

Chairman,
S M Datta's
speech at the
74th Annual General Meeting



BOC India Limited
2010

For Private Circulation only

Speech delivered by
Mr S M Datta, Chairman,
BOC India Limited,
at the 74th Annual General Meeting
of the Company held on
24 May 2010 at Kolkata

Good Afternoon, ladies and gentlemen. I am pleased to welcome you all to this 74th Annual General Meeting of your Company. The Report & Accounts for the year ended 31 December 2009 and the Notice convening this meeting has been with you for quite some time but before proceeding with the Agenda as per the Notice, with your kind permission, I would like to say a few words.

The Year in Retrospect

The year 2009 began on a dismal note following the deepest global economic downturn in the last six decades that unfolded in late 2008 mainly triggered by unprecedented liquidity crisis that began in the U.S. The resulting recession impacted economies of the world to varying degrees. The world witnessed steep fall in prices of petroleum products which fell to the lows of 2005, commodity prices crashed, recessionary conditions prevailed, domestic demand waned, industrial production sank, gross domestic product fell, liquidity crisis peaked and the investment climate turned negative across the globe. The Governments in some countries had to infuse capital into some of their financial institutions and the Governments worldwide responded with various fiscal stimulus and other measures to revive their economies. Closer home, the Indian economy responded well to the fiscal stimulus announced by the Government and the speed of economic revival in India was faster than most people expected.

In this backdrop, BOC India as a member of The Linde Group, demonstrated its resilience during the year 2009 on various important performance indicators. Our financing remained

stable and geared to the long term. The key financial data confirmed the strength of your Company's business model. As a result of our concentration on our gases business on the back of robust long term gas supply contracts and project engineering business, and the appreciable support from its parent, BOC India was in a better position to weather the economic downturn.

Gases Industry Scenario

The gases industry is largely capital intensive and new capacities and distribution assets require significant investments and typically have long gestation periods. This notwithstanding, the global gas companies have been fiercely competing with each other in their pursuit of winning large supply scheme opportunities in emerging markets like India. These opportunities in recent times, among others have been in core sectors such as steel, petrochemicals, refineries, etc. Typically steel industry continues to remain the main driver of demand for industrial gases in India, though other industries such as fabrication, oil and gas, petrochemicals, pharmaceutical, glass and newer applications such as solar photovoltaic have also been providing growth opportunities. The healthcare segment has been one of the rare segments, where the momentum of demand for medical oxygen and other medical gases has been sustained even in the midst of the global economic downturn that unfolded in late 2008.

As I mentioned in my speech last year, the sudden loss of momentum in the economy as a result of the global economic downturn had impacted several end user segments of our industry. In view of general contraction of demand and severe

margin pressures in select products and as a part of the strategy, your Company entered export markets in the Middle-East during the year 2009 for select products. Your Company also commissioned its 1800 tpd air separation plant at Bellary for meeting additional demand for gases at JSW Steel works, which has proved to be a silver lining in these times.

Highlights of Performance

BOC India recorded a healthy financial performance with the company recording a robust growth in turnover and profit before tax and exceptional item. The turnover for the year 2009 at Rs.8359.18 million recorded an increase of 46% over that of 2008. Both the business segments - Gases and Project Engineering performed very well during the year under review despite somewhat difficult conditions prevailing in the early part of 2009, which adversely impacted some of the end user segments such as automobiles, steel, fabrication, infrastructure, etc. The Gases business turnover went up by 25% driven mainly by the commissioning of a new 1800 tpd Air Separation Unit at Bellary for supply of gases to JSW Steel. The other key drivers to the growth in gases business were higher revenue achieved by the healthcare business and packaged gases, mainly the specialty and electronic gases. The turnover of the Project Engineering Division at Rs.3007.58 million after adjusting inter segment revenue, was at an all time high recording growth of 105% over last year on the back of large orders mainly from public sector customers in the steel and refinery sectors. The Company recorded Profit before tax and exceptional item of Rs.920.00 million during the year against Rs. 832.33 million achieved in 2008. The Profit before tax for the year 2009

amounted to Rs. 902.58 million against Rs. 1078.01 million in 2008, which however included an exceptional income of Rs.245.68 million mainly comprising sale of property and gains arising from a finance lease arrangement.

Dividend

Your Directors have recommended a dividend of 15% (Rs.1.50 per equity share) for the year 2009 after careful consideration of various factors including the need to conserve resources for financing of significant capital expenditure program, which is on the anvil towards construction of several large Air Separation Units including the 2550 tpd plant for Tata Steel.

Outlook

The Indian economy was one of the first economies of the globe that showed signs of recovery from the global economic downturn. This recovery has indeed been faster and greater than expectations of many. As per recent estimates, India's gross domestic product is likely to grow by 7.2% during 2009-10 on the back of various fiscal stimulus measures put in place by the Government. Contrary to the sharpest decline witnessed in the index of industrial production in March 2009, the country achieved industrial production growth of 15% in February 2010 and 13.5% in March 2010. The higher interest rate and a partial roll back of stimulus announced in the Finance Bill, 2010 may to some extent impact the revival of the industrial sector in the short to medium term. The macro economic fundamentals of the Indian economy however, continue to remain strong, which augur well for the India growth story.

Your Company's performance in the 1st quarter of 2010 has seen further improvements and this momentum is expected to be ongoing. The upcoming Air Separation Units of your Company for supply of gases to Steel Authority of India Ltd's Rourkela Steel Plant and Tata Steel Ltd. at Jamshedpur pursuant to long term gas supply contracts signed with these customers are expected to take your Company's operations to a new scale in the foreseeable future.

In view of this and given the robust support of The Linde Group, the overall long term outlook for the Company continues to remain positive.

Corporate Governance

As a member of The Linde Group, your Company practices high standards of corporate governance and ethical behaviour. It is the endeavour of the Board of Directors and the executive management of your Company to demonstrate business integrity, high ethical values and professionalism in all its activities towards creation of long term value for all its stakeholders, including shareholders, business partners, employees, society and the environment.

As a part of its agenda for corporate social responsibility, your company is committed to providing equal opportunity in employment and for career growth, safety at workplace as well as safety of its contractors and customers and has set up facilities at its tonnage plants for water recycling and rain water harvesting for conservation of water. As a part of the 75 year celebrations, the executive management of your company is also taking certain initiatives towards improving the environment.

Board Changes

As you are aware, there has been only one change in the Board of your Company since the last Annual General Meeting. Mr Michael Stewart Huggon, a Director representing The Linde Group resigned from the Board with effect from 23 December 2009 in view of his commitments in The Linde Group's Regional Business Unit of U.K. and Ireland. I on behalf of the other members of the Board wish to thank Mr Huggon for his significant contribution and wise counsel during his tenure on the Board. The proposal for the reappointment of the retiring director is with you and I am sure, you will extend your whole hearted support to the same.

Conclusion

BOC India with the experience of 75 years of successful operations in India is on the way to achieve sustainable and profitable growth. Your Company has a strong business model and is on a significant growth path. The construction of the 2550 tpd plant for Tata Steel at Jamshedpur will strengthen the growth agenda and the partnership with this customer. Before I conclude, as always, I would first like to thank the customers of BOC India for they are the most important part of our business model. I am indeed very grateful to you for the trust that you have always reposed in the Company, its Board and the executive management, which has been stronger through the challenging times. I wish to also thank my colleagues on the Board for their wisdom in guiding the Company to where it is today. I am very thankful to the executive management team and all the employees for their personal commitment, dedication and hard

work during the year gone by, which they continue to demonstrate every single day towards making BOC India a high performance organization.

Thank you ladies and gentlemen.

Kolkata
24 May 2010

S M Datta

Note: This does not purport to be a record of the proceedings of the Annual General Meeting