



**ESAB INDIA LIMITED**  
**STRENGTH THROUGH COOPERATION**



**ANNUAL REPORT**  
**2010**

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## Board of Directors

<b>M G Foster</b>	Chairman
<b>G Hariharan</b>	Managing Director
<b>N H Mirza</b>	
<b>P Mallick</b>	
<b>V Tandon</b>	
<b>S Chand</b>	
<b>S N Talwar</b>	
<b>D J Egan</b>	
<b>J R Deeley</b>	

## Chief Financial Officer

**B Mohan**

## Company Secretary

**S Venkatakrishnan**

## Registered Office

Plot No.13, 3<sup>rd</sup> Main Road, Industrial Estate,  
Ambattur, Chennai 600 058.  
Tel : 044-4228 1100  
Fax : 044-4228 1150  
www.esabindia.com

## Bankers

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

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

HDFC Bank Limited  
No.115, 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

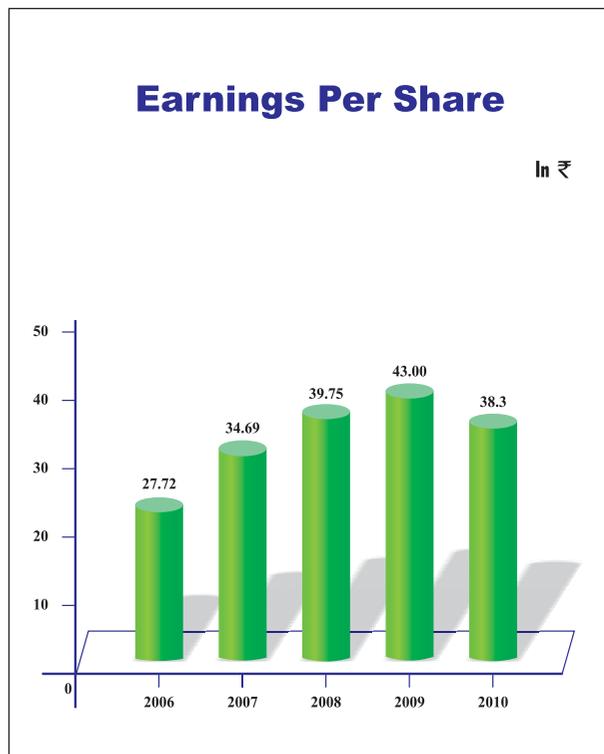
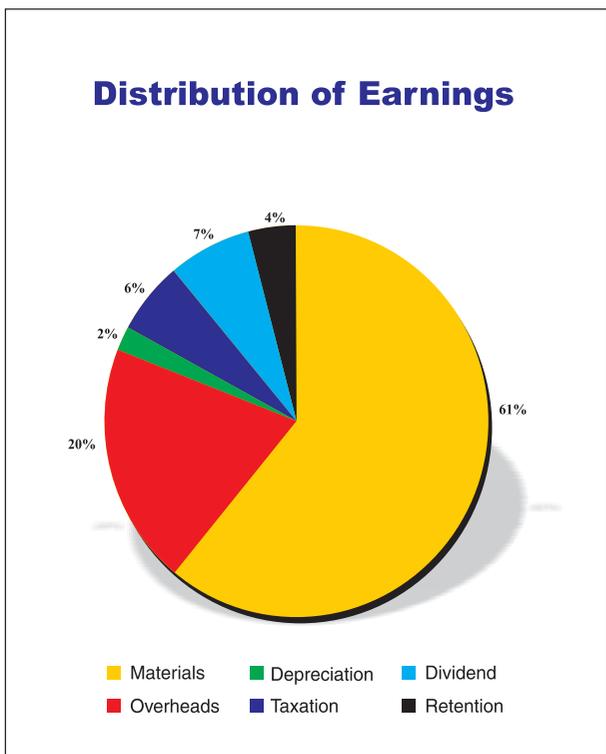
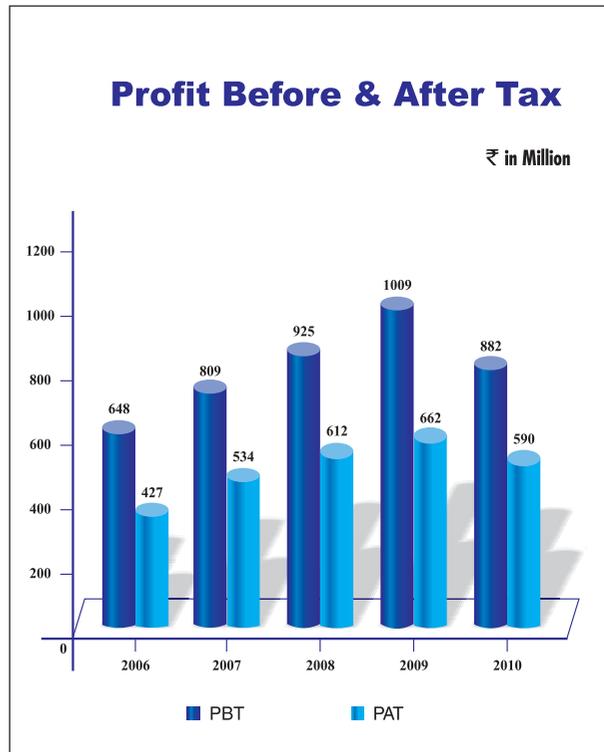
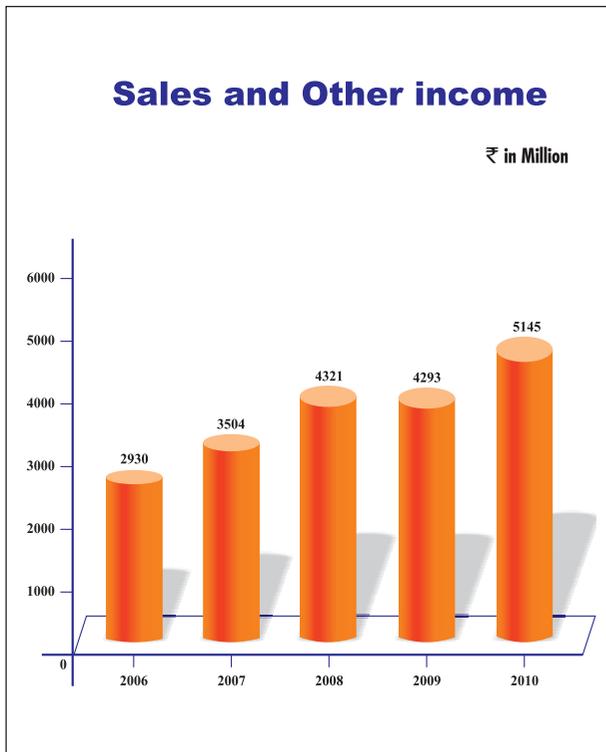
Integrated Enterprises (India) Limited  
2<sup>nd</sup> Floor, 'Kences Towers'  
No.1, Ramakrishna Street,  
North Usman Road,  
T. Nagar, Chennai 600 017.  
Tel : 044-2814 0801 / 02 / 03  
Fax : 044-2814 2479 / 3378  
E-Mail : corpserv@iepindia.com

## Highlights

₹. Million

Operating Results	2010	2009	2008	2007	2006
<b>Sales and Other Income</b>	<b>5,145</b>	4,293	4,321	3,504	2,930
Materials	<b>3,125</b>	2,419	2,537	1,993	1,693
Manufacturing, Selling and Administrative Expenses	<b>1,024</b>	780	783	637	529
Interest and Finance Charges	<b>8</b>	8	9	9	13
Depreciation	<b>106</b>	77	67	56	47
<b>Profit before Tax</b>	<b>882</b>	1,009	925	809	648
Taxation	<b>(292)</b>	(347)	(313)	(275)	(221)
<b>Profit after Tax</b>	<b>590</b>	662	612	534	427
<b>Dividends</b>	<b>359</b>	360	279	277	–
<b>Retained Earnings</b>	<b>231</b>	302	333	257	427

Financial Position	2010	2009	2008	2007	2006
<b>Sources of Funds</b>					
Capital	<b>154</b>	154	154	154	154
Reserves	<b>1,756</b>	1,518	1,216	884	614
<b>Net Worth</b>	<b>1,910</b>	1,672	1,370	1,038	768
Borrowings	–	–	–	–	–
Deferred Tax Liability	<b>31</b>	31	5	15	5
<b>Total</b>	<b>1,941</b>	1,703	1,375	1,053	773
<b>Application of Funds</b>					
Fixed Assets	<b>1,098</b>	959	799	674	560
Investments	<b>335</b>	25	120	167	77
Deferred Tax Asset	–	–	–	–	–
Current Assets	<b>1,520</b>	1,293	1,098	779	662
Current Liabilities and Provisions	<b>(1,012)</b>	(574)	(642)	(567)	(526)
<b>Total</b>	<b>1,941</b>	1,703	1,375	1,053	773



NOTICE is hereby given that the Twenty Fourth 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 Wednesday the 27 April, 2011 at 3.30 p.m. to transact the following business:

## ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31 December 2010 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 P Mallick, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr Suresh N Talwar, 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.

## SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :  
RESOLVED THAT Mr Vikram Tandon who was appointed as an Additional Director and holds office upto the date of this Annual General Meeting as per the provisions of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, subject to retirement by rotation.
6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :  
RESOLVED THAT Mr Sudhir Chand who was appointed as an Additional Director and holds office upto the date of this Annual General Meeting as per the provisions of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, subject to retirement by rotation.
7. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :  
RESOLVED THAT Mr James R Deeley who was appointed as an Additional Director and holds office upto the date of this Annual General Meeting as per the provisions of the Companies Act, 1956, be and is

hereby appointed as a Director of the Company, subject to retirement by rotation.

8. To consider and if thought fit, to pass with or without modification, the following resolution, as a Special Resolution :

"RESOLVED THAT in terms of Clause 49 or any other applicable provisions of the Listing Agreement entered into with the stock exchanges and pursuant to the provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the payment of remuneration by way of commission not exceeding 1% of the net profits of the Company for a period of five financial years commencing from 1 January 2011 to 31 December 2015 to Directors (other than Directors not resident in India but including Alternate Directors who are resident in India) who are not in the wholetime employment of the Company.

By Order of the Board of Directors

Chennai  
22 February 2011

**S Venkatakrisnan**  
Company Secretary

## NOTES :

1. The explanatory statements required pursuant to Section 173 (2) of the Companies Act, 1956 in relation to Items 5, 6, 7 and 8 above are annexed hereto
2. **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, 3<sup>rd</sup> Main Road, Industrial Estate, Ambattur, Chennai 600 058 not less than forty-eight hours before the scheduled start of the Meeting.**
3. The Register of Members and Share Transfer Books of the Company will remain closed from 22 April 2011 to 27 April 2011 (both days inclusive).
4. 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.
5. Members holding shares in physical form are requested to advise any change of address immediately to the Registrar and Transfer Agent, viz. M/s. Integrated Enterprises (India) Limited, 2<sup>nd</sup> Floor, Kences Towers, No.1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai 600 017 - Attention Mr Suresh Babu, General Manager.
6. Members are requested to bring their copies of the Company's Report and Accounts for the year ended 31 December 2010 to the Meeting.
7. 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.

8. 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 Registrar & 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.
9. 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 (₹)	Date of declaration	Due date for transfer	Unpaid/ Unclaimed amount as on 31.12.2010
2005	Final	26.00	28.04.2006	2.06.2013	24,13,346
2007	1st Interim	5.50	9.03.2007	13.04.2014	5,26,785
2007	2nd Interim	10.00	13.12.2007	17.01.2015	9,59,400
2008	Interim	13.00	24.07.2008	28.08.2015	13,56,511
2008	Final	2.50	22.04.2009	27.05.2016	3,63,535
2009	Interim	20.00	9.12.2009	12.02.2017	19,83,060
2010	Interim	10.00	17.05.2010	21.6.2017	12,52,500

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

10. 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 / 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 P Mallick

Mr P Mallick, aged 68, is a graduate Electrical Engineer from I.I.T. Madras, a Chartered Engineer and Fellow of the Institution of Electrical Engineers, London. He holds a Diploma in Business Management from UK. He has 36 years of experience having worked with companies such as Crompton Greaves, Tata Exports, and Genelec. From 1998 to 2003 he was the Managing Director of Wartsila India Limited.

His Directorships and committee membership in other Companies are:

Sl. No.	Name of the Companies/ Firms	Nature of Interest	Committee Membership/ Chairmanship
1.	AEGON Trustee Co. Pvt. Ltd.	Director	Nil
2.	Auro Mira Energy Co. Pvt. Ltd.	Chairman	Nil
3.	Automotive Stampings and Assemblies Ltd.	Director	Member of Audit Committee
4.	Blue Star Limited	Director	Member of Audit Committee
5.	ELANTAS Beck India Ltd.	Director	Member of Audit Committee
6.	ESAB India Ltd.	Director	Member of Audit Committee and Chairman of Share Transfer and Investors' Grievance Committee
7.	Gravitational Network Advisors Pvt. Ltd.	Director	Nil
8.	IRIS Business Services Ltd.	Director	Nil
9.	JRG Securities Ltd.	Director	Member of Audit Committee
10.	Mount Everest Mineral Water Ltd.	Director	Member of Audit Committee and Chairman of Share Transfer-cum-Grievance Committee
11.	Pragati Leadership Institute Pvt. Ltd.	Director	Nil
12.	Tube Investments of India Ltd.	Director	Member of Audit Committee

Mr Pradeep Mallick, does not hold any equity shares in the company as on 31 December, 2010. Mr Pradeep Mallick is not related to any other director on the Board of the Company.

#### Mr Suresh N Talwar

Mr Suresh N Talwar, aged 72, is a Bachelor of Commerce and Bachelor of Law. He is a solicitor and advocate by profession. Mr Suresh Talwar was a partner in Crawford Bayley & Co., till 31 March 2006 and was a special advisor till 31 December, 2006. He is now a partner in Talwar Thakore & Associates, Mumbai with effect from 1 January 2007.

Mr Suresh Talwar specializes in various facets of Corporate Law, Corporate Tax, Foreign Exchange Laws, Monopolies and Restrictive Trade Practices Act, International Issue of Securities by Indian Companies, Commercial documents and contracts, Power Projects etc.

His directorships and committee membership in other companies are:

Sl. No.	Name of the Company	Position held	Committee Membership/ Chairmanship
1.	PZ Cussons India Private Limited	Chairman & Alternate Director	Nil
2.	FCI OEN Connectors Ltd.	Chairman & Alternate Director	Chairman of Audit Committee
3.	Transwarranty Finance Limited	Chairman & Alternate Director	Nil
4.	Armstrong World Industries (India) Pvt. Ltd.	Chairman	Nil
5.	Merck Ltd.	Chairman	Chairman of Audit Committee
6.	Sidham Finance & Investments Pvt. Ltd.	Chairman	Nil
7.	Biocon Limited	Director	Member of Audit Committee
8.	Birla Sun Life Insurance Co. Ltd.	Director	Nil
9.	Birla Sun Life Trustee Co. Pvt. Ltd.	Director	Member of Audit Committee
10.	Blue Star Limited	Director	Chairman of Audit Committee
11.	Blue Star Infotech Limited	Director	Member of Audit Committee
12.	Cadbury India Limited	Director	Member of Audit Committee
13.	Chowgule & Company Private Limited	Director	Nil
14.	Chowgule Ports & Infrastructure Private Ltd.	Director	Nil
15.	Decagon Investments Pvt Ltd.	Director	Nil
16.	ELANTAS Beck India Limited	Director	Member of Audit Committee
17.	Emerson Process Management (India) Pvt. Ltd.	Director	Nil
18.	Epitome Global Services Pvt. Ltd.	Director	Nil
19.	Esab India Limited	Director	Nil
20.	Greaves Cotton Limited	Director	Member of Audit Committee
21.	India Value Fund Trustee Co. Pvt. Ltd.	Director	Nil
22.	IVF Trustee Company Private Limited	Director	Nil
23.	IVF (Mauritius) PCC	Director	Nil
24.	IVF (Mauritius) Limited	Director	Nil
25.	Indium III (Mauritius) Holding Limited	Director	Nil
26.	Indium III (Mauritius) Limited	Director	Nil
27.	Indium IV (Mauritius) Holding Limited	Director	Nil
28.	Indium IV (Mauritius) Limited	Director	Nil
29.	John Fowler (India) Pvt. Ltd.	Director	Nil
30.	Larsen & Toubro Ltd.	Director	Nil
31.	MF Global (India) Pvt.Ltd.	Director	Nil
32.	Morgan Stanley India Capital Pvt. Ltd.	Director	Member of Audit Committee
33.	Rediffusion-Dentsu, Young & Rubicam Pvt. Ltd.	Director	Nil
34.	Rakeen Development PJSc	Director	Nil
35.	Sandvik Asia Pvt. Ltd.	Director	Chairman of Audit Committee

36.	Shrenuj & Co. Ltd.	Director	Nil
37.	Samson Maritime Ltd.	Director	Nil
38.	Solvay Pharma India Ltd.	Director	Member of Audit Committee
39.	Snowcem Paints Pvt. Ltd.	Director	Nil
40.	Sonata Software Limited	Director	Nil
41.	Swiss Re Shared Services (India) Pvt. Ltd.	Director	Nil
42.	TTK Healthcare TPA Private Limited	Director	Nil
43.	Wamer Bros Pictures (India) Pvt. Ltd.	Director	Nil
44.	WAVE Suspension Systems India Private Ltd.	Director	Nil
45.	Albright & Wilson Chemicals India Ltd.	Alternate Director	Nil
46.	Garware-Wall Ropes Ltd	Alternate Director	Nil
47.	Hindustan Gum & Chemicals Ltd.	Alternate Director	Nil
48.	Johnson & Johnson Ltd.	Alternate Director	Nil
49.	Uhde India Pvt. Ltd.	Alternate Director	Nil

Mr Suresh Talwar holds 1,440 equity shares in the Company as on 31 December, 2010. Mr Suresh Talwar is not related to any other director on the Board of the Company.

#### Mr. Vikram Tandon

Vikram Tandon, aged 62, graduated from I.I.T. Delhi in 1970, and joined Hindustan Lever as a Management Trainee. His early career was in manufacturing. He started as production manager in a factory, and was then factory manager successively in three factories across India, two with regional profit responsibility including sales. He then worked in Corporate Development to identify and set up new core sector businesses for the company, after which he ran the company's Fertiliser Business, and then moved on to run the entire Chemicals business. He later moved to Unilever's Head Offices in London and Rotterdam, where he worked on Corporate Strategy for Unilever's global chemicals businesses, in close conjunction with Dr Arnoldo Hax, Sloan professor of Management at Sloan School, MIT. He was also a member of Unilever's Technology Management Committee. He returned to India in 1994 as Head of Corporate Strategy for the Unilever Group of companies in India.

In 1995, Mr Tandon joined the board of Pepsico India as the Executive Director for Operations, with responsibility across South Asia. He was responsible for setting up the infrastructure and building the operating capability for Pepsico's beverages business over six years. The business grew meteorically in volume and share during that period, requiring a fourfold capacity enhancement. He then moved to New York to Pepsico's head office for 6 years, where he ran Pepsico's Worldwide Concentrate business. Mr Tandon retired from Pepsico and returned to India in 2007.

He is a Director in Greaves Cotton Limited. He is a member of the Audit Committee of ESAB India Limited. He does not hold any equity shares in the company as on 31 December, 2010. Mr Vikram Tandon is not related to any other Director in the Board of the Company.

#### Mr Sudhir Chand

Sudhir Chand, 63, is an Electrical Engineer from BITS, Pilani, with a diploma in Marketing Management, University of Bombay and an Executive Development Education from IIM, Ahmedabad and Cranefield School of Management, UK.

His 40 years industry Experience includes Marketing, Manufacturing, Corporate affairs and Consulting. Starting his career with Crompton Greaves Ltd. where he worked for 7 years, and after a brief hop in between joined Exide Industries Ltd. where he worked for 28 years of which ten years, was on the main Board first as Director Automotive handling the company's largest Division as profit centre head, and then as Director Corporate Affairs for the Company- including HR, Training and Corporate Social Responsibility. He retired from Exide in 2006.

He has been a guest faculty for MDPs at IIM Kolkata and CMA and teaches at some business schools. He is on the Academic council of Globsyn business school and was on the Board of Studies of Visva Bharati Centre for Management studies (Visva Bharati Univ Shantiniketan).

He is Past President of CMA (Calcutta Management Association). Was a member of the Eastern Regional Council, CII and a member of Bengal Chamber of Commerce and Industry where he is currently on the Manufacturing committee). Was on the core team of GOI in respect of promulgation and implementation of Battery Management and Handling Rules under Ministry of Environment. Was Secretary General of IBMA (Indian Battery Manufacturers' Association).

He is an associate of MART (the country's pioneering organization in rural marketing) and Right Management India (P) Ltd (part of Right Management of US -one of the World's largest talent and career management consulting firms) and works in areas of Talent Appreciation, Development Centres, Leadership Development and Executive coaching.

He is an Independent Director on the board of Bharti Axa Investment Managers Pvt. Ltd. a joint venture between Bharti Group and Axa of France.

He does not hold any equity shares in the company as on 31 December, 2010. Mr Sudhir Chand is not related to any other Director on the Board of the Company.

#### Mr James R Deeley

James R Deeley aged 47, was appointed Commercial Director of Charter International plc in March 2009, having previously joined the Board as Legal Director and Company Secretary in 2006. As Commercial Director he is responsible for major corporate projects and for the Global Standard Equipment, Automation and Cutting activities of ESAB, the international welding and cutting

business. In 2010, he also assumed responsibility for ESAB's business in South America.

After leaving University, James qualified as a lawyer with Slaughter and May where he worked as a solicitor in London and Paris between 1988 and 1995. He then held the position of Group Legal Adviser at Charter plc before joining Regus plc (international business centre operator) as Director of Legal Services with a mandate to establish the legal function and to prepare the company for flotation.

He moved to DS Smith plc (international paper, packaging and office products) in 1999 as their Group Head of Legal before taking up the position as Corporate Services Director and Company Secretary with Numerica Group plc (accountancy, tax and corporate advisory services) in 2002.

In addition to his Charter role, James is Deputy Chairman of the Council of Trustees of SeeAbility, a non-profit organisation in the care sector whose purpose is to enable individuals who are blind or partially sighted, with additional disabilities, to achieve their full potential. James has supported SeeAbility for over ten years.

His Directorships in other companies are given below :

Sl. No.	Name of the Company	Position held
1.	Charter International plc.	Director
2.	Airgare Limited	Director
3.	The British South Africa Company	Director
4.	CAST Limited	Director
5.	Charter Central Finance Limited	Director
6.	Charter Consolidated Financial Services Limited	Director
7.	Charter Consolidated Investments Limited	Director
8.	Charter Central Services Limited	Director
9.	Cecil Holdings Limited	Director
10.	Charter Consolidated Holdings Limited	Director
11.	Charter Consolidated P.L.C.	Director
12.	Charter Limited	Director
13.	Charter International plc	Director
14.	Charter Trustee Limited	Director
15.	The Central Mining & Investment Corporation Limited	Director
16.	The Consolidated Mines Selection Company Limited	Director
17.	Charter Overseas Holdings Limited	Director
18.	Ember Overseas Holdings Limited	Director
19.	The ESAB Group Inc.	Director
20.	ESAB Holdings Limited	Director
21.	Exelvia Company	Director
22.	Exelvia Company II	Director
23.	Exelvia Overseas Limited	Director
24.	Hobart Overseas Holdings Limited	Director
25.	Hobart Place Investments Limited	Director
26.	Romar Positioning Equipment International Pte Limited	Director
27.	Weldcure Limited	Director

Mr James R Deeley is neither a Director in any other Indian Company nor hold committee memberships in any Indian Company. He does not hold any equity shares in the Company as on 31 December 2010. Mr James Deeley is not related to any other Director on the Board of the Company.

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

### Item No.5

Mr Vikram Tandon, was appointed as an Additional Director of the Company with effect from 23 April 2010 and holds office up to the date of this Annual General Meeting of the Company, in terms of Section 260 of the Companies Act, 1956.

Notice has been received from a member of the Company under Section 257 of the Companies Act, 1956 along with a deposit of Rs.500/- signifying his intention to propose the candidature of Mr Vikram Tandon for the office of Director and to move the resolution as set out in item no.5 of this notice.

The Directors recommend the resolution as set out in item no.5 of the notice to be approved as an ordinary resolution by the shareholders.

None of the Directors except Mr Vikram Tandon is deemed to be interested or concerned in the resolution.

### Item No.6

Mr Sudhir Chand, was appointed as an Additional Director of the Company with effect from 23 April 2010 and holds office up to the date of this Annual General Meeting of the Company, in terms of Section 260 of the Companies Act, 1956.

Notice has been received from a member of the Company under Section 257 of the Companies Act, 1956 along with a deposit of Rs.500/- signifying his intention to propose the candidature of Mr Sudhir Chand for the office of Director and to move the resolution as set out in item no.6 of this notice.

The Directors recommend the resolution as set out in item no.6 of the notice to be approved as an ordinary resolution by the shareholders.

None of the Directors except Mr Sudhir Chand is deemed to be interested or concerned in the resolution.

### Item No.7

Mr James R Deeley, was appointed as an Additional Director of the Company with effect from 28 July 2010 and holds office upto the date of this Annual General Meeting of the Company, in terms of Section 260 of the Companies Act, 1956.

Notice has been received from a member of the Company under Section 257 of the Companies Act, 1956 along with a deposit of Rs.500/- signifying his intention to propose

the candidature of Mr James R Deeley for the office of Director and to move the resolution as set out in item no.7 of this notice.

The Directors recommend the resolution as set out in item no.7 of the notice to be approved as an ordinary resolution by the shareholders.

None of the Directors except Mr James R Deeley is deemed to be interested or concerned in the resolution.

### Item No.8

The shareholders of the Company at the Nineteenth Annual General Meeting of the Company held on 28 April 2006, had approved the payment of remuneration by way of commission to the directors (other than directors not resident in Indian but including alternate directors who are resident in India) (referred to "Non-Wholetime Indian Directors") for a period of five financial years commencing from 1 April 2006 to 31 December 2010.

With Corporate Governance attracting significant focus of all bodies corporate in India, the role played by the Non-Wholetime Directors has grown multifold. Their contributions during Board deliberations and at other times, immensely help the company to streamline its strategy and helps it to grow and get the better of the competition in the market. Their differing roles based on their respective areas of personal expertise and experience have required varying levels of commitments of time in relation to their membership on committees of the Board. Taking into consideration the above, it is proposed that Non-Wholetime Indian Directors be compensated adequately and that in terms of Section 309 of the Companies Act, 1956, they be paid a remuneration not exceeding 1% of the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956. The authority to determine the manner and quantum of the aforesaid commission to be paid to each of the Non-Wholetime Indian Director will vest with the Board. The proposed payment of commission requires shareholders' approval by special resolution.

Your Board recommends the passing of this Special Resolution.

No Director other than the Indian Non-Wholetime Directors is in any way concerned or interested in this resolution.

By Order of the Board of Directors

Chennai  
22 February 2011

**S Venkatakrisnan**  
Company Secretary

Your Directors take pleasure in presenting the Twenty Fourth Annual Report together with the audited accounts of the Company for the year ended 31 December 2010

## FINANCIAL RESULTS

Particulars	(₹. Million)	
	2010	2009
Sales and other income	5,145	4,293
Earnings before interest, tax and depreciation	996	1,095
Interest / Finance charges	(8)	(8)
Depreciation	(106)	(78)
Profit before taxation	882	1,009
Taxation	(292)	(347)
Profit for the year	590	662

## DIVIDEND

The Board of Directors had declared an interim dividend on 16 May 2010 of Rs.10/- per equity shares of Rs.10/- each (100%) and a second interim dividend on 30 December, 2010 of Rs.10/- per equity shares of Rs.10/- each (100%) entailing a total outflow of Rs.359 million including dividend distribution tax. The Board of Directors has not recommended any final dividend for the year ended 31 December, 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

In a year of high volatilities and inflation, the Indian economy has reportedly grown at about 9% during the year under review. Automotive, power and infrastructure sectors showed strong growth.

A relatively widespread customer base across various segments did help us in achieving the growth levels we witnessed in 2010. Margins were under severe pressure through the year with increased competition and market shifts towards a challenging product mix.

Volatilities in industrial output trends and relatively low growth rates in Agriculture were compensated by growth in the Service sector. Inflationary pressures were acute during the year.

There is a broad consensus on the medium term growth rates in India though the short term continues to be very challenging to forecast given the multiple domestic and international variables at play.

The Company closed the year on a good note in terms of sales and held its leadership position in a highly challenging market with increasing competition from domestic and foreign players.

The overall profits and profitability were affected due to a significant decline in margins on the Consumables business which saw the entry or scaling up of operations by international and domestic competitors. There were acute

price pressures across all segments and the product mix became increasingly challenging. The pressure on margins was particularly high on the Solid Wires business in which segment the consumables business grew the most in 2010. The R&M business (included under Consumables segment) performed well during the year. The drop in margins on Consumables was compensated to an extent by Equipments business which recorded good growth in sales and profits. The shortfall in consumables margins together with an overall increase in payroll costs and other overheads led to a drop in Profits before Tax by 12.6% over 2009.

The Company's project for expansion of capacity in Solid Wires has been completed during the year at Nagpur. The volume of business in this segment has shown significant growth and in line with trends globally, growth in this segment is expected to be significantly higher than the other segments in consumables.

ESAB Engineering Services Limited, an erstwhile affiliate Company, became a 100% subsidiary of Esab India Limited Company during the year prior to its eventual merger with Esab India Limited. The merger is effective 1 April 2010 and has been approved by the Hon'ble High Court of Madras. The assets and liabilities of the subsidiary Company vested on the Company with effect from the appointed date i.e. 1 April 2010. The financials for the year under the review accordingly include the financials of the erstwhile Esab Engineering Services Limited business with effect from 1 April 2010. This business relates to provision of R&D and other support services for the ESAB group with appropriate reimbursements and margins.

The Company continued with its IT initiatives and by the end of 2010 the entire operations of three of its plants have migrated to the new ERP platform viz. MOVEX. It is expected that by the end of 2011 all the company's facilities would have moved to the new ERP platform.

The company continued to internally fund all its expansions and new product launches till date and remained debt free at the end of 2010.

## INCOME STATEMENT

Net Sales (including income on Engineering services) were up by 19% in 2010 driven largely by a robust growth in the Equipments business, R&M business and growth in volumes on Solid Wires. Net Sales and Services income also include Rs.42 Million on invoicing for Engineering Services.

Price pressures, change in mix towards wires and relative softening of Steel prices during the year resulted in lower realizations per unit on all key product groups.

Other income was up 62% over 2009 on account of the following key developments

- The Company sold its entire holdings in Ador Welding Limited and the income arising thereon is included in Other income to the extent of about Rs.21 Million.

- The Company also earned commission income from the ESAB group with respect to businesses concluded for a group entity in India.
- Scrap sales were higher consequent to growth in volumes and better realizations on select items of scrap in line with underlying commodity price increases.
- A situation of a generally appreciating Indian Rupee resulted in exchange gains being higher during the year.

Material costs as percentage to sales (Net of Service income) increased sharply to 63% from 57.5% arising from a combination of pricing pressures and higher import content especially in the Wires business. Your company is initiating actions to address indigenization and sourcing activities to control input costs.

Salaries and wages were higher by 20% over 2009 due to the effect of payroll revisions and integration of the erstwhile EESL business from April 2010. Accruals for compensated absence also contributed to the increase over 2009.

Contribution to funds increased by Rs.36 Million due to a combination of effects of wage revisions, increases in provisioning for gratuity arising from legislative amendments and also changes in actuarial assumptions.

Consequent to the impact of the above, Personnel costs (including staff welfare expenses) were up from 6.8% in 2009 to 7.6% of sales in 2010.

Consumption of stores and spares were higher on account of higher volumes and replacement spares on some of our older machinery items in Nagpur and Ambattur. Power and Fuel expenditure increased in line with activity levels and the Company has initiated focus on energy savings at its Plants and Offices as part of the ESAB group's global initiatives.

The variance in rent expenditure between 2010 and 2009 is on account of one off reversals on lease rent provisions in 2009.

Excise duty expenditure represents provision on duties on finished goods at our warehouses and has increased consequent to increase in Finished goods inventory on manufactured items over 2009.

Transportation costs representing freight payable on sales went up significantly in 2010 consequent to fuel price related revisions on transport contracts and also due to growth in volumes.

Expenditure on commission and sales incentives fell by 31% due to changes in marketing policies for a part of the year. These are constantly reviewed for effectiveness and modified as the situation demands.

An independent external study was undertaken during the year on compensating the ESAB group for use of their trademarks and logos in your Company's operations. Based on the findings of this study and a review of comparable practices across various industries, your Board had approved the payment of fees at 2% on Net Sales values with certain exceptions. An agreement for payment of fees was executed with the ESAB group effective 1 August 2010. The charge on account of this fee works out to Rs.41.5 Million for the period till December 2010.

Miscellaneous expenses were higher largely due to increase in costs on manufacturing support services, testing charges and Royalties.

Interest and finance charges represent charges on banking facilities and were largely unchanged over 2009 levels. The Company has remained debt free during the year.

Consequent to the capitalization in 2010 and the full year's impact of capitalization in 2009, Depreciation for the year was up by Rs.28 Million in 2010.

The effective tax rate for the year declined to 33.2% from 34.4% due to a reduction in surcharge rates and also a higher incidence of tax free income from Mutual funds in 2010.

## BALANCE SHEET

The Company closed the year with a healthy Balance Sheet having funded all its operating requirements internally and continuing to focus on working capital and productivity of assets.

The Company expended Rs.223 Million on Capital expenditure during the year. A significant part of it related to the expansion of capacities at Nagpur on Solid Wires. In addition to this, the Company has incurred sums in upgrading its Machinery at other locations on baking, packing and other machinery items. We have incurred capital expenditure on providing new canteen facilities at Ambattur and an additional floor at the Head Office. We have made progress in the implementation of ERP at three of our manufacturing locations in Consumables and work is in progress on the next phase of rollouts in 2011.

Investments increased significantly to Rs.335 Million as we deployed surplus cash in debt and liquid schemes of Mutual Funds.

Closing Inventory was up by 38% over the previous year with growth in sales. This translated to 40 days of sales as against 34 days in the previous year. The lower number of days in 2009 was due to scheduled shut down in Ambattur at the end of December for migration to ERP.

Sundry Debtors were significantly higher at Rs.272 Million as against Rs.96 Million at the end of 2009. This represents about 18 days to sales. The increase has been due to significantly higher level of invoicing in December 2010 and an overall increase in dues from direct customers.

Cash and Bank balances declined by Rs.76 Million due to deployment of cash in Mutual Funds as against term deposits with banks in the previous year.

Other Current Assets, Loans and Advances declined marginally by Rs.23 million due to lower advance tax balance and supplier advances at the end of the year.

Current liabilities increased by about 47% due to sales growth and higher import payables at the end of the year.

Provisions were higher due to declaration of second interim dividend in December 2010. Provisions on compensated absence and gratuity were also higher at the end of December 2010.

## OUTLOOK, OPPORTUNITIES AND THREATS

The outlook for 2011 looks to be reasonably good in terms of overall growth indicators. Of primary concern are high levels of inflation, a more recent slowdown in capital expenditure and hardening interest rates. More international players have been firming up plans and scaling up their presence in India. Competition from the lower end manufacturers also continues to be intense with continuing pressures on margins.

Prices of Steel and other metals have begun to harden in 2011 and expected to increase further during the year.

We are focusing on productivity improvements, indigenization, enrichment of product mix and developments of new products to enhance our market shares and margins.

## INTERNAL CONTROLS

Internal controls are continuously evaluated by the Management and by the Internal Auditors. Findings from internal audits are reviewed regularly by the Management and by the Audit Committee and corrective actions and controls put in place wherever necessary.

The reviews by Internal Auditors are scheduled and 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 details of such transactions are placed before the Audit Committee.

## FINANCE

The Company's relationships with its consortium and other bankers continued to be cordial during the year. The Company would like to thank its Bankers for their support.

## CORPORATE SOCIAL RESPONSIBILITY

While we do not have a formalized policy in this regard, the Company does support, in a small way, community welfare initiatives. The company has continued with its financial help to institutions in and around its plant at Ambattur, Chennai and in other cities to take care of their upkeep and welfare of the lesser privileged citizens.

## ENVIRONMENT, HEALTH AND SAFETY

The Company continued its commitment to industrial safety and environment protection and all its five factories have obtained its OHSAS 18001 certification. Periodical audits are done by external and internal agencies to assess the continued levels of EHS efficiency of each of these plants and the OHSAS certification given is renewed after every such audit. The Company is also networked with the ESAB group on EHS initiatives and works closely with the group on initiatives and actions concerning EHS.

## 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 2010 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 2010 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 2010 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 Pradeep Mallick and Mr Suresh N Talwar, retire by rotation at the forthcoming Annual General Meeting and, being eligible, have offered themselves for re-appointment. Mr Vikram Tandon, Mr Sudhir Chand and Mr James R Deeley, joined the board of directors as additional directors during the year. In terms of Section 260 of the Companies Act, 1956, all these Directors hold office up to the date of this Annual General Meeting.

Mr Vikram Tandon, Mr Sudhir Chand and Mr James R Deeley, being eligible for re-appointment have offered themselves for being elected as Directors of the Company liable to retire by rotation. 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.

## AUDITORS

M/s. B S R & Co., Chartered Accountants, retire as Auditors of the Company at the forthcoming Annual General Meeting and are eligible for re-appointment. The Directors recommend that B S R & 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 2010 the Company had 812 employees as against 745 at the end of 2009. This includes 39 employees of ESAB Engineering Services Limited (EESL) who have now been included in the rolls of the company consequent to the merger of EESL with the Company. The Company believes in providing a conducive environment for nurturing potential, encouraging performance and retaining talents 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 names and other particulars of employees are set out in the Annexure to the Directors' 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. The company has not adopted the voluntary corporate governance guidelines 2009 issued by the Ministry of Corporate Affairs. However, the company on its own volition has adopted most of the guidelines

issued by the Ministry and has been transparent in its dealings with the shareholders in particular and stake holders in general.

In compliance of Section 292A of the Companies Act, 1956 and with the Listing Agreement, an Audit Committee consisting of four 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 and shareholders.

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 pursuits till date.

For and on behalf of the Board of Directors

Chennai,  
22 February 2011

**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 2010

### A. CONSERVATION OF ENERGY

- 1 phase and 3 phase power factory correction circuits designed and implemented for manual plasma power supplies.
- Modeling simulation and design on Scoot connection for TAF power sources.
- Cutting system parameter optimization for plasma cutting.
- Blowers in the lab area are put to use only when it is required.
- UPS power is utilized for only specific requirements in the lab and office.
- Pre-planned activities such as experimental set-up is made ready before power is being turned on for any load tests.

### B. TECHNOLOGY ABSORPTION

- Design and Development of some models of conventional welding rectifiers, transformer and Engine Driven Welders.
- Benchmarking activities of different Welding Inverter models including welding evaluation tests.

- Integration of ESAB India Welding equipment with Robot package.
- Product Lifecycle Approach in the Product Development Stages - includes usage of non-hazardous components.
- Inverter based micro butt welder.
- RFID for plasma consumables identification.
- Digital Controller based pulse TIG board.
- 1 and 3 phase Digital PFC for plasma cutter.
- Digital Buck-Boost Converter.

### 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.420 million (which includes Rs.364 million for the import of raw materials, components and capital goods and Rs.56 million towards expenditure in foreign currency).

During the year, the Foreign exchange earnings were Rs.198 million resulting in net foreign exchange outflow of Rs.222 million for the year.

For and on behalf of the Board of Directors

Chennai,  
22 February 2011

**M G Foster**  
Chairman

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

Sl. No.	Name	Age (Years)	Designation	Date of employment	Remuneration (₹)	Qualification	Experience (Years)	Previous Employment
1	Amit Kumar De	54	General Manager - Sales Consumables & Divisional Manager - Reclamation Consumables	15.10.1979	27,12,053	B.Sc. (Hons) AMI IW	31	-
2	Gautam Banerjee	50	General Manager - Equipment Division	07.02.1991	31,07,709	B.E. Electrical Engineering	28	Asst. Manager Electronics - Indian Oxygen Limited
3	Mohan B	45	Chief Financial Officer	01.02.2005	38,86,418	B.Com., ACA., ACS.	24	GM - Finance and Company Secretary Amalgamations Valeo Clutch (P) Ltd.
4	Mylivaganan M	52	General Manager - Human Resources	10.06.2005	25,95,001	M.A. (S.W) B.L.	28	General Manager HR & Admn Futura Polyesters Limited
5	Veeraraghavan L	44	Chief Information Officer	17.10.2008	25,21,118	M.C.A.	23	Manager IT Motorola India Pvt. Ltd.
6	Venkatakrishnan S	46	General Manager - Legal and Secretarial	10.3.2006	24,53,023	M.A. B.G.L. A.C.S	24	Company Secretary TVS Electronics 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 abovesaid employees are contractual.
6. The abovesaid employees either individually or together with the spouse or children do not hold more than two percent 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 nine members. Mr Vikram Tandon and Mr Sudhir Chand joined the Board

as Additional Directors with effect from 23 April 2010 and Mr James R Deeley joined the Board as Additional Director with effect from 28 July 2010. The Board of Directors at present consists of 5 independent Directors and 4 Non-independent Directors. Other than the Managing Director, all the other members of the Board are non-executive Directors, including five who are independent Directors.

### B. Other Provisions as to Board and Committees

During 2010 six Board Meetings were held on 2 March, 22 April, 21 July, 20 October, 8 December and 30 December and not more than four months elapsed between any two meetings

The details of the Directors' attendance at the Board Meetings during the year and at the last Annual General Meeting held on 22 April 2010 and particulars of their other Company Directorships and Committee memberships / chairmanships are given below:

Director	Directorship	Attendance		Other Directorship <sup>\$</sup>	Membership of other Committees <sup>#</sup>	
		Board	AGM		Membership	of which Chairmanship
M G Foster	Non-Executive Nominee, Esab Holdings Limited	3	No	Nil	Nil	Nil
G Hariharan	Executive	5	Yes	Nil	Nil	Nil
P Mallick	Independent & Non-Executive	6	Yes	7	7	1
N H Mirza	Independent & Non-Executive	5	Yes	3	2	1
S N Talwar	Independent & Non-Executive	6	Yes	14	10	4
D J Egan	Non-Executive Nominee, Esab Holdings Limited	4	No	Nil	Nil	Nil
V Tandon <sup>@</sup>	Independent & Non-Executive	4	Yes	1	Nil	Nil
S Chand <sup>@</sup>	Independent & Non-Executive	5	Yes	Nil	Nil	Nil
J R Deeley <sup>&amp;</sup>	Non-Executive Non-Independent	2	–	Nil	Nil	Nil

<sup>@</sup> Joined the Board as Additional Director with effect from 23 April 2010.

<sup>&</sup> Joined the Board as Additional Director with effect from 28 July 2010.

<sup>\$</sup> Excluding Alternate Directorships and Directorships of Private Limited Companies and Foreign Companies, wherever applicable.

<sup>#</sup> Only the Audit and Investor Grievance Committees are considered for this purpose.

### C. Directors' compensation and disclosures

The details of payment of remuneration to Directors during 2010 are as follows:

Directors	Salary	Perquisites	Provident Fund	Sitting Fees Paid (in ₹)	Commission (in ₹)
M G Foster	–	–	–	Nil	–
J R Deeley	–	–	–	Nil	–
D J Egan	–	–	–	Nil	–
N H Mirza	–	–	–	1,56,000	12,00,000
P Mallick	–	–	–	1,38,000	8,33,000
V Tandon	–	–	–	70,000	6,25,000
S Chand	–	–	–	90,000	6,25,000
S N Talwar	–	–	–	60,000	8,33,000
G Hariharan	55,47,508	2,71,624	6,57,720	–	9,00,000

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.

None of the Directors holds any equity shares of the Company, except for Mr Suresh N Talwar who holds 1,440 equity shares as on 31 December 2010. None of the Directors are related to each other and there are no other pecuniary relationships or transactions of the Non-Executive Directors' vis-à-vis of the Company.

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

#### D. 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 2010 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
V Tandon	Member	Independent Director
S Chand	Member	Independent Director
D J Egan	Member	Non-executive & Non-independent Director

Mr V Tandon and Mr S Chand were appointed as members of the Audit Committee with effect from 21 July 2010. 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 2010 to answer the shareholder queries. The text of the charter of the Audit Committee is available on the Company's website [www.esabindia.com](http://www.esabindia.com).

There were six meetings of the Audit Committee held during 2010 on 2 March, 22 April, 21 July, 20 October, 8 December and 30 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
N H Mirza	6	5
P Mallick	6	6
V Tandon*	4	3
S Chand*	4	4
D J Egan	6	4

\* Mr V Tandon and Mr S Chand were appointed as members of the Audit Committee with effect from 21 July 2010 only.

#### SUBSIDIARY COMPANIES

There were no Subsidiary Companies for the company as on 31 December 2010. ESAB Engineering Services Limited a 100% subsidiary of the company merged with the company vide the order of the Hon'ble High Court of Madras dated 9 December 2010 with the Appointed date being 1 April 2010.

#### 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 do not participate in the discussions 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 Venkatakrisnan, 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' Grievance Committee. The Committee met four times during 2010, on 2 March, 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
P Mallick	4	4
N H Mirza	4	3
D J Egan	4	3

During the year, the Company received 35 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	4
2	Non-receipt of dividend warrants	29
3	Non-receipt of annual report	2
	Total	35

All the complaints were responded to as per applicable guidelines and regulations. As at 31 December 2010 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 2010.

#### Reconciliation of Share Capital Audit

A qualified practicing Company Secretary carries out an audit on a quarterly basis to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) with the total issued and listed capital and the reports are placed before the Board of Directors for its perusal. The said report confirms that the total issued and listed capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

#### 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.
- 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 Team within a properly defined framework.
- There were no instances of non-compliances by the Company, penalties and strictures imposed on the Company by the Stock Exchanges or SEBI or any other statutory authorities on any matter related to the capital markets during the last three years.
- There has been no public, rights or preferential issues during the year.

- The Senior management personnel have made disclosures to the board relating to all material, financial and other transactions stating that they did not have any personal interest that could result in conflict with the interest of the Company at large.
- 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 Pradeep Mallick and Mr Suresh N Talwar will retire in the ensuing Annual General Meeting. The Board has recommended the re-appointment of the retiring Directors. Mr Vikram Tandon, Mr Sudhir Chand joined the board as additional directors on 23 April 2010 and Mr James R Deeley joined the Board as an additional director on 28 July 2010. In terms of Section 260 of the Companies Act, 1956 these Directors hold office till the conclusion of the forthcoming Annual General Meeting, where they get re-elected by the members. 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 the financial statements and other matters in accordance with Clause 49 of the Listing Agreement.
- The Company has complied with all the mandatory requirements of the clause 49 of the Listing Agreement. To enhance standards of corporate governance and strengthen controls, the Company has setup a whistleblower policy which can be seen on the Company's website [www.esabindia.com](http://www.esabindia.com). In terms of such whistleblower policy, it is affirmed that the employees have been given free access to the Audit Committee. The non-mandatory requirements have been adopted to the extent and in the manner as stated under the appropriate headings detailed elsewhere in this report.
- 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](mailto: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
2008	29 April 2008	4.00 PM	Mini Hall, The Music Academy No. 168, T.T.K. Road, Chennai - 600 014.
2009	22 April 2009	3.00 PM	Narada Gana Sabha Trust Complex, No.314, T.T.K. Road, Chennai 600 018.
2010	22 April 2010	3.00 PM	P Obul Reddy Hall 103, Vani Mahal, G.N. Road, T. Nagar, Chennai 600 017.

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.

## MEANS OF 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. These results are not sent individually to the shareholders.

The results are normally being published in "The Business Standard" in English and in the regional language newspaper "Makkal Kural" in Tamil.

The Company has in place a website viz. [www.esabindia.com](http://www.esabindia.com). The quarterly financial results and shareholding pattern are published in the Company's website. The company makes use of its website for publishing official news release.

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

## GENERAL SHAREHOLDER INFORMATION

AGM : Date,	27 April 2011 at 3.30 pm	
Time & Venue	P Obul Reddy Hall, Vani Mahal, 103, G.N. Road, T. Nagar, Chennai - 600 017.	
Financial Year	1 January to 31 December	
Approval of financial results proposed	QE 31 Mar 2011 : Last week, April 2011 HY 30 Jun 2011 : Last week, July 2011 QE 30 Sep 2011 : Last week, October 2011 YE 31 Dec 2011 : Last week, February 2012	
Dates of Book Closure	22 April 2011 to 27 April 2011 (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 2010-11 were duly paid to the above stock exchanges.	
Stock Code	<b>Name of the stock exchange</b>	<b>Stock Code</b>
	The Bombay Stock Exchange Limited	<b>500133</b>
	The National Stock Exchange of India Ltd.	<b>ESABINDIA</b>
	ISIN allotted by depositories	<b>INE284A01012</b>

## Stock Market Price\* Data & Stock Performance:

2010	Mumbai		National		BSE Sensex	
	High ₹	Low ₹	High ₹	Low ₹	High ₹	Low ₹
Jan	570	522	571	531	17790	15982
Feb	649	520	649	529	16669	15652
Mar	610	571	615	565	17793	16438
Apr	665	581	663	580	18048	17277
May	625	553	635	562	17537	15960
Jun	630	556	680	557	17920	16318
Jul	645	576	642	575	18238	17396
Aug	590	550	595	555	18475	17820
Sep	603	556	590	553	20268	18027
Oct	690	558	607	545	20855	19769
Nov	604	520	600	521	21109	18955
Dec	630	530	585	525	20552	19075

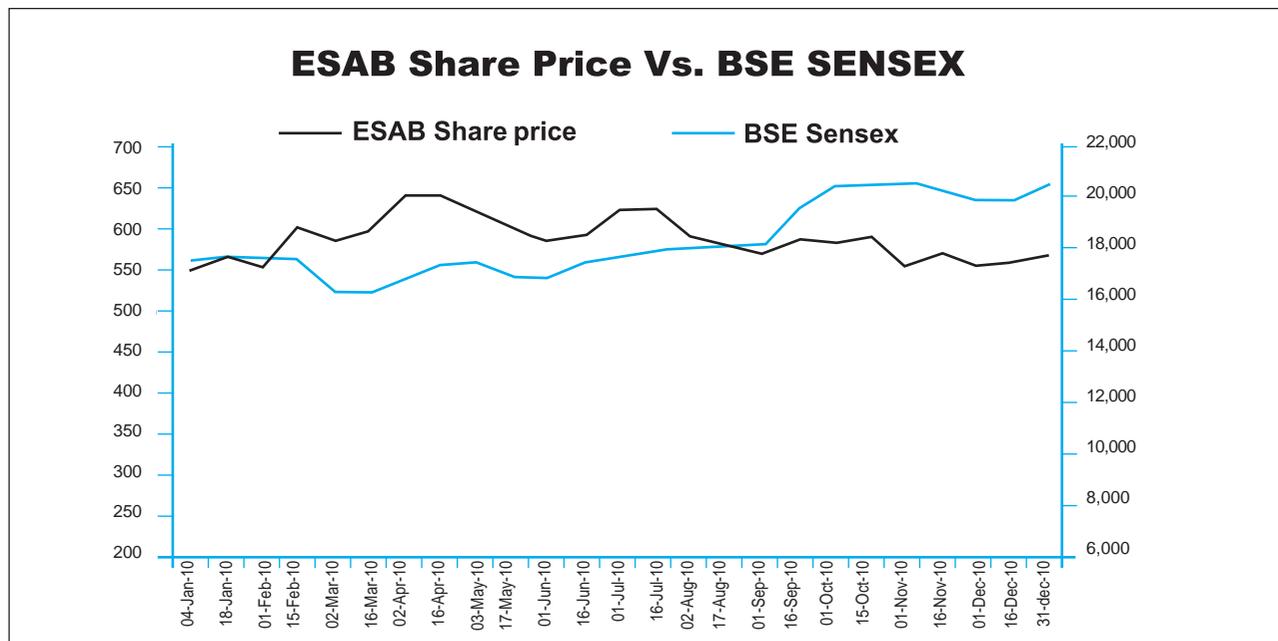
\* Share prices are rounded off to the nearest Rupee.

Registrar and Transfer Agents Integrated Enterprises (India) Ltd  
2<sup>nd</sup> 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  
E-mail : [corpsev@iepdindia.com](mailto:corpsev@iepdindia.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 & 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.
- The company as required under clause 47(f) of the listing agreement with Stock Exchanges has designated the mail id [venkatakrisnan.s@esab.co.in](mailto:venkatakrisnan.s@esab.co.in) for the purpose of registering complaints, if any, by the investors and expeditious redressal of their grievances.
- 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 2010**

Shareholding	Shareholders	Number of Shares	% of total
Up to 500	11,057	1,308,731	8.50
501-1000	499	378,797	2.46
1001-2000	202	307,860	2.00
2001-3000	65	164,542	1.07
3001-4000	29	105,870	0.69
4001-5000	25	116,561	0.76
5001-10000	26	202,923	1.32
10001 and above	52	12,807,736	83.20
<b>TOTAL</b>	<b>11,955</b>	<b>15,393,020</b>	<b>100.00</b>

**Shareholding pattern as on 31 December 2010**

Category	Number of Shares	% of total
Esab Holdings Limited	5,743,200	37.31
Exelvia Group India BV	2,822,831	18.34
<b>ESAB Group</b>	<b>8,566,031</b>	<b>55.65</b>
Mutual Funds & UTI	1,468,436	9.54
Banks and Financial Institutions	9,562	0.06
Foreign Institutional Investors	1,746,720	11.35
Corporate Bodies	697,007	4.53
Directors & Relatives	1,440	0.01
Indian Public	2,903,824	18.86
<b>Total</b>	<b>15,393,020</b>	<b>100.00</b>

**Dematerialisation of shares and liquidity**

As on 31 December 2010, 97.38% of the total paid-up equity 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**

The Company has not issued any Global Depository Receipt / American Depository Receipt / Warrant or any convertible instruments which is likely to have impact on Company's equity.

- Plant Locations**
- Plot No.13, 3<sup>rd</sup> Main Road, Industrial Estate, Ambattur, Chennai 600 058.
  - B.T. Road, Khardah, P.O. B.D. Sopan, North 24 Parganas, Kolkata 743 121.
  - 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, 3<sup>rd</sup> 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:

**1. The Chairman's Office**

The need for implementing this non-mandatory requirement has not arisen.

## 2. Remuneration Committee

The Board has not set up a Remuneration Committee as the need for the same has not arisen.

## 3. 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](http://www.esabindia.com). These results are not sent to the shareholders individually.

## 4. Audit Qualifications

The auditors have issued an unqualified opinion on the statutory financial statements of the Company.

## 5. 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.

## 6. Whistle Blower policy

The Company has setup a whistle blower policy which can be viewed on the Company's website [www.esabindia.com](http://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.
- Electronic Clearing Service (ECS) helps in quick remittance of dividend without possible loss / delay in postal transit. Shareholders, who have not earlier availed this facility, are requested to register their ECS details with the Share Transfer Agent or their respective Depository Participants.
- In terms of SEBI circular no.MRD/DoP/Cir-05/1009 dated 20 May 2009 the shareholders are requested to note that it has now become mandatory to furnish a copy of Permanent Account Number (PAN) for registration of transfer of shares in physical mode.
- Shareholders who have multiple folios in identical names, are requested to apply for consolidation of such folios and send the relevant share certificates to the Company.
- Investors are requested to note that National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) have announced the launch of SMS alert facility for demat account holders whereby shareholders will receive alerts for debits / credits (transfers) to their demat accounts a day after the respective transfers. These alerts will be sent to those account holders who have provided their mobile numbers to their Depository Participants (DPs) and made a request for such services. No charge will be levied by NSDL / CDSL on DPs for providing this facility to investors. Further information is available on the website of NSDL and CDSL viz. [www.nsdl.co.in](http://www.nsdl.co.in) and [www.cdslindia.com](http://www.cdslindia.com) respectively.

For and on behalf of the Board of Directors

Chennai,  
22 February 2011

**M G Foster**  
Chairman

## Auditors' Report on Corporate Governance

To

The Members of ESAB India Limited

We have examined the compliance of conditions of Corporate Governance by ESAB INDIA LIMITED (the Company) for the year ended December 31, 2010 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  
Firm registration No. 101248W

**S Sethuraman**  
Partner  
Membership No.203491

Place: Chennai

Date : February 22, 2011

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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 2010.

**G Hariharan**  
Managing Director

Chennai, 22 February, 2011

### 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 2010, 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 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December 2010 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 2010;
    - 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  
Firm registration no. 101248W

**S Sethuraman**

Partner

Place : Chennai,  
Date : 22 February 2011

Membership No: 203491

### 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 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 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, Sales Tax, Service tax, Customs duty, Excise Duty and other material statutory dues were in arrears as at 31 December 2010 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, Service tax 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	2.58	1991-92	Revision Board, Tribunal
		2.38	1992-93	
		0.32	1995-96	
		38.00	1996-97	
		49.92	1997-98	
		7.71	1999-00	
		0.07	1999-00	Assistant Commissioner
		0.11	2001-02	Joint Commissioner
		21.11	2007-08	Adjudicating Authority
Central Excise Act	Determination of Price on which Duty is payable	2.81	2006-07	High Court
		100.80	1997-2000	Commissioner (Appeals)
		0.63	2003-2005	CESTAT
Finance Act, 1994	Differential service tax payable	45.71	1997-99	Deputy Commissioner
		0.18	2008-10	Commissioner (Appeals)
		0.72	2004-07	CESTAT
		0.20	2006-10	
		1.16	2006-07	High Court
Income Tax Act	Disallowed Expenditure pertaining to various years	1.55	2005-08	Income Tax Appellate Tribunal
		1.17	1988-89	
		2.56	1989-90	
		0.12	1996-97	
		8.65	1997-98	
		4.60	1998-99	Commissioner of Income Tax (Appeals)
		3.73	2000-01	
		5.04	2003-04	
		54.00	2004-05	
		4.39	2005-06	
4.59	2006-07			
	<b>Grand Total</b>	<b>364.81</b>		

- (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 material fraud on or by the Company has been noticed or reported during the course of our audit.

for **BSR & Co.**  
Chartered Accountants  
Firm registration no. 101248W

**S Sethuraman**  
Partner

Place : Chennai,  
Date : 22 February 2011

Membership No: 203491

# Balance Sheet

## as at 31 December 2010

(All amounts are in Rupees thousands except otherwise stated)



**ESAB INDIA LIMITED**

	Schedule	As at 31 December 2010	As at 31 December 2009
<b>SOURCES OF FUNDS</b>			
SHAREHOLDERS' FUNDS			
Share Capital	A	153,930	153,930
Reserves and Surplus	B	1,755,959	1,517,963
		<b>1,909,889</b>	1,671,893
DEFERRED TAX LIABILITY (Net) (Refer Note 15 of Schedule O)		30,671	31,322
		<b>1,940,560</b>	<b>1,703,215</b>
<b>APPLICATION OF FUNDS</b>			
FIXED ASSETS			
Gross Block	C	1,635,886	1,479,954
Less: Accumulated Depreciation/Amortization		704,397	590,188
Net Block		931,489	889,766
Capital Work-in-progress (including advances)		166,719	69,659
		<b>1,098,208</b>	959,425
INVESTMENTS	D	335,011	24,730
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	E	536,988	387,983
Sundry Debtors	F	272,448	96,089
Cash and Bank Balances	G	503,120	579,543
Other Current Assets and Loans and Advances	H	207,064	229,803
		<b>1,519,620</b>	1,293,418
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	I	740,041	502,636
Provisions	J	272,238	71,722
		<b>1,012,279</b>	574,358
NET CURRENT ASSETS		<b>507,341</b>	719,060
		<b>1,940,560</b>	<b>1,703,215</b>
Notes to Accounts	O		

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

This is the balance sheet referred to in our report of even date

For and on behalf of the Board of Directors

For **B S R & Co.**  
Chartered Accountants  
Firm registration no. 101248W

**G Hariharan**  
Managing Director

**S Sethuraman**  
Partner  
Membership No. 203491

**N H Mirza**  
Director

**S Venkatakrishnan**  
Company Secretary

**B Mohan**  
Chief Financial Officer

Place : Chennai  
Date : 22 February 2011

# Profit and Loss Account for the year ended 31 December 2010

(All amounts are in Rupees thousands except otherwise stated)



**ESAB INDIA LIMITED**

	Schedule	For the year ended 31 December 2010	For the year ended 31 December 2009
<b>INCOME</b>			
Sales (Gross)		5,374,414	4,524,914
Less: Excise Duty		413,349	318,634
Sales (Net)		4,961,065	4,206,280
Income from services		42,449	—
Other Income	K	141,128	86,920
		<u>5,144,642</u>	<u>4,293,200</u>
<b>EXPENDITURE</b>			
Material Costs	L	3,124,598	2,418,224
Manufacturing, Selling and Administrative Expenses	M	1,024,118	780,256
Interest and Finance Charges	N	8,219	8,349
Depreciation/Amortization		105,474	77,459
		<u>4,262,409</u>	<u>3,284,288</u>
<b>PROFIT BEFORE TAXATION</b>		<b>882,233</b>	<b>1,008,912</b>
Taxation	O (16)	(292,658)	(347,084)
<b>PROFIT AFTER TAXATION</b>		<b>589,575</b>	<b>661,828</b>
Balance brought forward from Previous Year		1,138,113	902,649
Add: Transferred on amalgamation (Refer note 25 of Schedule O)		12,309	—
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>1,739,997</b>	<b>1,564,477</b>
<b>APPROPRIATIONS</b>			
Dividend			
- Interim		307,860	307,860
- Final		—	—
Total Dividend		<u>307,860</u>	<u>307,860</u>
Dividend Tax		51,132	52,321
Amount Transferred to General Reserve		58,958	66,183
Balance in profit and loss account		<u>1,322,047</u>	<u>1,138,113</u>
		<u>1,739,997</u>	<u>1,564,477</u>
<b>Earnings per share</b>			
Basic and Diluted (Rs.)		38.30	43.00
Notes to Accounts	O		

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

This is the profit and loss account referred to in our report of even date

For and on behalf of the Board of Directors

For **B S R & Co.**  
Chartered Accountants  
Firm registration no. 101248W

**G Hariharan**  
Managing Director

**S Sethuraman**  
Partner  
Membership No. 203491

**N H Mirza**  
Director

**S Venkatakrishnan**  
Company Secretary

**B Mohan**  
Chief Financial Officer

Place : Chennai  
Date : 22 February 2011

# Cash Flow Statement

## for the year ended 31 December 2010

(All amounts are in Rupees thousands except otherwise stated)



ESAB INDIA LIMITED

	For the year ended 31 December 2010	For the year ended 31 December 2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before Tax</b>	<b>882,233</b>	1,008,912
(Profit) / loss on sale of assets	4,582	(495)
Interest income	(23,628)	(34,939)
Profit on sale of investment	(20,237)	-
Investment income	(7,804)	(5,431)
Fixed assets written off	1,200	538
Unrealised exchange differences	(1,119)	(715)
Depreciation/amortization	105,474	77,459
Interest and finance charges	8,219	8,349
Provision for doubtful debts	1,134	1,468
<b>Operating Profit before Working Capital Changes</b>	<b>950,054</b>	1,055,146
Increase in sundry debtors	(179,374)	70,776
Increase in other current assets and loans and advances	5,585	(55,293)
Decrease / (increase) in inventories	(149,005)	8,064
Increase / (decrease) in trade payables	252,432	7,981
<b>Cash Generated from Operations</b>	<b>879,692</b>	1,086,674
Voluntary Separation Compensation and Related Payments	(567)	(402)
Taxes Paid	(283,525)	(365,893)
<b>Net Cash from Operating Activities</b>	<b>595,600</b>	720,379
	A	
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital Expenditure	(223,096)	(238,394)
Sale of Fixed Assets	480	598
Purchase of Investments	(762,603)	(411,812)
Sale of Investments	447,661	506,872
Interest Received	33,300	24,217
Investment income received	7,804	6,652
<b>Net Cash used in Investing Activities</b>	<b>(496,454)</b>	(111,867)
	B	
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend Paid	(160,425)	(336,725)
Dividend Distribution Tax Paid	(25,566)	(52,321)
Interest and Finance Charges Paid	(8,219)	(8,349)
<b>Net Cash used in Financing Activities</b>	<b>(194,210)</b>	(397,395)
	C	
Net increase / (decrease) in cash and cash equivalents	(A+B+C) <b>(95,064)</b>	211,117
Cash and cash equivalents as at beginning of the year	<b>579,543</b>	368,426
Add: Cash and cash equivalent transferred on amalgamation (Refer note 25 of Schedule O)	<b>18,641</b>	-
<b>Cash and cash equivalents as at the end of the year *</b>	<b>503,120</b>	579,543
Notes:		
*Cash and cash equivalents include not available for use by the Company	<b>105,156</b>	42,849

This is the cash flow statement referred to in our report of even date

For **B S R & Co.**  
Chartered Accountants  
Firm registration no. 101248W

**S Sethuraman**  
Partner  
Membership No. 203491

Place : Chennai  
Date : 22 February 2011

For and on behalf of the Board of Directors

**G Hariharan**  
Managing Director

**N H Mirza**  
Director

**S Venkatakrishnan**  
Company Secretary

**B Mohan**  
Chief Financial Officer

# Schedules to the Accounts

31 December 2010

(All amounts are in Rupees thousands except otherwise stated)



ESAB INDIA LIMITED

	As at 31 December 2010	As at 31 December 2009
<b>SCHEDULE - A SHARE CAPITAL</b>		
<b>Authorised:</b>		
19,000,000 (31 December 2009: 17,000,000) Equity Shares of Rs.10 each	190,000	170,000
3,000,000 (31 December 2009: 3,000,000) Unclassified Shares of Rs.10 each (Refer note 25 of Schedule O)	30,000	30,000
	<u>220,000</u>	<u>200,000</u>
<b>Issued, Subscribed and Paid up :</b>		
15,393,020 (31 December 2009: 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>SCHEDULE - B RESERVES AND SURPLUS</b>		
<b>Amalgamation Reserve</b>	10,000	10,000
<b>Securities Premium Account</b>	93,190	93,190
<b>Special Capital Incentive Subsidy</b>	2,000	2,000
<b>General Reserve</b>		
Opening balance	274,660	208,477
Add : Transferred from Profit and Loss Account	58,958	66,183
Less: Adjustment to reserves arising on account of amalgamation (Refer note 25 of Schedule O)	(4,896)	-
	<u>328,722</u>	<u>274,660</u>
<b>Profit and Loss Account</b>	1,322,047	1,138,113
	<u>1,755,959</u>	<u>1,517,963</u>

## SCHEDULE - C FIXED ASSETS

Particulars	Freehold Land	Leasehold Land	Building	Plant & Machinery	Furniture & Fixtures	Motor Vehicles	Intangible Assets		Total	Previous Year
							Computer software	Technical know how		
<b>GROSS BLOCK AT COST</b>										
As at 1 January 2010	32,939	14,078	283,366	1,070,568	30,046	9,229	-	39,728	1,479,954	1,194,166
Transferred pursuant to Scheme of Amalgamation*	-	-	-	26,031	-	-	2,232	-	28,263	-
Additions	-	-	14,197	89,184	4,117	2,659	12,353	9,080	131,590	290,891
Deletions	-	-	-	2,192	169	1,560	-	-	3,921	5,103
As at 31 December 2010	32,939	14,078	297,563	1,183,591	33,994	10,328	14,585	48,808	1,635,886	1,479,954
<b>ACCUMULATED DEPRECIATION/AMORTIZATION</b>										
As at 1 January 2010	-	5,811	63,961	488,377	10,155	6,623	-	15,261	590,188	517,191
Transferred pursuant to Scheme of Amalgamation*	-	-	-	10,628	-	-	1,608	-	12,236	-
Additions	-	89	8,667	82,149	2,162	1,309	3,194	7,904	105,474	77,459
Deletions	-	-	-	1,793	163	1,545	-	-	3,501	4,462
As at 31 December 2010	-	5,900	72,628	579,361	12,154	6,387	4,802	23,165	704,397	590,188
<b>NET BLOCK</b>										
As at 31 December 2010	32,939	8,178	224,935	604,230	21,840	3,941	9,783	25,643	931,489	
As at 31 December 2009	32,939	8,267	219,405	582,191	19,891	2,606	24,467	-	889,766	

Note : \* (Refer note 25 of Schedule O)

# Schedules to the Accounts

31 December 2010

(All amounts are in Rupees thousands except otherwise stated)



ESAB INDIA LIMITED

	As at 31 December 2010	As at 31 December 2009
<b>SCHEDULE - D</b>		
<b>INVESTMENTS</b>		
<b>(LONG TERM, UNQUOTED, AT COST )</b>		
Non-trade investment, in an Associate Company - Esab Engineering Services Limited Nil (31 December 2009:497,980 ) Equity Shares of Rs.10 each fully paid up*	-	4,980
<b>(CURRENT, QUOTED, NON TRADE, LOWER OF COST AND FAIR VALUE )</b>		
(a) Investment in Ador Welding Limited Nil (31 December 2009 - 165,777) equity shares of Rs.10 each full paid up (Market value of investment - Rs.Nil (31 December 2009 - Rs.34,117)	-	19,750
<b>(CURRENT, UNQUOTED, NON TRADE, LOWER OF COST AND FAIR VALUE)</b>		
Investment in Mutual Funds		
<b>Face value of Rs.10 per unit</b>		
4,579,907 (31 December 2009 - Nil) units in HDFC - floating rate income fund - short term plan - wholesale plan - daily dividend reinvestment	<b>46,170</b>	-
4,582,455 (31 December 2009 - Nil) units in Tata floater fund - daily dividend	<b>45,988</b>	-
4,522,842 (31 December 2009 - Nil) units in Fidelity ultra short term debt fund institutional- daily dividend option	<b>45,240</b>	-
4,561,260 (31 December 2009 - Nil) units Sundaram ultra short term fund - institutional - daily dividend reinvestment	<b>45,781</b>	-
430,891 (31 December 2009 - Nil) units ICICI Prudential flexible income premium - dividend daily reinvestment	<b>45,560</b>	-
1,519,600 (31 December 2009 - Nil) units HDFC cash management fund - treasury advantage wholesale plan - daily dividend reinvestment *	<b>15,244</b>	-
<b>Face Value: Rs.1000 per unit</b>		
45,597 (31 December 2009 - Nil) units UTI treasury advantage fund institutional plan - daily dividend option reinvestment	<b>45,606</b>	-
45,385 (31 December 2009 - Nil) units DSP Blackrock money manager fund - institutional plan - daily dividend reinvestment	<b>45,422</b>	-
	<b>335,011</b>	-
	<b>335,011</b>	24,730
Aggregate fair value of investments in mutual funds Rs.335,011 (31 December 2009 - Rs.Nil) (Refer Note 21 of Schedule O for details of mutual funds purchased and sold during the year) * (Refer note 25 of Schedule O)		
<b>SCHEDULE - E</b>		
<b>INVENTORIES *</b>		
Raw & Packing Materials	<b>247,663</b>	162,591
Work-in-Progress	<b>44,900</b>	47,683
Finished Goods	<b>230,378</b>	165,284
Stores and Spare Parts	<b>14,047</b>	12,425
	<b>536,988</b>	387,983
* Includes Goods in transit of Rs.60,664 (31 December 2009 - Rs.19,662)		

# Schedules to the Accounts

31 December 2010

(All amounts are in Rupees thousands except otherwise stated)



ESAB INDIA LIMITED

	As at 31 December 2010	As at 31 December 2009
<b>SCHEDULE - F</b>		
<b>SUNDRY DEBTORS (Unsecured)</b>		
Debts outstanding for a period exceeding six months		
- Considered Good	25,592	2,551
- Considered Doubtful	11,557	20,193
Others, Considered Good	<u>246,856</u>	<u>93,538</u>
	<b>284,005</b>	<b>116,282</b>
Less: Provision for Bad and Doubtful Debts	<u>11,557</u>	<u>20,193</u>
	<b><u>272,448</u></b>	<b><u>96,089</u></b>
Debtors include amount due from Companies under the same management		
Esab Asia Pacific Pte Ltd., Singapore	2,736	243
Esab Middle East LLC, Dubai	50	36
Esab AB, Sweden	4,877	-
Esab Welding and Cutting Products, USA	4,541	-
Esab SeAH Corporation - Korea	95	-
Esab Holdings Ltd., U.K.	1,677	-
<b>SCHEDULE - G</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	711	729
Cheques on hand and remittances in transit	85,794	70,255
Balances with Scheduled Banks :		
- in current accounts	237,814	58,741
- in deposit accounts	82,500	422,318
- margin money accounts	<u>96,301</u>	<u>27,500</u>
	<b><u>503,120</u></b>	<b><u>579,543</u></b>
<b>SCHEDULE - H</b>		
<b>OTHER CURRENT ASSETS, LOANS AND ADVANCES</b>		
(Unsecured)		
<i>Considered good</i>		
Interest accrued on deposits	5,766	15,438
Advances recoverable in cash or in kind or for value to be received	148,823	148,084
Advances to Group Companies		
To Esab Welding and Cutting Products, USA	-	109
To Esab Welding Products (Jiangsu) Co. Ltd., China	1,983	8,181
To Esab Cutting & Welding Automation Sanghai Co. Ltd., China	207	-
Advance income taxes (net of provisions)	5,922	14,404
Balances with customs, port trust, excise, etc.	<u>44,363</u>	<u>43,587</u>
	<b>207,064</b>	<b>229,803</b>
<i>Considered doubtful</i>		
Advances recoverable in cash or in kind or for value to be received	3,251	3,251
Less: Provision for bad and doubtful advances	<u>3,251</u>	<u>3,251</u>
	<b>-</b>	<b>-</b>
	<b><u>207,064</u></b>	<b><u>229,803</u></b>
Maximum amount outstanding during the year:		
Esab Welding and Cutting Products, USA	109	1,489
Esab Welding Products (Jiangsu) Co. Ltd., China	8,181	8,181
Esab Cutting & Welding Automation Sanghai Co. Ltd., China	207	-

# Schedules to the Accounts

31 December 2010

(All amounts are in Rupees thousands except otherwise stated)



	As at 31 December 2010	As at 31 December 2009
<b>SCHEDULE - I</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors (Refer Note 23 of Schedule O)		
(i) total outstanding dues of micro enterprises and small enterprises; and	7,219	6,055
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	<u>629,894</u>	<u>400,978</u>
Deposits from Dealers	19,671	21,749
Advance from Customers	21,160	9,972
Other Liabilities	53,242	48,533
Unclaimed Dividends *	8,855	15,349
	<u>740,041</u>	<u>502,636</u>
* There is no amount due and outstanding to be credited to the Investor Education and Protection Fund		
<b>SCHEDULE - J</b>		
<b>PROVISIONS</b>		
Provision for employee benefits:		
- Gratuity	19,255	13,694
- Compensated absence	73,487	58,028
Interim Dividend	153,930	-
Tax on Dividend	25,566	-
	<u>272,238</u>	<u>71,722</u>
<b>SCHEDULE - K</b>		
<b>OTHER INCOME</b>		
Interest income (Gross Tax Deducted at Source Rs.2,921 (31 December 2009 - Rs.3,735))	23,628	34,939
Profit on sale of investments	20,237	-
Dividend	7,804	5,431
Sale of scrap	56,460	30,785
Commission income (Gross Tax Deducted at Source Rs.1,133 (31 December 2009 Rs.Nil))	12,197	-
Profit on sale of fixed assets (net)	-	495
Exchange gain (net)	6,154	2,433
Miscellaneous income	14,648	12,837
	<u>141,128</u>	<u>86,920</u>
<b>SCHEDULE - L</b>		
<b>MATERIAL COSTS</b>		
Raw and Packing Materials Consumed	2,625,215	2,109,377
Purchases of Finished Goods	561,694	299,060
Opening Stock		
Finished Goods	165,284	177,914
Work-in-Progress	47,683	44,840
	<u>212,967</u>	<u>222,754</u>
Closing Stock		
Finished Goods	230,378	165,284
Work-in-Progress	44,900	47,683
	<u>275,278</u>	<u>212,967</u>
(Increase) / Decrease in Finished Goods & Work-in-Progress	<u>(62,311)</u>	<u>9,787</u>
	<u>3,124,598</u>	<u>2,418,224</u>

# Schedules to the Accounts

31 December 2010

(All amounts are in Rupees thousands except otherwise stated)



ESAB INDIA LIMITED

	For the year ended 31 December 2010	For the year ended 31 December 2009
<b>SCHEDULE - M</b>		
<b>MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES</b>		
Salaries, Wages and Bonus	301,395	251,143
Contributions to Provident and Other Funds*	39,809	3,930
Workmen and Staff Welfare Expenses	38,424	30,598
Consumption of Stores and Spare parts	49,928	35,271
Power and Fuel	103,747	78,093
Repairs:		
- Buildings	4,862	4,775
- Plant and Machinery	17,619	16,118
- Others	9,079	5,171
Rent	14,815	7,266
Rates and Taxes	4,371	8,769
Excise Duty (net)	12,081	(1,133)
Insurance	4,165	2,612
Transport and Freight	69,861	52,301
Communication Costs	16,794	13,896
Traveling and Conveyance	66,733	54,129
Legal and Professional Charges	8,986	13,833
Printing and Stationery	5,449	4,814
Commission	11,146	4,417
Sales Incentives	65,443	105,794
Trade Mark Licence Fees	41,543	-
Advertising	2,111	448
Sales Promotion and Selling Expenses	22,539	18,341
Provision for Doubtful Debts	1,134	1,468
Bad Debts written off	9,769	-
Less : Existing Provision for bad and doubtful debts	9,769	-
Loss on sale of fixed assets (Net)	4,582	-
Fixed Assets written off	1,200	538
Miscellaneous Expenses	106,302	67,664
	<u>1,024,118</u>	<u>780,256</u>
* Net of reversals of contributions made in earlier years to the Company's Pension Funds of Rs.Nil (31 December 2009: Rs.5,673)		
<b>SCHEDULE - N</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Interest on Others	-	5
Bank Charges	8,219	8,344
	<u>8,219</u>	<u>8,349</u>

## **SCHEDULE - O** **NOTES TO 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 in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India.

#### **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 dispatch 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.

**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.

	As at 31 December 2010	As at 31 December 2009
<b>3.</b> Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances)	<b>47,641</b>	97,442
<b>4. Contingent Liabilities:</b>		
For Disputed Taxes and duties	<b>277,090</b>	225,302
Claims Against the Company not acknowledged as debts	<b>82,380</b>	76,272
	<b>359,469</b>	301,574
	<b>For the year ended 31 December 2010</b>	For the year ended 31 December 2009
<b>5. Auditor's Remuneration:</b>		
Audit fees	<b>1,500</b>	1,200
Tax audit and tax accounts	<b>300</b>	300
Other professional services and Certification	<b>1,050</b>	1,175
Reimbursement of out of pocket expenses	<b>227</b>	150
	<b>3,077</b>	2,825

**6. Particulars of Licensed, Installed Capacity and Actual Production**

Particulars	Unit	For the year ended 31 December 2010			For the year ended 31 December 2009		
		Licensed Capacity	Installed Capacity*	Actual Production	Licensed Capacity	Installed Capacity*	Actual Production
Welding Electrodes	'000 mtrs	<b>318,988</b>	<b>274,808</b>	<b>210,279</b>	318,988	274,808	188,299
	Tonnes	<b>3,480</b>	<b>3,000</b>	<b>809</b>	3,480	3,000	880
Continuous Electrodes/ Copper Coated Wires	Tonnes	<b>28,140</b>	<b>17,800</b>	<b>9,976</b>	28,140	17,800	7,013
Welding Fluxes	Tonnes	<b>4,061</b>	<b>2,440</b>	<b>2,057</b>	4,061	2,440	1,788
Gas and Electric, Welding and Cutting Equipment and Accessories	Nos.	<b>233,540</b>	<b>651,756</b>	<b>172,903</b>	233,540	651,756	131,806

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

## 7. Particulars of Closing Stock of Finished Goods

Particulars	Unit	As at 31 December 2010		As at 31 December 2009		As at 31 December 2008	
		Quantity	Value	Quantity	Value	Quantity	Value
Welding Electrodes	PCs ('000s)	17,266	68,122	9,237	35,354	4,731	16,990
	Tonnes	106	26,635	132	32,500	211	41,689
Continuous Electrodes/ Copper Coated Wires	Tonnes	471	38,658	220	20,760	184	23,578
Welding Fluxes	Tonnes	92	9,157	68	4,418	45	2,916
Gas and Electric, Welding and Cutting Equipment and Accessories		#	83,974	#	71,268	#	90,881
Others		#	3832	#	984	#	1,860
# Quantity details have not been disclosed because the products are heterogeneous in nature			<u>230,378</u>		<u>165,284</u>		<u>177,914</u>

## 8. Particulars of Sales

Particulars	Unit	For the year ended 31 December 2010		For the year ended 31 December 2009	
		Quantity	Value	Quantity	Value
Welding Electrodes	PCs ('000s)	464,349	1,896,324	465,883	1,943,768
	Tonnes	1,870	669,462	1,434	496,917
Continuous Electrodes/ Copper Coated Wires	Tonnes	10,592	907,102	7,278	620,964
Welding Fluxes	Tonnes	2,072	159,356	1,734	126,935
Gas and Electric, Welding and Cutting Equipment and Accessories			1,573,585		1,237,600
Others			168,585		98,730
			<u>5,374,414</u>		<u>4,524,914</u>

### 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.562 million (31 December 2009: Rs.299 million), an amount of Rs.193 million (31 December 2009: Rs.107 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 and Packing Materials consumed

Description	For the year ended 31 December 2010		For the year ended 31 December 2009	
	Quantity (Tonnes)	Value	Quantity (Tonnes)	Value
Mild Steel / M S Wire Rods	25,344	1,021,873	21,720	857,332
Non Ferrous Metals	758	272,957	458	172,120
Minerals	10,490	283,959	8,630	226,717
Chemicals	4,072	319,089	3,431	278,773
Piece Parts		610,609		456,477
Others		116,728		117,958
		<u>2,625,215</u>		<u>2,109,377</u>

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

	December 2010	December 2009	December 2010	December 2009
	Value	Value	% age of Total Consumption	% age of Total Consumption
Raw and Packing Materials				
– Imported	368,959	232,617	14	11
– Indigenous	2,256,256	1,876,760	86	89
Total	<u>2,625,215</u>	<u>2,109,377</u>	<u>100</u>	<u>100</u>
Stores and Spares				
– Imported	2,347	2,663	5	8
– Indigenous	47,581	32,608	95	92
Total	<u>49,928</u>	<u>35,271</u>	<u>100</u>	<u>100</u>

	For the year ended 31 December 2010	For the year ended 31 December 2009
<b>11. CIF value of Imports</b>		
Raw materials & packing materials	260,049	131,566
Components	99,072	63,861
Capital goods	4,935	18,863
	<u>364,056</u>	<u>214,290</u>
<b>12. Expenditure in Foreign Currency</b>		
Technical Know how fees	1,751	5,302
Trademark License Fees	35,388	–
Travelling	5,869	1,220
Royalty	4,524	5,330
Others	12	843
	<u>47,544</u>	<u>12,695</u>
<b>13. Earnings in Foreign Exchange</b>		
FOB Value of Exports	152,799	68,468
Service Income	42,449	–
Commission	2,580	–
	<u>197,828</u>	<u>68,468</u>

#### 14. Managerial Remuneration

Particulars	For the year ended 31 December 2010		For the year ended 31 December 2009	
Computation of net profit in accordance with Section 198 of the Companies Act, 1956 :				
Profit before Tax as per Profit & Loss Account		<b>882,233</b>		1,008,912
Add: Directors' remuneration	<b>11,870</b>		11,240	
Provision for Bad & Doubtful Debts/advances	<b>1,134</b>		1,468	
Loss on sale of Fixed Assets (net)	<b>4,582</b>		–	
Fixed Assets written off	<b>1,200</b>		538	
		<b>18,786</b>		13,246
Less: Profit on sale of Fixed Assets (net)	–		495	
Bad Debts Written off	<b>9,769</b>	<b>9,769</b>	–	495
		<b>891,250</b>		<b>1,021,663</b>
Maximum commission allowed as per Companies Act, 1956 at 1% Commission to non wholetime Directors proposed		<b>8,912</b>		10,217
		<b>4,116</b>		3,434
i) Managing Director				
Salary		<b>5,547</b>		4,809
Contribution to Provident and Superannuation Fund		<b>658</b>		562
Perquisites		<b>272</b>		247
Incentive / Bonus		<b>900</b>		1,770
		<b>7,377</b>		7,388
ii) Non-wholetime Directors				
Sitting fees		<b>514</b>		418
Commission		<b>4,116</b>		3,434
		<b>4,630</b>		3,852

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\*

	As at 31 December 2010		As at 31 December 2009	
<b>Deferred Tax Asset</b>				
Current assets	<b>15,849</b>		15,849	
Current liabilities	<b>40,543</b>	<b>56,392</b>	<b>32,038</b>	47,887
<b>Deferred Tax Liability</b>				
Fixed Assets		<b>(87,063)</b>		(79,209)
<b>Net Deferred Tax (Liability) / Asset</b>		<b>(30,671)</b>		<b>(31,322)</b>
* Includes Deferred tax asset-net of Rs.1,242 transferred on amalgamation				

#### 16. Taxation

Tax provision for current year	<b>292,007</b>		318,745	
Fringe Benefits Tax	–		1,303	
Deferred Tax Charge	<b>651</b>		27,036	
	<b>292,658</b>		<b>347,084</b>	

#### 17. Earnings per Share

Basic and Diluted Earnings per share	<b>Rs. 38.30</b>		Rs. 43.00	
Nominal value per share	<b>Rs.10.00</b>		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	<b>Rs. '000</b>	<b>589,575</b>	Rs. '000	661,828
Weighted average number of shares outstanding during the year	<b>Nos. '000</b>	<b>15,393</b>	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.

#### Business Segments

**Consumables** : Welding electrodes, Copper coated wires, Flux Cored Wires and Welding fluxes including related services

**Equipment** : Welding machines and Cutting equipment including related services

Particulars	Consumables		Equipment		Total	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
<b>Revenue</b>						
External sales and services (Net)	<b>3,527,666</b>	3,043,962	<b>1,475,848</b>	1,162,318	<b>5,003,514</b>	4,206,280
Segment results	<b>653,226</b>	798,810	<b>303,543</b>	241,038	<b>956,769</b>	1,039,848
Less: Interest (Net)					<b>8,219</b>	8,349
Other common expenses (Net)					<b>66,317</b>	22,586
Total profit before tax					<b>882,233</b>	1,008,912
<b>Capital employed</b>						
Segment assets	<b>1,580,647</b>	1,188,321	<b>611,515</b>	477,885	<b>2,192,162</b>	1,666,206
Add: Common Assets					<b>760,677</b>	611,367
Total Assets					<b>2,952,839</b>	2,277,573
Segment liabilities	<b>403,916</b>	217,279	<b>198,094</b>	152,097	<b>602,010</b>	369,376
Add: Common liabilities					<b>440,940</b>	236,304
Total Liabilities					<b>1,042,950</b>	605,680
Segment capital employed	<b>1,176,731</b>	971,042	<b>413,421</b>	325,788	<b>1,590,152</b>	1,296,830
Add: Common capital employed					<b>319,737</b>	375,063
Total capital employed					<b>1,909,889</b>	1,671,893
Capital expenditure	<b>98,483</b>	245,039	<b>31,838</b>	38,605	<b>130,321</b>	283,644
Add: Common capital expenditure					<b>17,296</b>	7,247
Total capital expenditure					<b>147,617</b>	290,891
Depreciation/Amortization	<b>74,907</b>	54,174	<b>20,518</b>	16,705	<b>95,425</b>	70,879
Add: Common depreciation					<b>10,049</b>	6,580
Total depreciation					<b>105,474</b>	77,459
Non cash expenses	<b>(1,081)</b>	(363)	<b>1,099</b>	1,116	<b>18</b>	753
Add: Common non cash expenditure					<b>1,200</b>	538
Total non cash expenditure					<b>1,218</b>	1,291

#### Geographical Segments

The Company caters mainly to the needs of Indian market. The export turnover is 3.60% (31 December 2009: 1.51%) of the total turnover of the Company and segment assets are 0.55% (31 December 2009: 0.58%) 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 exist

- i) Esab Holdings Limited - Principal Shareholder - Holds 37.31 % of the paid up equity share capital of the Company as at 31 December 2010. Charter Overseas Holdings Limited, the holding company of Esab Holdings Limited is a subsidiary of Charter International plc.

Exelvia Group India BV - Holds 18.34 % of the paid up equity share capital of the Company as at 31 December 2010. 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 Welding Products(Jiangsu)Co. Ltd., China	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 Holdings Ltd., U.K.	Esab Europe AG, Switzerland
Esab KK, Japan	Esab Engineering Services Limited *

\* Amalgamated with the Company with effect from 1 April 2010 (Refer note 25 of Schedule O)

### c) Key Management Personnel

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

### d) Transaction and outstanding balances with Related Parties:

Nature of Transaction	Significant Influence Exists [a]		Key Management Personnel [b]		Total	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
Purchase of goods	471,874	209,418	-	-	471,874	209,418
Sale of goods	18,725	5,582	-	-	18,725	5,582
Sale of services	40,792	-	-	-	40,792	-
Sales Return	-	6,091	-	-	-	6,091
Reimbursement of expenses received	-	6,261	-	-	-	6,261
Payment of technical know-how	1,751	5,905	-	-	1,751	5,905
Commission income	2,175	-	-	-	2,175	-
Commission expense	-	710	-	-	-	710
Royalty	4,524	5,330	-	-	4,524	5,330
Trademark license fees	39,565	-	-	-	39,565	-
Remuneration	-	-	7,377	7,388	7,377	7,388
Advances	2,190	8,290	-	-	2,190	8,290
Outstanding payables	109,921	25,981	900	1,770	110,821	27,751
Outstanding receivables	13,977	279	*	*	13,977	279

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

Relationship / Name of the related party	Description of the nature of transaction	Value of the transactions	
		31 December 2010	31 December 2009
<b>Fellow subsidiary Companies:</b>			
Esab Middle East Fze, Dubai	Commission - Expense	–	710
Esab AB, Sweden	Commission - Income	2,080	–
Esab Holdings Ltd., UK	Service income	8,265	–
Esab Welding Cutting Product, USA	Service income	11,081	–
Esab AB, Sweden	Service income	21,446	–
Esab Asia Pacific Pte. Ltd., Singapore	Sale of goods	13,179	4,306
Esab Middle East LLC, Dubai	Sale of goods	5,545	552
Esab Middle East Fze, Dubai	Sale of goods	–	–
Esab Group UK Ltd.	Sale of goods	–	674
Esab Middle East Fze, Dubai	Sales - Return	–	5,953
Esab SeAH Corporation, Korea	Purchase of goods	–	28,259
Esab AB, Sweden	Purchase of goods	110,425	71,735
Esab Welding Cutting Product, USA	Purchase of goods	56,631	25,873
Esab Welding Products (Jiangsu) Co. Ltd., China	Purchase of goods	52,350	–
Esab Vamberk s.r.o - Czech Republic	Purchase of goods	51,415	48,676
Esab Welding Cutting Product, USA	Technical Knowhow	–	3,736
Esab AB, Sweden	Technical Knowhow	–	1,567
Esab Cutting System GmbH, Germany	Technical Knowhow	1,575	–
Esab SA Industria E Comercio, Brazil	Royalty	1,627	3,277
Ozas Esab Sp Zoo, Poland	Royalty	580	820
Esab AB, Sweden	Royalty	1,020	1,233
Esab Cutting System GmbH, Germany	Royalty	837	–
Esab Holdings Ltd., UK	Trademark license fees	39,565	–
Esab Engineering Services Ltd., India	Reimbursement of expenses	–	6,261
Esab Welding Products (Jiangsu) Co. Ltd., China	Advance	1,983	8,181
Esab Asia Pacific Pte. Ltd., Singapore	Outstanding Receivable	2,736	243
Esab Middle East LLC, Dubai	Outstanding Receivable	50	36
Esab AB, Sweden	Outstanding Receivable	4,877	–
Esab Welding Cutting Product ,USA	Outstanding Receivable	4,541	–
Esab Holdings Ltd., UK	Outstanding Receivable	1,677	–
Esab AB, Sweden	Outstanding Payable	450	8,057
Esab SeAH Corporation, Korea	Outstanding Payable	17,376	–
Esab Cutting System GmbH, Germany	Outstanding Payable	837	–
Esab Holdings Ltd., UK	Outstanding Payable	34,661	–
Esab SA Industria E Comercio, Brazil	Outstanding Payable	860	–
Ozas Esab Sp Zoo, Poland	Outstanding Payable	283	–
Esab Europe AG, Switzerland	Outstanding Payable	20,835	–
Esab Welding Cutting Product, USA	Outstanding Payable	13,054	–
Alcotec Wire Corporation - USA	Outstanding Payable	-	3,229
Esab Vamberk s.r.o - Czech Republic	Outstanding Payable	7,467	5,875

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

Name of the fund	Face Value	31 December 2010			31 December 2009				
		No. of units Purchased	Purchase Value	No. of units Sold	Sale Value	No. of units Purchased	Purchase Value	No. of units Sold	Sale Value
HDFC - Daily Dividend Reinvestment	10	13,553,030	136,627	8,973,123	90,457	4,517,149	45,537	4,517,149	45,537
Tata Floater Fund - Daily Dividend Reinvestment	10	4,582,455	45,988	-	-	-	-	-	-
Tata - Liquidity Management fund - Daily Dividend	1,000	-	-	-	-	44,748	45,210	44,748	45,210
Reliance Medium Term Fund - Daily Dividend Plan	10	7,953,694	135,975	7,953,694	135,975	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 - Daily Dividend Reinvestment	10	4,522,842	45,240	-	-	4,501,845	45,030	4,501,845	45,030
Sundaram BNP - Daily Dividend Reinvestment.	10	4,561,260	45,781	-	-	4,509,747	45,264	4,509,747	45,264
ING - Quarterly FMP 91 Days	10	-	-	-	-	-	-	3,500,000	35,000
LIC Liquid Fund - Daily Dividend Plan	10	4,136,438	45,419	4,136,438	45,419	-	-	-	-
LIC Liquid Plus fund - Daily Dividend Plan	10	4,507,460	45,075	4,507,460	45,075	-	-	-	-
DSP Merrill Lynch FMP - 3M - Series 16	10	-	-	-	-	-	-	3,500,000	35,000
DSP Blackrock - Daily Dividend Reinvestment	10	-	-	-	-	4,490,280	45,043	4,490,280	45,043
DSP Blackrock - Daily Dividend Reinvestment	1,000	45,385	45,422	-	-	-	-	-	-
UTI Treasury - Daily Dividend Option	1,000	136,327	136,356	90,730	90,750	45,283	45,292	45,283	45,292
ICICI Prudential - Dividend Daily Reinvestment	10	430,891	45,560	-	-	426,666	45,114	426,666	45,114
HDFC - Daily Dividend Reinvestment *	10	1,519,600	15,244	-	-	-	-	-	-
Total		45,949,382	742,687	25,661,445	407,676	25,752,491	407,522	32,752,491	477,522

\* HDFC - Daily Dividend Reinvestment is held in the name of ESAB Engineering Services Limited which had been amalgamated with ESAB India Limited effective 1 April 2010. (Refer note 25 of Schedule O).

## 22. Retirement Benefit

### 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	2010	2009
<b>Change in present value of obligations</b>		
Obligations at beginning of the year	48,831	54,976
Service cost	3,293	2,638
Interest Cost	3,388	3,253
Actuarial (gain) / Loss	14,597	(4,304)
Benefits paid	(8,872)	(7,732)
Obligations at the end of the year	<u>61,237</u>	<u>48,831</u>
<b>Change in Plan assets</b>		
Fair value of Plans assets at beginning of the year	35,137	33,220
Expected return on plan assets	2,980	2,255
Actuarial gain / (loss)	(1,262)	(106)
Contributions	14,000	7,500
Benefits paid	(8,872)	(7,732)
Fair value of plans assets at end of the year	<u>41,983</u>	<u>35,137</u>
Actual return on plan assets	1,718	2,149
<b>Reconciliation of present value of the obligation and the fair value of plan assets</b>		
Present value of the defined benefit obligation at the end of the year	61,237	48,831
Fair value of plan assets at the end of the year	41,983	35,137
Funded status amount of liability recognized in the balance sheet	<u>19,254</u>	<u>13,694</u>
<b>Gratuity cost for the year</b>		
Service cost	3,293	2,638
Interest cost	3,388	3,253
Expected return on plan assets	(2,980)	(2,255)
Actuarial (gain) / Loss	15,859	(4,198)
Net gratuity cost	<u>19,560</u>	<u>(562)</u>
<b>Assumptions</b>		
Interest rate	7.95%	7.40%
Estimated rate of return on plan assets	7.50%	7.50%
Rate of growth in salary levels	5.00%	5.00%
<b>Investment details of plan assets</b>		
Government of India securities	25.00%	32.00%
Corporate bonds	30.00%	41.00%
Special deposit scheme	0.00%	16.00%
Insurer managed funds	25.00%	1.00%
Others	20.00%	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	2010	2009
<b>Change in present value of obligations</b>		
Obligations at beginning of the year	50,835	58,081
Service cost	1,451	2,307
Interest Cost	2,562	3,364
Actuarial (gain) / Loss	1,385	(3,459)
Benefits paid	(7,404)	(9,458)
Obligations at the end of the year	<u>48,828</u>	<u>50,835</u>
<b>Change in Plan assets</b>		
Fair value of Plans assets at beginning of the year	91,828	92,601
Expected return on plan assets	5,652	6,459
Actuarial gain / (loss)	(2,423)	226
Benefits paid	(7,404)	(9,458)
Refund / Contribution	(19,954)	2,000
Fair value of plans assets at end of the year	<u>67,699</u>	<u>91,828</u>
Actual return on plan assets	3,229	6,685
<b>Reconciliation of present value of the obligation and the fair value of plan assets</b>		
Present value of the defined benefit obligation at the end of the year	48,828	50,835
Fair value of plan assets at the end of the year	67,699	91,828
Funded status amount of liability recognized in the balance sheet	<u>(18,871)</u>	<u>(40,993)</u>
<b>Pension cost for the year</b>		
Service cost	1,451	2,307
Interest cost	2,562	3,364
Expected return on plan assets	(5,652)	(6,459)
Actuarial (gain) / Loss	3,808	(3,685)
Net Pension cost	<u>2,168</u>	<u>(4,473)</u>
<b>Assumptions</b>		
Interest rate	7.95%	7.40%
Estimated rate of return on plan assets	7.50%	7.50%
Rate of growth in salary levels	5.00%	5.00%
<b>Investment details of plan assets</b>		
Government of India securities	22.00%	16.00%
Corporate bonds	37.00%	38.00%
Special deposit scheme	0.00%	25.00%
Insurer managed funds	35.00%	11.00%
Others	5.00%	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 2010 has been made in the financial 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 payable in foreign currency	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
Euro equivalent ('000)	–	2	440	221
USD equivalent ('000)	8,551	210	903	268
SEK equivalent ('000)	–	–	10	13
SGD equivalent ('000)	–	–	64	23
GBP equivalent ('000)	–	–	6	2
Rs ('000)	381,221	9,972	69,838	28,508

#### 25. Scheme of Amalgamation of ESAB Engineering Services Limited with the Company under Section 391 and 394 of the Companies Act, 1956

A Scheme of Amalgamation ('the Scheme') of Transferor Company viz, ESAB Engineering Services Limited ('EESL') with ESAB India Limited ('the Company' or 'Transferee Company') was sanctioned by the Honorable High Court of Judicature at Madras vide their order dated 9 December 2010 issued on 29 December 2010. Pursuant to this Scheme, the assets and liabilities of the Transferor Companies were transferred to and vested in the transferee company with effect from 1 April 2010 (Appointed Date). The amalgamation has been accounted under the 'pooling of interests' method.

The salient features of the Scheme are as follows:

- All the assets and liabilities recorded in the books of the Transferor Company shall stand transferred to and vested in the Transferee Company pursuant to the Scheme and shall be recorded by the Transferee Company at their book values as appearing in the books of the Transferor Company;
- The Transferee Company shall record the Reserves of the Transferor Company in the same form and at the same values as they appear in the financial statements of the Transferor Company at the close of business of the day immediately preceding the Appointed Date. Balances in the Profit and Loss Account of the Transferor Company shall be similarly aggregated with the balances in Profit and Loss Account of the Transferee Company. Balances shown as Miscellaneous Expenditure (to the extent not written off or adjusted), if any, in the balance sheet of the Transferor Company shall be similarly aggregated with balances of the Transferee Company.
- The excess of, or deficit in, the value of the assets over the value of the liabilities of the Transferor Company vested in the Transferee Company pursuant to this Scheme as recorded in the books of account of the Transferee Company shall, after adjusting the amounts recorded in terms of sub-clause (b) above, be adjusted in the Reserves in the books of the Transferee Company.
- Further, in case of any differences in accounting policy between the Companies, the impact of the same till the amalgamation will be quantified and adjusted in the Profit & Loss Account mentioned earlier to ensure that the financial statements of the Transferee Company reflect the financial position on the basis of consistent accounting policy.
- To the extent that there are inter-company loans, deposits or balances as between the Transferor Company and the Transferee Company, the obligations in respect thereof shall come to an end and there shall be no liability in that behalf and corresponding effect shall be given in the books of accounts and records of the Transferee Company for the reduction of any assets or liabilities as the case may be and there would be no accrual of interest or any other charges in respect of any such inter-company loans, deposits or balances, with effect from the Appointed date.
- The authorised share capital of the Transferor Company shall stand combined with the authorised share capital of the Transferee Company. Accordingly, the authorised share capital of the Company is Rs.220,000 divided into 19,000,000 Equity Shares of Rs.10/- (Rupees ten) each; and 3,000,000 unclassified shares of Rs.10/- (Rupees ten) each.

- g. The shares of the Transferor Company held by the Transferee Company directly and/or through its nominee(s), constituting the entire paid up share capital of the Transferor Company will stand cancelled. No shares or consideration shall be issued / paid by the Transferee Company pursuant to the amalgamation of the Transferor Company, which is a wholly-owned subsidiary of the Transferee Company.

Accordingly, the Scheme has been given effect to in these financial statements and the following assets and liabilities of the Transferor Company as at 1 April 2010 have been accounted by the Transferee Company at their respective book values.

Particulars	Net assets/ liabilities taken over by the Company
<b>A. Assets</b>	
Fixed assets - Net	16,027
Other assets	28,770
Total Assets taken over	44,797
<b>B. Liabilities</b>	
Current liabilities and provisions	12,488
<b>Total Liabilities taken over</b>	12,488
<b>C. Net Asset taken over (A-B)</b>	32,309
Less: Profit & loss account transferred on amalgamation	12,309
<b>Share capital of Transferor Company</b>	20,000
Less: Cancellation of investment in books of the Transferee Company	24,896
<b>Difference adjusted to Reserves in the books of Transferee Company</b>	(4,896)

26. The Company has international transactions with related parties. For the financial year 31 March 2010, the Company had obtained the Accountant's Report from a Chartered Accountant as required by the relevant provisions of the Income-tax Act, 1961 and had filed the same with the tax authorities. For the year ended 31 December 2010, the Company has maintained documents as prescribed by the Income-tax Act to prove that these international transactions are at arm's length and the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.
27. On account of Scheme of arrangement and amalgamation with ESAB Engineering Services Limited in the current year previous year figures are not strictly comparable. Previous year figures have been regrouped and reclassified wherever necessary.

For and on behalf of the Board of Directors

For **B S R & Co.**  
Chartered Accountants  
Firm registration no. 101248W

**G Hariharan**  
Managing Director

**S Sethuraman**  
Partner  
Membership No. 203491

**N H Mirza**  
Director

**S Venkatakrishnan**  
Company Secretary

**B Mohan**  
Chief Financial Officer

Place : Chennai  
Date : 22 February 2011

28. 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
---	---

1	0
---	---

  
Date Month Year

II. Capital raised during the year

Public Issue 

N	I	L
---	---	---

 Rights Issue 

N	I	L
---	---	---

  
Bonus Issue 

N	I	L
---	---	---

 Private Placement 

N	I	L
---	---	---

III. Position of Mobilisation and Deployment of Funds

Total Liabilities\* 

1	9	4	0	5	6	0
---	---	---	---	---	---	---

 Total Assets\* 

1	9	4	0	5	6	0
---	---	---	---	---	---	---

  
\* Includes Deferred Tax Liabilities (Net of Deferred Tax Asset) \* Net of Current Liabilities & Provisions

Source of funds  
Paid-up Capital 

1	5	3	9	3	0
---	---	---	---	---	---

 Reserves & Surplus 

1	7	5	5	9	5	9
---	---	---	---	---	---	---

  
Secured Loans 

N	I	L
---	---	---

 Unsecured Loans 

N	I	L
---	---	---

  
Deferred Tax Liability\* 

3	0	6	7	1
---	---	---	---	---

Application of funds

\* Net of Deferred Tax Asset  
Net Fixed Assets 

1	0	9	8	2	0	8
---	---	---	---	---	---	---

 Investments 

3	3	5	0	1	1
---	---	---	---	---	---

  
Net Current Assets 

5	0	7	3	4	1
---	---	---	---	---	---

 Misc. Expenditure 

N	I	L
---	---	---

  
Accumulated Losses 

N	I	L
---	---	---

IV. Performance of Company

Turnover\* 

5	1	4	4	6	4	2
---	---	---	---	---	---	---

 Total Expenditure 

4	2	6	2	4	0	9
---	---	---	---	---	---	---

  
\* includes other/extra ordinary Income

+/- Profit/Loss Before Tax 

8	8	2	2	3	3
---	---	---	---	---	---

 +/- Profit/Loss After Tax 

5	8	9	5	7	5
---	---	---	---	---	---

  
Earnings per Share 

3	8	.	3	0
---	---	---	---	---

 Dividend Rate % 

2	0	0
---	---	---

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

Item Code (ITC Code) 

8	3	1	1	1	0	.	0	0
---	---	---	---	---	---	---	---	---

  
Product Description 

W	E	L	D	I	N	G	E	L	E	C	T	R	O	D	E	S
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

  
Item Code (ITC Code) 

8	5	.	1	5
---	---	---	---	---

  
Product Description 

A	R	C	W	E	L	D	I	N	G	M	A	C	H	I	N	E	S
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

  
Item Code (ITC Code) 

7	2	2	9	9	0	.	0	6
---	---	---	---	---	---	---	---	---

  
Product Description 

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

**G Hariharan**  
Managing Director

**N H Mirza**  
Director

**B Mohan**  
Chief Financial Officer

Place : Chennai  
Date : 22 February 2011

**S Venkatakrishnan**  
Company Secretary

**ESAB INDIA LIMITED**  
 Regd. office : Plot No. 13, 3<sup>rd</sup> Main Road, Industrial Estate, Ambattur, Chennai - 600 058.

**ATTENDANCE SLIP**

**24<sup>th</sup> Annual General Meeting on Wednesday 27 April 2011**

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 Wednesday 27 April 2011 at 3.30 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, 3<sup>rd</sup> Main Road, Industrial Estate, Ambattur, Chennai - 600 058.

**PROXY FORM**

**24<sup>th</sup> Annual General Meeting on Wednesday 27 April 2011**

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

Mr/Mrs/Miss

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 24<sup>th</sup> Annual General Meeting of the Company to be held on Wednesday 27 April 2011 at 3.30 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 of ..... 2011

Signature .....



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.



**ESAB INDIA LIMITED**  
**STRENGTH THROUGH COOPERATION**

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

[www.esabindia.com](http://www.esabindia.com)