ltd.	19.86	10.59
	BOC (China) Holdings Company Limited	12.51	12.51
	BOC Limited	17.14	11.53
Advances from customers	Linde Gas Asia Pte. Limited	8.34	4.49
	Linde Electronics & Speciality Gases (Suzhou) Company Limited	21.88	4.28
	Cryostar SAS	52.39	0.72
	Linde North America, Inc.	52.04	-
	Linde Engineering India Private Limited	63.90	-
Advance to Vendors / Capital Advances	Cryostar SAS	69.41	74.24
	Selas Fluid Processing Corporation	53.18	-
	Linde North America, Inc.	17.03	-
	AGA Aktiebolag	-	16.90
Advances from customers	Linde Engineering India Private Limited	33.14	-
	PT. Linde Indonesia	248.62	1,029.97
	Ceylon Oxygen Limited	43.81	113.73

#### 45. Value of imports on CIF basis

rupees in million	Year ended	Year ended
	31 Dec. 2012	31 Dec. 2011
	Amount	Amount
Components and spare parts	853.04	295.37
Capital goods	5,741.77	1,103.01
	<b>6,594.81</b>	<b>1,398.38</b>

#### 46. Consumption of raw materials, components and stores & spare parts

rupees in million	Year ended		Year ended	
	31 Dec. 2012		31 Dec. 2011	
	Amount	% of total Consumption	Amount	% of total Consumption
Raw material				
Imported	-	-	-	-
Indigenous	73.78	100.00	75.07	100.00
	<b>73.78</b>	<b>100.00</b>	<b>75.07</b>	<b>100.00</b>
Components and stores & spare parts				
Imported	1,008.26	41.88	318.98	24.08
Indigenous	1,399.43	58.12	1,005.50	75.92
	<b>2,407.69</b>	<b>100.00</b>	<b>1,324.48</b>	<b>100.00</b>

#### 47. Expenditure in foreign currency

rupees in million	Year ended	Year ended
	31 Dec. 2012	31 Dec. 2011
	Amount	Amount
Travelling expenses	0.87	0.90
Technical support fees	139.45	195.87
Services received	165.17	53.97
Interest expense	369.44	360.85
Reimbursement of expenses	7.90	2.85
	<b>682.83</b>	<b>614.44</b>

#### 48. Earnings in foreign exchange

rupees in million	Year ended	Year ended
	31 Dec. 2012	31 Dec. 2011
	Amount	Amount
Export (F.O.B. basis)	1,425.77	104.50
Recovery of expenses	44.61	38.79
	<b>1,470.38</b>	<b>143.29</b>

#### 49. Remittance in foreign currency on account of dividend

rupees in million	Year ended	Year ended
	31 Dec. 2012	31 Dec. 2011
Number of non-resident shareholders	One	One
Dividend for the year	2011	2010
Number of shares held	76,308,293	76,308,293
Amount remitted	114.46	114.46

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

50. Expenses are net of reimbursement received aggregating Rs. 59.60 million (previous year Rs. 53.21 million).

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

M Sadhukhan, Chief Financial Officer

For and on behalf of the Board of Directors:  
S Lamba, Chairman  
J Mehta, Director  
S Menon, Managing Director  
P Marda, Asst. Vice President  
& Company Secretary

Kolkata  
4 February 2013

## Auditors' report.

### To the members of BOC India Limited

We have audited the attached Balance Sheet of BOC India Limited ('the Company') as at 31 December 2012 and also the related Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e) on the basis of written representations received from directors as on 31 December 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December 2012 from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956;
- f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - in the case of the Balance Sheet, of the state of the affairs of the Company as at 31 December 2012;
  - in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
  - in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## Annexure to the auditors' report.\*

### I.

- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

### II.

- a) The inventory, except goods-in-transit has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

### III.

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

### IV.

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

### V.

- a) In our opinion and according to the information and explanations given to us, the particulars of the contract or arrangement referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
- b) Under the aforesaid contract or arrangement, certain services that are rendered by the Company as per the specialised requirements of a buyer and the value of such services exceeds Rs. 0.50 million during the year, suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.

### VI.

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

### VII.

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

\* Referred to in our report of even date.

## VIII.

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

## IX.

a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 December 2012 for a period of more than six months from the date they became payable.

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

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

Name of the Statute	Nature of dues	Amount in (Rs. million)*	Period to which amount relates	Forum where the dispute is pending
Central State Sales Tax Act and VAT Acts	Sales tax / VAT	2.53	1982-1992	High Court
		180.99	1981-1982	Revisional Board
			1983-1984	
			1986-1987	
			1992-2009	
		31.12**	1993-1994	Tribunal
			1995-1997	
			2003-2006	
			2008-2010	
		46.12	1997-1998	Joint Commissioner (Appeals) of Commercial Taxes
			2003-2006	
		64.80	2006-2011	Deputy Commissioner (Appeals) of Commercial Taxes
			1990-1991	
7.87	2004-2006	Additional Commissioner of Commercial Taxes		
	2009-2011			
2.05	2002-2003	Assistant Commissioner of Commercial Taxes		
	2007-2008			
5.03	1998-1999	Commissioner of Commercial Taxes		
	2001-2003			
Central Excise Act, 1994	Excise duty	21.72	2005-2007	Commissioner of Commercial Taxes
		10.49	1999-2009	Supreme Court
			2008-2009	High Court
		118.70***	1991-2011	Customs, Excise and Service Tax Appellate Tribunal
			1991-2010	Commissioner (Appeals)
		24.69	2007-2010	Commissioner of Central Excise
			1996-2000	Additional Commissioner
		15.24	2007-2012	Deputy Commissioner
			2006-2010	Assistant Commissioner
		2.89	2005-2012	Commissioner (Appeals)
2005-2012	Assistant Commissioner			
Finance Act, 1994	Service tax	32.40	2005-2008	Customs, Excise and Service Tax Appellate Tribunal
		5.94	2005-2010	Commissioner (Appeals)
			2004-2010	Commissioner of Service Tax
		121.48	2004-2007	Additional Commissioner
			2009-2010	Deputy Commissioner
		4.35	2009-2011	Assistant Commissioner
0.13	2007-2011	Assistant Commissioner		
6.49	2007-2011	Assistant Commissioner		

\* Excluding the demands the proceedings of which have been set aside or remanded for reassessment by the appropriate authorities.

\*\* Including disputed dues aggregating to Rs. 25.64 million in respect of sales tax dispute, which have been stayed by respective authorities.

\*\*\* Including disputed dues aggregating to Rs. 81.76 million in respect of Excise dispute, which have been stayed by respective authorities.

## Ten-year financial data.

X.

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

XI.

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

XII.

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

XIII.

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

XIV.

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

XV.

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

XVI.

Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

XVII.

According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that *the Company has used funds raised on short term basis amounting to Rs. 648.19 million for long term investments.*

XVIII.

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

XIX.

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

XX.

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

XXI.

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

### Ten-year financial data

in rupees million	2004	2005	2006	2007	31 Dec. 2007 (9 months)	31 Dec. 2008 (12 months)	2009	2010	2011	2012
Sales										
Home	3,469.8	4,243.5	5,607.1	4,954.7	3,259.8	5,697.3	8,245.6	10,214.8	11,577.1	12,577.2
Export	1.9	0.1	2.2	11.1	12.1	19.3	113.6	146.3	104.5	1,425.8
Profit / (Loss) before tax and extraordinary item	201.4	455.9	809.1	437.7	240.2	832.3	920.0	1,295.7	1,748.5	536.4
Tax	76.6	189.6	326.0	183.3	96.0	212.3	376.1	359.4	531.9	164.6
Profit / (Loss) after tax, before extraordinary item	124.8	266.3	483.2	254.4	144.2	620.0	543.9	936.3	1,216.6	371.8
Extraordinary item, (net of tax)	168.1	13.4	303.1	191.6	472.4	180.4	(11.5)	-	-	523.04
Profit after tax	292.9	279.7	786.3	446.0	616.6	800.4	532.4	936.3	1,216.6	894.8
Share capital	490.8	490.8	490.8	490.8	490.8	852.8	852.8	852.8	852.8	852.8
Reserves and surplus	1,767.1	1,898.9	2,517.2	2,819.7	3,246.0	9,509.7	9,728.4	10,297.8	11,767.0	12,486.3
Shareholders' funds	2,257.9	2,389.7	3,008.1	3,310.5	3,736.8	10,362.5	10,581.2	11,150.6	12,619.8	13,339.1
Loan funds	848.4	768.6	1,087.3	917.3	2,190.0	-	1,176.1	4,691.6	8,380.3	10,989.6
Debt - Equity (%)	37.6	32.2	36.1	27.7	58.6	-	11.1	42.1	66.4	82.4
Gross block*	5,219.8	5,836.3	5,862.4	7,298.4	9,456.1	12,248.2	14,958.0	20,624.2	19,801.6	28,549.8
Depreciation**	2,384.1	2,674.2	2,752.7	3,012.8	3,217.3	3,363.1	3,792.2	4,326.2	4,883.3	5,946.9
Net block*	2,835.7	3,162.1	3,109.7	4,285.6	6,238.8	8,885.1	11,165.8	16,298.0	14,918.3	22,602.9
Investments	121.7	650.0	290.1	150.0	150.0	150.0	150.0	150.0	150.0	150.0
Net current assets	233.6	(396.4)	1,187.9	275.7	21.4	1,822.7	1,188.6	192.0	66.1	(640.14)
Total capital employed	3,191.0	3,415.7	4,587.7	4,711.3	6,410.2	10,857.8	12,504.4	16,640.0	21,000.1	24,328.7
Dividend (incl. tax thereon)	55.4	84.1	167.9	143.6	199.6	149.7	149.7	149.1	148.7	148.7
Rate of dividend	10%	15%	30%	25%	20%	15%	15%	15%	15%	15%
No. of Issued Shares	49,084,223	49,084,223	49,084,223	49,084,223	49,084,223	85,284,223	85,284,223	85,284,223	85,284,223	85,284,223
Earnings per Share (Rs.)	5.97	5.70	16.02	9.09	12.56	9.59	6.24	10.98	14.26	10.49
No of shareholders	27,993	28,675	32,061	31,772	31,663	29,178	26,759	21,824	20,364	20,883
No of employees	591	588	633	643	657	722	666	726	797	797

Note: Year 2011 figures are updated as per revised schedule VI requirement where ever necessary

\* Includes Capital Work-in-Progress.

\*\* Includes Impairment.

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