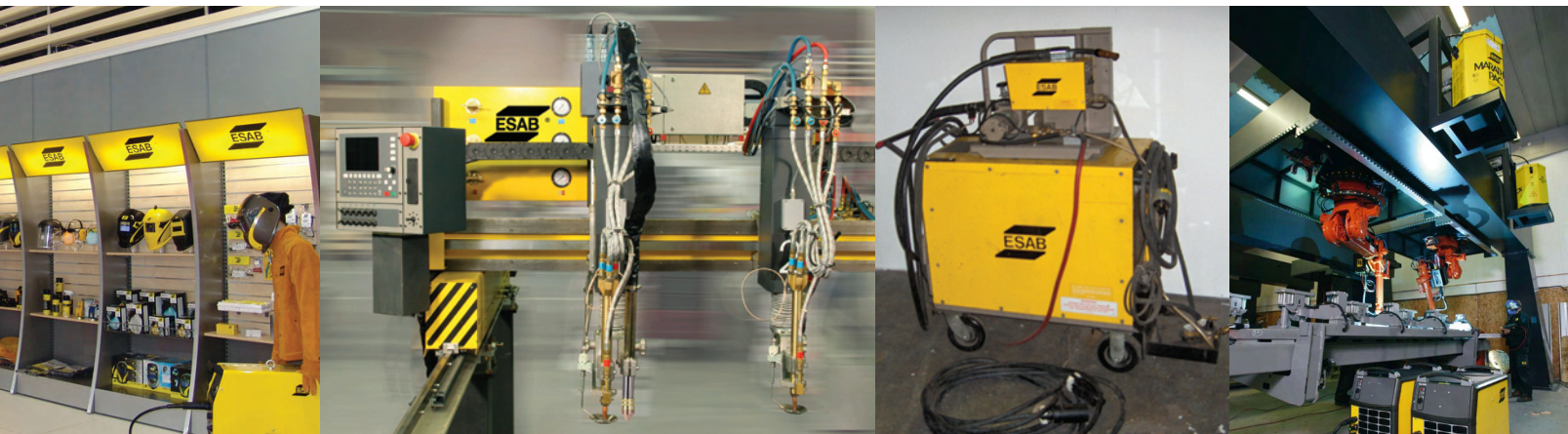




ESAB INDIA LIMITED



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Board of Directors

| | |
|--------------------|-------------------|
| M G Foster | Chairman |
| G Hariharan | Managing Director |
| N H Mirza | |
| P Mallick | |
| S N Talwar | |
| D J Egan | |

Chief Financial Officer**B Mohan****Company Secretary****S Venkatakrishnan****Registered Office**

Plot No.13, 3rd Main Road, Industrial Estate,
Ambattur, Chennai – 600 058.
Tel: 044-42281100
Fax:044-42281150
www.esabindia.com

Bankers

State Bank of India
Overseas Branch, Rajaji Salai,
Chennai – 600 001.

AXIS Bank Limited
Dr. Radhakrishnan Salai,
Mylapore, Chennai – 600 004.

Auditors

B S R & Co.
Chartered Accountants,
No.10, Mahatma Gandhi Road,
Nungambakkam,
Chennai - 600 034.
Tel : 044- 3914 5000
Fax : 044- 3914 5999

Registrar & Share Transfer Agents

Integrated Enterprises (India) Ltd.
2nd Floor, 'Kences Towers',
No. 1, Ramakrishna Street,
North Usman Road,
T.Nagar, Chennai – 600 017.
Tel : 044- 28140801 / 02 / 03
Fax : 044- 28142479 / 3378
E Mail : corpserv@iepindia.com

Highlights

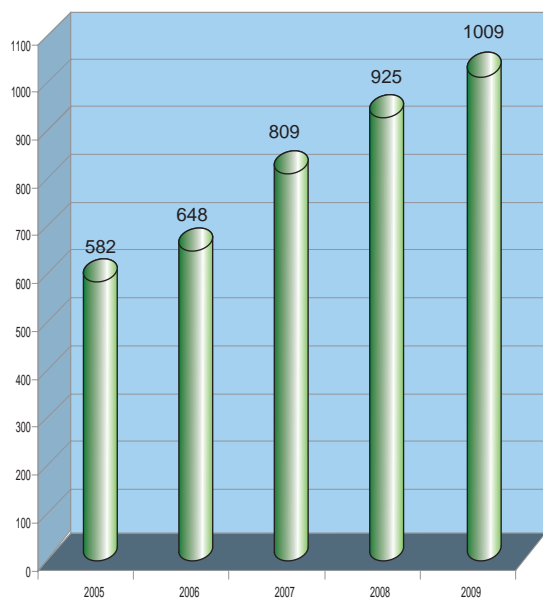
Rs. Million

| Operating Results | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|--------------|-------|-------|-------|-------|
| Sales and Other Income | 4,293 | 4,321 | 3,504 | 2,930 | 2,481 |
| Materials | 2,419 | 2,537 | 1,993 | 1,693 | 1,332 |
| Manufacturing, Selling and Administrative Expenses | 780 | 783 | 637 | 529 | 518 |
| Interest and Finance Charges | 8 | 9 | 9 | 13 | 5 |
| Depreciation | 77 | 67 | 56 | 47 | 44 |
| Profit before Tax | 1,009 | 925 | 809 | 648 | 582 |
| Taxation | (347) | (313) | (275) | (221) | (185) |
| Profit after Tax | 662 | 612 | 534 | 427 | 397 |
| Dividends | 360 | 279 | 277 | – | 456 |
| Retained Earnings | 302 | 333 | 257 | 427 | (59) |

| Financial Position | 2009 | 2008 | 2007 | 2006 | 2005 |
|------------------------------------|--------------|-------|-------|-------|-------|
| Sources of Funds | | | | | |
| Capital | 154 | 154 | 154 | 154 | 154 |
| Reserves | 1,518 | 1,216 | 884 | 614 | 187 |
| Net Worth | 1,672 | 1,370 | 1,038 | 768 | 341 |
| Borrowings | – | – | – | – | 113 |
| Deferred Tax Liability | 31 | 5 | 15 | 5 | 3 |
| Total | 1,703 | 1,375 | 1,053 | 773 | 457 |
| Application of Funds | | | | | |
| Fixed Assets | 959 | 799 | 674 | 560 | 412 |
| Investments | 25 | 120 | 167 | 77 | 2 |
| Current Assets | 1,293 | 1,098 | 779 | 662 | 935 |
| Current Liabilities and Provisions | (574) | (642) | (567) | (526) | (892) |
| Total | 1,703 | 1,375 | 1,053 | 773 | 457 |

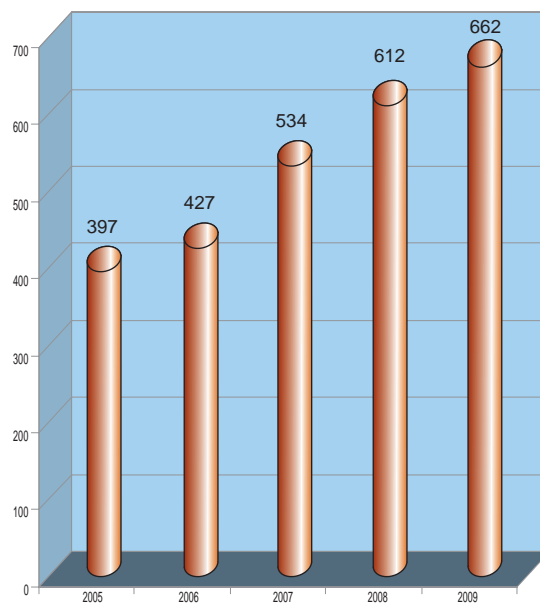
Profit Before Tax

Rs. Million

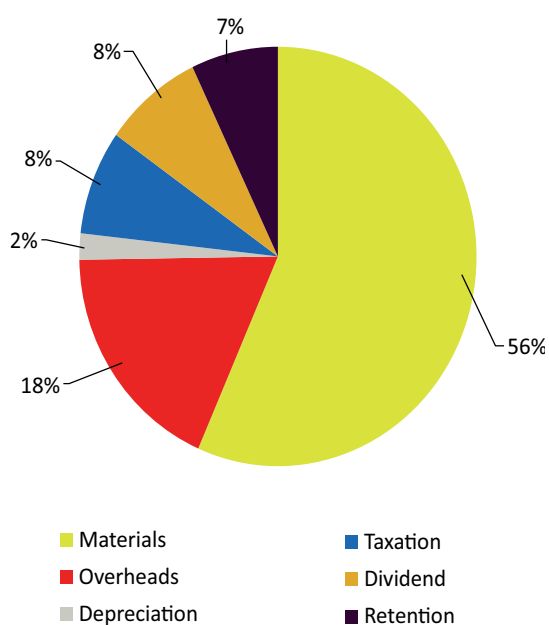


Profit After Tax

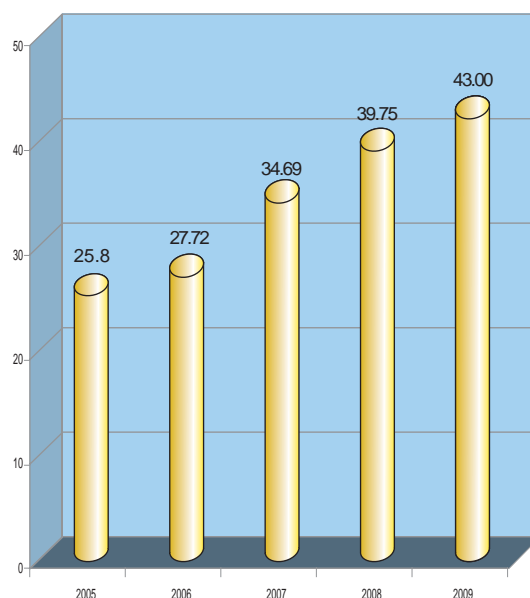
Rs. Million



Distribution of Revenue — 2009



Earnings Per Share



NOTICE is hereby given that the Twenty Third Annual General Meeting of the Members of the Company will be held at the P Obul Reddy Hall, Vani Mahal, 103, G.N. Road, T. Nagar, Chennai 600 017, on Thursday the 22 April 2010 at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at 31 December 2009 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr G Hariharan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr Nawshir H Mirza, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and in this regard to pass, with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT the retiring auditors M/s. B S R & Co., Chartered Accountants, Chennai, Registration Number 101248W, be and are hereby re-appointed as Auditors of this company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the company on such remuneration as may be fixed in this behalf by the Board of Directors of the Company.

By Order of the Board of Directors

Chennai
2 March 2010

S Venkatakrishnan
Company Secretary

NOTES:

1. **A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of himself on a poll only and a proxy need not be a Member. Proxies, in order to be effective, must be addressed to the Company Secretary and received at the Registered Office of the Company at Plot No.13, 3rd Main Road, Industrial Estate, Ambattur, Chennai 600 058 not less than forty-eight hours before the scheduled start of the Meeting.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from 15 April 2010 to 22 April 2010 (both days inclusive).
3. Queries on the accounts and operations of the Company, if any, may be sent to the Company at its Registered Office (and marked for the attention of the Company Secretary) at least seven days in advance of the Meeting.
4. Members holding shares in physical form are requested to advise any change of address immediately to the Registrar and Share Transfer Agent, viz. Integrated Enterprises (India) Limited, 2nd Floor, Kences Towers, No.1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai 600 017 - Attention Mr Suresh Babu K. General Manager.

5. Members are requested to bring their copies of the Company's Report and Accounts for the year ended 31 December 2009 to the Meeting.
6. Members holding shares under identical names (in the same order) in more than one Folio are requested to write to the Company Secretary at the Registered Office of the Company, enclosing their share certificates, to enable consolidation of their holdings into one Folio.
7. Members who hold shares in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in a single name are advised, in their own interest, to avail of the nomination facility by completing and submitting Form 2B. Blank forms will be supplied by the Company's Registrars & Share Transfer Agents on request. Members holding shares in the dematerialized form may contact their Depository Participant for recording the nomination in respect of their shares.
8. Section 205C of the Companies Act, 1956 mandates that companies transfer dividend that has been unclaimed for a period of seven years from the unpaid dividend account to the Investor Education and Protection Fund (IEPF) established by the Central Government. Members are hereby informed that once such amounts are transferred to IEPF, no claim of the shareholders shall lie against the Company or IEPF. In accordance with the following schedule, the dividend for the years mentioned below, if unclaimed within a period of seven years will be transferred to IEPF.

| Year | Type of dividend | Dividend per share (Rs.) | Date of declaration | Due date for transfer | Unpaid / Unclaimed amount as on 31.12.2009 |
|------|-------------------------|--------------------------|---------------------|-----------------------|--|
| 2005 | Final | 26.00 | 28.04.2006 | 02.06.2013 | 25,18,646 |
| 2007 | 1 st Interim | 5.50 | 09.03.2007 | 13.04.2014 | 5,40,865 |
| 2007 | 2 nd Interim | 10.00 | 13.12.2007 | 17.01.2015 | 9,72,780 |
| 2008 | Interim | 13.00 | 24.07.2008 | 28.08.2015 | 13,83,625 |
| 2008 | Final | 2.50 | 22.04.2009 | 27.05.2016 | 3,75,947 |
| 2009 | Interim | 20.00 | 09.12.2009 | 12.02.2017 | 95,56,840 |

Shareholders who have not yet encashed their dividend warrant are requested to send the warrants to the Company immediately for revalidation.

9. As required under Clause 49 (IV) (G) of the Listing Agreement with stock exchanges, a brief resume of Directors who are proposed to be re-appointed, nature of their expertise in specific functional areas, their other directorships and committee memberships and their shareholdings in the company is given below :

Mr G Hariharan

Mr G Hariharan, is a Metallurgical Engineer having graduated from I.I.T. Bombay. He has more than thirty years' experience having worked in various capacities in W.G. Forge & Allied Industries Limited, M N Dastur & Co. (P) Ltd. Kirloskar Consultants Limited and Philips India Limited, before joining the Company in 1988. He was responsible for Sales, Marketing and Exports and finally for, the Welding Consumables Division before his appointment as Wholtime Director on 7 January 2003.

He is the Chairman of ESAB Engineering Services Limited. Mr. G. Hariharan does not hold any shares of the Company.

Mr. Nawshir H Mirza

Mr. Mirza, is a B.Com and F.C.A. During his career, Mr. Mirza, has held the positions of Senior Partner of M/s. S R Batliboi & Co., Chartered Accountants and a Director of Ernst & Young Pvt. Ltd., Audit Partner, Director of Client EDP Services, National Director of Audit & Accounting Services and Managing Partner, Western India. He has been involved in authoring a number of professional publications of the Institute of Chartered Accountants of India. He has been President of the Institute of Internal Auditors, Calcutta and President of the Indo-American Chamber of Commerce, Western India. He has been a member of governing committee of the Bombay Chamber of Commerce & Industry.

He is a Director of the following companies:

| Sl. No. | Name of the Companies / Firms | Nature of Interest |
|---------|---|--------------------|
| 1. | Foodworld Supermarkets Limited | Director |
| 2. | Jardine Shipping Services (I) Private Limited | Director |
| 3. | Mphasis Limited | Director |
| 4. | Health & Glow Private Limited | Director |
| 5. | The Tata Power Company Limited | Director |
| 6. | ESAB India Limited | Director |

He is on the Committees of the Board of Directors of the following Companies :

| Sl. No. | Name of the Companies / Firms | Member / Chairman |
|---------|--|--------------------|
| 1. | Foodworld Supermarkets Limited - Audit Committee | Member |
| 2. | Mphasis Limited - Audit Committee | Chairman |
| 3. | ESAB India Limited - Audit Committee - Share Transfer / Investor Grievance Committee | Chairman Member |
| 4. | The Tata Power Company Limited - Executive Committee - Remuneration Committee | Member Chairman |

Mr. Nawshir H. Mirza, does not hold any shares of the company.

By Order of the Board of Directors

Chennai
2 March 2010

S Venkatakrisnan
Company Secretary

Your Directors take pleasure in presenting the Twenty Third Annual Report together with the audited accounts of the Company for the year ended 31 December 2009.

FINANCIAL RESULTS

(Rs. Million)

| Particulars | 2009 | 2008 |
|--|--------------|-------|
| Sales and other income | 4,293 | 4,321 |
| Earnings before interest, tax and depreciation | 1,094 | 1,001 |
| Interest / Finance charges | (8) | (9) |
| Depreciation | (77) | (67) |
| Profit before taxation | 1,009 | 925 |
| Taxation | (347) | (313) |
| Profit for the year | 662 | 612 |

DIVIDEND

The Board of Directors had declared an interim dividend on 9 December 2009 of 200% entailing a total outflow of Rs.360 million including dividend distribution tax. Your Board has not recommended any final dividend for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

In retrospect, the year, saw relative stability compared to the unfavourable currents that were witnessed in the last quarter of 2008. The overall situation was better than we had apprehended in the aftermath of the economic downturn. Amidst the global backdrop of decline and stagnation, the Indian economy grew at close to 7%, largely due to low dependence on external factors and a growing domestic demand.

Steel prices softened significantly during 2009 with consequent reductions in our selling prices and input costs. Towards the latter half of 2009, erratic monsoons and demand-supply mismatches set the economy on an inflationary course and the trend continues in 2010.

Though recessionary trends affected several of our customer segments, economic conditions showed a marked improvement in the second half of 2009. Committed capital investments in some customer segments were slow to implement through most of 2009, to some extent on account of demand growth uncertainties and also due to financing difficulties.

The Company closed the year on a good note and retained its leadership position in a falling market. The Company focused on product mix enrichment and cost control measures to sustain growth and profitability in what was a challenging year. Consequently, the aggregate gross profit was improved over 2008.

The first phase of your Company's project for substantial expansion of capacity in Solid Wires at Nagpur was completed during the year and work has been initiated for the second phase of the expansion. The Company also commenced production of wear plates at the Irungattukottai Plant and the products have been well received.

The Company has set up a global R&D centre at its Taratala Plant for design and development of gas control equipment to

meet potential export opportunities. This facility became operational during the year. Modernization and marginal capacity additions were effected in our other Plants as well.

The Company won a prestigious award from the Ministry of Defence for developing flux cored welding wire for indigenous ship building for the Indian Navy. The company has also signed a strategic collaborative Memorandum of Understanding with an accredited institution of the Government of India for development work on Electrodes.

Recognizing the need to upgrade its dated IT infrastructure, the Company invested sizeable amounts in upgrading connectivity between its locations and also embarked on a project to integrate its operations through an ERP, the first phase of which became operational in January 2010. Implementation across the Company will occur over the year.

The Company continued to internally fund all its expansions and new product launches and remained debt free at the end of 2009.

Esab Engineering Services Limited, in which your Company has invested Rs.4.9 million till date designs, develops, tests and provides manufacturing support services for ESAB Group companies outside India. This is a Joint Venture with the Group, in which we hold 24.9%. This Company employs about 38 people and recorded a turnover of around Rs.50 Million and Profit Before Tax of Rs.6.6 Million in 2009. Given the synergies in the lines of business of these two companies and as agreed by the Group, the Board of Directors have approved the merger of EESL with the Company. Esab India is in the process of acquiring 100% equity shares of this Company from overseas interests promoter to make it a 100% subsidiary and to effect a merger with Esab India Limited subject to requisite statutory and other approvals.

INCOME STATEMENT

Gross Sales fell by 4.9% largely due to reduction in Excise Duty as part of the Government's stimulus package. Net Sales declined 0.5% due to lower per unit selling prices in all segments on the back of steep reductions in steel prices for the most part of 2009. There was a good growth in sales volumes on electrodes while other segments in consumables were at close to 2008 levels. Selling prices declined less than proportionately as compared to raw material prices due to an enriched product mix. The improvement in operating margin was more pronounced in the Equipments business, arising from better realization in 2009.

Other income fell 8.4% to Rs. 86.9 Million in 2009. The overall decline is attributable to some non recurring reversals of provisions in 2008 on settlements of disputed indirect tax matters of earlier years and other provisions no longer required and reversed in 2008.

Keeping in mind the market conditions, the Company held surplus cash in deposits with banks during most of 2009 compared to debt / liquid schemes of mutual funds in 2008. The aggregate income from Investments increased from Rs.19 Million in 2008 to Rs.40 Million in 2009 mainly due to higher principal as also due to better returns.

Materials consumption as a percentage of net sales fell from 60% to 57.5% with an improved product mix, negotiated reductions in input costs and process improvements to reduce waste. Pricing pressures continue to be strong across a

majority of the product segments addressed by the Company and retaining the materials consumption ratio at current levels is likely to pose significant challenges in the future.

Manufacturing, selling and administrative overheads were at comparable levels both in value terms and in terms of percentage to sales. The Company had launched cost reduction initiatives and rigorous monitoring of these helped achieve a marginal decline in overheads amidst an inflationary situation in the economy. Some of these initiatives were specific to 2009 and the savings may not, recur for future years.

Personnel costs including staff welfare fell by 10.6% from 2008 levels to Rs.286 Million. The decline was reflected even when measured as percentage to net sales where the ratio fell from 7.6% in 2008 to 6.8% in 2009. This was due to a combination of one off measures introduced for 2009 and also favourable trends in underlying actuarial assumptions on retirement benefits. Interest rates that fell sharply towards the end of 2008 recovered in 2009 with a favourable impact on provisioning for retirement benefit costs.

While Travel and Communications costs fell in 2009 due to cost control measures, Rent expenditure fell due to non recurring reversals against provisions made in an earlier year on long term leases.

Rates and taxes were higher due to provisioning for indirect taxation matters. Excise Duty reversal on Finished Goods fell due to reduction in Finished Goods Inventory and also due to lower Excise Duty rates applicable at the end of 2009.

Channel incentives were significantly higher due to vigorous sales promotional schemes during the year. These were in line with marketing tactics for a better product mix.

Miscellaneous expenses declined by 8% primarily on cost reductions of support services at all locations and a significant reduction in the provisioning for customer claims for liquidated damages. The combined effect of the above savings more than offset marginal increases in testing fees that increased by Rs.2.9 Million during the year.

In the absence of borrowing costs, Interest and Finance charges are largely represented by bank charges under cash management schemes and charges relating to letters of credit and bank guarantees. There were negotiated reductions with lien on Company's deposits with Banks that helped achieve an overall reduction of 9.5% on this account as compared to 2008.

The charge on account of Depreciation was higher by 16.1% at Rs.77.5 Million due to ongoing capital expenditure plans during the last few years and the annualized impact of capitalization in 2008.

The Board is pleased to note that in this tough year, the profits before tax was the highest ever at over one billion Rupees.

Provision for Taxation amounted to Rs.347 Million at an effective tax rate of 34.4% that is marginally higher than 33.9% in 2008, due to a drop in tax exempt income from mutual funds in 2009.

While Segment wise sales were largely comparable with 2008 profitability improved marginally in the Consumables business from 25.5% to 26.2% and significantly in the Equipments business from 16.3% to 20.7%. Higher margins with better

realizations and the favourable impact of reductions in personnel costs and overheads helped achieve improvements in segment results of Equipment business. Segment results of Consumables business also improved due to the above reasons, though ramp up costs on new businesses and a relatively less profitable sales mix towards the end of the year offset some of the gains made in the first half of the year.

Capital expenditure more than doubled in Consumables business largely arising from outflows on the expansion of capacity on Solid Wires. Higher capitalization and cash at the end of the year resulted in Capital employed going up by 8.5% over the preceding year.

BALANCE SHEET

The strong performance contributed to a healthy Balance Sheet at the end of 2009 as your Company continued to focus on fundamentals while growing.

Rs.238 Million was capital expenditure during the year as compared to Rs.197 Million in 2008. Significant capital projects were capacity expansion at Nagpur, upgrading of manufacturing processes at the Khardah Factory, R&D Centre at Taratala and the ongoing ERP project.

Investments fell from Rs.119.8 Million to Rs.24.7 Million. The decline is attributable to redemption of our Investments in tax savings bonds in 2009 to the extent of Rs.29.4 Million and our investments in mutual funds to the extent of Rs.70 Million.

Inventory of Rs.388 Million was 33.7 days of net sales as against 34.2 days at the end of 2008. Sundry Debtors were significantly lower at Rs. 96 Million compared to Rs.168 Million at the end of 2008. Measured in terms of number of days' sales, they were at 7.8 days as against 12.9 days in 2008.

Cash and cash equivalents increased by a net amount of Rs.211 Million as against Rs.212 Million in 2008. The increase before financial flows was 29.2% over the previous year, which in the context of the capital expenditure outflows, represents a strong growth.

Other Current Assets, Loans and Advances increased by Rs.64.8 Million over 2008 with increases in Supplier Advances, Advance tax payments and the unutilized portion of Cenvat credits on Capital Equipments.

Current liabilities increased by about 8% while Provisions fell sharply by over Rs.100 Million with dividend and tax provisions of 2008 having been discharged by payments in 2009. Provision for leave salary also fell due to non recurring reversals in 2009.

OUTLOOK, OPPORTUNITIES AND THREATS

The outlook for 2010 is reasonably good in terms of growth in volumes due to a low base effect of 2009 and an overall improvement in the economy as a whole and the engineering sector in particular. Steel consumption, a key business driver, is expected to grow in 2010 and a rebound in the capital goods sector is expected through 2010. Government thrust on infrastructure and growth forecasted in power, construction and other key user segments present opportunities.

Inflation is a matter of concern as it appears relatively prolonged and appears to defy fiscal and monetary solutions for now.

Market driven changes and enhanced presence of international competitors in India pose risks in sustaining our prices and margins. The growth momentum in the economy is expected to be sustained.

Volatility in metal prices poses a financial risk in the short term with potential effects on inventory and margins. A revival phase also brings with it operational risks in managing attrition.

INTERNAL CONTROLS

Internal controls are continuously evaluated by Management and by the Internal Auditors. This is supplemented by specific engagements with external agencies on identified priority areas of internal controls and organizational effectiveness. Findings from internal audits and such studies are reviewed by the Management and by the Audit Committee and corrective action and controls have been put in place wherever necessary.

The reviews by Internal Auditors cover the various manufacturing and office locations. The scope of their work includes review of controls on accounting, statutory and other compliances and operational areas in addition to reviews relating to efficiency and economy in operations.

RELATED PARTIES

Note 20 of Schedule O to the Accounts sets out the nature of transactions with related parties. Transactions with Related Parties are carried out at arm's length. The summary of such transactions is placed before the Audit Committee each quarter.

FINANCE

The Company's relationships with its consortium bankers viz. State Bank of India and AXIS Bank Limited have remained cordial throughout the year. The Company has been debt free through the year and surplus funds are placed in bank deposits and liquid / debt funds from time to time.

CORPORATE SOCIAL RESPONSIBILITY

In a small way, the Company continued to contribute to various worthy causes as part of its corporate social responsibility. Several institutions working on social causes in and around its plant at Ambattur, Chennai and in other cities were extended financial help for the welfare of less privileged citizens.

SUBSIDIARY

The Company did not have any subsidiary during the year under review.

ENVIRONMENT, HEALTH AND SAFETY

The Company is committed to industrial safety and environment protection. In line with ESAB Global standards, the Company has adopted the Environmental, Health and Safety policy and has obtained its OHSAS 18001 certification for four of its five plants. Efforts are on to get the said certification for its Nagpur plant as well. Internal reviews and audits are undertaken to assess the levels of awareness and processes in place at the various operating locations of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief, and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956.

1. In the preparation of the annual accounts for the year ended 31 December 2009 the applicable accounting standards have been followed;
2. The accounting policies listed in Schedule O to the Notes to Accounts have been selected and applied consistently and judgements and estimates that are reasonable and prudent made so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year on 31 December 2009 and of the profit of the Company for that year;
3. 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;
4. The annual accounts for the year ended 31 December 2009 have been prepared on a going concern basis.

CAUTIONARY STATEMENT

Certain statements in this Directors' Report may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied in this Report.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The information required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in the Annexure and forms part of this Report.

DIRECTORS

In accordance with the provisions of Article 130 of the Company's Articles of Association, Mr G Hariharan and Mr Nawshir H Mirza, retire by rotation at the forthcoming Annual General Meeting and, being eligible, have offered themselves for re-appointment. The details as required under Clause 49 of the Listing Agreement regarding the above said Directors are published as part of the Notice calling the Annual General Meeting.

Mr Jon Templeman, resigned from the Board with effect from 8 May 2009. Mr Satish Lal Tandon, a non-executive Director passed away on 2 October, 2009. Your Board of Directors would like to place on record their appreciation for the valuable services rendered by both Mr Jon Templeman and Mr Satish Lal Tandon during their tenure of Directorship.

AUDITORS

B S R & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and are eligible for reappointment. The Directors recommend that BSR & Co., be appointed as the Company's auditors to hold office until the conclusion of the next Annual General Meeting. The Company has received confirmation that their appointment, if made, will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

PERSONNEL

At the end of December 2009 the Company had 745 employees as against 756 at the end of 2008. We are committed to providing a conducive environment for high performance and to encourage talent at all levels.

As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the name and other particulars of the employees are set out in the Annexure to the Director's Report.

CORPORATE GOVERNANCE

In terms of Clause 49 of the Listing Agreement with the stock exchanges a Corporate Governance Report is made part of this Annual Report.

In compliance of Section 292A of the Companies Act, 1956 and with the Listing Agreement, an Audit Committee consisting of two Independent Directors and one non-executive Director has been constituted. The Company also has an Investors' Grievance Committee consisting of two Independent Directors and one non-executive Director.

A certificate from the statutory auditors of the Company regarding compliance of the conditions stipulated for Corporate

Governance under clause 49 of the Listing Agreement is attached to this report.

The declaration by the Managing Director addressed to the members of the Company pursuant to Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct by the Members of the Board and by the Members of the Senior Management Personnel of the Company is also attached to this Report.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the confidence reposed and continued support extended by its customers, suppliers, the ESAB group, shareholders and the Bankers to the Company.

Your Board would like to place on record, its sincere appreciation to the employees for having played a very significant part in the Company's performance.

For and on behalf of the Board of Directors

Chennai, 2 March 2010

M G Foster
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Statement under Section 217(1)(e) of the Companies Act, 1956 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 31 December 2009.

A. CONSERVATION OF ENERGY

- Installation of programmable cycle timer for muller mixer machines.
- Development of Thyristorized 400 AMPS MMA Rectifier with reduced power consumption.
- Connector type heaters replaced with wire type heaters for ovens in packing machines.
- Filament indication lamps replaced with LED type lamps.
- Timer introduced to switch off motors automatically in all machines when in idle conditions.
- Power saving in heating and cooling cycle time in static ovens by correcting the leaks, heaters and installing high capacity blowers.
- Pull card switches for office lighting.
- Solar street lighting introduced in Nagpur factory resulting in energy saving.
- Transparent roof sheet provided resulting in reduction in dependence on electrical lighting during day time.
- Introduction of 350 M.T. Per month capacity of MAG wire at Nagpur with less energy intensive state of the art technology.

B. TECHNOLOGY ABSORPTION

- Development of Thyristorized 400 Amps MMA Rectifier with reduced cost.
- Development of products with modified features against customer-specific requirements.

- Development of 1200 Amps Thyristorized Rectifier for SAW and Gouging Application.
- Development of Dual Operator type Engine Driven Welder EDW 2 X 300.
- Development of Add-on Pulsing unit for SSR 400 T MMA/TIG Rectifier.
- Development of SCR 500 (S) Thyristorized MIG / MAG Rectifier (Export Version for ESAB SAE).
- Product Lifecycle Approach in the Product Development Stages.
- Development of fabricated wear plate line components as per customer design at Irungattukottai.
- Bunch Baking process to double electrode capacity.
- Introduction of economic flux cored wires to the product range.
- Introduction of auto batching capacity at Khardah plant for quality improvement and capacity enhancement.

C. FOREIGN EXCHANGE

The Company exports its products to South Africa, Singapore, Bangladesh, Sri Lanka, Uganda, Tanzania and the Middle East.

During the year, the total foreign exchange expenditure amounted to Rs.226.9 million (which includes Rs.214.3 million for the import of raw materials, components and capital goods and Rs.12.6 million towards expenditure in foreign currency).

Foreign exchange earnings during the year were Rs.68.5 million resulting in net foreign exchange outflow of Rs.158.5 million for the year.

For and on behalf of the Board of Directors

M G Foster
Chairman

Chennai, 2 March 2010

Particulars of employees as per Section 217 (2A) of the Companies Act, 1956

| Sl.No. | Name | Age (Years) | Designation | Date of employment | Remuneration Rs. | Qualification | Experience (Years) | Previous Employment |
|--------|-----------------|-------------|--------------------------------------|--------------------|------------------|-----------------------------|--------------------|--|
| 1 | B Mohan | 44 | Chief Financial Officer | 1.2.2005 | 3,386,748 | B. Com., ACA., ACS. | 23 | GM - Finance and Company Secretary - Amalgamations Valeo Clutch (P) Limited. |
| 2 | Gautam Banerjee | 49 | General Manager - Equipment Division | 7.2.1991 | 2,688,986 | B.E. Electrical Engineering | 27 | Asst. Manager Electronics - Indian Oxygen Limited |

Notes :

1. Years of experience also include experience prior to joining the Company.
2. Remuneration comprises salary, house rent allowance, contribution to provident fund and superannuation fund, medical reimbursement, medical insurance premium, leave travel assistance, production incentive/ bonus and other benefits evaluation under Income-tax Rules.
3. The abovesaid employees are also entitled to gratuity as per rules.
4. The abovesaid employees are not related to any of the Directors of the Company.
5. Terms of employment of the above said employees are contractual.
6. The abovesaid employees either individually or together with the spouse or children do not hold more than two per cent of the equity shares of the Company.

Your Company is committed to good Corporate Governance in all its activities and processes. The Board of Directors shall endeavour to create an environment of fairness, equity and transparency in transactions with the underlying objective of securing long-term shareholder value, while, at the same time, respecting the rights of all stakeholders.

BOARD OF DIRECTORS

a. Composition of Board

In terms of the Corporate Governance philosophy all statutory and other significant material information is placed before the Board of Directors to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders.

The Board of Directors currently consists of six members. Mr Jon Templeman resigned from the Board of the company with effect from 8 May 2009 and Mr Satish Lal Tandon, Independent Director has passed away on 2 October 2009. The Board of Directors consists of 50% independent Directors. Other than the Managing Director, all the other members of the Board are non-executive Directors, including three who are independent Directors.

During 2009 five Board Meetings were held on 19 February, 22 April, 21 July, 20 October and 9 December and not more than four months elapsed between any two meetings.

Particulars of the Directors' attendance to the Board Meeting and the last Annual General Meeting and particulars of their other Company Directorships and Committee memberships are given below:

| Director | Directorship | Attendance | | Other Directorships \$ | Membership of other Committees # | |
|---------------|--|------------|-----|---------------------------|-------------------------------------|--------------|
| | | Board | AGM | | Membership | Chairmanship |
| M G Foster | Non-Executive Nominee, Esab Holdings Limited | 3 | Yes | Nil | Nil | Nil |
| G Hariharan | Executive | 5 | Yes | 1 | Nil | Nil |
| P Mallick | Independent & Non-Executive | 5 | Yes | 6 | 6 | 1 |
| N H Mirza | Independent & Non-Executive | 5 | Yes | 3 | 2 | 1 |
| S N Talwar | Independent & Non-Executive | 5 | Yes | 14 | 10 | 4 |
| D J Egan | Non-Executive Nominee, Esab Holdings Limited | 4 | Yes | Nil | Nil | Nil |
| S Tandon® | Independent & Non-Executive | 3 | Yes | - | - | - |
| J Templeman** | Non-Executive | Nil | No | - | - | - |

@ Passed away on 2 October 2009.

** Resigned as a Director with effect from 8 May 2009.

\$ Excluding Alternate Directorships and Directorships of Private Limited Companies and Foreign Companies, wherever applicable.

Only the Audit and Investor Grievance Committees are considered for this purpose.

b. Directors' compensation and disclosures

The details of payment of remuneration to Directors during 2009 are as follows:

| Non-Executive Directors | Salary | Perquisites | Provident Fund | Sitting Fees Paid (in Rs.) | Commission (in Rs.) |
|----------------------------|-----------|-------------|-------------------|-------------------------------|------------------------|
| M G Foster | — | — | — | 30,000 | — |
| J Templeman | — | — | — | Nil | — |
| D J Egan | — | — | — | — | — |
| N H Mirza | — | — | — | 1,58,000 | 11,51,000 |
| P Mallick | — | — | — | 1,08,000 | 8,30,000 |
| S Tandon | — | — | — | 72,000 | 6,23,000 |
| S N Talwar | — | — | — | 50,000 | 8,30,000 |
| G Hariharan | 48,08,675 | 2,46,575 | 5,62,477 | — | 17,70,000 |

The payment of Commission to Non-executive Directors up to 1% of the profit as calculated under the applicable provisions of the Companies Act, 1956 was approved by the Members at the Annual General Meeting held on 28 April 2006. The approval was based on their roles and responsibilities and their contribution to the Company in their respective capacities. Based on the above principle, Commission has been individually determined for each Non-executive Director based on their varying commitments of time and effort to the Board and to its Committees. Commission to Managing Director is based on performances and contributions to Company's performance.

During the year, the Company paid professional fees amounting to Rs.1,08,080/- to Talwar Thakore & Associates, Advocates and Solicitors, a firm in which Mr Suresh N Talwar, Director of the Company, is a partner.

None of the Directors holds any equity shares of the Company, except for Mr. Suresh N Talwar who holds 1440 equity shares as on 31 December 2009.

The Company has not granted any stock options to any of its Directors or employees during the year under review.

Code of Conduct

The Board of Directors has adopted codes of conduct, applicable to Directors and to employees of the Company. The said codes of conduct have been posted on the Company's website. The Company has obtained declarations from all its Directors and senior management personnel affirming their compliances with the applicable codes of conduct. The declaration by the Managing Director under Clause 49 affirming compliance of the code of conduct by all members of the Board and the Senior Management Personnel for the year ended 31 December 2009 is attached to this corporate governance report.

AUDIT COMMITTEE

The terms of reference of the Committee are governed by a Charter, cover all applicable matters specified under Clause 49 of the Listing Agreements dealing with Corporate Governance and Section 292A of the Companies Act, 1956. The members of the Committee are:

| | | |
|-----------|----------|--|
| N H Mirza | Chairman | Independent director |
| P Mallick | Member | Independent director |
| D J Egan | Member | Non-executive & Non-independent director |

Mr D J Egan was appointed as member of the Audit Committee with effect from 21 July 2009. Mr Satish Lal Tandon, a member of the committee passed away on 2 October, 2009 and Mr Jon Templeman resigned as member of the committee with effect from 8 May 2009. More than two-thirds of the members are independent Directors and all the members of the Audit Committee are financially literate. The Company's Managing

Director, Chief Financial Officer, its Statutory Auditors and its Internal Auditors are permanent invitees to the Committee's meetings. The Company Secretary is Secretary to the Committee. The quorum for Committee meetings is two members or one third of the total strength of the Committee, whichever is higher. The Chairman of the Audit Committee was present at the Annual General Meeting of the Company held on 22 April 2009 to answer the shareholder queries. The text of the charter of the Audit Committee is available on the Company's website www.esabindia.com.

There were five meetings of the Audit Committee held during 2009 on 19 February, 22 April, 21 July, 20 October and 8 December and not more than four months elapsed between any two meetings.

The number of meetings attended by each member of the Audit Committee is as follows:

| | Number of meetings | |
|------------------|------------------------|----------|
| | Held during Membership | Attended |
| Mr N H Mirza | 5 | 5 |
| Mr P Mallick | 5 | 5 |
| Mr S Tandon | 3 | 3 |
| Mr D J Egan* | 3 | 2 |
| Mr J Templeman** | 2 | Nil |

* Mr D J Egan was appointed as member of Audit committee from 21 July 2009 only.

** Mr J Templeman resigned as member of Audit committee from 8 May 2009.

REMUNERATION COMMITTEE

The Company has not set up a Remuneration Committee (which is not mandatory). The remuneration of Directors is determined and approved by the Board of Directors and is subject to the approval of the Company in general meeting and of other applicable regulatory and statutory authorities. Interested Directors withdraw when their remuneration is being considered by the Board.

INVESTORS' GRIEVANCE COMMITTEE

The Investors' Grievance Committee functions under the Chairmanship of Mr Pradeep Mallick, a Non-executive Independent Director. The other members of the Committee are Mr N H Mirza, and Mr D J Egan.

Mr S Venkatakrishnan, Company Secretary is the Compliance Officer of the Company.

The Directors review the position on all major investors' grievances at meetings of the Board of Directors and the Investors' Grievances Committee. The Committee met four times during 2009, on 19 February, 22 April, 21 July and 20 October and the details of attendance of the Committee members in these meetings are given below :

| | Number of meetings | |
|------------------|------------------------|----------|
| | Held during Membership | Attended |
| Mr S Tandon | 3 | 3 |
| Mr N H Mirza | 4 | 4 |
| Mr P Mallick | 4 | 4 |
| Mr J Templeman** | 2 | - |
| Mr D J Egan* | 2 | 1 |

* Mr D J Egan was appointed as member of Investor Grievance committee from 21 July 2009 only.

** Mr J Templeman resigned as member of Investor Grievance committee from 8 May 2009.

During the year, the Company received 33 complaints from shareholders. The details of the complaints received from the shareholders are as given below :

| Sl.No. | Nature of complaint | No.of complaints |
|--------|-----------------------------------|------------------|
| 1 | Non-receipt of share certificates | 3 |
| 2 | Non-receipt of dividend warrants | 26 |
| 3 | Non-receipt of annual report | 4 |

All the complaints were responded to as per applicable guidelines and regulations. As at 31 December 2009 there were no pending share transfers (other than transfers sent under objections). All requests for dematerialization of shares were carried out within the stipulated time period and no share certificate was pending for dematerialization as on 31 December 2009.

Disclosures

- During the year, the Company has not entered into any transaction of material nature with the Directors, their relatives or management which was in conflict with the interests of the Company. The particulars of transactions between the Company and its related parties, as defined in Accounting Standard 18, is set out in Note 20 to Schedule O to the financial statements.
- The Company follows the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The Company has not adopted a treatment different from that prescribed in any Accounting Standard, in the preparation of financial statements.
- There have been no instances of non-compliance by the Company. During the last three years no penalties or strictures have been imposed on the Company on any matter related to the capital markets by stock exchanges or SEBI or any statutory authority.
- The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. The Company has a Risk Officer and has identified major and minor risks and these risks are analysed by the Executive Management Team locally and the major risks and their minimization procedures are reviewed by the Management within a properly defined framework.
- There has been no public, rights or preferential issues during the year.

- According to the Articles of Association, one-third of the Directors retire by rotation and, if eligible, can seek re-appointment at the Annual General Meeting of shareholders. In terms of the said Articles, Mr G Hariharan and Mr Nawshir H Mirza will retire in the ensuing Annual General Meeting. The Board has recommended the re-appointment of the retiring Directors. The detailed profiles of these Directors are provided in the notice calling the forthcoming Annual General Meeting.
- The Managing Director and the Chief Financial Officer of the Company certify to the Board every quarter on matters related to financial statements and other matters in accordance with Clause 49 of the Listing Agreement.
- The Company has complied with all the requirements of the clause 49 of the Listing Agreement. To enhance standards on corporate governance and strengthen controls, the Company has setup a whistleblower policy which can be seen on the Company's website www.esabindia.com. In terms of such whistleblower policy, it is affirmed that the employees have been given free access to the Audit Committee.
- In compliance with clause 47 (f) of the listing agreement with the stock exchanges the Company has designated the mail id venkatakrishnan.s@esab.co.in and posted this in the Company's website. The investors can send their grievances, if any, to the designated mail id.

GENERAL BODY MEETINGS

The last three Annual General Meetings were held as per details given below:

| Year | Date | Time | Venue |
|------|---------------|----------|---|
| 2007 | 27 April 2007 | 4.00 PM | Mini Hall, The Music Academy No. 168, T.T.K. Road, Chennai - 600014. |
| 2008 | 29 April 2008 | 4.00 PM | Mini Hall, The Music Academy No. 168, T.T.K. Road, Chennai - 600014. |
| 2009 | 22 April 2009 | 3.00 P M | Narada Gana Sabha Trust Complex, No.314, T.T.K. Road, Chennai 600 018. |

All the proposed resolutions, including special resolutions, were passed by the shareholders as set out in their respective Notices.

No special resolutions were put through postal ballot during the last year and the Company is not considering the introduction of a postal ballot for any resolution this year as well.

COMMUNICATION

The Company's quarterly financial results, after their approval by the Board of Directors, are promptly issued to all the Stock Exchanges with whom the Company has listing arrangements. These financial results, in the prescribed format, as per amended clause 41 of the listing agreement, are published in leading local and national newspapers; viz. "The Business

Standard" in English and in "Makkal Kural" in Tamil and are also posted on the Company's website www.esabindia.com and also on the Electronic Data Information Filing and Retrieval System at www.sebiedifar.nic.in

A Management Discussion and Analysis Report, forming part of the Directors' Report, is included in the Annual Report.

GENERAL SHAREHOLDER INFORMATION

| | |
|--|---|
| AGM : Date, | 22 April 2010 at 3.00 pm |
| Time & Venue | P Obul Reddy Hall, Vani Mahal, 103, G.N. Road, T. Nagar, Chennai – 600017. |
| Financial Year | 1 January to 31 December |
| Approval of financial results proposed | QE 31 Mar 2010 : Last week, April 2010 HY 30 Jun 2010 : Last week, July 2010 QE 30 Sep 2010: Last week, Oct 2010 YE 31 Dec 2010 : Last week, March 2011 |
| Dates of Book Closure | 15 April 2010 to 22 April 2010 (both days inclusive) |
| Listing on Stock Exchanges | The Bombay Stock Exchange Limited. The National Stock Exchange of India Limited. The listing fees for the financial year 2009-10 were duly paid to the above stock exchanges. |
| Stock Code | Name of the stock exchange Stock Code The Bombay Stock Exchange Limited : 500133 The National Stock Exchange of India Ltd. : ESABINDIA ISIN allotted by depositories : INE284A01012 |

Stock Market Price* Data & Stock Performance

| 2009 | BSE | | NSE | | BSE Sensex | |
|------|----------|---------|----------|---------|------------|---------|
| | High Rs. | Low Rs. | High Rs. | Low Rs. | High Rs. | Low Rs. |
| Jan | 279 | 235 | 279 | 233 | 10470 | 8632 |
| Feb | 252 | 224 | 258 | 225 | 9725 | 8619 |
| Mar | 338 | 195 | 334 | 195 | 10127 | 8047 |
| Apr | 329 | 270 | 360 | 276 | 11492 | 9546 |
| May | 404 | 305 | 414 | 308 | 14931 | 11621 |
| Jun | 454 | 375 | 451 | 385 | 15581 | 14017 |
| Jul | 445 | 389 | 438 | 371 | 15733 | 13220 |
| Aug | 473 | 394 | 478 | 392 | 16002 | 14684 |
| Sep | 464 | 421 | 468 | 406 | 17143 | 15357 |
| Oct | 511 | 420 | 512 | 420 | 17493 | 15805 |
| Nov | 559 | 425 | 559 | 426 | 17290 | 15331 |
| Dec | 577 | 485 | 577 | 464 | 17486 | 16578 |

* Share prices are rounded off to the nearest rupee.

Registrar and Share Transfer Agents

Integrated Enterprises (India) Ltd.
2nd Floor, 'Kences Towers'
No.1, Ramakrishna Street,
North Usman Road,
T.Nagar, Chennai - 600 017.
Contact Person: Suresh Babu K.,
General Manager
Tel: 044-28140801-03,
Fax: 044-28142479, 28143378
Email: corpserv@iepindia.com

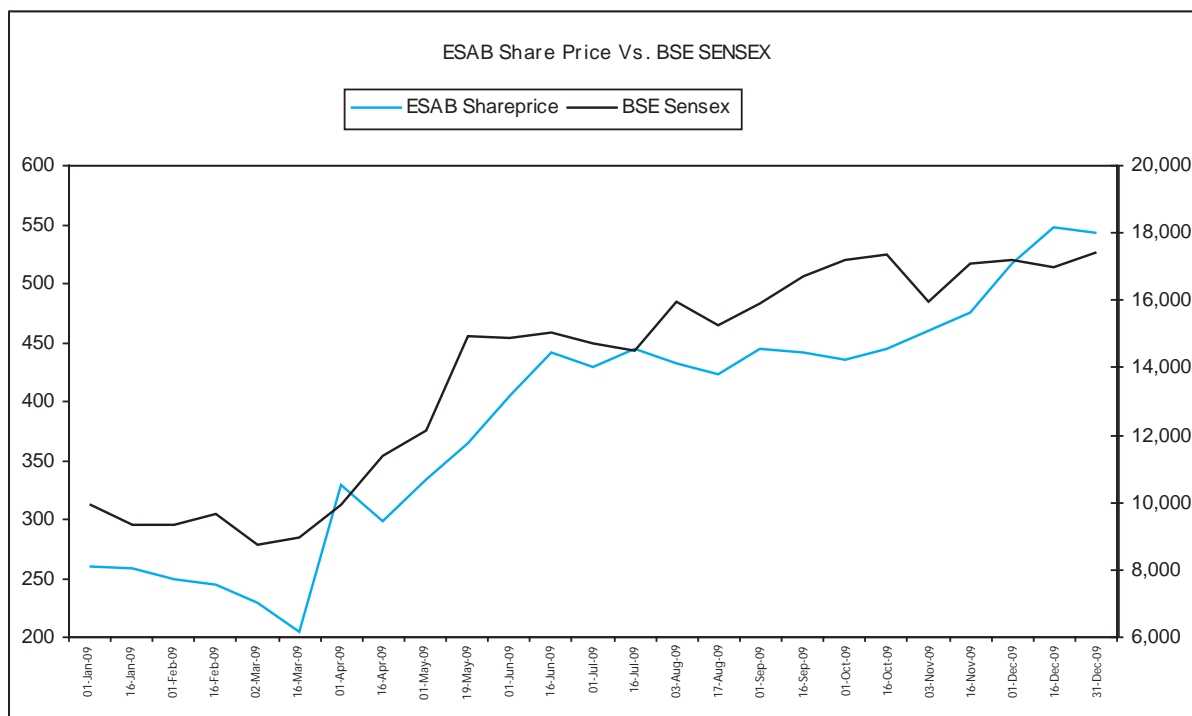
Shareholders are requested to correspond with the share transfer agent for transfer / transmission of shares, change of address, queries pertaining to their shareholding, dividend etc., at their address given above.

Share Transfer System

- The Company has appointed Integrated Enterprises (India) Limited as its Registrar & Share Transfer Agents.
- Share transfers are processed and approved, subject to receipt of all requisite documents.
- The Company seeks to ensure that all transfers are approved for registration within the stipulated period. Pursuant to Clause 47 (c) of the Listing Agreement with Stock Exchanges, certificates on half-yearly basis have been issued by a Company Secretary-in-practice for due compliance of share transfer formalities by the Company.
- Pursuant to SEBI (Depositories and Participants) Regulations, 1996, certificates have also been received from a Company Secretary-in-practice for timely dematerialization of the shares of the Company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the Company.
- With a view to expediting the approval process, the Board of Directors has severally authorized the Chairman of the Board of Directors, the Chairman of the Investors' Grievance Committee and the Company Secretary to approve the transfer of shares.

Distribution of shareholding as on 31 December 2009

| Shareholding | Shareholders | Number of Shares | % of total |
|-----------------|---------------|-------------------|---------------|
| Up to 500 | 11,981 | 1,457,947 | 9.47 |
| 501-1000 | 533 | 404,536 | 2.63 |
| 1001-2000 | 226 | 349,974 | 2.27 |
| 2001-3000 | 73 | 187,677 | 1.22 |
| 3001-4000 | 31 | 112,584 | 0.73 |
| 4001-5000 | 24 | 112,929 | 0.73 |
| 5001-10000 | 32 | 242,583 | 1.58 |
| 10001 and above | 55 | 12,524,790 | 81.37 |
| TOTAL | 12,955 | 15,393,020 | 100.00 |



Shareholding pattern as on 31 December 2009

| Category | Number of Shares | % of total |
|----------------------------------|-------------------|---------------|
| Esab Holdings Limited | 5,743,200 | 37.31 |
| Exelvia Group India BV | 2,822,831 | 18.34 |
| ESAB Group | 8,566,031 | 55.65 |
| Mutual Funds & UTI | 1,361,218 | 8.84 |
| Banks and Financial Institutions | 2,062 | 0.01 |
| Foreign Institutional Investors | 1,726,717 | 11.22 |
| Corporate Bodies | 316,344 | 2.06 |
| NRIs | 126,167 | 0.82 |
| Directors & Relatives | 1,440 | 0.01 |
| Indian Public | 3,293,041 | 21.39 |
| Total | 15,393,020 | 100.00 |

Dematerialisation As on 31 December 2009, 97.19% of the total paid-up equity share capital was held in dematerialised form. The Company has entered into agreements with National Securities Depository Limited and Central Depository Services (India) Limited to offer shareholders the option to dematerialise their shares with these depositories. The ISIN number of the Company's shares in demat form is INE284A01012

Outstanding GDRs / ADRs

Plant Locations

None

- Plot No.13, 3rd Main Road, Industrial Estate, Ambattur, Chennai 600 058.
- B.T. Road, P.O. B.D. Sopan, Khardah, Kolkata 700 116.
- B-28, MIDC Industrial Area, Kalmeshwar, Nagpur 441 501.
- P-41, Taratala Road, Kolkata 700 088.
- G22 Sipcot Industrial Park, Irungattukottai, Sriperumbudur, Kancheepuram Taluk, Chengalput District, Tamilnadu - 602 105.

Address for correspondence

Company Secretary
Esab India Limited
Plot No.13,
3rd Main Road,
Industrial Estate,
Ambattur,
Chennai - 600 058.
Tel : 044 42281100
Fax : 044 42281150
E-mail: venkatakrishnan.s@esab.co.in

NON-MANDATORY DISCLOSURE

The non-mandatory requirements have been adopted to the extent and in the manner as stated under the appropriate headings detailed below:

- a. Chairman's Office
The need for implementing this non-mandatory requirement has not arisen.
- b. Remuneration Committee
The Board has not set up a Remuneration Committee as the need for the same has not arisen.
- c. Shareholder rights
The quarterly un-audited results of the Company after being subjected to a Limited Review by the Statutory Auditors, are published in newspapers and on the Company's website www.esabindia.com and also on the Electronic Data Information Filing and Retrieval System at www.sebidifar.nic.in. These results are not sent to shareholders individually
- d. Audit Qualifications
The auditors have issued an unqualified opinion on the statutory financial statements of the Company.
- e. Training of Board Members/Mechanism for evaluating non-executive directors
All the Non-Executive Directors have adequate experience and expertise in functional areas and attend various programmes in their personal capacities that keep them

abreast of relevant developments. There is no formal system of evaluating individual Directors but the Audit Committee evaluates its performance annually and takes corrective action.

- f. Whistle Blower policy
The Company has setup a whistleblower policy which can be viewed on the Company's website www.esabindia.com. In terms of such whistle blower policy, the employees have been given direct access to the Audit Committee.

REQUEST TO INVESTORS

- ✍ Investors are requested to communicate change of address, if any, directly to the registrar and share transfer agent of the Company.
- ✍ As required by SEBI, investors shall furnish details of their respective bank account number and name and address of the bank for incorporating in the dividend warrants to reduce the risk to them of fraudulent encashment.
- ✍ Investors holding shares in electronic form are requested to deal only with their respective depository participant for change of address, nomination facility, bank account number, etc.

For and on behalf of the Board of Directors

M G Foster
Chairman

Chennai, 2 March, 2010

Auditor's report on Corporate Governance

To

The Members of Esab India Limited

We have examined the compliance of conditions of Corporate Governance of ESAB INDIA LIMITED ("the Company") for the year ended on December 31 2009 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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

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

For **B S R & Co.**
Chartered Accountants

S Sethuraman
Partner
Membership No.203491

Chennai, 2 March, 2010

To

The Members of Esab India Limited

Declaration by the Managing Director under Clause 49 of the Listing Agreement

I, G Hariharan, Managing Director of ESAB India Limited, to the best of my knowledge and belief, declare that all the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year ended 31 December 2009.

G Hariharan
Managing Director

Chennai, 2 March, 2010

Auditors' Report to the Members of ESAB INDIA LIMITED

- 1 We have audited the attached Balance Sheet of ESAB INDIA LIMITED ("the Company"), as at 31 December 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditor's Report) Order, 2003 ("the Order") as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act'), we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Further to our comments referred to in paragraph 3 above, we report that:
 - (i) 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;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
- (v) On the basis of written representations received from the directors, as on 31 December 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act,
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2009;
 - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For B S R & Co.
Chartered Accountants

S Sethuraman
Partner
Membership No. 203491

Chennai, 2 March, 2010

Annexure to the Auditors' Report

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified annually. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods sold and services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion and according to the information and explanations given to us, we have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of rupees five lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, except for purchase of certain item of inventories and fixed assets which are for the Company's specialised requirements and similarly for sale of certain goods and rendering of certain services for the specialised requirements of the buyers and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of manufacture of electric motors and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Wealth Tax, Excise Duty and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund. There were no dues on account of Cess under section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and other material statutory dues were in arrears as at 31 December 2009 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are dues in respect of Sales Tax, Excise Duty, and Income-tax as listed below that have not been deposited with the appropriate authorities on account of disputes.

| Name of the Statute | Nature of Dues | Amount (INR in Millions) (Net of amount paid under dispute) | Period to which the amount relates (Financial Year) | Forum Where dispute is pending |
|---------------------|---|--|---|-----------------------------------|
| Sales Tax | Non Submission of Sales tax Declaration Forms | 2.63 | 1991-92 | Revision Board, Tribunal |
| | | 2.35 | 1992-93 | |
| | | 0.65 | 1993-94 | |
| | | 0.82 | 1994-95 | |
| | | 0.32 | 1995-96 | |
| | | 40.16 | 1996-97 | |
| | | 49.67 | 1997-98 | |
| | | 7.71 | 1999-00 | |
| | | 0.14 | 1999-00 | Assistant Commissioner |
| Central Excise Act | Determination of Price on which Duty is payable | 100.80 | 1997-00 | High Court |
| | | 22.80 | 1997-99 | CESTAT |
| | | 7.11 | 2000-02 | CESTAT |
| | | 2.16 | 2003-06 | Commissioner Appeals |
| | Differential Service tax Payable | 0.09 | 2003-05 | Commissioner Appeals |
| | | 1.79 | 2008-09 | |
| | | 2.74 | 2007-08 | CESTAT |
| Income Tax Act | Disallowed Expenditure pertaining to various years | 1.17 | 1988-89 | High Court |
| | | 2.56 | 1989-90 | Income Tax Appellate Tribunal |
| | | 0.12 | 1996-97 | |
| | | 8.60 | 1997-98 | |
| | | 4.60 | 1998-99 | |
| | | 3.73 | 2000-01 | Commissioner Appeals |
| | | 2.54 | 2003-04 | |
| | | 54.00 | 2004-05 | |
| | | 8.78 | 2006-07 | |
| GRAND TOTAL | | 328.04 | | |

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) During the current year, the Company has not raised any money by public issues.
- (xxi) According to the information and explanations given to us, no significant fraud on or by the Company has been noticed or reported during the course of our audit.

For B S R & Co.
Chartered Accountants

S Sethuraman
Partner

Chennai, 2 March, 2010

Membership No. 203491

Balance Sheet
as at 31 December 2009



| | Schedule | 2009 Rs.'000 | 2008 Rs.'000 |
|--|----------|------------------|------------------|
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Share Capital | A | 153,930 | 153,930 |
| Reserves and Surplus | B | 1,517,963 | 1,216,316 |
| | | <u>1,671,893</u> | <u>1,370,246</u> |
| DEFERRED TAX LIABILITY (Net) (Refer Note 15 of Schedule O) | | 31,322 | 4,286 |
| | | <u>1,703,215</u> | <u>1,374,532</u> |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | C | 1,479,954 | 1,194,166 |
| Less: Depreciation/Amortization | | 590,188 | 517,191 |
| Net Block | | <u>889,766</u> | <u>676,975</u> |
| Capital Work-in-progress including Advances | | 69,659 | 122,156 |
| | | <u>959,425</u> | <u>799,131</u> |
| INVESTMENTS | D | 24,730 | 119,790 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Inventories | E | 387,983 | 396,047 |
| Sundry Debtors | F | 96,089 | 168,144 |
| Cash and Bank Balances | G | 579,543 | 368,426 |
| Other Current Assets and Loans and Advances | H | 229,803 | 165,009 |
| | | <u>1,293,418</u> | <u>1,097,626</u> |
| CURRENT LIABILITIES AND PROVISIONS | | | |
| Current Liabilities | I | 502,636 | 466,491 |
| Provisions | J | 71,722 | 175,524 |
| | | <u>574,358</u> | <u>642,015</u> |
| NET CURRENT ASSETS | | <u>719,060</u> | <u>455,611</u> |
| | | <u>1,703,215</u> | <u>1,374,532</u> |
| Notes to Accounts | O | | |

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

As per our report attached

For B S R & Co.

Chartered Accountants

S Sethuraman

Partner

Membership No. 203491

N H Mirza

Director

S Venkatakrishnan

Company Secretary

For and on behalf of the Board of Directors

G Hariharan

Managing Director

B Mohan

Chief Financial Officer

Chennai, 2 March 2010

Profit and Loss Account
for the year ended 31 December 2009



| | Schedule | 2009 Rs. '000 | 2008 Rs.'000 |
|---|----------|------------------|------------------|
| INCOME | | | |
| Sales (Gross) | | 4,524,914 | 4,759,458 |
| Less: Excise Duty | | 318,634 | 533,248 |
| Sales (Net) | | 4,206,280 | 4,226,210 |
| Other Income | K | 86,920 | 94,901 |
| | | <u>4,293,200</u> | <u>4,321,111</u> |
| EXPENDITURE | | | |
| Materials | L | 2,418,224 | 2,537,052 |
| Manufacturing, Selling and Administrative Expenses | M | 780,256 | 782,928 |
| Interest and Finance Charges | N | 8,349 | 9,216 |
| Depreciation/Amortization | C | 77,459 | 66,707 |
| | | <u>3,284,288</u> | <u>3,395,903</u> |
| PROFIT BEFORE TAXATION | | 1,008,912 | 925,208 |
| Taxation (Refer Note 16 of Schedule O) | | <u>(347,084)</u> | <u>(313,390)</u> |
| PROFIT AFTER TAXATION | | 661,828 | 611,818 |
| Balance brought forward from Previous Year | | <u>902,649</u> | <u>631,154</u> |
| PROFIT AVAILABLE FOR APPROPRIATION | | 1,564,477 | <u>1,242,972</u> |
| APPROPRIATIONS | | | |
| Dividend | | | |
| Interim | | 307,860 | 200,109 |
| Final | | — | 38,483 |
| Total Dividend | | <u>307,860</u> | <u>238,592</u> |
| Dividend Tax | | 52,321 | 40,549 |
| Amount transferred to General Reserve | | 66,183 | 61,182 |
| Balance in Profit and Loss Account | | <u>1,138,113</u> | <u>902,649</u> |
| | | <u>1,564,477</u> | <u>1,242,972</u> |
| Earnings per share (Refer Note 17 of Schedule O) | | | |
| Basic and Diluted | | Rs.43.00 | Rs.39.75 |
| Notes to Accounts | O | | |

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

As per our report attached

For B S R & Co.

Chartered Accountants

S Sethuraman

Partner

Membership No. 203491

N H Mirza

Director

S Venkatakrishnan

Company Secretary

For and on behalf of the Board of Directors

G Hariharan

Managing Director

B Mohan

Chief Financial Officer

Chennai, 2 March 2010

| | 2009 Rs.'000 | 2008 Rs.'000 | | | | | | | |
|---|----------------------|-----------------------|-----------------|------------------------------|---------------------------------|-----------------------|--------------------------|--------------|----------------------|
| A. SHARE CAPITAL | | | | | | | | | |
| Authorised: | | | | | | | | | |
| 17,000,000 (31 December 2008: 17,000,000) Equity Shares of Rs.10 each | 170,000 | 170,000 | | | | | | | |
| 3,000,000 (31 December 2008: 3,000,000) Unclassified Shares of Rs.10 each | 30,000 | 30,000 | | | | | | | |
| | <u>200,000</u> | <u>200,000</u> | | | | | | | |
| Issued, Subscribed and Paid up : | | | | | | | | | |
| 15,393,020 (31 December 2008: 15,393,020) Equity Shares of Rs.10 each fully paid up (Of the above, 999,000 shares were allotted as fully paid up pursuant to a Scheme of Amalgamation) | 153,930 | 153,930 | | | | | | | |
| B. RESERVES AND SURPLUS | | | | | | | | | |
| Amalgamation Reserve | 10,000 | 10,000 | | | | | | | |
| Securities Premium Account | 93,190 | 93,190 | | | | | | | |
| Special Capital Incentive Subsidy | 2,000 | 2,000 | | | | | | | |
| General Reserve | | | | | | | | | |
| As per last Balance Sheet | 208,477 | 147,295 | | | | | | | |
| Add: Transferred from Profit and Loss Account | 66,183 | 61,182 | | | | | | | |
| | <u>274,660</u> | <u>208,477</u> | | | | | | | |
| Profit and Loss Account | 1,138,113 | 902,649 | | | | | | | |
| | <u>1,517,963</u> | <u>1,216,316</u> | | | | | | | |
| C. FIXED ASSETS | | | | | | | | | |
| | | Rs.'000 | | | | | | | |
| Particulars | Freehold Land | Leasehold Land | Building | Plant & Machinery | Furniture & Fixtures | Motor Vehicles | Intangible Assets | Total | Previous Year |
| GROSS BLOCK AT COST | | | | | | | | | |
| As at 1 January, 2009 | 32,939 | 14,078 | 221,476 | 863,208 | 25,917 | 9,229 | 27,319 | 1,194,166 | 1,075,662 |
| Additions | — | — | 61,890 | 212,336 | 4,256 | — | 12,409 | 290,891 | 137,385 |
| Deletions | — | — | — | 4,976 | 127 | — | — | 5,103 | 18,881 |
| As at 31 December, 2009 | 32,939 | 14,078 | 283,366 | 1,070,568 | 30,046 | 9,229 | 39,728 | 1,479,954 | 1,194,166 |
| DEPRECIATION / AMORTIZATION | | | | | | | | | |
| As at 1 January, 2009 | — | 5,722 | 56,920 | 430,524 | 8,581 | 5,252 | 10,192 | 517,191 | 464,956 |
| Additions | — | 89 | 7,041 | 62,195 | 1,694 | 1,371 | 5,069 | 77,459 | 66,707 |
| Deletions | — | — | — | 4,342 | 120 | — | — | 4,462 | 14,472 |
| As at 31 December, 2009 | — | 5,811 | 63,961 | 488,377 | 10,155 | 6,623 | 15,261 | 590,188 | 517,191 |
| NET BLOCK | | | | | | | | | |
| As at 31 December, 2009 | 32,939 | 8,267 | 219,405 | 582,191 | 19,891 | 2,606 | 24,467 | 889,766 | |
| As at 31 December, 2008 | 32,939 | 8,356 | 164,556 | 432,684 | 17,336 | 3,977 | 17,127 | 676,975 | |
| Capital Work in Progress including Advances | | | | | | | | 69,659 | 122,156 |

Notes : Intangible assets represents technical know how from ESAB Group Companies.

| | 2009 Rs.'000 | 2008 Rs.'000 |
|---|-----------------|-----------------|
| D. INVESTMENTS | | |
| (LONG TERM, UNQUOTED, NON-TRADE AT COST) | | |
| (a) Trade investment, in an Associate Company Esab Engineering Services Limited - 497,980 (31 December 2008 - 497,980) Equity Shares of Rs.10 each fully paid up. | 4,980 | 4,980 |
| (b) Other Investments Rural Electrification Corporation Bonds | — | 29,350 |
| (CURRENT, QUOTED, NON-TRADE, LOWER OF COST AND FAIR VALUE) | | |
| Investment in Ador Welding Limited 165,777 (31 December 2008 - 145,285) Equity Shares of Rs. 10 each fully paid up Market Value of Investment - Rs.34,117 (31 December 2008 - Rs.14,005) | 19,750 | 15,460 |
| (CURRENT, UNQUOTED, NON-TRADE, LOWER OF COST AND FAIR VALUE) | | |
| Other than Trade Investments Investment in Mutual Funds (Refer Note 21 of Schedule O for details of mutual funds purchased and sold during the year) | | |
| ING Quarterly FMP 91 - Series Nil units (31 December 2008 - 3,500,000 units) Face Value: Rs. 10 per unit | — | 35,000 |
| DSP Merrill Lynch FMP - 3M Series 16 Nil units (31 December 2008 - 3,500,000 units) Face Value: Rs 10 per unit | — | 35,000 |
| Aggregated Fair Value of Company's Investments in Mutual Funds Rs. Nil (31 December 2008 - Rs. 70,000) | — | 70,000 |
| | 24,730 | 119,790 |
| E. INVENTORIES* | | |
| Raw & Packing Materials | 162,591 | 161,665 |
| Work-in-Progress | 47,683 | 44,840 |
| Finished Goods | 165,284 | 177,914 |
| Stores and Spare Parts | 12,425 | 11,628 |
| | 387,983 | 396,047 |
| * Includes Goods in transit of Rs. 19,662 (31 December 2008 - Rs. 13,596) | | |
| F. SUNDRY DEBTORS (UNSECURED) | | |
| Over six months - | | |
| Considered Good | 2,551 | 4,432 |
| Considered Doubtful | 20,193 | 18,725 |
| Others, Considered Good | 93,538 | 163,712 |
| | 116,282 | 186,869 |
| Less: Provision for Doubtful Debts | 20,193 | 18,725 |
| | 96,089 | 168,144 |

| | 2009 Rs.'000 | 2008 Rs.'000 |
|---|-----------------|-----------------|
| Debtors include amount due from Companies under the same management | | |
| Esab Asia Pacific Pte Ltd., Singapore | 243 | 1,772 |
| Esab Middle East LLC, Dubai | 36 | 5,942 |
| Esab Middle East FZE, Dubai | – | 7,807 |
| G. CASH AND BANK BALANCES | | |
| Cash on hand | 729 | 910 |
| Cheques on hand and remittances in transit | 88,737 | 74,220 |
| Balances with Scheduled Banks : | | |
| Current Account | 40,259 | 10,175 |
| Deposit Account | 422,318 | 282,890 |
| Margin Money | 27,500 | 231 |
| | <u>579,543</u> | <u>368,426</u> |
| H. OTHER CURRENT ASSETS, LOANS AND ADVANCES | | |
| Interest accrued on Investments | – | 1,221 |
| Secured, considered good | | |
| Vehicle Loans to employees | – | 19 |
| (Secured against hypothecation of vehicles) | | |
| Unsecured, considered good | | |
| Advances to Esab Engineering Services Ltd., an associate company (maximum amount outstanding during the current year Rs. 4,099 31 December 2008: Rs. 4,487) | – | 3,362 |
| Advances to Esab Welding & Cutting Products, USA, (maximum amount outstanding during the current year Rs. 1,489 31 December 2008: Rs. 185) | 109 | – |
| Advances to Esab Welding Products (Jiangsu) Co Ltd, China (maximum amount outstanding during the current year Rs, 8,181 31 December 2008: Rs. Nil) | 8,181 | – |
| Advance income tax payment (Net of provisions) | 14,404 | |
| Advances recoverable in cash or in kind or for value to be received | | |
| Considered Good | 163,522 | 132,098 |
| Considered Doubtful | 3,251 | 3,251 |
| | <u>166,773</u> | <u>135,349</u> |
| Less: Provision for doubtful advances | 3,251 | 3,251 |
| Balances with Customs, Port Trust, Excise, etc. | 43,587 | 28,309 |
| | <u>229,803</u> | <u>165,009</u> |

| | 2009 Rs.'000 | 2008 Rs.'000 |
|--|------------------|------------------|
| I. CURRENT LIABILITIES | | |
| Sundry Creditors (Refer Note 23 of Schedule O) | | |
| (i) total outstanding dues of micro enterprises and small enterprises; and | 6,055 | 4,071 |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | 400,978 | 377,029 |
| Deposits from Dealers | 21,749 | 21,584 |
| Advance from Customers | 9,972 | 14,013 |
| Other Liabilities | 48,533 | 48,133 |
| Unclaimed Dividends * | 15,349 | 5,732 |
| | 502,636 | 466,491 |
| * There is no amount due and outstanding to be credited to the Investor Education and Protection Fund. | | |
| J. PROVISIONS | | |
| Provision for Income-tax (Net of advance tax and Tax Deducted at Source) | - | 39,305 |
| Provision for retirement benefits : | | |
| Gratuity | 13,694 | 21,756 |
| Leave Encashment | 58,028 | 69,440 |
| Proposed Dividend | - | 38,483 |
| Tax on Dividend | - | 6,540 |
| | 71,722 | 175,524 |
| K. OTHER INCOME | | |
| Interest income (Gross Tax deducted at Source - Rs. 3,735 (31 December 2008 - Rs. 236) | 34,939 | 5,835 |
| Income from Investments | 5,431 | 13,235 |
| Income from Sale of Scrap | 30,785 | 37,492 |
| Commission Income | - | 227 |
| Provision/Liabilities no longer required written back | - | 5,556 |
| Profit on sale of fixed assets (Net) | 495 | 4,186 |
| Exchange gain (Net) | 2,433 | - |
| Miscellaneous | 12,837 | 28,370 |
| | 86,920 | 94,901 |
| L. MATERIALS | | |
| Raw & Packing Materials Consumed | 2,109,377 | 2,196,959 |
| Purchases of Finished Goods | 299,060 | 375,745 |
| (Increase) / Decrease in Finished Goods & Work-in-Progress | | |
| Opening Stock | | |
| Finished Goods | 177,914 | 159,045 |
| Work-in-Progress | 44,840 | 28,057 |
| | 222,754 | 187,102 |
| Closing Stock | | |
| Finished Goods | 165,284 | 177,914 |
| Work-in-Progress | 47,683 | 44,840 |
| | 212,967 | 222,754 |
| | 9,787 | (35,652) |
| | 2,418,224 | 2,537,052 |

| | 2009 Rs.'000 | 2008 Rs.'000 |
|--|-----------------|-----------------|
| M. MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES | | |
| Salaries, Wages and Bonus | 251,143 | 254,250 |
| Contributions to Provident and Other Funds* | 3,930 | 30,061 |
| Workmen and Staff Welfare Expenses | 30,598 | 35,410 |
| Consumption of Stores and Spare parts | 35,271 | 36,877 |
| Power and Fuel | 78,093 | 74,702 |
| Repairs : Buildings | 4,775 | 9,599 |
| Plant and Machinery | 16,118 | 13,189 |
| Others | 5,171 | 6,998 |
| Rent | 7,266 | 12,993 |
| Rates and Taxes | 8,769 | 5,280 |
| Excise Duty | (1,133) | (6,044) |
| Insurance | 2,612 | 3,466 |
| Transport and Freight | 52,301 | 49,220 |
| Communication Costs | 13,896 | 14,540 |
| Travelling and Conveyance | 54,129 | 56,728 |
| Legal and Professional Charges | 13,833 | 10,765 |
| Printing and Stationery | 4,814 | 6,042 |
| Commission | 4,417 | 3,384 |
| Sales Incentives | 105,794 | 66,331 |
| Advertising | 448 | 3,159 |
| Sales Promotion and Selling Expenses | 18,341 | 16,052 |
| Provision for Doubtful Debts | 1,468 | 2,631 |
| Fixed Assets written off | 538 | 65 |
| Exchange loss (Net) | - | 4,018 |
| Miscellaneous Expenses | 67,664 | 73,212 |
| | 780,256 | 782,928 |

* Net of reversals of contributions made in earlier years to the Company's Pension Funds of Rs.5,673 (31 December 2008: Rs. Nil)

N. INTEREST AND FINANCE CHARGES

Interest :

| | | |
|--------------|--------------|--------------|
| On Others | 5 | 25 |
| Bank Charges | 8,344 | 9,191 |
| | 8,349 | 9,216 |

O. NOTES TO THE ACCOUNTS

1. Background

Esab India Limited ("the Company") was incorporated on 10 November 1987 and commenced its business operations in July 1988. The Company is engaged in the business of welding consumables i.e. welding electrodes, copper coated wires, flux cored wires and welding fluxes and of welding equipment i.e. welding machines and cutting equipment.

37.31% and 18.34% of the Company's shares are held by Esab Holdings Limited and Exelvia Group India BV respectively, being the significant shareholders, which are indirect subsidiaries of Charter International plc. The remaining shares are held by institutional investors and the public. Accordingly the Company is subsidiary of Charter International plc.

2. Significant Accounting Policies

a) Basis of Preparation of Financial Statements

The financial statements have been prepared and presented under the historical cost convention using the accrual basis of accounting and comply with all the mandatory Accounting Standards as specified in the Companies (Accounting Standard) Rules 2006, pronouncements of ICAI as applicable and the relevant provisions of the Companies Act, 1956.

b) Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c) Fixed assets, Intangible assets, Depreciation and Amortization

Fixed assets are stated at cost of acquisition or construction, less accumulated depreciation. Cost includes inward freight, duties, taxes and incidental expenses related to acquisition and installation of the asset. Borrowing costs related to the acquisition or construction of the qualifying fixed assets for the period up to the completion of their acquisition or constructions are capitalized.

Depreciation for the year is provided on the straight line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956, except for the following.

- The cost of leasehold land and improvements thereto has been amortized over the lease period.
- Computers and Cars are depreciated over their useful lives of 4 and 6 years respectively.
- Lease rentals on assets taken on finance lease prior to 1 April 2001 are charged to the Profit and Loss Account.

Depreciation is charged on pro-rata basis for assets purchased / sold during the year. Individual assets costing less than Rs. 5,000 are depreciated at 100%.

Intangible assets are recorded at the consideration paid for acquisition and are amortized over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use.

Technical Know-how fees are amortized over a period of 6 years.

Advances paid towards acquisition of fixed assets and the cost of assets not ready to be put to use before the year end are disclosed under capital work in progress.

d) Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount (higher of net realizable value and value in use) of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

e) Operating Lease

Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

f) Investments

Trade investments are investments made to enhance the Company's business interests. Investments are either classified as current or long-term based on the management's intention. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

g) Inventories

Inventories of raw and packing materials are valued at the lower of cost on a first in first out basis and net realizable value. Work in-process, stores and spare parts and finished goods are valued at the lower of cost and net realizable value.

In the case of manufactured inventories, costs are generally calculated at standards adjusted to actual and include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The excise duty in respect of closing inventory of finished goods is included as part of inventory. The amount of CENVAT credits in respect of materials consumed for sales is deducted from the cost of materials consumed.

h) Retirement benefits

Gratuity and pension costs with respect to defined benefit schemes are accrued based on actuarial valuations, carried out by an independent actuary as at the balance sheet date. These contributions are made to a registered trust.

Provision is made for leave encashment based on actuarial valuation, carried out by an independent actuary as at the balance sheet date.

The Company's contribution to Provident Fund, Employees' State Insurance Scheme, and defined contribution plans are charged to the Profit and Loss Account when incurred.

i) Revenue recognition

Revenue from the sale of goods is recognized on despatch of goods to customers which generally coincides with the transfer of all significant risks and rewards of ownership to the buyer. Revenue from service is recognized on rendering of services to customers. Sales amounts include excise duty but exclude sales tax and trade discounts.

Dividend income is recognized in the year when the right to receive payment is established. Interest income is recognized on time proportion basis.

j) Transactions in Foreign Currency

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the relevant transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the Profit and Loss Account of the year. Monetary assets and liabilities denominated in foreign currencies as at the Balance Sheet date are translated at the closing exchange rates on that date. The resultant exchange differences are recognized in the Profit and Loss Account.

k) Taxation

Income tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income tax law) fringe benefit tax and deferred tax charge or credit (reflecting the tax effects of the timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses under taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets.

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

Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off.

Company provides for and discloses the Fringe Benefits Tax ("FBT") in accordance with the provisions of the Income Tax Act, 1961 and guidance note on FBT issued by the ICAI.

l) Earnings per share

Basic earnings per share is computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are computed after adjusting the effects of all dilutive potential equity shares. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that decrease profit per share are included.

m) Provisions, Contingent Liabilities and Contingent Assets

The Company creates a provision when there is present obligation as a result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the financial statements.

n) Cash Flows

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated.

| | 2009 Rs.'000 | 2008 Rs.'000 |
|---|-----------------|-----------------|
| 3. Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances) | 97,442 | 158,610 |
| 4. Contingent Liabilities | | |
| For Disputed Taxes and Duties | 225,302 | 190,430 |
| Claims Against the Company not acknowledged as debts | 76,272 | 70,164 |
| 5. Auditor's Remuneration | | |
| Audit Fees | 1,200 | 1,200 |
| Tax Audit & Tax accounts | 300 | 300 |
| Other Professional Services | 1,175 | 1,000 |
| Reimbursement of out of pocket expenses | 150 | 170 |
| | 2,825 | 2,670 |

6. Particulars of Licensed, Installed Capacity and Actual Production

| Products | Unit | 2009 | | | 2008 | | |
|---|-----------|-------------------|---------------------|-------------------|-------------------|---------------------|-------------------|
| | | Licensed Capacity | Installed Capacity* | Actual Production | Licensed Capacity | Installed Capacity* | Actual Production |
| Welding Electrodes | '000 mtrs | 318,988 | 274,808 | 188,299 | 318,988 | 218,025 | 183,718 |
| | Tonnes | 3,480 | 3,000 | 880 | 3,480 | 3,000 | 1,113 |
| Continuous Electrodes/Copper Coated Wires | Tonnes | 28,140 | 17,800 | 7,013 | 15,240 | 10,500 | 7,340 |
| Welding Fluxes | Tonnes | 4,061 | 2,440 | 1,788 | 4,061 | 2,440 | 1,579 |
| Gas & Electric, Welding & Cutting Equipment & Accessories | Nos. | 233,540 | 651,756 | 131,806 | 233,540 | 651,756 | 127,208 |

*As Certified by the Management and relied upon by the auditors

7. Particulars of Closing Stock of Finished Goods

| Products | Unit | 2009 | | 2008 | | 2007 | |
|--|-------------|-------|-------------------|-------|-------------------|-------|-------------------|
| | | Qty. | Value Rs. '000 | Qty. | Value Rs. '000 | Qty. | Value Rs. '000 |
| Welding Electrodes | PCs ('000s) | 9,237 | 35,354 | 4,731 | 16,990 | 3,575 | 10,614 |
| | Tonnes | 132 | 32,500 | 211 | 41,689 | 118 | 28,898 |
| Continuous Electrodes/ Copper Coated Wires | Tonnes | 220 | 20,760 | 184 | 23,578 | 324 | 18,753 |
| Welding Fluxes | Tonnes | 68 | 4,418 | 45 | 2,916 | 61 | 3,303 |
| Gas & Electric Welding & Cutting Equipment & Accessories | | # | 71,268 | # | 90,881 | # | 95,8835 |
| Others | | # | 984 | # | 1,860 | # | 1,594 |
| # Quantity details have not been disclosed because the Products are heterogeneous in nature. | | | 165,284 | | 177,914 | | 159,045 |

8. Particulars of Sales

| Products | Unit | 2009 | | 2008 | |
|---|-------------|----------|------------------|----------|------------------|
| | | Quantity | Value Rs.'000 | Quantity | Value Rs.'000 |
| Welding Electrodes | PCs ('000s) | 465,883 | 1,943,768 | 453,095 | 2,071,095 |
| | Tonnes | 1,434 | 496,917 | 1,611 | 540,352 |
| Continuous Electrodes/ Copper Coated Wires | Tonnes | 7,278 | 620,964 | 7,241 | 673,577 |
| Welding Fluxes | Tonnes | 1,734 | 126,935 | 1,569 | 120,881 |
| Gas & Electric Welding & Cutting Equipment & Accessories | | | 1,237,600 | | 1,265,846 |
| Others | | | 98,730 | | 87,707 |
| Grand Total | | | 4,524,914 | | 4,759,458 |

Notes:

- Since the company is engaged in both manufacture and trading activities the details pertaining to trading activity have been included in the above quantitative particulars.
- Of the total traded purchases of Rs. 299 million (31 December 2008: Rs. 376 million), an amount of Rs. 107 million (31 December 2008: Rs. 161 million) pertains to equipment and the balance pertains to consumables. Quantitative particulars pertaining to purchases of traded equipment are not disclosed because these are not measurable in homogeneous units. With respect to purchases of traded consumables, quantitative particulars are not conveniently available.
- Quantitative data for spares have not been given as it pertains to a large variety of individually insignificant items.
- Special electrodes, for which separate licenses were issued for some plants, are included with Welding Electrodes.

9. Details of Raw & Packing Materials consumed

| Description | 2009 | | 2008 | |
|----------------------------|----------------------|------------------|----------------------|------------------|
| | Quantity (Tonnes) | Value Rs.'000 | Quantity (Tonnes) | Value Rs.'000 |
| Mild Steel / M S Wire Rods | 21,720 | 857,332 | 19,914 | 919,559 |
| Non Ferrous Metals | 458 | 172,120 | 407 | 136,463 |
| Minerals | 8,630 | 226,717 | 8,141 | 191,526 |
| Chemicals | 3,431 | 278,773 | 4,144 | 310,227 |
| Piece Parts | | 456,477 | | 507,103 |
| Others | | 117,958 | | 132,081 |
| | | 2,109,377 | | 2,196,959 |

10. Value of Imported and Indigenous Raw & Packing Materials, Components and Stores & Spares consumed

| | 2009 | 2008 | 2009 | 2008 |
|-------------------------|------------------|------------------|-------------------------------|-------------------------------|
| | Value Rs.'000 | Value Rs.'000 | % age of Total Consumption | % age of Total Consumption |
| Raw & Packing Materials | | | | |
| Imported | 232,617 | 358,726 | 11 | 16 |
| Indigenous | 1,876,760 | 1,838,233 | 89 | 84 |
| Total | 2,109,377 | 2,196,959 | 100 | 100 |
| Stores and Spares | | | | |
| Imported | 2,663 | 3,404 | 8 | 9 |
| Indigenous | 32,608 | 33,473 | 92 | 91 |
| Total | 35,271 | 36,877 | 100 | 100 |

| | 2009 Rs.'000 | 2008 Rs.'000 |
|-------------------------------------|-----------------|-----------------|
| 11. CIF value of Imports | | |
| Raw materials | 131,566 | 277,902 |
| Components | 63,861 | 69,322 |
| Capital goods | 18,863 | 3,508 |
| | 214,290 | 350,732 |
| 12. Expenditure in Foreign Currency | | |
| Technical Knowhow | 5,302 | 3,744 |
| Travelling | 1,220 | 1,935 |
| Royalty | 4,780 | 4,714 |
| Others | 843 | 1,475 |
| | 12,145 | 11,868 |
| 13. Earnings in Foreign Exchange | | |
| FOB Value of Exports | 68,468 | 120,502 |
| Commission | — | 227 |
| | 68,468 | 120,729 |

14. Managerial Remuneration

| | 2009 | 2008 |
|---|-----------|---------|
| | Rs.'000 | Rs.'000 |
| A) Computation of net profit in accordance with Section 198 of the Companies Act, 1956: | | |
| Profit before Tax as per Profit & Loss Account | 1,008,912 | 925,208 |
| Add: Directors' remuneration | 11,240 | 9,482 |
| Provision for Bad & Doubtful Debts/advances | 1,468 | 2,631 |
| Fixed Assets written off | 538 | 65 |
| | 13,246 | 12,178 |
| Less: Profit on sale of Fixed Assets (net) | 495 | 4,186 |
| | 1,021,663 | 933,200 |
| Maximum commission allowed as per the Companies Act, 1956 at 1% | 10,217 | 9,332 |
| Commission to non wholetime Directors proposed | 3,434 | 3,080 |

| | 2009 | | 2008 | |
|---|---------|--------------|---------|--------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| B) | | | | |
| i) Managing Director | | | | |
| Salary | | 4,809 | | 3,987 |
| Contribution to Provident and Superannuation Fund | | 562 | | 468 |
| Perquisites | | 247 | | 322 |
| Incentive Bonus | | 1,770 | | 1,225 |
| | | <u>7,388</u> | | <u>6,002</u> |
| ii) Non wholtime Directors | | | | |
| Sitting fees | | 418 | | 400 |
| Commission | | 3,434 | | 3,080 |
| | | <u>3,852</u> | | <u>3,480</u> |

Notes:

- The above remuneration excludes provision for pension, gratuity and leave encashment costs, since these are based on actuarial valuations done on an overall company basis.
- In respect of certain fixed assets, the Company depreciates such fixed assets based on estimated useful lives which are lower or equal to the implicit estimated useful lives prescribed by Schedule XIV of the Companies Act, 1956. Thus the rate of depreciation in the books is higher than that prescribed as the minimum by the Companies Act, 1956 and this value has been considered as a deduction for the computation of managerial remuneration above.

15. Deferred taxation

Deferred Tax Asset

| | | | | |
|---------------------|---------------|---------------|---------------|--------|
| Current assets | 15,849 | | 14,194 | |
| Current liabilities | <u>32,038</u> | <u>47,887</u> | <u>45,568</u> | 59,762 |

Deferred Tax Liability

| | | | | |
|--------------|--|----------|--|----------|
| Fixed Assets | | (79,209) | | (64,048) |
|--------------|--|----------|--|----------|

Net Deferred Tax (Liability) / Asset

| | | | |
|--|-----------------|--|----------------|
| | <u>(31,322)</u> | | <u>(4,286)</u> |
|--|-----------------|--|----------------|

16. Taxation

| | | | | |
|--------------------------------|----------------|--|----------------|--|
| Tax provision for current year | 318,745 | | 318,484 | |
| Fringe Benefits Tax | 1,303 | | 5,947 | |
| Deferred Tax charge | 27,036 | | (11,041) | |
| | <u>347,084</u> | | <u>313,390</u> | |

17. Earnings per Share

| | | | | |
|--|-----------|---------|-----------|---------|
| Basic and Diluted Earnings per share | Rs. 43.00 | | Rs. 39.75 | |
| Nominal value per share | Rs. 10.00 | | Rs. 10.00 | |
| Earnings per share are calculated by dividing the Profit / (loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. | | | | |
| Profit/(Loss) after taxation | Rs.'000 | 661,828 | Rs.'000 | 611,818 |
| Weighted average number of shares outstanding during the year | Nos. '000 | 15,393 | Nos. '000 | 15,393 |

18. The Company has taken various residential and office premises under operating lease or leave & license agreements. These are cancellable; have a term of between 11 months and 3 years, and have no specific obligation for renewal. Lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

19. **Segmental Information**

The Primary and secondary reportable segments are business segments and geographical segments respectively. These have been identified by the type of their respective products and services, their differing risks and returns, the Company's Organisation structure and internal financial reporting systems.

(i) **Business Segments**

Consumables

: Welding electrodes, Copper coated wires, Flux Cored wires and Welding fluxes

Equipment

: Welding machines and Cutting equipment

Rs. '000

| Particulars | Consumables | | Equipment | | Total | |
|----------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenue | | | | | | |
| External sales (Net) | 3,043,962 | 3,074,312 | 1,162,318 | 1,151,898 | 4,206,280 | 4,226,210 |
| Segment results | 798,810 | 783,187 | 241,037 | 187,355 | 1,039,847 | 970,542 |
| Less: Interest (Net) | | | | | 8,349 | 9,216 |
| Other common expenses (Net) | | | | | 22,586 | 36,118 |
| Total profit before tax | | | | | 1,008,912 | 925,208 |
| Capital employed | | | | | | |
| Segment assets | 1,188,321 | 1,049,789 | 477,885 | 485,262 | 1,666,206 | 1,535,051 |
| Add: Common Assets | | | | | 611,367 | 481,496 |
| Total Assets | | | | | 2,277,573 | 2,016,547 |
| Segment liabilities | 217,279 | 175,828 | 152,097 | 172,541 | 369,376 | 348,369 |
| Add: Common liabilities | | | | | 236,304 | 252,909 |
| Total Liabilities | | | | | 605,680 | 601,278 |
| Segment capital employed | 971,042 | 873,961 | 325,788 | 312,721 | 1,296,830 | 1,186,682 |
| Add: Common capital employed | | | | | 375,063 | 228,587 |
| Total capital employed | | | | | 1,671,893 | 1,415,269 |
| Capital expenditure | 245,039 | 115,756 | 38,605 | 19,722 | 283,644 | 135,478 |
| Add: Common capital expenditure | | | | | 7,247 | 1,907 |
| Total capital expenditure | | | | | 290,891 | 137,385 |
| Depreciation / Amortization | 54,174 | 47,600 | 16,705 | 14,671 | 70,879 | 62,271 |
| Add: Common depreciation | | | | | 6,580 | 4,436 |
| Total depreciation | | | | | 77,459 | 66,707 |
| Non cash expenses | (363) | 1,454 | 1,116 | 1,560 | 753 | 3,014 |
| Add: Common non cash expenditure | | | | | 538 | 66 |
| Total non cash expenditure | | | | | 1,291 | 3,080 |

Geographical Segments

The Company caters mainly to the needs of Indian market. The export turnover is 1.51% (31 December 2008: 2.53%) of the total turnover of the Company and segment assets are 0.58% (31 December 2008: 1.50%) of the total assets.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company.

Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses which relate to the enterprise as a whole, and not allocable to segments on a reasonable basis, have been included under the heading "other common expenses".

20. Related Party Disclosure

(a) Parties where Control exists

- i) Esab Holdings Limited - Principal Shareholder - Holds 37.31 % of the paid up equity share capital of the Company as at 31 December 2009. Charter Overseas Holdings Limited, the holding company of Esab Holdings Limited is a subsidiary of Charter International plc.,
- ii) Exelvia Group India BV - Holds 18.34% of the paid up equity share capital of the Company as at 31 December 2009. Exelvia Group India BV is an investment company and is an indirect wholly-owned subsidiary of Charter International plc.

(b) Charter International plc Group - Related parties in the Charter International plc Group where significant influence exists :

| | |
|---|--|
| Esab Engineering Services Limited, India | Esab Middle East LLC., Dubai |
| Esab Asia Pacific Pte. Ltd., Singapore | Esab Middle East FZE., Dubai |
| Esab Cutting Systems GmbH (Karben), Germany | Esab SeAH Corporation, Korea |
| OZAS-ESAB Sp. Z.o.o., Poland | Esab S.A. Industria e Comercio, Brazil |
| Esab Cutting & Welding Automation (Shanghai) Ltd. | Esab Saldatura S.p.a, Italy |
| Esab AB, Sweden | Esab Sp. Z.o.o., Poland |
| P.T. Karya Yasantara Cakti, Indonesia | Esab Vamberk s.r.o., Czech Republic |
| Esab-Mor Kft, Hungary | Esab Group (UK) Ltd |
| Alcotec Wire Corporation -USA | Esab Welding & Cutting Product USA |
| Conorco Alambres y Soldaduras SA, Argentina | Romar Positioning Eqp. Int. Pte Ltd. |
| Esab GmbH Solingen, Belgium | Esab-ATAS GmbH |
| Esab Welding Products(Jiangsu)Co Ltd. China | Esab KK, Japan |

(c) Key Management Personnel

Managing Director - Mr.G.Hariharan (appointed on 1 September 2006 for a period of five years).

20. Related Party Disclosure

(d) Transaction and outstanding balances with Related Parties.

Rs. '000

| Nature of Transaction | Control Exists [a(i)] | | Significant Influence Exists [b] | | Key Management Personnel [c] | | Total | |
|------------------------------------|-----------------------|-------|----------------------------------|---------|------------------------------|-------|---------|---------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Purchase of goods | - | - | 209,418 | 251,467 | - | - | 209,418 | 251,467 |
| Purchase of Fixed Assets | - | - | - | 1,927 | - | - | - | 1,927 |
| Sale of goods | - | - | 5,582 | 29,654 | - | - | 5,582 | 29,654 |
| Sales Return | - | - | 6,091 | - | - | - | 6,091 | - |
| Reimbursement of Expenses received | - | 2,833 | 6,261 | 5,112 | - | - | 6,261 | 7,945 |
| Payment of Technical Knowhow | - | - | 5,905 | 3,566 | - | - | 5,905 | 3,566 |
| Commission Income | - | - | - | 227 | - | - | - | 227 |
| Commission Expense | - | - | 710 | - | - | - | 710 | - |
| Royalty | - | - | 5,330 | 4,714 | - | - | 5,330 | 4,714 |
| Remuneration | - | - | - | - | 7,388 | 6,002 | 7,388 | 6,002 |
| Advances | - | - | 8,290 | - | - | - | 8,290 | - |
| Outstanding payables | - | 483 | 25,981 | 39,584 | 1,770 | 1,225 | 27,751 | 41,292 |
| Outstanding receivables | - | - | 279 | 18,897 | * | * | 279 | 18,897 |

The Companies listed above have been identified on the basis of information available with the Company.

* Note : Rs. 3.251 million recoverable from a former Managing Director is fully provided for.

20. Related Party Disclosure

(e) Transaction with parties which form more than 10% of aggregate value of transactions

Rs. '000

| Relationship/Name of the related party | Description of the nature of transaction | Value of the transactions | |
|---|--|---------------------------|---------|
| | | 2009 | 2008 |
| Fellow Subsidiary Companies: | | | |
| Esab Welding & Cutting Product, USA | Purchase of fixed assets | – | 268 |
| Esab AB, Sweden | Purchase of fixed assets | – | 1,659 |
| Esab AB, Sweden | Commission-Income | – | 227 |
| Esab Middle East FZE, Dubai | Commission-Expense | 710 | – |
| Esab Asia Pacific Pte. Ltd., Singapore | Sale of goods | 4,306 | 5,123 |
| Esab Middle East LLC, Dubai | Sale of goods | 552 | 7,319 |
| Esab Middle East FZE, Dubai | Sale of goods | – | 13,958 |
| Esab Group (UK) Ltd | Sale of goods | 674 | – |
| Esab Middle East FZE, Dubai | Sales-Return | 5,953 | – |
| Esab SeaH Corp Korea | Purchase of goods | 28,259 | 49,017 |
| Esab AB, Sweden | Purchase of goods | 71,735 | 113,257 |
| Esab Welding & Cutting Product USA | Purchase of goods | 25,873 | – |
| ESAB Vamberk s.r.o - Czech Republic | Purchase of goods | 48,676 | – |
| Esab S.A. Industria E Commerico, Brazil | Royalty | 3,277 | 2,691 |
| Ozas Esab Sp Z.o.o Polland | Royalty | 820 | 921 |
| Esab AB Sweden | Royalty | 1,233 | 1,101 |
| ESAB Engineering Services Ltd. India | Reimbursement of expenses | 6,261 | 5,112 |
| ESAB Welding Products (Jiangsu) Co. Ltd. China | Advance | 8,181 | – |
| ESAB Engineering Services Ltd. India | Outstanding receivable | – | 3,362 |
| Esab Asia Pacific Pte. Ltd. Singapore | Outstanding receivable | 243 | 1,786 |
| Esab Middle East LLC, Dubai | Outstanding receivable | 36 | 5,942 |
| Esab Middle East FZE, Dubai | Outstanding receivable | – | 7,807 |
| Esab AB, Sweden | Outstanding Payable | 8,057 | 9,542 |
| Esab SeaH Corp Korea | Outstanding Payable | – | 5,550 |
| Esab Cutting & Welding Automation (Shanghai) Ltd. | Outstanding Payable | – | 11,559 |
| Esab S.A. Industria E Commercio, Brazil | Outstanding Payable | – | 852 |
| Ozas Esab Sp Z.o.o Polland | Outstanding Payable | – | 452 |
| Esab Welding & Cutting Product USA | Outstanding Payable | – | 4,568 |
| Alcotec Wire Corporation - USA | Outstanding Payable | 3,229 | – |
| ESAB Vamberk s.r.o - Czech Republic | Outstanding Payable | 5,875 | – |

21. Details of units in Mutual Funds purchased and sold during the year

| Name of the fund | Face Value | 2009 | | | | 2008 | | | |
|---|------------|--|----------------|-----------------------------------|----------------|--|----------------|-----------------------------------|----------------|
| | | No. of units purchased during the year | Purchase Value | No. of units sold during the year | Sale Value | No. of units purchased during the year | Purchase Value | No. of units sold during the year | Sale Value |
| HDFC Cash Management fund - Savings Plan - Daily Dividend Reinvestment | 10 | - | - | - | - | 11,692,378 | 117,292 | 13,695,519 | 137,387 |
| HDFC-Floating Rate Income Fund - Short Term Plan - Wholesale Option - Daily Dividend Reinvestment | 10 | 4,517,149 | 45,537 | 4,517,149 | 45,537 | - | - | - | - |
| Tata-Liquidity Management fund - Daily Dividend | 1000 | 44,748 | 45,210 | 44,748 | 45,210 | - | - | - | - |
| Reliance Medium Term Fund - Daily Dividend Plan | 10 | 2,658,674 | 45,451 | 2,658,674 | 45,451 | - | - | - | - |
| LIC Savings Plus Fund - Daily Dividend Plan | 10 | 4,558,099 | 45,581 | 4,558,099 | 45,581 | - | - | - | - |
| Fidelity Ultra Short Term Debt Fund Institutional - Ddr | 10 | 4,501,845 | 45,030 | 4,501,845 | 45,030 | - | - | - | - |
| Sundaram BNP Ultra St Fund Inst. Ddr | 10 | 4,509,747 | 45,264 | 4,509,747 | 45,264 | - | - | - | - |
| ING Liquid Plus fund - Institutional Daily Dividend | 10 | - | - | - | - | 4,592,709 | 45,942 | 9,095,038 | 90,980 |
| ING - Fixed Maturity Fund - 42 | 10 | - | - | - | - | 4,546,851 | 45,469 | 4,546,851 | 45,469 |
| ING - Quarterly FMP Series 1 - D | 10 | - | - | - | - | 1,000,000 | 10,000 | 1,000,000 | 10,000 |
| ING - Quarterly FMP 91 Days | 10 | - | - | 3,500,000 | 35,000 | 3,500,000 | 35,000 | - | - |
| Reliance Liquid Plus Daily Dividend Plan | 1000 | - | - | - | - | 25,529 | 25,553 | 45,524 | 45,564 |
| Reliance Liquid Plus Fund - Inst Option - Daily Dividend Plan | 1000 | - | - | - | - | 80,377 | 80,468 | 80,377 | 80,468 |
| LIC Liquid Plus fund - Daily Dividend | 10 | - | - | - | - | 4,718,232 | 47,182 | 4,718,232 | 47,182 |
| Fidelity Liquid Plus Fund - Institutional | 10 | - | - | - | - | 4,516,832 | 45,180 | 4,516,832 | 45,180 |
| Sundaram BNP Liquid Plus Fund - Daily | 10 | - | - | - | - | 4,597,497 | 46,090 | 4,597,497 | 46,090 |
| DSP Merrill Lynch FMP - 3M - Series 16 | 10 | - | - | 3,500,000 | 35,000 | 3,500,000 | 35,000 | - | - |
| DSP Blackrock Floating Rate Fund - Regular plan - Daily Dividend | 10 | 4,490,280 | 45,043 | 4,490,280 | 45,043 | - | - | - | - |
| DSP Merrill Lynch FMP - 1M - Series 2 | 10 | - | - | - | - | 1,006,960 | 10,073 | 1,006,960 | 10,073 |
| UTI Treasury Advantage Fund Institutional Plan - Daily Dividend Option | 1000 | 45,283 | 45,292 | 45,283 | 45,292 | - | - | - | - |
| UTI Liquid Plus Fund Institutional Plan - Daily Dividend Option | 1000 | - | - | - | - | 136,724 | 136,753 | 136,724 | 136,753 |
| SBI Magnum Insta Cash Fund * | 10 | - | - | - | - | 14,866 | 181 | 496,958 | 5,329 |
| ICICI Prudential Flexible Income Plan Premium - Dividend Daily Reinvestment | 10 | 426,666 | 45,114 | 426,666 | 45,114 | - | - | - | - |
| ICICI Flexible Income Plan - Dividend Daily Reinvestment | 10 | - | - | - | - | 4,329,305 | 45,776 | 8,609,703 | 91,035 |
| Total | | 25,752,491 | 407,522 | 32,752,491 | 477,522 | 48,258,260 | 725,959 | 52,546,215 | 791,510 |

*-Out of Nil (31 December 2008: 496,958) units of SBI Magnum Insta Cash Fund, nil (31 December 2008: 482,092) units were purchased by Esab Welding and Cutting Systems Limited, which has been merged with Esab India Limited with effect from 1 January 2008.

22. Gratuity Plan

The following table sets out the status of the gratuity plan as required under AS 15 (Revised 2005) and the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

| Particulars | 2009 Rs.'000 | 2008 Rs.'000 |
|--|-----------------|-----------------|
| Change in present value of obligations | | |
| Obligations at beginning of the year | 54,976 | 48,488 |
| Service cost | 2,638 | 2,125 |
| Interest Cost | 3,253 | 3,361 |
| Actuarial (gain) / loss | (4,304) | 11,014 |
| Benefits paid | (7,732) | (10,012) |
| Obligations at the end of the year | 48,831 | 54,976 |
| Change in Plan assets | | |
| Fair value of Plan assets at beginning of the year | 33,220 | 38,453 |
| Expected return on plan assets | 2,255 | 2,552 |
| Actuarial gain / (loss) | (106) | (272) |
| Contributions | 7,500 | 2,500 |
| Benefits paid | (7,732) | (10,013) |
| Fair value of plan assets at end of the year | 35,137 | 33,220 |
| Actual return on plan assets | 2,149 | 2,280 |
| Reconciliation of present value of the obligation and the fair value of plan assets | | |
| Present value of the defined benefit obligation at the end of the year | 48,831 | 54,976 |
| Fair value of plan assets at the end of the year | 35,137 | 33,220 |
| Funded status amount of liability recognized in the balance sheet | 13,694 | 21,756 |
| Gratuity cost for the year | | |
| Service cost | 2,638 | 2,125 |
| Interest cost | 3,253 | 3,361 |
| Expected return on plan assets | (2,255) | (2,552) |
| Actuarial (gain) / loss | (4,198) | 11,286 |
| Net gratuity cost | (562) | 14,220 |
| Assumptions | | |
| Interest rate | 7.40% | 5.50% |
| Estimated rate of return on plan assets | 7.50% | 7.50% |
| Rate of growth in salary levels | 5.00% | 5.00% |
| Investment details of plan assets | | |
| Government of India Securities | 38.00% | 32.00% |
| Corporate Bonds | 49.00% | 41.00% |
| Special Deposit Scheme | 0.00% | 16.00% |
| Insurer Managed Funds | 1.00% | 1.00% |
| Others | 12.00% | 10.00% |

Pension Plan

The following table sets out the status of the pension plan as required under AS 15 (Revised 2005) and the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

| Particulars | 2009 Rs.'000 | 2008 Rs.'000 |
|--|-----------------|-----------------|
| Change in present value of obligations | | |
| Obligations at beginning of the year | 58,081 | 52,247 |
| Service cost | 2,307 | 2,300 |
| Interest Cost | 3,364 | 3,745 |
| Actuarial (gain) / loss | (3,459) | 6,204 |
| Benefits paid | (9,458) | (8,415) |
| Obligations at the end of the year | <u>50,835</u> | <u>56,081</u> |
| Change in Plan assets | | |
| Fair value of Plan assets at beginning of the year | 92,601 | 95,583 |
| Expected return on plan assets | 6,459 | 6,696 |
| Actuarial gain / (loss) | 226 | (1,263) |
| Benefits paid | (9,458) | (8,415) |
| Payment for defined contribution scheme | 2,000 | - |
| Fair value of Plan assets at end of the year | <u>91,828</u> | <u>92,601</u> |
| Actual return on plan assets | <u>6,685</u> | <u>5,433</u> |
| Reconciliation of present value of the obligation and the fair value of plan assets | | |
| Present value of the defined benefit obligation at the end of the year | 50,835 | 56,081 |
| Fair value of plan assets at the end of the year | <u>91,828</u> | <u>92,601</u> |
| Funded status amount of liability recognized in the balance sheet | <u>(40,993)</u> | <u>(36,520)</u> |
| Pension cost for the year | | |
| Service cost | 2,307 | 2,300 |
| Interest cost | 3,364 | 3,745 |
| Expected return on plan assets | (6,459) | (6,696) |
| Actuarial (gain) / loss | <u>(3,685)</u> | <u>7,467</u> |
| Net Pension cost | <u>(4,473)</u> | <u>6,816</u> |
| Assumptions | | |
| Interest rate | 7.40% | 5.50% |
| Estimated rate of return on plan assets | 7.50% | 7.50% |
| Rate of growth in salary levels | 5.00% | 5.00% |
| Investment details of plan assets | | |
| Government of India Securities | 17.00% | 16.00% |
| Corporate Bonds | 30.00% | 38.00% |
| Special Deposit Scheme | 0.00% | 25.00% |
| Insurer Managed Funds | 34.00% | 11.00% |
| Others | 19.00% | 10.00% |

23. Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 December 2009 has been made in the financials statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material.

24. Outstanding forward contracts

The Company does not use foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company does not use forward contracts for speculative purposes.

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

| Particulars | Amounts receivable in foreign currency | | Amounts payables in foreign currency | |
|------------------------|--|--------|--------------------------------------|--------|
| | 2009 | 2008 | 2009 | 2008 |
| Euro equivalent ('000) | 2 | — | 221 | 182 |
| USD equivalent ('000) | 210 | 627 | 268 | 535 |
| SEK equivalent ('000) | — | — | 13 | 7 |
| SGD equivalent ('000) | — | — | 23 | 10 |
| DKK equivalent ('000) | — | — | — | 47 |
| GBP equivalent ('000) | — | — | 2 | 2 |
| Rs ('000) | 9,972 | 30,310 | 28,508 | 39,488 |

25. Prior year comparatives have been regrouped wherever necessary to conform to current year's presentation.

For and on behalf of the Board of Directors

G Hariharan
Managing Director

N H Mirza
Director

Chennai
2 March 2010

S Venkatakrishnan
Company Secretary

B Mohan
Chief Financial Officer

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956:

Balance Sheet Abstract and Company's General Business Profile:

I. Registration Details

Registration No.

| | | | | |
|---|---|---|---|---|
| 5 | 8 | 7 | 3 | 8 |
|---|---|---|---|---|

 State Code

| | |
|---|---|
| 1 | 8 |
|---|---|

Balance Sheet Date

| | |
|---|---|
| 3 | 1 |
|---|---|

| | |
|---|---|
| 1 | 2 |
|---|---|

| | |
|---|---|
| 0 | 9 |
|---|---|

Date Month Year

II. Capital raised during the year (Rs. '000)

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| Public Issue <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table> | N | I | L | Rights Issue <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table> | N | I | L |
| N | I | L | | | | | |
| N | I | L | | | | | |
| Bonus Issue <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table> | N | I | L | Private Placement <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table> | N | I | L |
| N | I | L | | | | | |
| N | I | L | | | | | |

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. '000)

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| <p>Total Liabilities* <table border="1" style="display: inline-table;"><tr><td>1</td><td>7</td><td>0</td><td>3</td><td>2</td><td>1</td><td>5</td></tr></table></p> <p>* Includes Deferred Tax Liabilities (Net of Deferred Tax Asset)</p> <p>Sources of funds</p> <p>Paid-up Capital <table border="1" style="display: inline-table;"><tr><td>1</td><td>5</td><td>3</td><td>9</td><td>3</td><td>0</td></tr></table></p> <p>Secured Loans <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p> <p>Deferred Tax Liability* <table border="1" style="display: inline-table;"><tr><td>3</td><td>1</td><td>3</td><td>2</td><td>2</td></tr></table></p> <p>* Net of Deferred Tax Asset</p> <p>Application of funds</p> <p>Net Fixed Assets <table border="1" style="display: inline-table;"><tr><td>9</td><td>5</td><td>9</td><td>4</td><td>2</td><td>5</td></tr></table></p> <p>Net Current Assets <table border="1" style="display: inline-table;"><tr><td>7</td><td>1</td><td>9</td><td>0</td><td>6</td><td>0</td></tr></table></p> <p>Accumulated Losses <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p> | 1 | 7 | 0 | 3 | 2 | 1 | 5 | 1 | 5 | 3 | 9 | 3 | 0 | N | I | L | 3 | 1 | 3 | 2 | 2 | 9 | 5 | 9 | 4 | 2 | 5 | 7 | 1 | 9 | 0 | 6 | 0 | N | I | L | <p>Total Assets* <table border="1" style="display: inline-table;"><tr><td>1</td><td>7</td><td>0</td><td>3</td><td>2</td><td>1</td><td>5</td></tr></table></p> <p>* Net of Current Liabilities & Provisions</p> <p>Reserves & Surplus <table border="1" style="display: inline-table;"><tr><td>1</td><td>5</td><td>1</td><td>7</td><td>9</td><td>6</td><td>3</td></tr></table></p> <p>Unsecured Loans <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p> <p>Investments <table border="1" style="display: inline-table;"><tr><td>2</td><td>4</td><td>7</td><td>3</td><td>0</td></tr></table></p> <p>Misc. Expenditure <table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table></p> | 1 | 7 | 0 | 3 | 2 | 1 | 5 | 1 | 5 | 1 | 7 | 9 | 6 | 3 | N | I | L | 2 | 4 | 7 | 3 | 0 | N | I | L |
| 1 | 7 | 0 | 3 | 2 | 1 | 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | 5 | 3 | 9 | 3 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| N | I | L | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | 1 | 3 | 2 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9 | 5 | 9 | 4 | 2 | 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | 1 | 9 | 0 | 6 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| N | I | L | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | 7 | 0 | 3 | 2 | 1 | 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | 5 | 1 | 7 | 9 | 6 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| N | I | L | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | 4 | 7 | 3 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| N | I | L | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

IV. Performance of Company (Rs. '000)

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| <p>Turnover * <table border="1" style="display: inline-table;"><tr><td>4</td><td>2</td><td>9</td><td>3</td><td>2</td><td>0</td><td>0</td></tr></table></p> <p>* includes other/extra ordinary Income</p> <p>+/- Profit/Loss Before Tax <table border="1" style="display: inline-table;"><tr><td>1</td><td>0</td><td>0</td><td>8</td><td>9</td><td>1</td><td>2</td></tr></table></p> <p>Earnings per Share <table border="1" style="display: inline-table;"><tr><td>4</td><td>3</td><td>.</td><td>0</td><td>0</td></tr></table></p> | 4 | 2 | 9 | 3 | 2 | 0 | 0 | 1 | 0 | 0 | 8 | 9 | 1 | 2 | 4 | 3 | . | 0 | 0 | <p>Total Expenditure <table border="1" style="display: inline-table;"><tr><td>3</td><td>2</td><td>8</td><td>4</td><td>2</td><td>8</td><td>8</td></tr></table></p> <p>+/- Profit/Loss After Tax <table border="1" style="display: inline-table;"><tr><td>6</td><td>6</td><td>1</td><td>8</td><td>2</td><td>8</td></tr></table></p> <p>Dividend Rate % <table border="1" style="display: inline-table;"><tr><td>2</td><td>0</td><td>0</td></tr></table></p> | 3 | 2 | 8 | 4 | 2 | 8 | 8 | 6 | 6 | 1 | 8 | 2 | 8 | 2 | 0 | 0 |
| 4 | 2 | 9 | 3 | 2 | 0 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | 0 | 0 | 8 | 9 | 1 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | 3 | . | 0 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | 2 | 8 | 4 | 2 | 8 | 8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | 6 | 1 | 8 | 2 | 8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | 0 | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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

| | | | | | | | | | | | | | | | | | | | |
|----------------------|--|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item Code (ITC Code) | <table border="1" style="display: inline-table;"><tr><td>8</td><td>3</td><td>1</td><td>1</td><td>1</td><td>0</td><td>.</td><td>0</td><td>0</td></tr></table> | 8 | 3 | 1 | 1 | 1 | 0 | . | 0 | 0 | | | | | | | | | |
| 8 | 3 | 1 | 1 | 1 | 0 | . | 0 | 0 | | | | | | | | | | | |
| Product Description | <table border="1" style="display: inline-table;"><tr><td>W</td><td>E</td><td>L</td><td>D</td><td>I</td><td>N</td><td>G</td><td>E</td><td>L</td><td>E</td><td>C</td><td>T</td><td>R</td><td>O</td><td>D</td><td>E</td><td>S</td></tr></table> | W | E | L | D | I | N | G | E | L | E | C | T | R | O | D | E | S | |
| W | E | L | D | I | N | G | E | L | E | C | T | R | O | D | E | S | | | |
| Item Code (ITC Code) | <table border="1" style="display: inline-table;"><tr><td>8</td><td>5</td><td>.</td><td>1</td><td>5</td></tr></table> | 8 | 5 | . | 1 | 5 | | | | | | | | | | | | | |
| 8 | 5 | . | 1 | 5 | | | | | | | | | | | | | | | |
| Product Description | <table border="1" style="display: inline-table;"><tr><td>A</td><td>R</td><td>C</td><td>W</td><td>E</td><td>L</td><td>D</td><td>I</td><td>N</td><td>G</td><td>M</td><td>A</td><td>C</td><td>H</td><td>I</td><td>N</td><td>E</td><td>S</td></tr></table> | A | R | C | W | E | L | D | I | N | G | M | A | C | H | I | N | E | S |
| A | R | C | W | E | L | D | I | N | G | M | A | C | H | I | N | E | S | | |
| Item Code (ITC Code) | <table border="1" style="display: inline-table;"><tr><td>7</td><td>2</td><td>2</td><td>9</td><td>9</td><td>0</td><td>.</td><td>0</td><td>6</td></tr></table> | 7 | 2 | 2 | 9 | 9 | 0 | . | 0 | 6 | | | | | | | | | |
| 7 | 2 | 2 | 9 | 9 | 0 | . | 0 | 6 | | | | | | | | | | | |
| Product Description | <table border="1" style="display: inline-table;"><tr><td>C</td><td>O</td><td>P</td><td>P</td><td>E</td><td>R</td><td>C</td><td>O</td><td>A</td><td>T</td><td>E</td><td>D</td><td>W</td><td>I</td><td>R</td><td>E</td><td>S</td></tr></table> | C | O | P | P | E | R | C | O | A | T | E | D | W | I | R | E | S | |
| C | O | P | P | E | R | C | O | A | T | E | D | W | I | R | E | S | | | |

Schedules A to O form an integral part of the Accounts.

For and on behalf of the Board of Directors

N H Mirza
Director

G Hariharan
Managing Director

S Venkatakrishnan
Company Secretary

B Mohan
Chief Financial Officer

2 March 2010

Cash Flow Statement

for the year ended 31 December 2009



| Schedule | 2009 Rs.'000 | 2008 Rs.'000 |
|--|-----------------|-----------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before Tax | 1,008,912 | 925,208 |
| (Profit)/Loss on sale of Assets | (495) | (4,186) |
| Interest Income | (34,939) | (5,835) |
| Investment Income | (5,431) | (13,235) |
| Fixed Assets written off | 538 | 65 |
| Unrealised Exchange Differences | (715) | (260) |
| Depreciation/Amortization | 77,459 | 66,707 |
| Provision no longer required written back | – | (5,556) |
| Interest and Finance Charges | 8,349 | 9,216 |
| Provision for Doubtful Debts | 1,468 | 2,631 |
| Operating Profit before Working Capital Changes | 1,055,146 | 974,755 |
| Increase in Sundry Debtors | 70,776 | (73,141) |
| Increase in Other Current Assets and Loans and Advances | (55,293) | (4,254) |
| Decrease / (Increase) in Inventories | 8,064 | (28,778) |
| Increase in Current Liabilities and Provisions | 7,981 | 20,275 |
| Cash Generated from Operations | 1,086,674 | 888,857 |
| Voluntary Separation Compensation and Related Payments | (402) | (444) |
| Taxes Paid - Net | (365,893) | (296,988) |
| Net Cash from Operating Activities | 720,379 | 591,425 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Capital Expenditure | (238,394) | (196,603) |
| Sale of Fixed Assets | 598 | 3,099 |
| Purchase of Investments | (411,812) | (741,247) |
| Sale of Investments | 506,872 | 791,510 |
| Interest received | 24,217 | 2,914 |
| Investment income received | 6,652 | 13,235 |
| Net Cash used in Investing Activities | (111,867) | (127,092) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Dividend Paid | (336,725) | (208,327) |
| Dividend Distribution Tax Paid | (52,321) | (34,009) |
| Interest and Finance Charges Paid | (8,349) | (9,216) |
| Net Cash used in Financing Activities | (397,395) | (251,552) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 211,117 | 212,782 |
| CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR** | 368,426 | 155,644 |
| CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR* | 579,543 | 368,426 |
| Notes: | | |
| *Cash and Cash Equivalents include: | | |
| (a) Cash and Bank balances other than those mentioned in (b) below. | 536,694 | 362,463 |
| (b) Cash and Bank balances not available for use by the Company | 42,849 | 5,963 |
| Cash and Bank balances not available for use by the Company include margin money, unclaimed dividend and debenture interest. | 579,543 | 368,426 |

**Includes Rs. Nil (previous year Rs. 76) of opening cash balance of Esab Welding and Cutting Systems Limited which has been merged with Esab India Limited with effect from 1 January 2008.

Notes to Accounts

O

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

As per our report attached

For and on behalf of the Board of Directors

For B S R & Co.

N H Mirza

G Hariharan

Chartered Accountants

Director

Managing Director

S Sethuraman

S Venkatakrishnan

B Mohan

Partner

Company Secretary

Chief Financial Officer

Membership No. 203491

Chennai, 2 March 2010



Regd. office: Plot No.13, 3rd Main Road, Industrial Estate, Ambattur, Chennai - 600 058.

ATTENDANCE SLIP

23rd Annual General Meeting on Thursday 22 April 2010.

Name of the Shareholder

DP.Id/CI.ID/Reg. Folio No.

I Certify that I am a registered shareholder of the Company

I hereby record my presence at the Annual General Meeting of the Company held on Thursday 22 April 2010 at 3.00 P.M. at P Obul Reddy Hall, Vani Mahal, 103, G N Road, T. Nagar, Chennai - 600 017.

Proxy's name in Block Letters

Member's/ Proxy's Signature

Notes:

1. This Meeting is of Members only; no person who is not a Member (or the duly appointed proxy of a Member) will be admitted.
2. Shareholders/Proxyholders will be required to submit signed attendance slips upon entering the auditorium.
3. If it is intended to appoint a proxy, the form should be completed and deposited at the Registered Office of the Company, at least 48 hours before the Meeting.
4. ATTENDANCE SLIPS OF SHAREHOLDERS NOT ATTENDING THE MEETING WILL NOT BE ACCEPTED.



Regd. office: Plot No.13, 3rd Main Road, Industrial Estate, Ambattur, Chennai-600 058

PROXY FORM

23rd Annual General Meeting on Thursday 22 April 2010.

Mr./Mrs./Miss

DP.Id/CI.ID/Reg. Folio No.

I/We.....
of in the district of
.....being a member/members of Esab India Limited hereby appoint
..... Of
in the district of or failing him/her of
..... in the district of
as my / our proxy to vote for me / us on my / our behalf at the 23rd Annual General Meeting of the Company to be held on Thursday 22 April 2010 at 3.00 p.m. at P Obul Reddy Hall, Vani Mahal, 103, G N Road, T. Nagar, Chennai - 600 017 and at any adjournment thereof.

Signed this..... day of2010

Signature.....

Re.1
Revenue
Stamp

Note: This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, at least 48 hours before the meeting.

