PKF SRIDHAR & SANTHANAM
Chartered Accountants

February 20, 2012

STRICTLY CONFIDENTIAL

The Committee of Independent Directors,
ESAB India Limited
Plot No.13, 3rd Main Road
Industrial Estate
Ambattur
Chennai 600 058

Dear Sirs,

Sub: Independent opinion on the offer price in connection with open offer made by Colfax Corporation ("Colfax" or "the Acquirer") and Colfax UK Holdings Ltd., ("Colfax UK"), Exelvia Group India B.V. ("Exelvia") and EASB Holdings Limited ("ESAB Holdings" and together with Colfax UK and Exelvia, the "PACs") in their capacity as persons acting in concert with the Acquirer.

As requested by the Committee of Independent Directors, we have undertaken an independent valuation of the equity shares of the company for the purpose mentioned herein in this report.

1. **Purpose of Valuation**

We are given to understand that Colfax Corporation ("Colfax" or "the Acquirer") and Colfax UK Holdings Ltd., ("Colfax UK"), Exelvia Group India B.V. ("Exelvia") and EASB Holdings Limited ("ESAB Holdings" and together with Colfax UK and Exelvia, the "PACs") in their capacity as persons acting in concert with the Acquirer, have made an open offer as required under Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 to acquire upto 26% of equity shares in the company (ESAB India Limited, hereinafter called as "ESAB").

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2. Objective of our Engagement

The objective of our engagement is to perform an independent valuation in order to advise the Committee of Independent Directors on the fairness and the reasonableness of this offer price.

3. Type of Acquisition

We understand that this open offer is made considering this acquisition by Colfax Corporation as an indirect acquisition.

4. Price Consideration

4.1 The price being offered under this Open Offer is Rs. 550 per Share (the "Open Offer Price") comprising of an amount of Rs. 529 per Share of the Target Company ("Base Open Offer Price") and an additional amount of Rs. 21 per Share, being equal to a sum determined at the rate of 10% p.a. on Rs. 529 for the period between the earlier of the date on which the Primary Acquisition was contracted or the date on which the intention or the decision to make the Primary Acquisition was announced in the public domain (i.e. September 12, 2011 in each case) and the date of the Detailed Public Statement (i.e., February 03, 2012), in accordance with Regulation 8(12) of the SEBI (SAST) Regulations.

4.2 The minimum offer price for this open offer has been computed by the merchant bank in accordance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and has been confirmed by two independent opinions taken by the company.

5. Exclusions And Limitations

5.1 Our report is subject to the scope 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.

5.2 No investigation on the Company's claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

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5.3 The report sets out our opinion on the fairness and reasonableness of the open offer price, on a going concern basis and discusses the methodologies and approach considered in the computation of the value range for the share price independently to determine whether the offer price was fair and reasonable against such value range computed independently by us.

5.4 Our work does not constitute certification of the historical financial statements including the working results of the Company referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as per agreed terms of our engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

5.5 A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. This report is issued on the understanding that the Company has drawn our attention to all material information, which they are aware of concerning the financial position of the Company and any other matter, which may have an impact on our opinion, on the fair value of the equity share of the Company for the stated purpose including any significant changes that have taken place or are likely to take place in the financial position of the Company, subsequent to the said open offer.

5.6 In the absence of access to any specific growth plans and cash flow projections for the company, we have not considered the discounted cash flow method.

5.7 Our report is not, nor should it be construed as our opining or certifying the compliance with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from the current open offer.

5.8 This report is prepared only in connection with the open offer as an independent advisory of the Committee of Independent Directors. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

5.9 PKF Sridhar & Santhanam, nor its partners, managers or employees makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

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6. Sources of Information

For the purpose of our independent valuation, we have considered and relied on the following.

a) Audited financial information for the Financial Years 2007, 2008, 2009 & 2010 and the published quarterly results for the 3 quarters upto September 2011.

b) Discussions with management of the Company.

c) The market price as per NSE/BSE websites for the company

d) The market performance metrics of 3 comparable Indian Companies based on NSE/BSE websites.

e) The Initial announcement in January 2012 and the Detailed Public Statement made on February 3, 2012 for the open offer.

7. Brief background of the Company

7.1 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.

7.2 ESAB is one of the leading suppliers of welding and cutting products in India. ESAB products are used in the industries like Shipbuilding, Petrochemical, Construction, Transport, Offshore, Energy and Repair and Maintenance.

7.3 ESAB has five manufacturing facilities located at Kolkata, Chennai and Nagpur.

7.4 The issued, subscribed and paid-up capital of ESAB as on February 20, 2012 was Rs.153.93 mn comprising of Rs.15.39 mn equity shares of Rs.10 each fully paid-up.

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8. **Valuation Approach**

8.1 For the purpose of our valuation, we have considered the following approaches.

a) the "Income" Approach
b) the "Market" Approach
c) the "Underlying Asset" Approach

8.2 Under the "income" approach, we have used the capitalization of earnings method and in the absence of available information, discounted cash flow method has not been used.

8.3 The capitalisation of earnings method involves determination of the maintainable earnings level of the entity from its normal operations. These earnings, considered on a post-tax basis are then capitalized at a rate which in the opinion of the valuer, combines an adequate expectation of reward from enterprise and risk, to arrive at the business value. This method is based on the earnings capacity of the business and is consistent with the "Going Concern" basis applicable to continuing business entities.

8.4 Under the "market" approach, we have used the market comparables for 3 comparable Indian Companies in similar business lines and have also factored the trend of ESAB market performance vis-a-viz these comparable Indian Companies.

8.5 Market comparable ratios of EV/EBIDTA and PE Multiples, suitably adjusted for the better market performance trend in ESAB compared to these comparables have been used in this approach.

8.6 In case of the "underlying asset" approach, the value is determined by dividing the net assets of the company by outstanding number of equity shares.

8.7 However, in the instant case, the business of the Company and the valuation thereof is not significantly dependent on the net assets reflected in the financials and is also impacted by the various intangibles, which are not brought into the books. Hence, this method has not been reckoned in the final analysis.

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9. **Valuation Conclusion**

In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

> *"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."*

On the basis of the foregoing, and further based on the valuation approaches as detailed above and further considering the actual offer price in terms of Sub-Regulations 8(12) of the SEBI (SAST) Regulations, 2011, we are of the opinion that the offer price of Rs. 529 per Share of the Target Company enhanced by an amount equal to a sum determined at the rate of 10% p.a. on Rs.529 for the period between September 12, 2011 and the date of detailed public statement published (February 3, 2012), which aggregates to the offer price of Rs.550 per share, in relation to the open offer to be fair and reasonable to the existing non-promoter group shareholders of the Company.

Thanking you,

Yours truly,
For **PKF Sridhar & Santhanam,**

PKF SRIDHAR & SANTHANAM

T.V.Balasubramanian
Partner