

35th Annual Report 2009-2010



National Oxygen Limited

Breathing Life into Industry

National Oxygen Limited

BOARD OF DIRECTORS

Shri. G.N. SARAF
Chairman & Managing Director

Smt. VEENA DEVI

Shri. RAJESH KUMAR SARAF
Joint Managing Director

Shri. P. SIVA

Dr. D.M. MOHUNTA

Shri. ANIL SETH

REGD. & ADMINISTRATIVE OFFICE

80, (Old No.141), Greams Road,
Chennai 600 006.
Phones : (044) 28290707 (4 lines)
Fax : (044) 28290770
E-mail: contact@nolgroup.com
Website : www.nolgroup.com

AUDITORS

M/s. SINGHI & COMPANY

BANKERS

PUNJAB NATIONAL BANK

FACTORIES

- | | |
|---|--|
| 1. Trichy - Pudukkottai Road,
Mathur - 622515
Tamil Nadu. | 2. Pondy - Villupuram Road,
Thiruvandar Koil,
Pondicherry - 605 102. |
|---|--|

REGISTRAR AND SHARE TRANSFER AGENTS

CAMEO CORPORATE SERVICE LIMITED

"Subramanian Buildings", 1, Club House Road, Chennai-600 002. Phone: 28460390.

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NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the 35th Annual General Meeting of the Company will be held at Hotel Kanchi, 28, Commander-in-chief Road, Egmore, Chennai 600 105 on Friday, 17th September 2010 at 9.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive consider and adopt the Balance Sheet as at 31st March 2010, the Profit and Loss Account for the Year ended 31st March 2010 and the report of the Directors' and Auditors' thereon.
2. To declare dividend.
3. To appoint a Director in the place of Mr. P. Siva, who retires from office by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in the place of Mr. Anil Seth, who retires from office by rotation and being eligible offers himself for reappointment.
5. To appoint auditors to hold office until the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring auditors, M/s. Singhi & Co. are eligible for reappointment.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following resolution as **Special Resolution** with or without modification:
 - a) "RESOLVED THAT in accordance with the provisions of Sections 198,269,309,310,314 read with Schedule XIII and other applicable provisions if any, of the Companies Act,1956. Mr.G.N.Saraf, be and is hereby reappointed as Managing Director for a further period of Three years with effect from 1.9.2010 on the terms and conditions including remuneration payable to him, as per the recommendations made by the Remuneration Committee and the Board of Directors at its meeting held on 30.07.2010 and as set out in the explanatory statement attached herewith."
 - b) "RESOLVED FURTHER THAT the authority be and is hereby granted to the Board of Directors to alter and vary the terms and conditions of the said appointment(including authority from time to time, to determine the amount of salary and commission) as also the type and amount of perquisites and other benefits payable to Mr.G.N. Saraf in such manner as may be agreed to between the Board of Directors and Mr.G.N. Saraf provided, however, that the remuneration payable to him shall not exceed the limits specified in the explanatory statement attached herewith as also the limits prescribed under schedule XIII to the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof."
 - c) "RESOLVED FURTHER THAT the company on attaining adequate profits the Board of Directors/Remuneration committee constituted by the Board do hereby authorise to vary the terms of remuneration and perquisites with the liberty to revise the remuneration payable to the above Managerial Personnel, if it in its absolute discretion thinks fit in accordance with the provisions of Section 198 read with Section 309 and Schedule XIII i.e. within the overall ceiling of 5% or 10% of the net profits of the Company calculated in the manner specified in the Act without further reference or approval from the share holders of the company."
 - d) "RESOLVED FURTHER THAT the board be and hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its power herein conferred to any committee of directors to give effect to the aforesaid resolution"

**For and on behalf of the Board
NATIONAL OXYGEN LIMITED**

**G.N. Saraf
Chairman and Managing Director**

**Place: Chennai
Date: 30.07.2010**

Notes :

- a **A MEMBER ENTITLED TO ATTEND AND VOTE, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**
- b The Instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
- c The Register of Members and Transfer Books of the Company will remain closed from Thursday, 9th September 2010 to Friday, 17th September 2010 (both days inclusive).
- d Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.
- e Members are requested to notify immediately any change in their address to the Registrar and Share transfer Agent M/s. Cameo Corporate Services Ltd., "Subramanian Buildings", 1, Club House Road, Chennai-600 002.
- f After declaration of dividend at the Annual General Meeting, the Dividend warrants are scheduled to be posted on or after 18.09.2010. In respect of shares held in electronic form, the dividend will be paid on the basis of beneficial ownership, as per the details to be furnished for this purpose by National Securities Depository Limited and Central Depository Services (India) Limited.
- g Members who desire to have their Bank Account details incorporated in their Dividend warrants may please furnish the (i) Share Folio No. (ii) Name and address of Sole/First Shareholder (iii) Bank Account No. (iv) Name of the Bank and Branch (v) Full address of the Branch with Pin code. These details may be sent to the Company's Registrar & Transfer Agent, M/s. Cameo Corporate Services Ltd., "Subramanian Buildings", 1, Club House Road, Chennai-600 002.
- h. Details of Dividend declared from the financial year 2003-2004 onwards is as follows:

Financial year	Declared on	Rate of Dividend	Amount of Dividend per share
2003-2004	24.9.2004	10%	Re. 1.00
2004-2005	16.9.2005	20%	Rs. 2.00
2005-2006	22.9.2006	20%	Rs. 2.00
2006-2007	21.9.2007	20% (*)	Rs 2.00
2007-2008	19.9.2008	20%	Rs.2.00
2008-2009	18.9.2009	10%	Re.1.00

(*) Interim Dividend declared on 10.3.2007 confirmed as Final Dividend.

Members who have not encashed the dividend warrants for the abovementioned financial years may write to the Company giving the necessary details.

The Unclaimed Dividend money for the year 2003-04 will be transferred to Investor Education and Protection Fund (IEPF) upon the expiry of Seven years from the date on which the same is due and payable. It may also be noted that once the unclaimed dividend is transferred to the IEPF as above, no claim shall lie in respect thereof.

- i. Information pursuant to Clause 49 of the Listing Agreement for reappointment of Directors:

Item No. 3: Mr.P.Siva aged 76 years retired as General Manager of SIPCOT. He was appointed as a Director of the company on 10th January 1994. He also functioned as Whole Time Director (finance) of the company for a Period of 3 Years from 1995-1998. He does not hold any other directorships. He is the Chairman of the Audit Committee of the company and member of the Remuneration Committee and Shareholders/ Investor Grievance and Share Transfer Committee of NOL.

Item No.4: Mr. Anil Kumar Seth, aged 58 years was appointed as Additional Director on the Board of Directors of the Company from 1985. He has been on the Board for over two Decades with the company with wide accounting and management experience. He is also a Director of M/s Seth Electricals (P) Ltd, M/s.Shantiniketan Property Foundation (P) Ltd., M/s. SI Property (Chennai) Pvt. Ltd, M/s. Symergy Billing Solution Pvt. Ltd., M/s. Seth Electronics Pvt. Ltd., M/s. Efficiency Aids Pvt. Ltd., M/s. SI Property (Karnataka) Pvt. Ltd and M/s. Uni Wears Ltd. He is a member of the Audit Committee and Remuneration Committee of NOL.

Item No.6: Mr. G.N. Saraf, M.Com. LLB, aged 73 years, is the Promoter - Director of the Company. Under his leadership, the company has scaled great heights in the field of Industrial gases. He is on the Board of East Coast Acetylene (P) Ltd, Pondicherry Agro Foods (P) Ltd and Saraf Housing Development (P) Ltd

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT,1956.

Item No.6

Shri.G.N. Saraf, was reappointed as Managing Director at the Annual General Meeting held on 16th September 2005 for a period of five years with effect from 1st September 2005 and his term expires on 30th August 2010. Shri.G.N. Saraf has been managing the company efficiently for more than three decades. He has helped the company in achieving great heights with his rich experience in the field of Industrial gases. His re-appointment will benefit the company in many ways. The Board of Directors has recommended the re-appointment of Shri.G.N. Saraf as Managing Director for a further period of Three years with effect from 1.9.2010 as per the following terms and conditions including remuneration as recommended by the Remuneration Committee and approved by the Board of Directors at its meeting held on 30.07.2010, for approval of shareholders at the Annual General Meeting.

The total remuneration payable to Mr.G.N.Saraf, Managing Director shall not exceed Rs.2,50,000/- per month (including all perquisites and allowances) as per the details given below.

Salary: Rs. 2,00,000/- (Rupees Two Lakhs Only) per month

Perquisites**Category A**

- i) Housing including gas, electricity, water and furnishings. The expenditure incurred by the Company on providing furnished accommodation etc. shall be subject to the ceiling of 60% of the salary over and above 10% payable by the Joint Managing Director. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income tax Rules, 1962 subject to the ceiling of 10% of the salary of the Managing Director.
- ii) Medical reimbursement: The expenses incurred for the self and family subject to the ceiling of one month's salary in a year or three months salary over a period of three years.
- iii) Leave Travel Concession: For self, wife and dependent children once in a year incurred to and from any place in India subject to the condition that only the actual fare and no hotel expense etc. will be allowed.
- iv) Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fee.
- v) Personal Accident Insurance Premium not to exceed Rs.4000 per annum.

Category B

- i) Company's contribution towards Provident Fund subject to the ceiling of 12% of the salary.
- ii) Company's contribution towards Provident Fund, Pension / Superannuation Fund shall be included in the computation of the ceiling on perquisites
- iii) Gratuity payable shall not exceed half month's salary for each completed year of service.
- iv) Earned Leave: on full pay and allowance as per the rules of the Company. Encashment of the leave at the end of the tenure shall not be included in the computation of the ceiling on perquisites.

Category C

- i) Free use of Company's car with driver. The use of car for the Company's business will not be considered as perquisites.
- ii) Free Telephone facility at Residence: Personal long distance calls on telephone shall be billed by the Company.

The aggregate remuneration payable, as detailed above, to the Managing Director will not in any case, exceed the limits laid down under clause 1(B) of Section II, Part II of Schedule XIII of the Companies Act, 1956.

Disclosure as required under Schedule XIII, Section II, Part II 1(B) of the Companies Act, 1956**General Information:**

- a) Nature of the Industry: Manufacturing of Industrial gases
- b) Date of commencement of business: The company had commenced its business from the date of its inception as a private limited company and was subsequently was converted into a public limited company w.e.f. 29.09.1975

c) Financial performance :

	For the year ended 31.03.2010 Rs.
INCOME	
Gross Sales	11,41,84,863
Less : Excise Duty	77,28,413
Net sales	10,64,56,450
Sale of Wind Energy	1,14,88,332
	11,79,44,782
Facility Charges / Cylinder Holding charges etc	1,21,839
Hire Charges on Tankers etc	3,00,000
Other Sources	55,87,260
Total (A)	12,50,50,181
EXPENDITURE	
(Increase)/Decrease in stocks	8,79,537
Raw Materials Consumed	1,68,14,121
Manufacturing, Administrative and Selling Expenses	8,78,81,680
Interest (Net)	5,51,201
Total (B)	10,61,26,539
Balance (A-B) Profit Before Depreciation and Taxation	1,89,23,642
Depreciation	2,01,45,015
Profit/(Loss) Before Tax	(12,21,373)
Less: Provision for Income Tax - Current	-
Less: Provision for Fringe Benefit Tax	-
Add (+) / Less (-) Provision for Deferred Tax	1,17,000
	1,17,000
Profit/(loss) After Tax	(13,38,373)
d) Export performance and net foreign exchange collaborations (if any) :	NIL
e) Foreign Investments or collaborators, if any :	NIL

Information about Mr.G.N.Saraf (the appointee)

1) Back ground details

G.N.Saraf, aged 73 years, is the Executive Chairman and Managing Director of National Oxygen Limited. He is a post graduate in commerce and also holds a degree in law (LLB). Shri.G.N. Saraf has been managing the company efficiently for more than three decades. He has helped the company in achieving great heights with his rich experience in the field of Industrial gases

2) Past remuneration: Rs.1,03,073/- per month

3) Recognition or awards: Nil

4) Job Profile and suitability : managing the entire affairs of the company

- 5) Remuneration proposed: Rs.2,50,000/- per month inclusive of all perquisites and other allowance as detailed above.
- 6) Comparative remuneration profile with respect to industry, size of the company:
Only Minimum remuneration proposed to managerial personnel and comparatively lower than any other company in the same industry and with the same kind of operation.
- 7) Pecuniary relationship.
Mr.G.N. Saraf is holding 218142 comprising 6.99% in the paid up capital of the company and is related to Mr.R.K. Saraf, Joint Managing Director, and Smt. Veena Devi, Director

Other Information:

- 1) Reason for Inadequate Profit : During the year under review the Electricity department of Puducherry has increased the cost of power substantially. The interruption in power supply/load shedding has reduced the production considerably; the cost of finished products had to be reduced to match the competition from MNC's. Hence the negative profit
- 2) Steps taken or proposed to be taken for improvement: The Board of Directors are striving hard to increase the profitability of the company
- 3) Expected increase in productivity and profits in measurable terms:

	(Rupees in Crores)		
	2009-10 Audited	2010-11	2011-12
TURNOVER	12.50	22.00	25.00
PAT	(.133)	2.64	3.00

Disclosures

The company shall ensure the disclosures to be made to the shareholders regarding the remuneration package of the Managerial Personnel and the disclosures to be made in the Corporate Governance report as required under section II Part II of Schedule XIII.

Since the Reappointment of Managerial personnel requires the approval of the Share Holders at the General Meeting by way of special resolution. Accordingly the said resolution is being put forth for the approval of the share holders.

The Board therefore recommends the resolution in Item No.6 of the Notice for your approval.

The information provided above, may also be treated as an abstract of the terms of the above Resolution pursuant to Section 302 of the Companies Act, 1956.

Shri.G.N. Saraf, is interested in this resolution to the extent of remuneration payable to him. Shri. Rajesh Kumar Saraf and Smt.Veena Devi are interested in this resolution being his Son and Wife respectively.

DIRECTORS' REPORT

The Directors of your Company present its 35th Annual Report on the functioning of the Company together with the Profit and Loss Account for the year ended 31st March 2010 and the Balance Sheet as at that date together with the Auditor's Report thereon.

Financial Results:

	Current year 31.03.2010 (Rs.in Lakhs)	Previous Year 31.03.2009 (Rs.in Lakhs)
Gross Profit / (Loss)	189.23	306.30
Depreciation	201.45	196.66
Profit / (Loss) before Tax	(12.21)	109.64
Provision for Income Tax	-	55.00
Provision for Fringe Benefit Tax	-	2.18
Provision/ Release of Deferred Tax	1.17	(49.21)
Net Profit / (Loss) after Tax	(13.38)	101.67
Balance brought forward from the earlier year	409.62	394.41
	<u>396.23</u>	<u>496.08</u>

For this financial year 2009-10, as the severe unscheduled load shedding in the Union Territory of Puducherry continued, the production of industrial gases at our Plant, reduced considerably, which has affected the profitability of the company significantly. Severe power cuts, aging of the plant resulting in reduction of production and hectic competition from MNC's resulted in a net loss of Rs. 13.38 lakhs as compared to a net profit Rs.101.67 lakhs in the previous year.

Business Operations:**Industrial Gases**

Despite the continuing power crisis in Puducherry and overall economic downtrend in the country, the company is able to maintain its production and sales, mainly due to the regular orders from Government Departments and long standing customers.

During the fag end of the last quarter of the current financial year the company has installed and commissioned its new plant imported from china, consequently the company expects a considerable increase in production and thereby resulting in increase in profit.

Windmill:

The Power generation was normal but for the non-seasonal period.

Dividend:

The Directors wish to recommend a Dividend of 10% (Re.1 per equity share of Rs.10/- fully paid up) for the year ended 31st March 2010.

Directors:

Mr.P. Siva and Mr. Anil Seth are retiring at this meeting by rotation and being eligible, offer themselves for reappointment and the Board of Directors recommend their reappointment.

The approval of the shareholders for confirmation of reappointment of Mr.G.N.Saraf as Managing Director is put forth at the ensuing Annual General Meeting

Re - listing at Madras Stock Exchange :

The Company has withdrawn its previous delisting application from Madras stock exchange and continues to be listed and traded in Madras Stock Exchange.

The shares of the Company are quoted and traded in National Stock Exchange w.e.f.30.06.2010 through MOU between Madras Stock Exchange and National Stock Exchange.

Fixed Deposits:

The Company has not accepted any fixed deposits during the year.

Particulars of Employees and Labour Relations:

None of the employees fall under the category specified under Sec.217 (2A) of the Companies Act, 1956 and the Rules thereunder.

The relations with the employees during the year had been smooth and cordial.

Conservation of Energy, Technology Absorption and Foreign Exchange inflow & Outgo:

Prescribed particulars under Section 217(1)(e) of the Companies Act, 1956 are furnished as **Annexure-A** to this Report.

Director's Responsibility Statement:

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that

- in the preparation of the annual accounts for the financial year ended 31st March 2010, the applicable accounting standards have been followed along with proper explanation related to material departures, if any.
- they have 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 as on 31st March, 2010 and of the Profit and Loss of the company for that period.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts are prepared on a going concern basis.

Corporate Governance:

As a listed Company, necessary measures are taken to comply with the listing agreements with Stock Exchanges. A Report on Corporate Governance, along with certificate of Compliance from the Practising Company Secretary forms **Annexure-B** to this report.

Management Discussion and Analysis Report:

A Management Discussion and Analysis Report is given as **Annexure C** to this report.

Auditors:

Messrs. Singhi & Co., Chartered Accountants, retire at this meeting and being eligible are proposed for reappointment. They also expressed their willingness to continue in office if reappointed, at the ensuing annual general meeting.

Reply to Auditors Remarks:

In reply to the remarks made by the auditor in Point No.III of Auditors Report, the Board wishes to state that the recommendation of dividend for the year 2009-10 was made in the Board of Directors meeting held on 30.07.2010 and hence the information relating to the proposed dividend could not be incorporated in the audited accounts which were adopted by the board on 28.05.10.

Compliance Certificate:

In accordance with Section 383A of the Companies Act, 1956, and Companies (Certificate) Rules, 2001, the company has obtained a certificate from M/s. Lakshmmi Subramanian & Associates, Chennai, secretary in the whole time practice confirming that the company has complied with all the provisions of Companies Act, 1956 and a copy of such certificate is annexed to the report.

Acknowledgement:

Your Directors take this opportunity to place on record their appreciation of the Continued Support and Co-operation from Punjab National Bank.

Your Directors also wish to convey their thanks to all the valued customers and the valuable services rendered by the Officers, Staff and Workers at all levels.

Place: Chennai
Date: 30.7.2010

For and on behalf of the Board
G.N. Saraf
Chairman and Managing Director

Compliance Certificate**Registration No. 18-006819****Authorised Capital: Rs. 5,00,00,000/-****To,
The Members,
M/s. NATIONAL OXYGEN LIMITED**

We have examined the registers, records, books and papers of **M/s. NATIONAL OXYGEN LIMITED** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2010. In our opinion and to the best of our information and according to the examinations carried out by us and information, explanations and declarations furnished to us by the company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The company has kept and maintained registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been recorded.
2. The company has filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies at the dates specified therein.
3. The company being a public limited company the applicability of Section 3(1)(iii) does not arise.
4. The Board of Directors met **4 (FOUR)** times on **29.06.2009, 30.07.2009, 30.10.2009 and 25.01.2010** in respect of which meetings the proceedings were recorded in the Minutes Book maintained for the purpose.
5. The company had opted to close its Register of Members during the financial year under review from 10-09-2009 to 19-09-2009 (both days inclusive) and has complied with the provisions of Section 154 of the Act.
6. The Annual general meeting of the company for the financial year ended on 31.03.2009 was held on 18.09.2009 and the resolutions passed thereat were recorded in Minutes Book maintained for the purpose.
7. No Extraordinary Meeting of members was held during the year under review as per the records provided and information given to us by the management.
8. As per the information and declaration given by the management the company had not granted any loans to directors or persons or firms or companies referred in the provisions of Section 295 of the Act.
9. The company had entered into inter-se transactions with particulars mentioned under Section 301 and has not obtained any approval as required under Section 297 of the Companies Act, 1956. Since in the opinion of the management such transactions are entered at the prevailing market price and hence no application has been made to the Central Government.

10. The company has made necessary entries in the register maintained under section 301 of the Act.
11. According to the information, explanations and declaration furnished by the management, there was no instance falling within the purview of section 314 of the Companies Act, 1956 and hence the company was not required to obtain any approval from the Board of Directors, members, Central Government during the financial year under review.
12. The Board of Directors / duly constituted Committee of Directors has approved the issue of duplicate share certificates.
13. The Company, during the financial year under review, had:
 - (i) delivered all the certificates on allotment of securities and on lodgement thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act
 - (ii) deposited the amount of dividend declared in a separate Bank Account which is within five days from the date of declaration of such dividend.
 - (iii) posted warrants for dividends to all the members within a period of 30 (Thirty) days from the date of declaration and that all unclaimed/unpaid dividend has been transferred to Unpaid Dividend Account of the Company
 - (iv) transferred the amounts in Unpaid Dividend Account, and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund
 - (v) generally complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is well constituted, and there was no appointment of directors, additional directors, alternate directors and directors to fill casual vacancy has been made during the financial year under review.
15. The Company had not appointed any Managing Director/Whole-time director/manager during the financial year under review.
16. The Company had not appointed any sole-selling agents during the financial year under review.
17. Subject to point 9 of this certificate, the Company had no transaction, which necessitated the Company to seek any approval from the Company Law Board, Regional Director, Registrar of Companies, and Central Government during the financial year under review.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The company had not issued shares/debentures/other securities during the financial year under review.
20. The company had not bought back any shares during the financial year under review.
21. The company had not issued any redeemable preference Shares/debentures; and hence the question of redeeming any preference shares/debentures does not arise.

22. The Company had not kept in abeyance rights to dividend, rights shares, and bonus shares pending registration of transfer of shares during the financial year under review.
23. According to the information and explanation given by the management, the company had not accepted any deposits from the public, hence the requirement of compliance of provisions of Section 58A and 58AA read with Companies (Acceptance of Deposit) Rules, 1975 does not arise.
24. The amount borrowed by the Company from financial institution / banks during the financial year ended 31.03.2010 is within the borrowing limits of the company and that necessary resolutions as per section 293(1)(d) of the Act have been passed in duly convened Annual General Meeting.
25. According to the information, explanations and declaration furnished by the management, the company had not made any loans/ given guarantees or provided securities except investments made in mutual funds and other bodies corporate during the year under review and have made necessary entries in the register kept for the purpose.
26. The company had not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the financial year under review.
27. The company had not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
28. The company had not altered the provisions of the Memorandum with respect to name during the year under scrutiny.
29. The company had not altered the provisions of the Memorandum with respect to share capital of the company during the year under scrutiny.
30. The company had not altered its Articles of Association during the financial year under review.
31. According to the information, explanations and declaration furnished by the management, no prosecution has been initiated against the Company or no show cause notices has been received by the company for any alleged offences under the Act and hence the question of fine or penalties does not arise.
32. The company had not received any amount as security from its employees during the financial year, hence the applicability of the provisions of section 417(1) of the Act does not arise.
33. According to the information and explanations furnished by the management, the Company had not constituted its own Provident Fund pursuant to the provisions of Section 418 of the Companies Act 1956, however the company had generally been regular in depositing both the employers and employees contribution to the Provident Fund with prescribed authorities.

Place: Chennai

Signature :

Date: 30.07.2010

Name of Company Secretary : P.S.SRINIVASAN

C. P. No. : 3122

Annexure A

Registers as maintained by the Company

1. Register of Members u/s 150 of the Companies Act, 1956 (Computerized)
2. Register of Directors u/s 303 of the Companies Act, 1956
3. Register of Directors Shareholdings u/s 307 of the Companies Act, 1956
4. Register of Contracts, Companies and Firms in which Directors of the Company are interested u/s 299, 301 and 301(3) of the Companies Act, 1956
5. Minutes of the Annual General Meeting/Extra Ordinary General Meeting & Board Meetings u/s 193 of the Companies Act, 1956.
6. Register of Investments
7. Register of Share Transfers (Computerized)
8. Register of Charges u/s 143 of the Companies Act, 1956.

Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies, during the financial year ending on 31st March 2010

Name of the Document	Date of Event	Date of filing	Due Date	Remarks
Form 20 B	18.09.2009	11.11.2009	17.11.2009	In time
Form 23 AC	31.03.2009	14.10.2009	17.10.2009	In time
Form 23 ACA	31.03.2009	14.10.2009	17.10.2009	In time
Form 32	30.11.2009	28.12.2009	29.12.2009	In time

ANNEXURE A TO DIRECTORS' REPORT

INFORMATION AS PER SEC.217 (1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2010

A. CONSERVATION OF ENERGY

a. Energy conservation measures taken

- i) Introduction of efficient lighting system and special capacitor banks for improvement of power factor.
- ii) Improvements in operating efficiency and reduction of losses at workers level.
- iii) Technology for production of gases is being upgraded continuously. Also distribution technology for cryogenic liquid products is streamlined.

b. Additional Investment Proposals. ---- NIL

c. Impact of above measures on energy consumption - Introduction of efficient lighting system and other energy saving systems has considerably reduced power consumption.

d. Total energy consumption and energy consumption per unit of production as per Form A - Not Applicable.

B. TECHNOLOGY ABSORPTION

e. As per Form B

I. Research and Development (R & D)

- i) Specific areas in which Research and Development carried out by the Company - NIL
- ii) Benefits derived as a result of the above Research and Development - NIL
- iii) Future Plan of action the Company has tentative proposals to introduce Research and Development division in the next two years.
- iv) Expenditure on Research and Development at present Percentage of the turnover - NIL
 - a. Capital
 - b. Recurring
 - c. Total
 - d. Total Research and Development as a percentage of the turnover.

II Technology, Absorption, Adoption and Innovation

- i) Efforts made - NIL
- ii) Benefits derived
 1. Production Improvement
 2. Cost reduction
 3. Import substitution
- iii. Technology imported - NIL
 - Year of Report - NIL
 - Has technology been fully absorbed - NIL
 - If not fully absorbed areas where this has not been reasons therefore and future plans of action - NIL

C. FOREIGN EXCHANGE EARNINGS AND OUT GO

	2009-10	2008-09
Earnings in Foreign Exchange	Nil	Nil
Expenditure in Foreign Currency	Rs.92,925	Rs.1,06,875
CIF Value of Imports	Rs. 13,67,46,631	Rs.58,66,714

ANNEXURE B TO DIRECTORS REPORT --- REPORT ON CORPORATE GOVERNANCE:**1. Company's Philosophy on Code of Governance:**

National Oxygen Limited (NOL) defines Corporate Governance as a Systematic Process by which Companies are directed and controlled to enhance their wealth generating capacity. Since large corporations employ vast Quantum of social resources, we believe that the governance process should ensure that these companies are managed in a manner that meets stakeholders' aspirations and social expectations.

The basic objective of corporate governance policies adopted by the company is to attain the highest level of transparency, accountability and integrity. This objective extends not merely to meet with statutory requirements but also go beyond them by putting into place procedures and systems, which are in accordance with best practice of governance. Your company believes that good corporate governance enhances the trust and confidence of all the stakeholders. Good practice in corporate behaviour helps to enhance and maintain Public trust in companies and stock markets.

2. Board of Directors:**Composition and category of Board of Directors**

The Board of Directors of the company comprises of Executive, Non-Executive and Independent Directors. In all there are six Directors, two executive, one non-executive and three independent directors.

As on 31st March 2010, the composition of the Board of Directors of the Company meets the stipulated requirements of Clause 49 of the Listing Agreement of the Stock Exchanges. The Board is responsible for the management of the business and meets regularly for discharging its role and functions.

Number of Board Meetings Held dates on which held:-

During the financial year 2009-2010 **FOUR** (4) Board meetings were held viz., from 29th June 2009, 30th July 2009, 30th October 2009 and 25th January 2010. The Annual General Meeting was held on 18th September 2009.

The composition and membership on other Boards, Committees of Directors and attendance of Directors at the Board of Directors Meetings held during the Financial Year 2009-2010 and the last AGM held on 18.9.2009 is given below.

Name of the Director	Category	Attendance Particulars		Number of Directorships in other Public Companies and committee Memberships/Chairmanships		
		Board Meetings	Last AGM (Yes/No)	Other Directorships	Committee Memberships (other than NOL)	Committee Chairmanships (other than NOL)
Shri. G.N.Saraf	Chairman and Managing Director - Executive	4	Yes	-	-	-
Shri. R.K.Saraf	Joint Managing Director - Executive	4	Yes	-	-	-
Dr. D.M.Mohunta	Non-Executive Independent	4	Yes	-	-	-
Smt. Veena Devi	Non-Executive	4	Yes	-	-	-
Shri. P.Siva	Non-Executive Independent	4	Yes	-	-	-
Shri .Anil Seth	Non-Executive Independent	4	Yes	1	-	-

3. BOARD COMMITTEES:-

A. Audit Committee:

Charter:-

The Primary object of Audit Committee of the company is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting.

Composition:-

The company derived immense benefit from the deliberations of Audit Committee with the following three Non-Executive Independent Directors of the company:

Name of the Director	Category of Membership
Shri.P. Siva	Chairman
Dr.D.M. Mohunta	Member
Shri. Anil Seth	Member

Terms of reference: The major terms of reference of this committee are as under:-

- ❖ Reviewing with management the financial statements before submission of the same to the Board.
- ❖ Overseeing of company's financial reporting process and disclosures of its financial information.
- ❖ Reviewing the adequacy of the Internal Audit Function.
- ❖ Recommendation and Removal of Statutory Auditor and Fixation of Audit Fees.
- ❖ Reviewing the Reports furnished by the Internal Auditors and Statutory Auditors and ensuring suitable follow up thereon.

Meeting and Attendance of the Committee:-

During the financial year, four Audit Committee meetings were held on the following dates 29.6.2009, 30.07.2009, 30.10.2009 and 25.01.2010.

The Attendance of Directors at the Audit Committee Meetings held during the year 2009-2010 is given below:

Name of the Director	Category of Membership	Attendance Particulars	
		Meetings Held	Meetings Attended
Shri.P.Siva	Chairman	4	4
Dr.D.M.Mohunta	Member	4	4
Shri. Anil Seth	Member	4	4

B. Remuneration Committee:

The Remuneration Committee comprises of three Non-Executive Directors viz.:

1. Dr. D.M. Mohunta, Chairman of the Committee
2. Shri. P. Siva, Member
3. Shri. Anil Seth, Member

Terms of reference:

The terms of reference of the Remuneration Committee are as per the guidelines set out in the Listing Agreement with the Stock Exchanges that include determination of the Company's policy on specific remuneration packages for Directors.

No Meeting of the remuneration committee was held during the year.

Remuneration Policy:

The remuneration of the Executive Directors is recommended by the Remuneration Committee, based on criteria such as industry benchmarks, the Company's performance vis-à-vis the industry and responsibilities shouldered. The Company pays remuneration by way of salary and perquisites to its Executive Directors.

The Non-Executive Directors are not paid any remuneration except sitting fees. Further the company has not entered into any pecuniary relationship or transactions with the Non-executive directors.

The details of the remuneration paid/payable to the Directors during the Financial Year 2009-2010, shareholding and relationship with Directors are as under:

Name of the Director	Salary & Perquisites (Rs.)	Sitting Fees (Rs.)	No. of shares held as on 31.3.2010	Relationship with Directors
Shri.G.N.Saraf	12,36,876	-	2,18,142	Husband of Smt.Veena Devi Saraf and Father of Shri.R.K.Saraf
Shri.R.K.Saraf	11,35,306	-	2,31,024	Son of Shri.G.N.Saraf and Smt.Veena Devi Saraf
Dr.D.M.Mohunta	-	4,000	750	-
Smt.Veena Devi Saraf	-	4,000	1,57,040	Wife of Shri.G.N.Saraf and Mother of Shri.R.K.Saraf
Shri.P.Siva	-	4,000	600	-
Shri.Anil Seth	-	4,000	4,400	-

Details as required under Schedule XIII, Part II of the Companies Act, 1956

Information about Shri G.N. Saraf (the appointee)

Details of fixed component and performance linked incentives along with performance criteria : NIL

Service Contracts, notice period, severance fees : NIL

Details of stock options : NIL

C. Shareholders/Investors Grievance and Share Transfer Committee:

Composition:-

The Shareholders / Investors Grievance and Share Transfer Committee comprises of:

1. Smt. Veena Devi, Chairperson of the Committee
2. Shri. G. N. Saraf, Member
3. Shri. P. Siva, Member

The terms of reference of this committee are as under:-

The shareholders/investor grievance and share transfer committee specifically looks into redressing of shareholder's and investor's complaints such as transfer of shares, non-receipt of shares, non-receipt of declared dividend, non-receipt of annual report and to ensure expeditious share transfers.

Meeting and Attendance of the committee:-

The Committee oversees the performance of share transfer and recommends measures to improve the shareholders/investors service. The said Committee met 16 times during the year 2009-2010.

Compliance Officer : Shri. T.S. Rangamani

Shareholders complaints received and replied in 2009-2010.

During the Financial Year 2009-2010, 5 complaints were received from shareholders and were replied/redressed to the satisfaction of the investors. There are no complaints pending as on date of this report. There were no share transfers pending registration as at 31st March 2010.

In case of any investor complaint, shareholders are requested to address the same to grievanceredressal@nolgroup.com

4. General Body Meetings:

The particulars of Annual General Meetings held during the last three years are as under:

Year	Date and Time	Venue
2006-2007	21 st September 2007 at 9.30 a.m.	Hotel Kanchi, 28, Commander-in-chief Road, Egmore, Chennai – 600 105
2007-2008	19 th September 2008 at 9.30 a.m	Hotel Kanchi, 28, Commander-in-chief Road, Egmore, Chennai – 600 105
2008-2009	18 th September 2009 at 9.30 a.m	Hotel Kanchi, 28, Commander-in-chief Road, Egmore, Chennai – 600 105

I) Special Resolution Passed in the Past three AGM's:-

2008-2009:-

No special resolutions were passed in this Annual General Meeting.

2007-2008:-

No special resolutions were passed in this Annual General Meeting.

2006-2007:-

➤ Special resolution for delisting the securities of the company from Madras Stock Exchange.

II) Postal Ballots:

No resolutions were passed through Postal Ballot during the financial year under review.

5. Disclosures:

- a. Related Party Transactions: The Company has not entered into any transactions of a material nature with the Promoters, the Directors or the Management, their subsidiaries or relatives, etc, that may have potential conflict with the interests of the Company. The necessary disclosures regarding the transactions are given in the Notes to the Accounts.
- b. There are no instances of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to Capital Markets during the last three years.
- c. Disclosure on accounting treatment: No differential treatment from the Accounting Standards was followed in the preparation of the financial statements.
- d. The company does not have a Whistle Blower Policy and no employee has been denied access to approach the Audit Committee to report any serious concerns.
- e. The company has complied with all the mandatory requirements of Clause 49 of the listing agreement and the extent of compliance of the non-mandatory requirements is given in the end of this Report.
- f. No money has been raised through Public / Right / Preferential issue during the year.

6. Means of Communication:

The quarterly financial results are usually published in the Financial Express (English) and Malai Murasu (Tamil)

7. Management Discussion and Analysis Report:

Management Discussion and Analysis Report forms a part of the Directors Report. (Given in Annexure C)

8. General Shareholders Information:

- (i) Date of Annual General Meeting : 17th September 2010
 Time : 9.30 a.m.
 Venue : Hotel Kanchi,
 28, Commander-in-chief Road,
 Egmore, Chennai - 600 105

(ii) Financial Calendar

Results for the quarter ending June 30, 2010	Last week of July 2010
Results for the quarter ending September 30, 2010	Last week of October 2010
Results for the quarter ending December 31, 2010	Last week of January 2011
Results for the quarter ending March 31, 2011	Audited Results before last week of May 2011
Annual General Meeting	By 3 rd /4 th week of September 2011

- (iii) Book-Closure Dates : Thursday, 9th September 2010 to Friday, 17th September 2010
- (iv) Dividend Payment Date : Commencing 18th September 2010 - to be completed within the mandatory time limit.
- (v) Listing on the Stock Exchanges : The Equity shares of the Company are listed in the Bombay Stock Exchange and Madras Stock Exchange. The Company confirms that it has paid annual listing fees to the Stock Exchanges for the year 2010-2011.
- The share of the company are also traded in National Stock Exchange w.e.f. 30.6.2010 through MOU between Madras Stock Exchange and National Stock Exchange.
- (vi) Stock Code : Bombay Stock Exchange 507813
 Madras Stock Exchange - NATOXYGEN
 National Stock Exchange - NOL

(vii) Stock Market Data

Bombay Stock Exchange: High and Low quotations of the Company's shares during the period 1st April 2009 to 31st March 2010:

Month	Share Prices (Rs.)	
	High	Low
April 2009	33.05	25.80
May 2009	38.75	26.35
June 2009	41.00	32.80
July 2009	39.00	30.10
August 2009	38.35	31.00
September 2009	40.00	33.50
October 2009	40.00	33.20
November 2009	38.25	33.15
December 2009	44.25	35.65
January 2010	50.00	37.00
February 2010	40.40	32.20
March 2010	40.00	32.50

- (viii) Registrar and Share Transfer Agents : M/s.Cameo Corporate Services Limited.
"Subramanian Buildings"
1, Club House Road, Chennai-600 002
- (ix) Share Transfer System: Presently the share transfer documents which are received by the Company are processed, approved and kept ready for despatch within 15 days from the date of the receipt.
- (x) Distribution of Shareholding as on 31.3.2010:

Share or Debenture holding (Rs.)	No. of shareholders	% to total	Share/ Debenture Amount (Rs.)	% to total
10 – 5000	4393	91.8845	7805150	25.0441
5001-10000	241	5.0407	1839907	5.9038
10001-20000	73	1.5268	1079600	3.4640
20001-30000	27	0.5647	664890	2.13364
30001-40000	8	0.1673	270520	0.8680
40001-50000	9	0.1882	417750	1.3404
50001-100000	2	0.0418	151780	0.4870
100001 & above	28	0.5856	18935840	60.7589
Total	4781	100.000	31165500	100.000

(xi) Shareholding Pattern as on 31.3.2010:

Category	No. of Shares Held	Percentage of Share holding
A. PROMOTER HOLDING		
1. Promoters		
Indian Promoters	11,43,234	36.683%
Foreign Promoters	NIL	
2. Persons acting in concert	NIL	
Sub-Total	11,43,234	36.683%
B. Non-Promoters Holding		
3. Institutional Investors	NIL	NIL
a. Mutual Funds and UTI	NIL	NIL
b. Banks, financial Institutions, Insurance Companies (central/state Govt. Institutions Non-government Institutions)	NIL	NIL
c. FIIs	NIL	NIL
Sub-Total	NIL	NIL
4. a. Private Corporate Bodies	6,91,461	22.19%
b. Indian Public	12,42,732	39.87%
c. Clearing Member	4	0.0000
d. Hindu Undivided Family	23697	0.76%
e. NRI	12072	0.39%
f. Independent Directors	3,350	0.107%
Sub-Total	19,73,316	63.317%
Grand Total	31,16,550	100.000%

(xii) **Dematerialisation of shares:** The equity shares of the company have been admitted for dematerialization with NSDL and CDSL. The ISIN No. of the Company is INE296D01010. 35.34% of the Company's paid up Equity share capital has been dematerialised upto March 31, 2010.

(xiii) Plant locations of the Company:

I. Industrial Gases :

Factories:

1. Trichy-Pudukottai Road
Mathur-622515.
Tamil Nadu

2. Pandy-Villupuram Road,
Thiruvandarkoil,
Pondicherry 605 102.

II. Windmill :

Location : Brahmanvel, Dhule District, Maharashtra - 424001

(xiv) Address for Correspondence:

Regd. and Administrative Office:
National Oxygen Limited
80, (Old No.141) Greams Road, Chennai - 600 006.
Phone: 044-28290707 (4 LINES) Fax: (044) 28290770
Email: contact@nolgroup.com
Website : www.nolgroup.com

(xv) E-Mail ID of Investor Grievance redressal cell : [grievanceredressal @nolgroup.com](mailto:grievanceredressal@nolgroup.com)

9. Non-Mandatory Requirements:

- a. Chairman of the Board: The company maintains the office of the Executive Chairman at its Registered Office and also reimburses the expenses incurred in performance of duties.
- b. The Board has duly constituted a Remuneration Committee under the Chairmanship of Dr. D. M. Mohunta, which determines the remuneration package for Executive Directors.
- c. Shareholder Rights: The quarterly financial results are usually published in the Financial Express (English) and Malai Murasu (Tamil).
- d. Audit qualifications: The company has unqualified financial statements except the remarks made by the Auditor in point No III of the Auditors Report.
- e. Training of Board members: Periodical meetings are held with skilled consultancy agencies for the Board members to appraise them in recent developments and existing laws and practices.
- f. Mechanism of evaluating Non-executive directors: Same as above.
- g. Whistle Blower Policy: As mentioned earlier, the Company does not have a Whistle Blower policy.

DECLARATION

I, G.N.Saraf, Chairman & Managing Director of the company, hereby declare that the Board of Directors has laid down a code of conduct for its Board members and senior Management of the company and Board members have affirmed compliance with the said code of conduct. The code of conduct is posted on the website of our company at www.nolgroup.com.

Place: Chennai

Date: 30.07.2010

for National Oxygen Limited,

G.N.SARAF
Chairman & Managing Director

CERTIFICATE ON COMPLIANCE WITH CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To the Members of
M/s. NATIONAL OXYGEN LIMITED

We have examined the compliance of conditions of Corporate Governance by M/s. NATIONAL OXYGEN LIMITED for the year ended 31st March, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The objective of our examination is to give our opinion on whether the company has complied with the conditions of Corporate Governance as stipulated in the provisions of Clause 49 of the Listing Agreement entered into by the company with the listed Stock Exchanges of India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementations 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 an opinion on the financial statements of the Company.

On the basis of review and according to the information and explanation given to us and representation made to us by the Management, we state that to the best of our knowledge and belief the Company has complied in all material respects with the conditions of corporate governance stipulated in Clause 49 of the above-mentioned listing agreement.

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.

Place: Chennai
Date: 30.07.2010

for M/s. Lakshmmi Subramanian & Associates
Practising Company Secretaries

Lakshmmi Subramanian
Senior Partner
C.P.No. 1087

ANNEXURE C TO DIRECTORS REPORT --- MANAGEMENT DISCUSSION AND ANALYSIS REPORT**Industry Structure and Developments:**

Being an ISO 9001-2008 company having quality policy based on international standards, the company has maintained its quality and that has helped to sustain in the competitive market inspite of severe recession affecting our customers. By the wide range of usage of the Products of the Company by various segment of industries, the company could retain its customers and manage efficiently in both Gases and Windmill sectors.

Opportunities:

With the new plant in operation, the company expects considerable increase in production to match with the continual increase in demand.

Regarding Windmill, the opportunities for capacity addition continues to be bright.

Threats:

We continue to face power interruption in an un-scheduled manner from the Electricity Department, Puducherry which is the main raw-material for production of Industrial Gases. However, due to company's representation to the Government as well as by other industries, the company expects the electricity position to improve over a period of time. Also we continue to face severe competition from MNC companies. Though it does not affect our production we have to settle for lower prices to be in the market for a longer period of time.

Segmentwise of Productwise Performance:

The Performance of the products manufactured by the company namely Industrial Gases are satisfactory and the only problem faced by the company is power interruption and power failures which are beyond our control. The over all working and performance of the Windmill is satisfactory.

Outlook:

With the commissioning and operation of the new plant, the company expects to increase the production and sales and reduce its power costs

Risks and Concerns:

Our main concern is, continuous competition from MNCs by reducing the price in the market, due to which the company has to reduce the price to retain its share in the market. Regarding the Windmill Power generation, it depends on the seasonal wind and accordingly Power is generated as and when the wind is good.

Internal Control Systems and their Adequacy:

The company maintains its adequate internal controls to have efficient operations. Compliance with internal Policies, applicable laws and regulations, Protection of resources and assets.

Discussions on financial performance with respect to operation Performance:

The company has reported a total income from operations at Rs. 1179.45 lakhs. With the new Air Separation Plant commissioned during the fag end of the last quarter of 2010, the company expects the results to improve due to more technical parameters of the plant imported.

Material developments in human resources / Industrial relations front:

Being an ISO Company, training on all sectors are given to its employees periodically and motivated to work in line with the development of the industry. The willingness and commitment of the employees help the company to stand tall among its customer in quality and service. The Company has the total employee strength of 80.

AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL OXYGEN LIMITED

- I We have audited the attached Balance Sheet of NATIONAL OXYGEN LIMITED as at 31st March 2010, and the Profit & Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto, which are the revised statements of the original Balance Sheet, Profit & Loss Account and Cash Flow Statement covered by our Audit report dated 28th May 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- II We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- III We have considered the earlier Audit report dated 28th May 2010 on the original accounts and have examined the changes made therein which is as under :
- Reference is invited to Note No. 2 of Schedule 12, wherein the Board of Directors have recommended a Dividend of 10% for the F.Y. 2009-10 which has been incorporated in the revised accounts together with the Dividend tax thereon amounting to Rs. 36.34 Lacs.*
- IV. As required by the Companies (Auditor's Report) Order 2003 (as amended) issued by the Central Government 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 paragraph 4 & 5 of the said order.
- V. Further to our comments in the Annexure referred to in paragraph IV above, and subject to our comments in paragraph III above, we report that:
- 1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - 2 In our opinion, the company has kept proper books of Accounts as required by law so far as appears from our examination of those books;
 - 3 The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by the report are in agreement with the books of account;
 - 4 In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
 - 5 On the basis of the written representations received from the directors as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act' 1956.
 - 6 In our opinion, and to the best of our information and according to the explanations given to us, the said Accounts, read together with the 'NOTES' thereon, 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 :
 - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010.
 - ii) In the case of the Profit & Loss Account of the Loss of the Company for the year ended on that date and
 - iii) In the case of the Cash Flow Statement of the Cash flows of the Company for the year ended on that date.

Place : Chennai,
Date : 30.07.2010.

For SINGHI & CO.,
Chartered Accountants
(SUDESH CHORARIA)
Partner
Membership No. 204936
FRNo.302049E

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in our Report of even date on the Revised Accounts of
NATIONAL OXYGEN LIMITED as at and for the year ended 31st March 2010)

- i) a) The Company has maintained proper records to show full particulars including quantitative details and situation of its Fixed Assets.
- b) The Fixed Assets of the Company have been physically verified by the management, wherever possible, at the close of the year as confirmed by the management. As informed to us, no material discrepancy has come to notice on such physical verification.
- c) The Company has not disposed off any substantial part of fixed assets during the year.
- ii) a) The management has conducted Physical verification of Inventories at all its locations at reasonable intervals during the year ;
- b) The procedures of physical verification of stock followed by the Management are, in our opinion, reasonable and adequate in relation to the size of the Company and nature of its business ;
- c) The company is maintaining proper records of inventory. As far as we can ascertain and according to the information and the explanations given to us, the discrepancies noticed between the physical stocks and book stocks were not material and the same have been properly dealt with in the books of account.
- iii) a) As per the information & explanations provided to us, the company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- b) As per the information & explanations provided to us, the company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
- iv) On the basis of checks carried out during the course of audit and as per explanations given to us, in our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of Inventory and Fixed Assets and for the sale of goods and services. During the course of our Audit, no major weakness has been noticed in the internal controls in these respects.
- v) a) As per the information & explanations given to us, particulars of transactions that have been undertaken during the year in pursuance of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956, have been so entered.
- b) In our opinion, and according to the information and explanations given to us, and as confirmed by the Company, all the transactions with each of such parties during the financial year have been entered into at prices which are reasonable having regard to the prevailing market prices at the relevant time;
- vi) The company has not accepted any deposits from the public during the year, to which the provisions of Section 58-A, 58-AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under apply;
- vii) The company has no separate Internal Audit System. However, in our opinion, the existing Internal control procedures are commensurate with the size and nature of its business;
- viii) The Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies' Act 1956 for any of the products of the company.
- ix) a) The company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service tax, Custom Duty, Excise Duty, cess and other material statutory dues with the appropriate authorities;

ANNEXURE TO THE AUDITOR'S REPORT (Contd.)

- ix) b) According to the information and explanations given to us and the books and records examined by us, there was no undisputed amount outstanding as on 31st March' 2010 in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service tax, Custom Duty, Excise Duty, cess and other statutory dues for a period of more than six months from the date they became payable;
- c) According to the records of the company and as per the information and explanations provided to us, the dues outstanding (net of Advances) in respect of Sales Tax, Income tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty, Cess etc., on account of any dispute, are given below :

Name of the Statute	Nature of Dues	Amount (Rs. in Lacs)	Period to which the amount relates	Forum where dispute pending
Central Excise Act, 1944	Excise duty demanded on the facility charges being charged	1.06	Sept'2000 to Aug'2001	CESTAT, Southern Bench
Central Excise Act, 1944	Excise duty demanded on the Freight charges being charged	42.47	July'2000 to Aug'2001	CESTAT, Southern Bench
Central Excise Act, 1944	Departmental appeal against the partial favourable order passed by Commissioner (Appeals) for Excise duty demanded on the rental / facility charges being charged	4.91	Sept'2000 to Aug'2001	CESTAT, Southern Bench
Central Excise Act, 1944	Departmental appeal against the favourable order passed by Commissioner (Appeals) for Excise duty demanded on the rental / facility charges being charged	13.11	Aug'2002 to June'2004	CESTAT, Southern Bench
Central Excise Act, 1944	Cenvat credit availed on Cryogenic Tank being disputed	6.48	Mar'2005 to Nov'2005	CESTAT, Southern Bench
Central Excise Act, 1944	Departmental appeal against the favourable order passed by CESTAT in respect of 8% duty demanded on supply to ISRO under Nil rate of duty while availing Cenvat Credit	5.71	2000-01	Madras High Court
Central Excise Act, 1944	Excise duty demanded on the Cylinder Repair charges being charged	0.20	Sept'2006 to Mar'2007	CESTAT, Southern Bench
Central Excise Act, 1944	Excise duty demanded on the Cylinder Holding / facility charges being charged	1.67	May'2006 to Aug'2006	Commissioner (Appeals)
Central Excise Act, 1944	Excise duty demanded on the Cylinder Repair charges being charged	4.09	2002-03 to 2004-05	CESTAT, Southern Bench

ANNEXURE TO THE AUDITOR'S REPORT (Contd.)

Central Excise Act, 1944	Excise duty demanded on the Cylinder Repair charges being charged	0.81	Nov'2005 to Aug'2006	CESTAT, Southern Bench
Service Tax	Service Tax demanded on the Lease charge income received	11.32	2002-03 & 2003-04	CESTAT, Southern Bench
Service Tax	Service Tax demanded on the Lease charge income received	6.95	2004-05 & 2005-06	Commissioner (Appeals)
Customs Act, 1961	Differential Customs Duty on Import of Second hand Plant (including Interest & Penalty)	88.23	1994-95	CESTAT, Southern Bench
Employees State Insurance Act	ESI being demanded for the period 1984 to 1989	0.72	1983-84 to 1988-89	Principal Labour Court

- x) The Company has no accumulated losses and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- xi) Based on our audit procedures, and as per the information and explanations given to us by the management, the company has not defaulted in repayment of dues to financial institutions and banks;
- xii) According to the information and explanations given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities;
- xiii) The provisions of any special statute applicable to chit fund, nidhi or mutual benefit fund / societies are not applicable to the company;
- xiv) In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments, and hence, the requirements of Para 4 (xiv) of the above Order are not applicable to the company;
- xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions;
- xvi) The term loan raised during the year as well as the existing term loan has been utilized for the purpose for which it was availed;
- xvii) According to the information and explanations given to us, in our opinion, short term funds have not been used for long term purposes.
- xviii) During the year, the company has not made any preferential allotment of shares.
- xix) The company does not have any outstanding debentures during the year.
- xx) The company has not raised any money by way of public issue during the year;
- xxi) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given to us by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

Place : Chennai,
Date : 30.07.2010.

For SINGHI & CO.,
Chartered Accountants
(SUDESH CHORARIA)
Partner
Membership No. 204936
FR No. 302049E

BALANCE SHEET AS AT 31ST MARCH 2010

	Schedule	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
SOURCES OF FUNDS			
Share Capital	1	3,11,65,500	3,11,65,500
Reserves & Surplus	2	10,53,87,592	11,03,60,135
		<u>13,65,53,092</u>	<u>14,15,25,635</u>
Loan Funds:			
Loans	3	14,42,56,908	59,74,355
Trade Deposits		1,07,40,371	1,10,70,348
Net Deferred Tax Liabilities (Refer Note No.8 of Schedule 12 of Notes)		3,91,56,000	3,90,39,000
TOTAL		<u>33,07,06,371</u>	<u>19,76,09,338</u>
APPLICATION OF FUNDS			
Fixed Assets:	4		
(a) Gross Block		48,14,09,654	29,38,68,956
(b) Less Depreciation		<u>17,18,04,364</u>	<u>15,19,62,186</u>
(c) Net Block		30,96,05,290	14,19,06,770
(d) Capital Work in Progress		2,01,575	31,96,210
		<u>30,98,06,865</u>	<u>14,51,02,980</u>
Investments	5	95,500	98,62,309
Current Assets, Loans & Advances : Interest Accrued but not due on Investments & Deposits		8,99,990	14,96,128
Inventories	6	37,66,630	69,82,981
Sundry Debtors	7	1,35,82,157	1,77,62,057
Cash & Bank Balances	8	65,14,572	3,10,75,947
Loans & Advances	9	4,02,57,644	1,57,98,175
		<u>6,50,20,993</u>	<u>7,31,15,288</u>
Less:			
Current Liabilities & Provisions:			
Current Liabilities	10	2,33,59,823	1,01,15,310
Provisions	11	2,08,57,164	2,03,55,930
		<u>4,42,16,987</u>	<u>3,04,71,240</u>
Net Current Assets		<u>2,08,04,006</u>	<u>4,26,44,049</u>
TOTAL		<u>33,07,06,371</u>	<u>19,76,09,338</u>
NOTES	12		

Schedules 1 to 12 referred to above form an integral part of the Balance Sheet.

As per our Report annexed,

For SINGHI & CO.,
Chartered Accountants

(SUDESH CHORARIA)
Partner
Membership No.204936
FR No.302049E

1, Philips Street, Chennai - 600 001.
30.07.2010

G.N.SARAF
Chairman & Managing Director

RAJESH KUMAR SARAF
Joint Managing Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

	Schedule	For the year ended	
		31.03.2010	31.03.2009
		Rs.	Rs.
INCOME			
Gross Sales		11,41,84,863	11,46,59,057
Less: Excise Duty		77,28,413	1,16,46,069
Net Sales		10,64,56,450	10,30,12,988
Sale of Wind Energy		1,14,88,332	98,15,575
		11,79,44,782	11,28,28,563
Facility Charges/ Cylinder holding charges etc		12,18,139	13,18,219
Hire charges on Tankers etc.		3,00,000	3,00,000
Other Sources	1	55,87,260	17,53,590
TOTAL (A)		12,50,50,181	11,62,00,371
EXPENDITURE			
(Increase)/Decrease in stocks	2	8,79,537	(7,14,655)
Raw Materials consumed	3	1,68,14,121	1,43,58,275
Manufacturing, Administrative & Selling Expenses	4	8,78,81,680	7,27,15,913
Interest (Net)	5	5,51,201	(7,89,196)
TOTAL (B)		10,61,26,539	8,55,70,337
Balance (A-B) Profit before Depreciation & Taxation		1,89,23,642	3,06,30,034
Depreciation		2,01,45,015	1,96,66,004
Profit /(Loss) before Taxation		(12,21,373)	1,09,64,030
Provision for Income Tax		-	55,00,000
Provision for Fringe Benefit Tax		-	2,18,036
Provision for /(Release of) Deferred Tax		1,17,000	(49,21,000)
Net Profit/(Loss) for the year		(13,38,373)	1,01,66,994
Balance brought forward from earlier year		4,09,61,837	3,94,41,050
		3,96,23,464	4,96,08,044
Appropriated as under:			
Transferred to General Reserve		50,00,000	50,00,000
Proposed Dividend (Refer Note No.2 of Schedule 12)		31,16,550	31,16,550
Dividend Tax paid		5,17,620	5,29,658
Balance carried to Balance Sheet		3,09,89,294	4,09,61,837
		3,96,23,464	4,96,08,044
NOTES	12		
Basic & Diluted Earnings per share		(0.43)	3.26

Schedules 1 to 5 and Schedule 12 referred to above form an integral part of the Profit and Loss Account

As per our Report annexed,

For SINGHI & CO.,
Chartered Accountants

(SUDESH CHORARIA)
Partner
Membership No.204936
FR No.302049E

1, Philips Street, Chennai - 600 001.
30.07.2010

G.N.SARAF
Chairman & Managing Director

RAJESH KUMAR SARAF
Joint Managing Director

SCHEDULES TO BALANCE SHEET

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
1. SHARE CAPITAL		
Authorised		
50,00,000 Equity Shares of Rs.10/- each	5,00,00,000	5,00,00,000
Issued & Subscribed		
31,16,550 Equity Shares of Rs.10/- each fully paid up	3,11,65,500	3,11,65,500
Called and Paid up		
* 31,16,550 Equity Shares of Rs.10/- each fully paid up	3,11,65,500	3,11,65,500
* Includes 1,60,000 Equity shares allotted as fully paid up Bonus shares by capitalisation of General Reserve of Rs.16,00,000/-		
	3,11,65,500	3,11,65,500
2. RESERVES & SURPLUS		
Capital Reserve:		
Central outright subsidy As per Last Balance Sheet	40,00,000	40,00,000
Share Premium Account As per Last Balance Sheet	1,04,10,050	1,04,10,050
	1,44,10,050	1,44,10,050
General Reserve:		
As per Last Balance Sheet	5,49,88,248	4,99,88,248
Add: Transferred during the year	50,00,000	50,00,000
	5,99,88,248	5,49,88,248
Profit and Loss Account (As per account annexed)	3,09,89,294	4,09,61,837
	10,53,87,592	11,03,60,135

SCHEDULES TO BALANCE SHEET (Contd...)

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
3. LOANS :		
SECURED :		
i) Term Loans :		
From a Bank	13,94,50,994	59,74,355
a) Term Loan of Rs.1344.50 Lacs is secured by Equitable Mortgage of Land & Building and hypothecation of the assets acquired for the new Project and further secured by way of first charge on the block of other assets of the company, present and future, and guaranteed by the Managing and Joint Managing Director of the Company		
b) Term Loan of Rs. 50.01 Lacs is secured by way of hypothecation of the Windmill Assets installed in the state of Maharashtra		
ii) Cash Credit :		
From a Bank	26,74,664	-
(Secured by hypothecation of Finished Goods, Raw Materials, Work in Process, Stores & Spares and Book Debts of the Company and second charge on Fixed Assets of the Company and guaranteed by the Managing and Joint Managing Director of the Company)		
iii) Vehicle Loan		
(Secured by hypothecation of specific Vehicles)		
	21,31,250	-
	14,42,56,908	59,74,355

SCHEDULES TO BALANCE SHEET AS AT 31.03.2010 (Contd.)

4. FIXED ASSETS

Particulars of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 31.03.2009	Additions during the year	Sale / Adj. during the year	As at 31.03.2010	Upto 31.03.2009	For the year	On Sales / Adj. during the year	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land (Free hold)	2613022	-	-	2613022	-	-	-	-	2613022	2613022
Land (Lease hold)	3520000	88645	-	3608645	563200	143161	-	706361	2902284	2956800
Buildings	14681243	13439901	-	28121144	6377493	450722	-	6828215	21292929	8303750
Plant & Machinery & Electrical Installations	160349730	170713343	302837	330760236	106251772	8033023	302837	113981958	216778278	54097958
Wind Mill	98980000	-	-	98980000	33283259	10234532	-	43517791	55462209	65696741
Furniture & Fixtures, Office Equipments & Air conditioners	4042529	768928	-	4811457	2629689	250858	-	2880547	1930910	1412840
Motor Lorries, Cars, Vans etc.	9682432	2832717	-	12515149	2856773	1032720	-	3889492	8625657	6825659
Total	293868956	187843535	302837	481409654	151962186	20145015	302837	171804364	309605290	141906770
Capital Work in Progress									201575	3196210
	293868956	187843535	302837	481409654	151962186	20145015	302837	171804364	309806865	145102980
Previous Year	296450995	77988	2660027	293868956	134338395	19666004	2042213	151962186	145102980	

SCHEDULES TO BALANCE SHEET (Contd...)

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
5. INVESTMENTS (at cost)		
Long Term :		
Other Than Trade -		
A. In Government Securities :		
(i) National Savings Certificates (Deposited with Government Department)	5,000	5,000
(ii) Indira Vikas Patra	500	500
B. Unquoted:		
9000 Equity Shares of Rs.10/- each of Pondicherry Agro Foods Private Limited.	90,000	90,000
C. In Mutual Funds:		
Canbank Mutual Fund	-	16,810
Fidelity Equity Fund	-	15,00,000
Franklin India Flexicap Fund	-	10,00,000
HDFC Equity Fund	-	15,00,000
DSP Merrill Lynch Equity Fund	-	25,00,000
HDFC Prudence Fund	-	15,00,000
Reliance Growth Fund	-	7,50,000
Tata Infrastructure Fund	-	10,00,000
	95,500	98,62,310
6. INVENTORIES(As certified by the Management)		
Finished Products	3,42,214	13,14,751
Raw Materials	13,75,756	37,32,938
Stores & Spare Parts	20,48,660	19,35,292
	37,66,630	69,82,981
7. SUNDRY DEBTORS (Unsecured)		
More than six months	5,95,004	13,50,195
Other Debts	1,29,87,153	1,64,11,862
	1,35,82,157	1,77,62,057

SCHEDULES TO BALANCE SHEET (Contd...)

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
8. CASH & BANK BALANCES		
Cash on Hand (as certified)	1,31,997	1,51,560
Balances with Nationalised / Scheduled Banks :		
In Current Accounts	5,26,963	20,43,504
In Cash Credit Accounts	-	13,69,006
In Dividend Warrant Accounts	16,77,021	14,78,158
In Deposit Accounts (Under lien)	41,78,590	2,60,33,719
	65,14,572	3,10,75,947
9. LOANS & ADVANCES		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind To Staff and others	1,03,06,734	75,56,276
Prepaid Expenses	5,23,588	5,20,150
Advance Income-Tax & Tax Deducted at Source	69,34,597	62,66,037
Balances with Customs & Excise Department	1,81,12,565	1,99,893
Deposits with Government Departments and Others	43,80,161	12,55,819
	4,02,57,644	1,57,98,175
10. CURRENT LIABILITIES		
Sundry Creditors	2,16,80,849	86,35,199
<u>Investors Education and Protection Fund</u> Unpaid Dividend	16,78,974	14,80,111
	2,33,59,823	1,01,15,310
11. PROVISIONS		
For Gratuity	27,86,000	22,60,000
For Proposed Dividend (Including Dividend Tax)	36,34,170	36,46,208
For Taxation	1,44,36,994	1,44,49,722
	2,08,57,164	2,03,55,930

SCHEDULES TO PROFIT & LOSS ACCOUNT

	<u>For the year ended</u>	
	<u>31.03.2010</u>	<u>31.03.2009</u>
	<u>Rs.</u>	<u>Rs.</u>
1. OTHER SOURCES		
Dividend Income	99,068	9,91,235
Profit on sale of Investments	14,34,308	55,465
Miscellaneous Income & Receipts	1,09,913	34,950
Liabilities no longer required written back	57,440	34,946
Exchange rate differences (Net)	34,26,836	26,771
Profit on sale of fixed assets (Net)	4,59,696	6,10,222
	<u>55,87,260</u>	<u>17,53,590</u>
2. (INCREASE)/ DECREASE IN STOCKS		
Closing Stock	3,42,214	13,14,751
Less : Opening Stock	13,14,751	5,49,989
	<u>(9,72,537)</u>	<u>7,64,762</u>
Less :Difference of Excise Duty on Opening and Closing stock	(93,000)	50,107
	<u>(8,79,537)</u>	<u>7,14,655</u>
3. RAW MATERIALS CONSUMED		
Opening Stock	37,32,928	8,40,711
Purchases	1,68,53,199	1,86,10,502
	<u>2,05,86,127</u>	<u>1,94,51,213</u>
Less:		
Sales	23,96,250	13,60,000
Closing Stock	13,75,756	37,32,938
Balance Consumed	<u>1,68,14,121</u>	<u>1,43,58,275</u>
4. MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES		
A) Manufacturing Expenses:		
Stores & Spare parts consumed	38,74,029	46,76,759
Power & Fuel	5,47,57,416	4,18,49,260
Repairs & Maintenance :		
Buildings	6,27,576	8,32,545
Plant & Machinery	17,26,967	27,12,249
Other Assets	1,17,071	2,10,159
	<u>6,11,03,060</u>	<u>5,02,80,972</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT (Contd...)

	<u>For the year ended</u>	
	<u>31.03.2010</u>	<u>31.03.2009</u>
	<u>Rs.</u>	<u>Rs.</u>
B) Payments to and Provisions for Employees :		
Salary, Wages, Allowances, Bonus & Gratuity	1,08,13,813	96,64,715
Contribution to Provident & Other Funds	12,13,856	11,32,397
Workers & Staff Welfare Expenses	16,83,255	17,22,055
	<u>1,37,10,924</u>	<u>1,25,19,167</u>
C) Other Administrative & Selling Expenses :		
Rent (Net) (including Allowances)	3,28,200	3,66,300
Rates & Taxes	2,06,916	3,75,321
Postage Telegram & Telephones	6,62,462	6,82,187
Insurance	3,09,919	4,38,845
Travelling Expenses	6,82,896	7,92,983
Miscellaneous Expenses	33,74,352	28,25,860
Lease Charges	1,20,000	1,20,000
Directors' Remuneration	16,80,000	14,70,000
Directors' Sitting Fees	41,500	39,000
Auditors' Remuneration:		
Audit Fees	49,635	49,635
Tax Audit Fees	19,854	19,854
Certification	8,273	8,427
	77,762	77,916
Donation	10,00,000	20,00,000
Taxes & duties	34,109	9,098
Transportation Charges (Net)	43,68,768	1,87,035
Advertising & Selling Expenses	1,73,932	3,73,578
Bad Debts written off	6,880	1,57,652
	<u>1,30,67,697</u>	<u>99,15,774</u>
TOTAL(A+B+C)	<u>8,78,81,680</u>	<u>7,27,15,913</u>
5. INTEREST (NET)		
On Term Loan	11,09,289	7,92,017
To Bank and Others	2,10,363	12,155
	<u>13,19,652</u>	<u>8,04,172</u>
Less:		
Interest Income on Deposits etc. (Gross)	7,68,451	15,93,368
(Tax Deducted at Source Rs. 1,38,224/- Previous year Rs. 3,46,564/-)		
	<u>5,51,201</u>	<u>(7,89,196)</u>

SCHEDULE '12'**SCHEDULE TO BALANCE SHEET & PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2010.****1 SIGNIFICANT ACCOUNTING POLICIES :**

- A RECOGNITION OF INCOME & EXPENDITURE:** The company follows the Mercantile system of accounting and recognizes Income and Expenditure on accrual basis, except those with significant uncertainties.
- B FIXED ASSETS:**
- a) Fixed Assets are stated at cost net of cenvat & Value added tax, depreciation and impairment. Cost of acquisition includes duties, taxes, incidental expenses, erection / commissioning expenses and interest etc. upto the date the asset is ready for its intended use.
- b) The Carrying amount of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external/internal factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount which represents the greater of the net selling price and 'Value in use' of the assets. The estimated future cash flows considered for determining the value in use, are discounted to their present value at the weighted average cost of capital. Based on the review, the management concluded that there was no indication of any impairment as at the Balance Sheet date.
- C DEPRECIATION:**
- a) Depreciation is being provided on Straight Line Method as per the rates and the manner specified in Schedule XIV of the Companies Act, 1956. On Addition/Sales Depreciation is being provided on Pro-rata basis. Assets individually costing upto Rs.5000/- are fully charged off in the year of addition.
- b) Lease Hold Land is amortized over the lease period.
- c) In case of Impairment, if any, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.
- D INVESTMENTS:**
- a) Quoted / Unquoted Long Term Investments are stated at cost unless there is a decline, other than temporary, in the value thereof, which is duly provided for in the Accounts.
- b) Current quoted investments are stated at lower of cost or market value on individual investment basis.
- E INVENTORIES:**
- a) Finished Goods – At cost (Computed on Annual Weighted Average) or net realisable value which ever is lower
- b) Raw Materials/Stores & Spare Parts – At Cost (Computed on FIFO basis) or net realisable value which ever is lower
- F FOREIGN CURRENCY TRANSACTIONS:**
- Foreign currency transactions are recorded on the basis of exchange rate prevailing at the date of the transaction. Foreign currency monetary items are reported at the year end closing rates. Non monetary items which are carried at historical cost are reported using the exchange rate prevailing at the date of the transaction.
- The exchange rate differences arising on settlement / year end restatement of monetary items are recognized in the Profit & Loss Account in the period in which they arise.
- G EMPLOYEE BENEFITS:**
- Defined Benefits Plans: Gratuity liability is provided for based on actuarial valuation made at the end of each financial year using the projected unit credit method. Actuarial gain and losses are recognized immediately in the statement of Profit & Loss Account as income or expenses.

SCHEDULE '12' (Contd...)

Defined Contribution plans : Company's contribution to Provident Fund is charged to the Profit & Loss Account of the year when the contribution to the said fund is due. The Company has no obligations other than the contributions payable to the said Fund.

H SALES : Sales is net of discounts and rebate allowed to the customers.

I BORROWING COSTS :Borrowing costs relating to acquisition/construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

J TAXES ON INCOME :

a) Current Income Tax is provided as per the provisions of the Income tax Act 1961.

b) Deferred Tax arising on account of timing difference, being the difference between taxable income & accounting income that originate in one period and are capable of reversal in one or more subsequent periods, are recognised at the income tax rates enacted or substantively enacted as on the Balance Sheet date. Deferred Tax Asset is recognised and carried forward only to the extent that there is virtual certainty that the assets will be realised in subsequent periods.

K PROVISIONS:

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

L CONTINGENT LIABILITIES: Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of "Notes " to the accounts.

2 Revision of Financial Statements :

The Board of Directors, at its meeting held on 30th July 2010 have recommended a Dividend of 10% for the F.Y. 2009-10 which has been incorporated in these revised accounts together with the Dividend tax thereon . Except for this change, no other changes have been made to the Original Financial statements approved by the Board of Directors at its meeting held on 28th May 2010.

3 **Contingent Liabilities not provided for :**

- i) Outstanding Bank Guarantees - Rs. 1,23,66,709/- (Previous Year – Rs.34,62,101/-).
- ii) Demands raised by Central Excise, Customs ,Sales Tax & other Departments to the tune of Rs.1,90,46,901/- (Previous Year Rs.2,53,37,466/-) which are being contested by the company . Advance Paid Rs.2,72,250/- (Previous Year Rs.70,21,972/-)

4 **Particulars of Managerial Remuneration :**

	2009-10	2008-09
	Rs.	Rs.
Salary	16,80,000	14,70,000
Contribution to Provident Fund	2,01,600	1,76,400
Rent (Net)	3,12,000	3,33,000
Staff Welfare Expenses	90,588	58,018
Insurance (Personal Accident Insurance)	2,992	3,640
Value of perquisites as per Income Tax Act.1961	85,002	78,524
	23,72,182	21,19,582

SCHEDULE '12' (Contd...)**5 RELATED PARTY DISCLOSURES :**

Disclosure on Related Parties as required by AS-18 "Related Party Disclosures" are given below:

- a) Key Management Personnel of the Company :-
- i) Shri. G.N. Saraf - Managing Director
 - ii) Shri. Rajesh Kumar Saraf - Joint Managing Director
 - iii) Smt. Veenadevi Saraf
- b) Enterprises over which certain Key Management Personnel (K.M.P) exercise significant influence :-
- i) Pondicherry Agro Foods Pvt. Ltd.
 - ii) East Coast Acetylene Pvt. Ltd.
- c) Relatives of Key Management Personnel of the Company :-
The particulars given above have been identified on the basis of information available with the company.
- d) Particulars of transactions during the year :-

Nature of Transactions	Transactions with enterprises over which K.M.P exercise significant influence.		Transactions with Key Management Personnel & relatives of Key Management Personnel	
	2009-10	2008-09	2010-09	2008-09
Purchase of goods	62,039	45,48,311	-	-
Sale of goods	27,70,432	14,03,062	-	-
Rental Charges	1,20,000	1,20,000	-	-
Transportation Charges	6,46,831	4,62,227	-	-
Sales of Fixed Assets	-	4,50,036	-	3,00,000
Remuneration of Directors (See Note No.4)	-	-	23,72,182	21,19,582
Rent Paid	-	-	4,80,000	4,80,000
Closing Balances				
Sundry Creditors	73,317	11,278	-	-
Investment	90,000	90,000	-	-
Sundry Debtors	2,56,078	12,508	-	-

6. The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to Gratuity on terms not less favourable than the provisions of The Payment of Gratuity Act, 1972.

The following tables summarize the components of net benefit expenses recognized in the Profit & Loss Account and amounts recognized in the balance sheet.

	2009-10 (Rs. in Lacs)	2008-09 (Rs. in Lacs)
(i) Net Employee Expense /(benefit)		
Current service cost	1.35	1.46
Interest cost on benefit obligation	1.58	1.65
Expected return on plan assets	-	-
Net Actuarial (gain) /loss recognised in the year.	2.33	(2.74)
Total employer expense recognised in Profit and Loss Account	5.26	0.37

SCHEDULE '12' (Contd...)

	2009-10 (Rs.in Lacs)	2008-09 (Rs.in Lacs)
(ii) Actual return on plan assets	-	-
(iii) Benefit Asset/(Liability)		
Defined benefit obligation	27.86	22.60
Fair value of Plan Assets	-	-
Benefit Asset/(Liability)	(27.86)	(22.60)
(iv) Movement in benefit liability		
Opening defined benefit obligation	22.60	23.60
Interest cost	1.58	1.65
Current service cost	1.35	1.46
Benefits paid	(1.50)	(1.37)
Actuarial (gains)/losses on obligation	3.83	(2.74)
Closing benefit obligation	27.86	22.60
(v) Movement in fair value of plan assets		
Opening fair value of plan assets	-	-
Expected Return on plan assets	-	-
Contribution by employer	1.50	1.37
Actuarial (gains)/losses on obligation	-	-
Benefits paid	(1.50)	(1.37)
Closing fair value of plan assets	-	-
(vi) The principal actuarial assumptions are as follows		
Discount rate	7.00%	7.00%
Salary increase	4.00%	4.00%
(vii) Amount incurred as expense for defined contribution plans		
Contribution to Provident / Pension fund	8.40	7.78
(viii) Major categories of plan assets as a percentage of the fair value of total plan asset	Nil	Nil
(ix) The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.		

* The Management has relied on the overall actuarial valuation conducted by the actuary.

7 Earnings per share :

Earnings per share is calculated by dividing the profit attributable to the Equity shareholders by the weighted average number of Equity shares outstanding during the year. The basis adopted for calculation of the basic and diluted earnings per Equity share is as stated below:-

	(In Rupees)	
Particulars	2009-10	2008-09
Profit / (Loss) after taxation	(13,38,373)	1,01,66,994
Weighted average number of shares outstanding during the year (Nos)	31,16,550	31,16,550
Basic & diluted Earnings per share	(0.43)	3.26
Nominal Value per share	10	10

SCHEDULE '12' (Contd...)**8 Deferred Taxation :**

The deferred tax assets & liabilities comprise of tax effect of the following timing differences:-

Particulars	2009-10	2008-09
Deferred tax Assets:	Rs.	Rs.
i) Unabsorbed Losses	44,22,000	-
ii) Expenses allowable against taxable income in future year	10,83,000	9,04,000
	55,05,000	9,04,000
Deferred Tax Liability:		
i) Excess of Net block as per Accounts over the written down value as per the provisions of the Income Tax Act 1961	(4,46,61,000)	(3,99,43,000)
Net Deferred Tax Liability	(3,91,56,000)	(3,90,39,000)

9 Disclosure required by Accounting Standard (AS-29) " Provisions, Contingent Liabilities and Contingent Assets"

Particulars	Income Tax
Balance as at 1st April 2009	67.00
Additional Provisions created during the year	Nil
Provision used during the year	Nil
Provision reversed during the year	Nil
Balance as at 31st March 2010	67.00

10 The company has not been informed by any supplier of being covered under Micro, Small and Medium Enterprises Development Act, 2006. As a result, no interest provision/payments have been made by the Company to such creditors, if any, and no disclosures are made in these accounts.

11 Segment Reporting**a) Primary segment reporting (by Business Segment)**

1 Segment have been identified in line with the Accounting standard on Segment Reporting (AS-17), taking into account the organisational structure, risk-return profile of individual business and internal reporting system of the Company. Details of the businesses included in each of the segments are as under:

- Industrial Gases - Manufacture of Industrial Gases
- Windmill - Generation of Windmill Energy.

2 Information about Business Segments :

[Rs. in Lacs]

Particulars	Industrial Gases		Windmill		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
A Revenue						
Gross Revenue (External)	1079.75	1044.44	114.88	98.16	1194.63	1142.60
Gross Revenue (Internal)	-	-	-	-	-	-
Total Gross Revenue	1079.75	1044.44	114.88	98.16	1194.63	1142.60
B Results						
Segment Result (PBIT)	(23.14)	83.10	11.11	(5.59)	(12.04)	77.51
Unallocated Corporate Income net of expenses					5.33	24.24
Financial Expenses (net)					(5.51)	7.89
Profit Before Tax					(12.21)	109.64

SCHEDULE '12' (Contd...)

	For the Year		Previous Year	
	Qty. (in CUM)	Value Rs.	Qty. (in CUM)	Value Rs.
SALES (NET) (*)				
Oxygen	51,39,221	5,68,86,195	57,04,429	5,89,55,113
Dissolved Acetylene	52,595	9,571,304	52,169	91,72,979
Nitrogen	31,48,374	3,96,20,252	23,15,870	3,44,61,398
Others		3,78,700		4,23,499
		<u>10,64,56,450</u>		<u>10,30,12,988</u>
Windmill Energy (in Kwh)	26,86,762	1,14,88,332	25,90,646	98,15,575
(*) Includes normal shortage/excess				
CLOSING STOCK (NET)				
Oxygen	24,681	1,91,278	55,921	4,19,408
Dissolved Acetylene	706	98,876	1,163	1,55,145
Nitrogen	2,588	20,060	81,353	6,10,148
Others				5,050
		<u>3,10,214</u>		<u>11,89,751</u>
Add : Excise Duty		<u>32,000</u>		<u>1,25,000</u>
		<u>3,42,214</u>		<u>13,14,751</u>
b. Raw Materials Consumed				
Calcium Carbide (kgs.)	1,74,300	52,28,730	1,84,575	66,45,968
Liquid Oxygen (Cu.m)	4,29,575	37,17,916	8,28,713	56,45,503
Liquid Nitrogen (Cu.m)	8,62,716	78,67,476	2,63,102	20,66,804
Others				
		<u>1,68,14,121</u>		<u>1,43,58,275</u>
c. C.I.F. Value of Imports				
Capital Goods		13,17,15,011		-
Raw Materials		50,31,620		58,66,714
d. Consumption of Raw Materials, Stores & Spare parts:				
Raw Materials -				
Imported	31%	52,28,730	26%	37,07,429
Indigenous	69%	1,15,85,391	74%	1,06,50,846
Stores & Spare parts:				
Indigenous	100%	38,74,029	100%	46,76,759
Imported	-	-	-	-
e. Expenditure in Foreign Currency:				
Travelling Expenses		92,925		1,06,875
f. Earnings in Foreign Exchange		NIL		NIL

13. Previous year's figures have been regrouped /rearranged wherever found necessary.

**CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET & PROFIT & LOSS
ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

	2009-10		2008-09	
A. CASH FLOW FROM OPERATING ACTIVITIES	Rs.	Rs.	Rs.	Rs.
Net Profit / (Loss) before Tax	(1221373)		1,09,64,030	
<i>Adjustments for :</i>				
Depreciation	2,01,45,015		1,96,66,004	
Interest Paid	13,19,652		8,04,172	
(Profit) /Loss on Sale of Investments	(14,34,308)		-	
(Profit) /Loss on Sale of Fixed Assets	(4,59,696)		(6,10,222)	
Interest & Dividend Income	(8,67,519)		(25,84,603)	
Operating Profit before Working Capital Changes	<u>1,74,81,771</u>		<u>2,82,39,381</u>	
<i>Adjustments for:</i>				
Trade and Other Receivables	(1,90,14,872)		(75,13,683)	
Inventories	32,16,351		(31,48,396)	
Trade Payable and Provisions	1,37,70,513		1,70,692	
Cash Generated from Operations	<u>1,54,53,763</u>		<u>1,77,47,993</u>	
Interest Paid	(13,19,652)		(8,04,172)	
Direct Taxes Paid (Net)	(6,81,287)		(42,42,510)	
Net Cash from Operating Activities (A)		<u>1,34,52,825</u>		<u>1,27,01,312</u>
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(18,48,48,900)		(32,74,198)	
Sale of Fixed Assets	4,59,696		12,28,036	
Purchase of Investments	(3,80,00,000)		(3,29,00,000)	
Sale of Investments	4,92,01,117		4,30,94,424	
Interest, Dividend Income	8,67,519		25,84,603	
Net cash from Investing Activities (B)		<u>(17,23,20,568)</u>		<u>1,07,32,865</u>
C. CASH FLOW FROM FINANCING ACTIVITIES				
Call in Arrears Realised	-		-	
Proceeds from Long Term Borrowings	13,56,07,889		-	
Proceeds from Short Term Borrowings	26,74,664		-	
Repayment of Long Term Borrowings	-		(40,25,645)	
Repayment of Short Term Borrowings	-		-	
Proceeds / (Repayment) of Trade Deposits	(3,29,977)		(78,030)	
Dividend Paid	(36,46,208)		(72,92,415)	
Net Cash used in Financing Activities (C)		<u>13,43,06,368</u>		<u>(1,13,96,090)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		<u>(2,45,61,375)</u>		<u>1,20,38,087</u>
Cash and Cash Equivalents (opening Balance)		3,10,75,947		1,90,37,860
Cash and Cash Equivalents (closing Balance)		<u>65,14,572</u>		<u>3,10,75,947</u>
		<u>(2,45,61,375)</u>		<u>1,20,38,087</u>

As per our Report annexed,
For **SINGHI & CO.**,
Chartered Accountants

(SUDESH CHORARIA)

Partner

Membership No. 204936

FR No. 302049E

1, Philips Street, Chennai - 600 001.

30.07.2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I Registration Details**Registration No. State Code Balance Sheet Date

Date Month Year

II Capital Raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

III Position of Mobilisation and Deployment of Fund (Amount in Rs. (Thousands))**Total Liabilities****Total Assets****Sources of Funds**

Paid-up Capital

Reserve & Surplus

Secured Loans

Unsecured Loans

Other Liabilities

Net Deferred Tax Liabilities

Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

IV Performance of Company (Amount in Rs. Thousands)

Turnover & Service Income

Other Income

Total Expenditure

Profit (Loss) Before Tax

Profit (Loss) After Tax

(Please tick Appropriate box + for Profit, - for Loss)

Earning Per Share in Rs.

Dividend Rate %

V Generic Names of Principal Products/Services of Company as per monetary terms)

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

NATIONAL OXYGEN LIMITED

Regd. Office: 80 (Old No. 141) Greams Road, Chennai - 600 006.

PROXY FORM

I / We of being a Member(s) of National Oxygen Limited, hereby appoint of or failing him / her as my / our Proxy to vote for me / us on my / our behalf, at the Thirty Fifth Annual General Meeting of the Company to be held on Friday, the 17th September, 2010 at 9.30 a.m. at Hotel Kanchi, 28, Commander-in-chief Road, Egmore, Chennai - 600 105 and at any adjournment thereof.

Signed this day of 2010.

Address:

Signature.....

1.Re Revenue Stamp

.....

Membership Folio No.
DP. ID/CL.ID
No. of shares held :

- Note:**
1. The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting.
 2. Proxy need not be a member.

NATIONAL OXYGEN LIMITED

Regd. Office: 80 (Old No. 141) Greams Road, Chennai - 600 006.

ATTENDANCE SLIP

I hereby record my Presence at the Thirty Fourth Annual General Meeting of the Company being held at Hotel Kanchi, 28, Commander-in-chief Road, Egmore, Chennai - 600 105 on Friday, the 17th September, 2010 at 9.30 a.m.

Full Name of the Member attending / Proxy

Signature

Folio No./DP.ID/CL.ID
No. of Shares held.

NOTE:

Members attending the meeting in person are requested to complete the attendance slip and hand it over at the entrance of the meeting hall. No attendance slip will be issued at the time of Meeting.

NATIONAL OXYGEN LIMITED

Regd. Office: 80 (Old No. 141) Greams Road, Chennai - 600 006.

FORM FOR ECS MANDATE / BANK ACCOUNT DETAILS

To,
Cameo Corporate Services Limited
Unit : National Oxygen Limited
Subramanian Building
1, Club House Road,
Chennai - 600 002.

Dear Sir,

Re : Equity shares of National Oxygen Limited-option to receive dividend through Electronic Clearing Service (ECS) facility at Centres where it is available.

I/We hold Equity shares in National Oxygen Limited.

I/We request you to arrange for payment of my / our dividend through ECS facility and credit the same to my / our account as per details given below.

1. First / Sole Shareholder's Name	
2. (a) Registered Folio No. (If shares are not dematerialized)	
(b) DP ID No. Client ID No. (If shares are dematerialized)	
3. Particulars of Bank Account of first/sole member	
a. Bank Name	
b. Branch Name	
c. Address of the Branch with PIN Code	
d. Telephone Number and Fax Number	
e. 9 digit MICR Code number of the Bank and Branch as appearing on the MICR cheques issued by the Bank.	
f. Account type (Savings/Current/Cash Credit with code 10/11/13)	
g. Account Number as appearing on the Cheque Book.	

Please attach a cancelled blank cheque or photocopy of a cheque issued by your Bank for verification of the above details.

I/We hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I /We would not hold National Oxygen Limited responsible. I/We, understand that the Company also reserves the right to send the dividend payable to me / us by a physical dividend warrant on account of unforeseen circumstances beyond the control of the Company that may affect the payment of dividend through ECS.

Yours faithfully

Place:

Date:

(Name and signature of First / Sole Shareholder)

Certified that the particulars furnished above are correct as per our records.

Place:

Date:

Signature of the Branch Manager

Note:

- Please send the duly filled in mandate form to :
 - In depository Participant who is maintaining your demat account in case you hold shares in dematerialized form.
 - the Registrars & share Transfer agent - M/s. Cameo Corporate Services Ltd., "Subramanian Buildings, 1, Club House Road, Chennai - 600 002 in case you hold shares in physical form.
- Kindly fill in all columns and lend if before incomplete forms shall not be entertained.
- The ECS facility is available at present at certain specified cities only.

BOOK-POST

TO

If undelivered, please return to:
NATIONAL OXYGEN LIMITED
80 (Old No. 141), Greams Road,
Opp. Greams Road Post Office, Chennai - 600 006.