

CFAS-2/144/LM

February 7, 2012

The Committee of Independent Directors**ESAB India Limited**

Plot No.13,
3rd Main Road,
Industrial Estate,
Ambattur,
Chennai 600 058

Dear Sirs,

We refer to your mandate letter dated January 24, 2012, appointing us to undertake the valuation of the equity shares of ESAB India Limited ("EIL" or "the Company" or "the Target"), for the purpose mentioned in para 1 below. We are pleased to present herewith our report on the same.

1. Purpose of Valuation

- 1.1 ESAB India Ltd., is a Company listed on National Stock Exchange ("NSE") and Bombay Stock Exchange ("BSE").
- 1.2 The shareholding pattern of the Company as on January 27, 2012 was 55.65% were held by Promoter & Promoter Group (P&PG), consisting of ESAB Holdings Ltd. ("ESAB Holdings") and Exelvia Group India B.V. ("Exelvia") and balance held by Public. These two companies are wholly owned subsidiaries of Charter International plc. ("Charter"). Charter has now been acquired by Colfax Corporation ("Colfax USA" or "the Acquirer") through its subsidiary Colfax UK Holdings Ltd ("Colfax UK"). Hence, as per the provisions of sub-regulation (1) of regulation 5 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SEBI SAST") the above transaction shall be considered as an indirect acquisition of shares and will attract the obligation to make a public announcement of an open offer.
- 1.3 The minimum offer price for the open offer, in case of indirect acquisition, has to be arrived in accordance with sub-regulation (3) of regulation 8.
- 1.4 Further, as per the provisions of sub-regulation (6) of regulation 26 of SEBI SAST, the board of directors of the target company shall constitute a committee of independent directors ("the Committee") to provide reasoned recommendations on



such open offer. It further provides that the Committee shall be entitled to seek external professional advice for this purpose.

1.5 In this regards, the Committee has appointed us as an independent professional advisor to determine value per share in accordance with sub-regulation (3) of regulation 8 of SEBI SAST.

2. Sources of Information

For the purpose of undertaking this valuation exercise, we have relied on the following sources of information:

- Discussions with the management of EIL;
- Information provided by leading database sources, market research reports and other published data;
- Certificate from the Registrar and Transfer Agents and
- Representation letter provided by the management of EIL dated February 6, 2012.

3. Exclusions and Limitations

- 3.1 Our report is subject to the limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 3.2 The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was used during the course of our work.
- 3.3 In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to the date of our report.
- 3.4 This report and the information contained herein are absolutely confidential and are intended for the sole use of the Committee for providing select information and only in connection with the purpose as set out above, including for the purpose of obtaining requisite approvals. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued. We will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report, without our written consent.



- 3.5 This report is based on the information/certificates/affirmations received from the sources mentioned herein and discussions with the management/representatives of the Company. We have assumed that they have furnished to us all information, which they are aware of, which may have an impact on our report.
- 3.6 Whilst all reasonable care has been taken to ensure that the facts stated in the report are accurate and the opinions given are fair and reasonable, neither ourselves, nor any of our Partners, Officers or Employees shall in any way be responsible for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report. We are not liable to any third party in relation to the issue of this report.
- 3.7 For the present valuation exercise, we have also relied on information available in public domain; however the accuracy and timelines of the same has not been independently verified by us.

4. Brief Background

- 4.1 The Company started its operations in 1987 by acquiring the welding business of Peico Electronics & Electricals Limited (now Philips India Limited). The Company continued its expansion in the Indian market with the purchase of Indian Oxygen Limited's welding business in 1991 and Flotech Welding & Cutting Systems Limited in 1992, followed by the merger of Maharashtra Weldaids Limited in 1994.
- 4.2 EIL is one of the leading suppliers of welding and cutting products in India. EIL products are used in the industries like Shipbuilding, Petrochemical, Construction, Transport, Offshore, Energy and Repair and Maintenance.
- 4.3 EIL has four manufacturing facilities located at Kolkata, Chennai and Nagpur.
- 4.4 The issued, subscribed and paid-up capital of EIL as on January 27, 2012 was Rs. 153.93 mn comprising of 15.39 mn equity shares of Rs 10 each fully paid - up.



5 Valuation Approach

5.1 The present valuation exercise is being undertaken in order to derive the value per equity share in accordance with sub-regulation (3) of regulation 8 of SEBI SAST which is specified hereunder:

" In the case of an indirect acquisition of shares or voting rights in, or control over the target company, where the parameter referred to in sub-regulation (2) of regulation 5 are not met, the offer price shall be the highest of,—

- (a) the highest negotiated price per share, if any, of the target company for any acquisition under the agreement attracting the obligation to make a public announcement of an open offer;*
- (b) the volume-weighted average price paid or payable for any acquisition, whether by the acquirer or by any person acting in concert with him, during the fifty-two weeks immediately preceding the earlier of, the date on which the primary acquisition is contracted, and the date on which the intention or the decision to make the primary acquisition is announced in the public domain;*
- (c) the highest price paid or payable for any acquisition, whether by the acquirer or by any person acting in concert with him, during the twenty-six weeks immediately preceding the earlier of, the date on which the primary acquisition is contracted, and the date on which the intention or the decision to make the primary acquisition is announced in the public domain;*
- (d) the highest price paid or payable for any acquisition, whether by the acquirer or by any person acting in concert with him, between the earlier of, the date on which the primary acquisition is contracted, and the date on which the intention or the decision to make the primary acquisition is announced in the public domain, and the date of the public announcement of the open offer for shares of the target company made under these regulations;*
- (e) the volume-weighted average market price of the shares for a period of sixty trading days immediately preceding the earlier of, the date on which the primary acquisition is contracted, and the date on which the intention or the decision to make the primary acquisition is announced in the public domain, as traded on the stock exchange where the maximum volume of trading in the shares of the target company are recorded during such period, provided such shares are frequently traded; and*
- (f) the per share value computed under sub-regulation (5)."*



6 Valuation Method

6.1 On September 12, 2011 Colfax UK, announced its intention to make an offer to acquire 100% of the issued and paid up share capital of Charter ("the Announced Transaction"). Further, on the same day, the Colfax UK and Charter entered into an implementation agreement to record their respective obligations in relation to the steps to be taken to implement the Announced Transaction ("Implementation Contract Date").

6.2 The offer price is the highest of the price derived in the table below :

SN	REGULATION	APPLICABILITY
a.	The highest negotiated price per share, if any, of the target company for any acquisition under the agreement attracting the obligation to make a public announcement of an open offer.	Not Applicable Since, in the past, there are no such acquisitions made of EIL which would attract open offer.
b.	The volume-weighted average price paid or payable for any acquisition, whether by the acquirer or by any person acting in concert with him, during the fifty-two weeks immediately preceding the earlier of, the date on which the primary acquisition is contracted, and the date on which the intention or the decision to make the primary acquisition is announced in the public domain;	Not Applicable During the 52 weeks immediately preceding September 12, 2011, there are no such acquisitions made of EIL, by the Acquirer or by any person acting in concert with him.
c.	The highest price paid or payable for any acquisition, whether by the acquirer or by any person acting in concert with him, during the twenty-six weeks immediately preceding the earlier of, the date on which the primary acquisition is contracted, and the date on which the intention or the decision to make the primary acquisition is announced in the public domain;	Not Applicable During the 26 weeks immediately preceding September 12, 2011, there are no such acquisitions made of EIL, by the Acquirer or by any person acting in concert with him.
d.	The highest price paid or payable for any acquisition, whether by the acquirer or by any person acting in concert with him, between the earlier of, the date on which	Not Applicable There are no such acquisitions made of EIL, by the Acquirer or by any person acting in concert with him.



SN	REGULATION	APPLICABILITY
	the primary acquisition is contracted, and the date on which the intention or the decision to make the primary acquisition is announced in the public domain, and the date of the public announcement of the open offer for shares of the target company made under these regulations;	
e.	The volume-weighted average market price of the shares for a period of sixty trading days immediately preceding the earlier of, the date on which the primary acquisition is contracted, and the date on which the intention or the decision to make the primary acquisition is announced in the public domain, as traded on the stock exchange where the maximum volume of trading in the shares of the target company are recorded during such period, provided such shares are frequently traded; and	The volume-weighted average market price of the shares of the EIL for a period of sixty trading days immediately preceding September 12, 2011 is arrived at Rs. 529.22 per share. The shares of the EIL have more trading volume on NSE as compared to BSE. Hence, market price data as displayed on NSE has been used to arrive at volume-weighted average market price.
f.	In the case of an indirect acquisition and open offers under sub-regulation (2) of regulation 5 where,— (a) the proportionate net asset value of the target company as a percentage of the consolidated net asset value of the entity or business being acquired; (b) the proportionate sales turnover of the target company as a percentage of the consolidated sales turnover of the entity or business being acquired; or (c) the proportionate market capitalization of the target company as a percentage of the enterprise value for the entity or business being acquired; is in excess of fifteen per cent, on the basis of the most recent audited annual financial statements, the acquirer shall, notwithstanding anything contained in sub-regulation (2) or sub-regulation (3), be	Not Applicable The acquisition of the EIL by the Acquirer is not covered under sub-regulation (2) of regulation 5. Hence, this clause is not applicable.



SN	REGULATION	APPLICABILITY
	required to compute and disclose, in the letter of offer, the per share value of the target company taken into account for the acquisition, along with a detailed description of the methodology adopted for such computation.	

6.3 It can be observed from the table above, the value per share of the Company as per sub-regulation (3) of regulation 8 of SEBI SAST is arrived at Rs. 529.22.

7 Summary of Valuation

7.1 On the basis of the foregoing, in our opinion, the value per share of EIL is arrived at Rs. 529.22 in accordance with sub-regulation (3) of regulation 8 of SEBI SAST.

Yours faithfully,

For Haribhakti & Co.
Chartered Accountants



Nimesh Jambusaria
Partner
M. No. 38979

Place: Mumbai
Encl: As above