



**ESAB INDIA LIMITED  
CHENNAI**

## **CHAIRMAN'S STATEMENT**

Ladies and Gentlemen,

It gives me a great pleasure in welcoming you all to the Twenty Second Annual General Meeting of your company.

The year 2008 has been an eventful year internationally and in India with volatile swings in the business environment. Most elements relating to the adverse developments are being addressed and we expect the correction process to take considerable effort and time.

Esab India witnessed good trading conditions with a growing economy for the best part of three quarters of 2008. The last quarter witnessed a huge dip in sentiment mirroring international developments. Your Company was quick to adapt to the changed scenario through a series of marketing and cost control measures to conclude the year on a satisfactory note.

We continue to have in place cost control and efficiency related initiatives even with a marginally better economic environment that we experienced during the first quarter of 2009.

I am please to inform you that we have closed the first quarter of 2009 on a good note with Net Sales growing by 4.4% over the same period last year while the Profits before tax were up by 6.4% over the same period. This has been possible due to a combination of market driven causes and internal measures. However, the outlook continues to be complex to forecast in view of multiple inter dependencies. We do recognize that such an environment and consequent challenges can bring the best out of us in terms of efficiencies. The environment also presents opportunities that we are well positioned to capitalize on.

Notwithstanding the volatilities, we are committed to long term growth and continue to proceed with the expansions in capacities in our various product segments, especially in Wires. Our expansions are proceeding as scheduled though the additional capacities are going to be available only from 2010.

The Industrial Gas Equipment facility at Taratala has also gone on stream during this quarter. This facility with its state of the art facilities is expected to cater to markets outside India.

The Annual report of the company has been with you for some time and with your permission I will take it as read.

The Company has recorded a growth of 23% in net sales while Profit After Tax posted a growth of 15%. Your Company experienced pricing pressures, higher input costs and changes in product mix resulting in higher material consumption during the last quarter of this year. Both the Consumables and Equipments divisions posted commendable growth with consumables division growing by 25.6% while the equipment business grew by 17.2% over 2007. The Flux Cored Wire facility and the electrode facility at Irungattukottai had their first full year of operation.

Your Company continued to generate Cash at a healthy rate with an increase of Rs.213 Million in Cash and cash equivalents at the end of 2008 over 2007. The Company has continued to remain debt free and financed all its capital expenditure and operational requirements entirely through internal accruals. Based on the financial performance and cash flows, your Board had declared an interim dividend of 130% in August 2008. Your Board has recommended a final dividend of 25%, which, if approved by the members, would be payable by the end of April 2009. The earnings per share for the shareholders have also grown by 15% from Rs.34.69 per share in 2007 to Rs.39.75 in 2008.

The company continued its leadership position in the market with a growth momentum of around 20% and would strive to further this with ongoing organizational initiatives in 2009.

The company has also taken up measures to enhance organizational efficiencies and internal systems. We strive to achieve improvements on these fronts through ongoing initiatives on LEAN and ERP implementation.

International players have started setting-up or enhancing operations in India. With a large chunk of the market still in the unorganized sector, the threat of competition continues to exist. However, our market leadership position and a strong balance sheet together with technology leadership position are of significant advantage to your company which hopes to retain its market leadership position this year also.

I thank all our employees, suppliers, customers, bankers and other stakeholders for contributing to this excellent performance during the year. I would also like to acknowledge the continuing financial, technical and managerial support extended by ESAB group to your company.

Lastly, I would like to comment that the first quarter of the year 2009 has augured well for the company. Though the performance may not be an indicator for totally macro economic revival, it has shown signs of stability for the year 2009. We have announced our results for the first quarter of 2009 today and I am pleased to inform the Members that the company has reported Net sales of Rs.1,051 Million and Profit Before tax of Rs 250 Million, a growth of 14% and 86%, respectively, over the last quarter of 2008.

Thank you,  
Chairman  
22 April 2009