

**Board of Directors**

<b>M G Foster</b>	Chairman
<b>G Hariharan</b>	Managing Director
<b>S Sundar Ram</b>	
<b>P Mallick</b>	
<b>N H Mirza</b>	
<b>S Tandon</b>	
<b>J Templeman</b>	
<b>S N Talwar</b>	Alternate to J Templeman

**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: 044-42281100  
Fax:044-42281150  
www.esabindia.com

**Bankers**

State Bank of India  
AXIS Bank Limited

**Auditors**

BSR & Co.  
Chartered Accountants,  
No.10, Mahatma Gandhi Road,  
Nungambakkam,  
Chennai - 600 034.  
Tel : (044) 39145000  
Fax : (044) 39145999

**Registrar & Share Transfer Agents**

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

<b>Contents</b>	<b>Page</b>
Notice	3
Graphical Presentation	6
Five-year Financial Highlights	7
Directors' Report	8
Corporate Governance	12
Auditors' Report	18
Balance Sheet	22
Profit & Loss Account	23
Schedules to the Accounts	24
Cash Flow Statement	46
Auditors' Report on Consolidated Accounts	47
Consolidated Accounts	48
Statement u/s 212 of the Companies Act, 1956	66
Subsidiary Company	67
Attendance Slip/Proxy Form	79

NOTICE is hereby given that the Twenty First Annual General Meeting of the Members of the Company will be held at the Mini Hall, The Music Academy, No.168, TTK Road, Chennai 600 014, on Tuesday the 29 April 2008 at 4.00 p.m. to transact the following business:

## ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at 31 December 2007 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 consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT the first interim dividend of Rs. 5.50 per share declared by the Board of Directors of the Company on 9 March 2007, and the second interim dividend of Rs.10/- per share declared by the Board of Directors of the Company on 13 December 2007 on 15,393,020 equity shares of Rs.10/- each fully absorbing a total sum of Rs. 276.63 million in the aggregate and paid to the shareholders on 28 March 2007 and 28 December 2007 respectively, be and are hereby approved as final dividend for the year ended 31 December 2007.

3. To appoint a Director in place of Mr Nawshir Mirza, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr Pradeep Mallick, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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. BSR & Co., Chartered Accountants, Chennai, be and are hereby re-appointed as Auditors of this company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the company on such remuneration as may be fixed in this behalf by the Board of Directors of the company.

By Order of the Board of Directors

**S Venkatakrishnan**  
Company Secretary

Mumbai, 4 March 2008.

## NOTES:

1. **A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and**

**vote instead of himself on a poll only and a proxy need not be a Member. Proxies, in order to be effective, must be addressed to the Company Secretary and received at the Registered Office of the Company at Plot No.13, 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.**

2. The Register of Members and Share Transfer Books of the Company will remain closed from 21 April 2008 to 29 April 2008 (both days inclusive).
3. Queries on the Accounts and Operations of the Company, if any, may be sent to the Company at its Registered Office (and marked for the attention of the Company Secretary) at least seven days in advance of the Meeting.
4. Members holding shares in physical form are requested to advise any change of address immediately to the Registrar and Transfer Agent, viz. M/s. Integrated Enterprises (India) Limited, II Floor, Kences Towers, No.1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai 600 017 - Attention Mr K Suresh Babu, General Manager.
5. Members are requested to bring their copies of the Company's Annual Report and Accounts for the year ended 31 December 2007 to the Meeting.
6. Members holding shares under identical names (in the same order) in more than one Folio are requested to write to the Company Secretary at the Registered Office of the Company, enclosing their share certificates, to enable consolidation of their holdings into one Folio.
7. Members who hold shares in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in a single name are advised, in their own interest, to avail of the nomination facility by completing and submitting Form 2B. Blank forms will be supplied by the Company's Registrar & Transfer Agents on request. Members holding shares in the dematerialized form may contact their Depository Participant for recording the nomination in respect of their shares.
8. Pursuant to Section 205C of the Companies Act, 1956 all unclaimed / unpaid dividend, debenture interest as well as principal amount of debentures remaining unpaid or unclaimed for a period of seven years from the date they became due for payment have been transferred to the Investor Education and Protection Fund ("the Fund") established by the Central Government. Members are hereby informed that the Company is statutorily required to transfer to the Fund all unclaimed / unpaid dividend,

remaining unpaid/unclaimed for a period of seven years from the date they become due for payment and once such amounts are transferred to the fund, no claim of the shareholders shall lie against the Company or the Fund. For the information of the shareholders, it is hereby notified that the following amounts will be due for transfers to the Fund before the year ending 31 December, 2008.

- Dividend paid on August, 2001 in respect of the financial year 2000-2001.

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

9. As required under Clause 49 (VI) of the Listing Agreement, given below are the details of Directors, retiring by rotation and eligible for re-appointment:

**Mr N H Mirza**

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

He is a Director of the following companies:

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

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

Sl.No.	Name of the Companies	Member / Chairman
1.	Tata Industries Limited - Audit Committee	Member
2.	Foodworld Supermarkets Limited - Audit Committee	Member
3.	Mphasis Limited - Audit Committee	Chairman
4.	ESAB India Limited - Audit Committee - Share Transfer/Investor Grievance Committee	Chairman Member

**Mr P Mallick**

Mr P Mallick 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.

He is a Director of the following companies:

Sl.No.	Name of the Companies / Firms	Nature of Interest
1.	ACCOR Radhakrishna Corporate Services Pvt. Ltd.	Chairman
2.	Automotive Stampings & Assemblies Ltd.	Director
3.	AVAYA Global Connect Ltd.	Director
4.	Blue Star Limited	Director
5.	Bry Air (Asia) Pvt. Ltd.	Director
6.	ELANTAS Beck India Ltd.	Director
7.	ESAB India Ltd.	Director
8.	Maersk India Pvt. Ltd.	Director
9.	Mount Everest Mineral Water Ltd.	Director
10.	Pragati Leadership Institute Pvt. Ltd.	Director
11.	Royal Images Direct Marketing Pvt. Ltd.	Chairman
12.	SBI Funds Management Pvt. Ltd.	Director
13.	Tube Investments of India Ltd.	Director

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

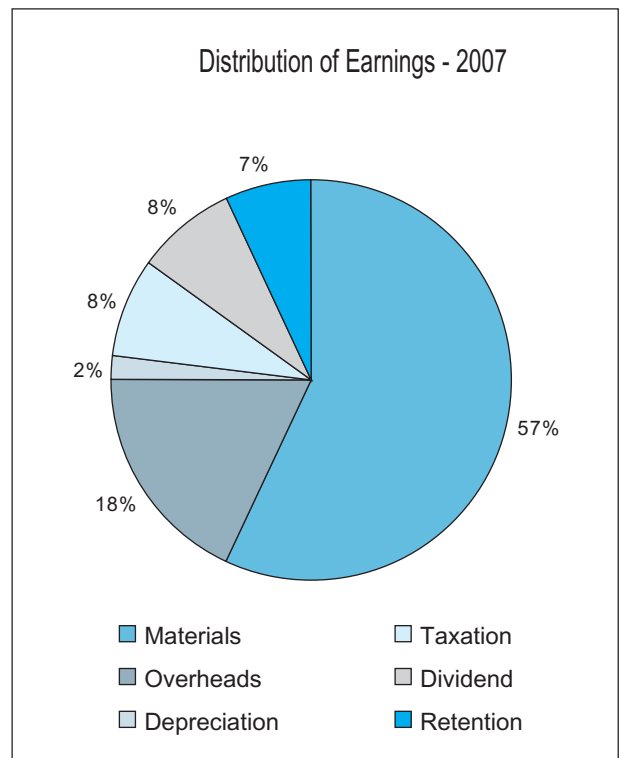
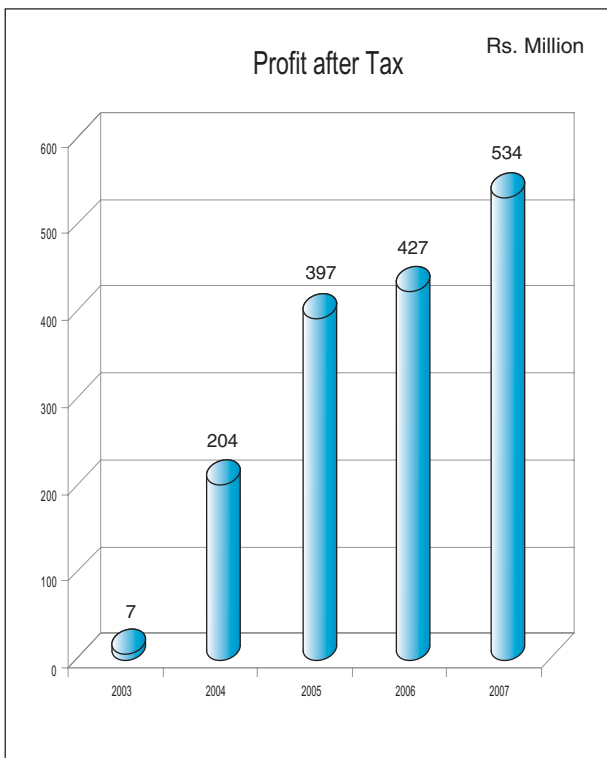
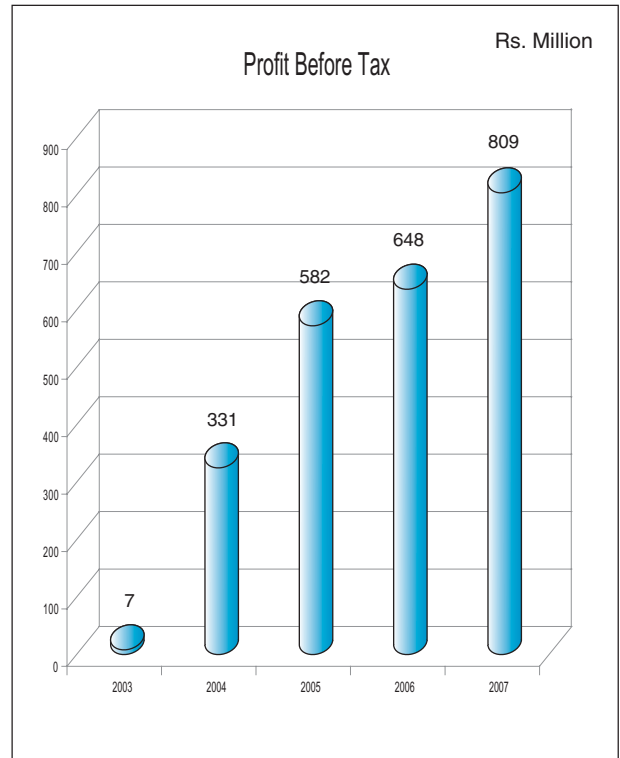
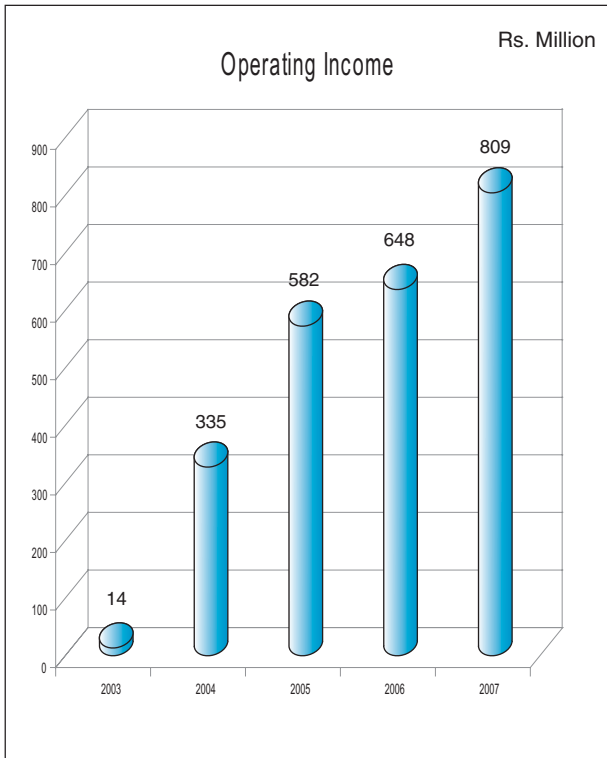
Sl.No.	Name of the Companies	Member / Chairman
1.	Automotive Stampings & Assemblies Ltd. - Audit Committee	Member
2.	AVAYA Global Connect Ltd. - Audit Committee - Shareholder/Investor Grievance Committee	Chairman Chairman
3.	ELANTAS Beck India Ltd. - Audit Committee	Member
4.	Blue Star Limited - Audit Committee	Member

Sl.No.	Name of the Companies	Member / Chairman
5.	ESAB India Limited - Audit Committee - Share Transfer/Investor Grievance Committee	Member Member
6.	Mount Everest Mineral Water Ltd. - Audit Committee - Share Transfer-Cum-Grievance Committee	Member Chairman
7.	Tube Investments of India Ltd. - Audit Committee	Member

By Order of the Board of Directors

**S Venkatakrisnan**  
Company Secretary

Mumbai, 4 March 2008



## Highlights

Rs. Million

<b>Operating Results</b>	<b>2007</b>	2006	2005	2004	2003
<b>Sales and Other Income</b>	<b>3,504</b>	2,930	2,481	1,914	1,358
Materials	<b>1,993</b>	1,693	1,332	1,034	826
Manufacturing, Selling and Administrative Expenses	<b>637</b>	529	518	488	440
Interest and Finance Charges	<b>9</b>	13	5	4	22
Depreciation	<b>56</b>	47	44	53	56
<b>Operating Profit</b>	<b>809</b>	648	582	335	14
Exceptional/Extraordinary items	-	-	-	(4)	(7)
<b>Profit before Tax</b>	<b>809</b>	648	582	331	7
Taxation	<b>(275)</b>	(221)	(185)	(127)	-
<b>Profit after Tax</b>	<b>534</b>	427	397	204	7
<b>Dividends</b>	<b>277</b>	-	456	-	-
<b>Retained Earnings</b>	<b>257</b>	427	(59)	204	7

<b>Financial Position</b>	<b>2007</b>	2006	2005	2004	2003
<b>Sources of Funds</b>					
Capital	<b>154</b>	154	154	154	154
Reserves	<b>884</b>	614	187	247	43
Net Worth	<b>1,038</b>	768	341	401	197
Borrowings			113	110	184
Deferred Tax Liability	<b>15</b>	5	3	-	60
<b>Total</b>	<b>1,053</b>	773	457	511	441
<b>Application of Funds</b>					
Fixed Assets	<b>674</b>	560	412	380	422
Investments	<b>167</b>	77	2	2	5
Deferred Tax Asset				8	133
Current Assets	<b>779</b>	662	935	541	287
Current Liabilities and Provisions	<b>(567)</b>	(526)	(892)	(420)	(406)
<b>Total</b>	<b>1,053</b>	773	457	511	441

Your Directors take pleasure in presenting the Twenty First Annual Report together with the audited accounts of the Company for the year ended 31 December 2007.

## FINANCIAL RESULTS

	2007 Rs. Million	2006 Rs. Million
Sales and other income	3,504	2,930
Earnings before interest, tax and depreciation	874	708
Interest / Finance charges	(9)	(13)
Depreciation	(56)	(47)
Profit before taxation	809	648
Taxation	(275)	(221)
Profit for the year	534	427

## DIVIDEND

The company had declared a first interim dividend in March, 2007 of 55% and a second interim dividend in December 2007 of 100% entailing a total outflow of Rs.276.63 million including dividend distribution tax. Your Board has not recommended any final dividend for the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company sustained its growth momentum of 20% in good market conditions during 2007. Capacity increases over the last few years augured well for the Company as the addressable market segments grew in volumes in 2007. The Company has set up a new facility for manufacture of Flux Cored Wires and Stick Electrodes at its site in Irungattukottai. The Company has committed further investments for increases in capacity and upgrading manufacturing processes. The Company is also undertaking significant expansion of capacities at its Nagpur and Khardah Plants for Wires and Electrodes. The additional capacities are expected to be in place in 2008.

Esab Engineering Services Limited, in which your Company has invested Rs.2.5 million had its full year operations in 2007. This company is primarily into the business of design, development and testing.

During the year, the company also acquired the balance of 15% equity share capital of its Subsidiary Esab Welding and Cutting Systems Limited from Esab Cutting Systems, GmbH, Germany thereby making Esab Welding & Cutting Systems Limited a 100% subsidiary. The Board of Directors of the company accorded their in principle approval for the amalgamation of this company with your Company and the scheme of amalgamation was also approved. The scheme has been submitted to Bombay Stock Exchange and National Stock Exchange for their approval. Subject to statutory approvals, the merger is expected to be completed in 2008. The merger does not envisage any increase in the equity of the company.

## INCOME STATEMENT

The year 2007 saw the Company post strong growth in all its key segments. The drivers of growth included increases in infrastructure investments, robust performance of capital goods and automobile sectors and strong demand from the ship building and repair industry. Welding consumables recorded growth of 16.7% over 2006. The growth was significantly on account of volume growth with marginally better realizations except on Wires where prices continue to be under pressure with competition from lower end manufacturers. New variants of Fluxes based on technology transfers from the ESAB group were launched during the year. Input costs continued to be volatile throughout the year in line with global trends and the Company could largely align its pricing in line with changes in input costs.

The Equipments business posted a very strong growth of 26.8% in 2007 driven by robust growth in construction and automobile segments. 2007 was the first full year of operations of the Company's Plant at Irungattukottai and volumes are increasing. The business benefited from a maturing market with its wide existing product range and newer offerings arising out of technology transfers. The Company focused on promotional activities for its new range of products to ramp up volumes. Localization of components remains a key challenge for 2008 as prices come under pressure with the presence of low cost imported items in the market.

The segment-wise financial performance analysis indicates an overall improvement in profitability of both segments over 2006. This was more pronounced in the Equipment business where volumes and margins improved significantly.

Materials consumption as a percentage of Net Sales has improved marginally to 58.1% largely driven by better realization in Equipment business. The Company is working on indigenisation and vertical integration plans to counter increases in input costs.

Other income increased from Rs.57.8 million in 2006 to Rs.74.6 million in 2007. The Company's income from investments in Mutual Funds was higher by Rs.10 Million. During the year, the Company settled claims on old matters on sales tax. Consequent to this, provisions of Rs.16 million created in earlier years have been reversed and accounted under other income in 2007.

Personnel costs amounted to Rs.253 million representing an increase of over Rs.77 million over 2006. The figures for 2006 are net of non recurring reversals of Rs.29.6 million on pension liabilities not required. The increases in salaries are in line with efforts to have remuneration levels comparable with industry standards. Personnel costs including staff welfare were at 6.5% of gross sales as compared to 5.4% in 2006.

Stores and Spares consumed were lower in 2007 as the charge for 2006 included cost of certain high value spares consumed in the Ambattur Plant in 2006. Power and Fuel costs were marginally higher due to growth in volumes. Rates and Taxes were lower in 2007 due to discontinuance of additional sales tax pursuant to introduction of VAT in the state of Tamilnadu.

The charge on account of Excise Duty was higher due to increase in Finished Goods at the end of the year. Outgo on



transportation charges fell by Rs.11 million due to introduction of pricing mechanism in 2007 with recovery for Freight on sales.

Sales incentives were higher in line with growth in Gas Equipment and Reclamation business. Higher outflows on Royalties, Testing charges and manufacturing support sub contracting charges resulted in Miscellaneous expenses going up by Rs.10 million during the year.

Depreciation for the year was higher by Rs.9 million due to additions to fixed assets of Rs.174 million in 2007 and the full year's impact of items depreciated only for a part of the year in 2006.

The effective tax rate for 2007 was marginally lower at 34.02% compared to 34.2% in 2006 primarily due to higher tax exempted income from investments in Mutual Funds.

## BALANCE SHEET

The Company continued to incur significant amounts on capital expenditure at all its Units recognizing the need to expand capacities and upgrade processes. Gross Block grew by Rs.165 million in 2007. Additions include Rs.117 Million on the recently commissioned Flux Cored Wire Plant. Capital Work in Progress at the end of the year was Rs.63 Million largely representing ongoing project works in progress at Khardah and Irungattukottai.

Investments at the end of the year represent short term cash surplus deployed with mutual funds and also investments in Bonds for capital gains exemption. The Company had deployed short term cash surpluses in debt and liquid funds during the year and the increase in these investments is attributable to good cash flows during the year.

Inventory at the end of 2007 increased to Rs.367 million, representing 39 days of net sales as compared to 33 days in 2006. The increase has primarily been due to increased lead times on imported items.

Net Receivables in terms of days to sales were stable at Rs.97 million representing 9 days of Gross Sales as compared to 10 days in 2006.

Other current assets increased by Rs.56 million. This includes an increase of Rs.21 million in amounts recoverable on Pension schemes pursuant to revised method of actuarial valuation under the revised Accounting Standard [AS-15] that has become applicable this year. Balances with Excise increased due to unutilized credit on Capital Goods.

## CASH FLOW

Cash generated from operations grew 8% to Rs.747 million. After capital expenditure and dividend payout of Rs.229 Million, (excluding dividend distribution tax) overall cash and cash equivalents fell by Rs.52 million to Rs.156 million at the end of the year. Strong cash flows have enabled the Company remain debt free throughout the year.

## OUTLOOK, OPPORTUNITIES AND THREATS

The outlook for the Company in the short term looks reasonably favourable based on forecasted macro economic parameters. Volatility of metal prices continues to be of concern.

The market has been expanding on forecasted lines and shift towards better technologies by users of our products provides opportunities for the company to grow.

Though the demand side looks encouraging, the threat of cheaper imports prevails. The appreciation in the Indian Rupee does place us at a disadvantage vis-à-vis imported items. Competition from manufacturers in the unorganised sector and international manufacturers eyeing the growing Indian market, poses significant threat to the company's profitability. Further, the growth in employment opportunities means that the company faces the threat of attrition of trained personnel.

The company has made good progress in settling its disputes with Kolkata Port Trust towards renewal of lease for a further 15 year period based on reasonable terms and conditions.

## INTERNAL CONTROLS

Internal controls are reviewed on an ongoing basis by the Management and evaluated by Internal Auditors. Findings and corrective actions are reviewed regularly by the Management and by the Audit Committee. The reviews by Internal Auditors cover the various manufacturing and office locations. The scope of their work includes internal review of controls on accounting, 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. Their details are placed before the Audit Committee.

## FINANCE

The Company's relationships with its bankers remained cordial throughout the year. Surplus funds were placed in debt / liquid schemes of mutual funds and bank deposits pending deployment for operational and capital servicing needs.

## SUBSIDIARY

Esab Welding & Cutting Systems Limited (EWCS) ceased operations in June 2004 pursuant to the transfer of its operations to the Company's Equipment Factory at Taratala. The Directors' Report and the Audited Accounts for the year ended 31 December 2007, along with the Report of the Auditors and the statement required under Section 212(1)(e) of the Companies Act, 1956 for EWCS are appended. The company's registered office has been shifted from Pune to Chennai in the course of the proposed merger of EWCS with your Company.

## ACQUISITION OF FURTHER SHARES BY CHARTER

Charter Plc the parent company along with persons acting in concert, viz. ESAB Holdings Limited and Exelvia Group India BV made a public announcement to the equity shareholders for acquiring their shares from the market. In response to such public announcement made by the Charter group, the public have surrendered 18.25% of the equity shares, thereby

increasing the total shareholding by the promoters in the group to 55.56%. With this your company has now become a subsidiary of Charter Plc.

## ENVIRONMENT, HEALTH AND SAFETY

The Company is committed to industrial safety and environment protection. Four of our manufacturing units were ISO 14001 : 1996 certified. In line with ESAB Global standards, the company has also adopted the Environmental, Health and Safety policy and is taking adequate steps to get the OHSAS 18001 certification. Efforts are on to get all the factory units of the company certified for OHSAS 18001.

## 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 2007 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 2007 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 2007 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 Nawshir Mirza and Mr Pradeep Mallick, retire by rotation at the forthcoming Annual General Meeting and, being eligible, have offered themselves for re-appointment. The details as required under Clause 49 of the Listing Agreement regarding these two Directors are part of the Notice calling the Annual General Meeting.

## AUDITORS

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

## PERSONNEL

At the end of December 2007 the Company had 758 employees as against 771 at the end of 2006. The company strives in its HR initiatives to create an environment conducive for high performance work culture.

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

## CORPORATE GOVERNANCE

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

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

Your Directors also place on record their appreciation of the efforts and contribution during 2007 of the Company's employees.

For and on behalf of the Board of Directors

Mumbai, 4 March 2008

**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 2007.

rectifiers from Brazil, LAB 320 MIG MAG rectifier and Smashweld 316 MIG MAG rectifier from Brazil and TUBMATIC wirefeeder from Brazil are being manufactured at Taratala.

### A. CONSERVATION OF ENERGY

- Wind driven ventilation of Irungattukottai plant enables the plant to be well lit and results in reduced power consumption.
- Introduction of skylite strips on the roofing to avoid usage of electrical lights at Irungattukottai plant.

### B. TECHNOLOGY ABSORPTION

- Indigenisation of LPH-35, LPH120 Manual Plasma cutting machine, LAB and SMW Diode type MIG MAG welding machine
- New product developed during the year was EDW 300 (Engine driven welding machine)
- The TOT products such as OrigoArc 150 OrigoArc 200 (Inverter MMA welding machine) from Laxa Sweden, LPH 35, LPH 50, LPH 80, LPH 120 (plasma cutting machine) from Poland, LHJ 425, LHJ 750 diode type

### 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.396 million (which includes Rs.393 million for the import of raw materials, components and capital goods and Rs.3 million towards expenditure in foreign currency).

Foreign exchange earnings during the year were Rs.77 million resulting in net foreign exchange outflow of Rs.319 million for the year.

For and on behalf of the Board of Directors

Mumbai, 4 March 2008

**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 Rs.	Qualification	Experience (Years)	Previous Employment
1	B Mohan	41	Chief Financial Officer	1.2.2005	25,98,971	B. Com., ACA., ACS.	21	GM - Finance and Company Secretary Amalgamations Valeo Clutch (P) Ltd.

Notes :

1. Years of experience also include experience prior to 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 above employee is also entitled to gratuity as per rules.
4. The above employee is not related to any of the Directors of the Company.
5. Terms of employment of the above employee are contractual.
6. The above employee 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

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 seven members. Other than the Managing Director, all the other members of the Board are non-executive directors, including three who are independent directors.

During 2007, six Board Meetings were held on 1 March, 9 March, 27 April, 31 July, 30 October, 13 December and not more than four months elapsed between any two meetings.

Particulars of the Directors' attendance to the Board Meeting and the last Annual General Meeting and particulars of their other company directorships and committee memberships are given below:

### 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:

Mr N H Mirza (Chairman)

Mr P Mallick

Mr S Tandon

Mr J Templeman

The composition of the Audit Committee meets the stipulated minimum number of independent directors. 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.

As required under Clause 49 of the Listing Agreement, there were six meetings of the Audit Committee held during 2007 on 14 February, 1 March, 27 April, 31 July, 30 October and 13 December and not more than four months elapsed between any two meetings.

Director	Directorship	Attendance		Other Directorships \$	Membership of other Committees #
		Board	AGM		
Mr M G Foster	Non-Executive Nominee, Esab Holdings Limited	5	Yes	Nil	Nil
Mr G Hariharan	Executive	5	Yes	1	Nil
Mr P Mallick	Independent & Non-Executive	4	Yes	6	8 (of which 3 as Chairman)
Mr N H Mirza	Independent & Non-Executive	6	Yes	4	3 (of which 1 as Chairman)
Mr S Sundar Ram	Non-Executive Nominee, Esab Holdings Limited	4	Yes	2	Nil
Mr S Tandon	Independent & Non-Executive	5	Yes	4	7
Mr J Templeman	Non-Executive	3	Yes	Nil	Nil
Mr S N Talwar*	Non-Executive	4	Yes	14	9 (of which 4 as Chairman)

\* Alternate to Mr. J. Templeman

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

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

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

Mr N H Mirza	6
Mr P Mallick	5
Mr S Tandon	6
Mr J Templeman	3

#### REMUNERATION COMMITTEE

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

During the year under review, Mr G Hariharan, Managing Director of the Company, received remuneration (including commission) aggregating to Rs.52,76,629/- the details of which are set out in Note 14 to Schedule O of the Accounts.

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

The details of payment of remuneration to Non-Executive Directors during 2007 are as follows:

Non-Executive Directors	Sitting Fees Paid (in Rs.)	Commission (in Rs.)
Mr M G Foster	50,000	–
Mr J Templeman	30,000	–
Mr S Sundar Ram	–	–
Mr N H Mirza	1,88,000	8,85,000
Mr P Mallick	94,000	6,72,000
Mr S Tandon	1,26,000	6,40,000
Mr S N Talwar	40,000	4,35,000

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 Wholtime Director is based on his individual performance and his contribution to Company's performance.

During the year, the Company paid professional fees (including advances) amounting to Rs.1,17,500/- to Talwar Thakore & Associates, Advocates and Solicitors, a firm in which Mr S N Talwar, Alternate Director to Mr J Templeman, Director of the Company, is a partner.

None of the Directors holds any equity shares of the Company, except for Mr S N Talwar who holds 1440 equity shares as on 31 December 2007.

#### INVESTORS' GRIEVANCE COMMITTEE

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

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

The Directors review the position on all major investors' grievances at meetings of the Board of Directors and at the meetings of Investors' Grievances Committee.

During the year, the Company received 119 complaints from shareholders. All the complaints were responded to as per applicable guidelines and regulations. As at 31 December 2007 there were no pending shares transfers (other than transfers sent under objections).

#### GENERAL BODY MEETINGS

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

Year	Date	Time	Venue
2005	1 June 2005	4.00 PM	Walchand Hirachand Hall, Indian Merchants' Chamber, Churchgate, Mumbai - 400020.
2006	28 April 2006	4.00PM	Mini Hall, The Music Academy No. 168. T.T.K. Road, Chennai - 600014.
2007	27 April 2007	4.00PM	Mini Hall, The Music Academy No. 168, T.T.K. Road, Chennai - 600014.

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

No 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.

#### CODE OF CONDUCT

The Board of Directors has adopted code of conduct, applicable to directors and to employees of the Company. This has also been posted on the Company's website. The Company has obtained declarations from all its directors and senior management personnel affirming their compliance with the applicable code of conduct. The declaration by the Managing Director under Clause 49 affirming compliance with the code of conduct by all members of the Board and the Senior Management Personnel for the year ended 31 December 2007 is attached to this corporate governance report.

#### DISCLOSURES

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.

There have been no instances of non-compliance by the Company. During the last three years no penalties or strictures have been imposed on the Company on any matter related to the capital markets by stock exchanges or SEBI or any statutory authority.

The Company has complied with the requirements of the revised clause 49 of the Listing Agreement. To enhance standards on corporate governance and strengthen controls, the Company has setup a whistleblower policy which is available for viewing on the Company's website [www.esabindia.com](http://www.esabindia.com) and in terms of such whistleblower policy, it is affirmed that the employees have been given free access to the audit committee. In compliance with the clause 47 (f) of the listing agreement with the stock exchanges the company has designated the mail id [svk@esabindia.com](mailto:svk@esabindia.com) and posted this in the company's website. The investors can send their grievances, if any, to the designated mail id.

#### COMMUNICATION

The Company's quarterly financial results, after their approval by the Board of Directors, are promptly issued to all the Stock Exchanges with whom the Company has listing arrangements. These financial results, in the prescribed format, as per amended clause 41 of the listing agreement, are published in leading local and national newspapers; viz. "The Business Standard" in English and in "Dhina Bhoomi" in Tamil and are also posted on the Company's website [www.esabindia.com](http://www.esabindia.com) and also on the Electronic Data Information Filing and Retrieval System at [www.sebidifan.nic.in](http://www.sebidifan.nic.in).

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

#### GENERAL SHAREHOLDER INFORMATION

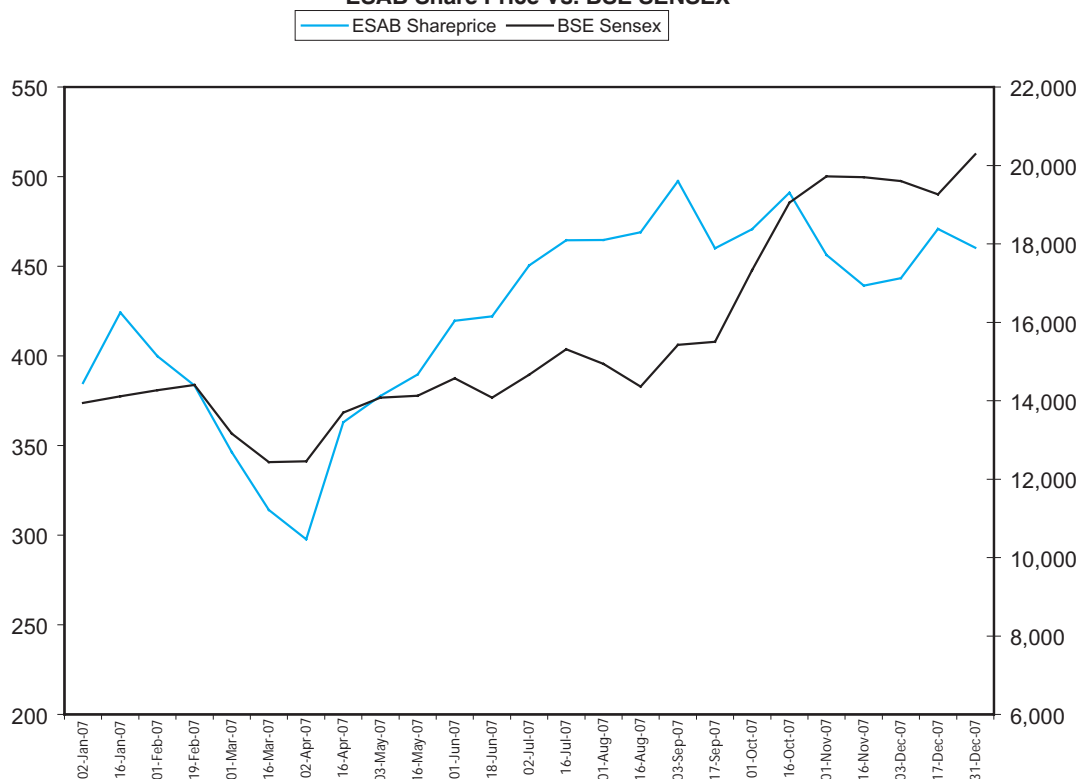
AGM : Date, Time & Venue	29 April 2008 at 4.00 P.M. The Music Academy - Mini Hall, New No. 168, T.T. K. Road, Chennai - 600 014.
Financial Year	January to December
Approval of financial results proposed	QE 31 Mar 2008: Last week, April 2008 HY 30 Jun 2008: Last week, July 2008 QE 30 Sep 2008: Last week, Oct 2008 YE 31 Dec 2008: Last week, March 2009
Dates of Book Closure	21 April 2008 to 29 April 2008 (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 2007-08 were duly paid to the above stock exchanges.
Stock Code	Physical The Bombay Stock Exchange Limited : <b>500133</b> The National Stock Exchange of India Ltd. : <b>ESABINDIA</b> Demat ISIN : <b>INE284A01012</b>

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

2007	Mumbai		National		BSE Sensex	
	High Rs.	Low Rs.	High Rs.	Low Rs.	High Rs.	Low Rs.
Jan	436	371	435	369	14326	13303
Feb	408	325	408	300	14724	12801
Mar	360	297	381	297	13387	12316
Apr	372	291	414	292	14384	12426
May	475	360	415	350	14576	13554
Jun	468	360	470	350	14683	13947
Jul	483	438	484	425	15868	14639
Aug	505	418	505	414	15542	13780
Sep	498	452	499	451	17361	15323
Oct	495	430	526	421	20238	17145
Nov	479	419	480	365	20204	18183
Dec	492	431	490	425	20498	18886

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

**ESAB Share Price Vs. BSE SENSEX**



**Registrar and Transfer Agents**

Integrated Enterprises (India) Ltd.  
 11nd Floor, 'Kences Towers'  
 No.1, Ramakrishna Street,  
 North Usman Road,  
 T.Nagar, Chennai - 600 017.  
 Contact Person: Suresh Babu K.,  
 General Manager  
 Tel: 044-28140801-03,  
 Fax: 044-28142479, 28143378  
 Email: sureshbabu@iepindia.com

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

**Share Transfer System**

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. 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 2007**

Shareholding	Shareholders	Number of Shares	% of total
Up to 500	10,996	1,415,520	9.19
501-1000	529	413,242	2.68
1001-2000	240	371,150	2.41
2001-3000	84	213,467	1.39
3001-4000	34	121,262	0.79
4001-5000	28	132,132	0.86
5001-10000	46	344,820	2.24
10001 and above	57	12,381,427	80.44
<b>Total</b>	<b>12,014</b>	<b>15,393,020</b>	<b>100.00</b>

## Shareholding pattern as on 31 December 2007

	Number of Shares	% of total
Esab Holdings Limited	5,743,200	37.31
Exelvia Group India BV	2,809,089	18.25
<b>Esab Group</b>	<b>8,552,289</b>	<b>55.56</b>
Mutual Funds & UTI	1,873,183	12.17
Banks and Financial Institutions	18,062	0.12
Foreign Institutional Investors	835,289	5.42
Corporate Bodies	798,263	5.19
NRIs/OCBs	126,003	0.82
Directors & Relatives	1,440	0.01
Indian Public	3,188,491	20.71
<b>Total</b>	<b>15,393,020</b>	<b>100.00</b>

**Dematerialisation** As on 31 December 2007, 96.80% 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**

None

**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: svk@esabindia.com

## NON-MANDATORY DISCLOSURE

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

- a. **Chairman's Office**  
The need for implementing this non mandatory requirement has not arisen.
- b. **Remuneration Committee**  
The Board has not set up a remuneration committee as the need for the same has not arisen.
- c. **Shareholder rights**  
The quarterly un-audited results of the Company after being subjected to a Limited Review by the Statutory Auditors, are published in newspapers and on the Company's website [www.esabindia.com](http://www.esabindia.com) and also on the Electronic Data Information Filing and Retrieval System at [www.sebidifar.nic.in](http://www.sebidifar.nic.in). These results are not sent to shareholders individually.
- d. **Audit Qualifications**  
The auditors have issued an unqualified opinion on the statutory financial statements of the Company.
- e. **Training of Board Members/Mechanism for evaluating non-executive directors**  
All the Non-Executive Directors have rich experience and expertise in functional areas and attend various programmes in their personal capacities that keep them abreast of relevant developments. There is no formal system of evaluating individual directors but the audit committee evaluates its performance annually and takes corrective action.
- f. **Whistle Blower policy**  
The Company has setup a whistleblower policy which can be viewed on the Company's website [www.esabindia.com](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.

For and on behalf of the Board of Directors

Mumbai, 4 March 2008

**M G Foster**  
Chairman



[Auditor's Certificate on Compliance with the Conditions of Corporate Governance under Clause 49 of the Listing Agreement](#)

To

The Members of Esab India Limited

We have examined the compliance of conditions of Corporate Governance of ESAB INDIA LIMITED ("the Company") for the year ended on 31 December 2007 as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Limited and The National Stock Exchange of India Limited.

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 information 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 BSR & Co.**  
Chartered Accountants

**S Sethuraman**  
Partner  
Membership No. 203491

Mumbai, 4 March 2008

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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 2007.

**G Hariharan**  
Managing Director

Mumbai, 4 March 2008

## 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 2007, 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 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December 2007 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 2007;
  - 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 BSR & Co.**  
Chartered Accountants

**S Sethuraman**  
Partner  
Membership No. 203491

Mumbai, 4 March 2008

## 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 are for the Company's specialised requirements and similarly certain goods sold 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 inventories which are for the Company's specialised requirements and similarly for sale of certain goods 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 generators, 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, 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 2007 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are dues in respect of Sales Tax, Excise Duty and Income Tax as listed below that have not been deposited with the appropriate authorities on account of disputes.

Name of the Statute	Nature of Dues	Amount (INR in Millions)	Period to which the amount relates (Financial Year)	Forum where dispute is pending	
<b>Sales Tax</b>	Non submission of Sales tax Declaration Forms	2.63	1991-92	Revision Board, Tribunal	
		2.35	1992-93		
		0.65	1993-94		
		0.82	1994-95		
		0.32	1995-96		
		40.16	1996-97		
		49.67	1997-98	Appeal with Assistant Commissioner	
		0.44	1999-00		
		0.04	2000-01		
		3.11	2001-02		
<b>Central Excise Act</b>	Determination of Price on which Duty is Payable	0.06	2002-03	CESTAT	
		4.88	2003-04		
		7.11	2000-02		
		100.97	1997-00		Commissioner Appeals
		0.32	2004-05		
		0.09	2003-04		
0.23	2004-05				
<b>Service Tax</b>	Service Tax on Technical Know-how	0.31	2004-05	Commissioner Appeals	
		2.16	2003-06		
<b>Income Tax Act</b>	Disallowed Expenditure pertaining to Various years	3.93	2005-06	High Court	
		1.17	1989-90		
		0.48	1990-91		Income Tax Appellate Tribunal
		3.95	1997-98		
		0.81	1998-99		
		5.56	1999-00		
		2.00	2002-03		
18.50	2003-04	Commissioner Appeals			
22.19	2004-05				
<b>GRAND TOTAL</b>		<b>274.91</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 fraud on or by the Company has been noticed or reported during the course of our audit.

**For BSR & Co.**  
Chartered Accountants

**S Sethuraman**  
Partner  
Membership No. 203491

Mumbai, 4 March 2008

**Balance Sheet**  
as at 31 December 2007



	Schedule	2007 Rs.'000	2006 Rs.'000
<b>SOURCES OF FUNDS</b>			
SHAREHOLDERS' FUNDS			
Share Capital	A	153,930	153,930
Reserves and Surplus	B	883,639	614,131
		<b>1,037,569</b>	768,061
DEFERRED TAX LIABILITY (Net) (Refer Note 15 of Schedule O)		15,327	4,866
		<b>1,052,896</b>	<b>772,927</b>
<b>APPLICATION OF FUNDS</b>			
FIXED ASSETS			
Gross Block	C	1,075,662	910,200
Less: Depreciation/Amortization		464,956	415,684
Net Block		610,706	494,516
Capital Work-in-progress including Advances		62,939	65,601
		<b>673,645</b>	560,117
INVESTMENTS	D	167,044	77,289
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	E	367,269	258,124
Sundry Debtors	F	97,469	93,945
Cash and Bank Balances	G	155,568	207,861
Other Current Assets and Loans and Advances	H	158,306	102,354
		<b>778,612</b>	662,284
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	I	498,966	480,177
Provisions	J	67,439	46,586
		<b>566,405</b>	526,763
NET CURRENT ASSETS		<b>212,207</b>	135,521
		<b>1,052,896</b>	<b>772,927</b>
Notes to Accounts	O		

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

As per our report attached

**For BSR & Co.**  
Chartered Accountants

**S Sethuraman**  
Partner  
Membership No. 203491

Mumbai, 4 March 2008

For and on behalf of the Board of Directors

**N H Mirza**  
Director

**G Hariharan**  
Managing Director

**S Venkatakrishnan**  
Company Secretary

**B Mohan**  
Chief Financial Officer

**Profit and Loss Account**  
for the year ended 31 December 2007



	Schedule	2007 Rs. '000	2006 Rs.'000
<b>INCOME</b>			
Sales (Gross)		3,920,032	3,272,910
Less: Excise Duty		490,488	400,786
Sales (Net)		3,429,544	2,872,124
Other Income	K	74,608	57,839
		<b>3,504,152</b>	<b>2,929,963</b>
<b>EXPENDITURE</b>			
Materials	L	1,993,266	1,692,858
Manufacturing, Selling and Administrative Expenses	M	636,626	529,015
Interest and Finance Charges	N	8,792	12,689
Depreciation/Amortization		56,123	47,126
		<b>2,694,807</b>	<b>2,281,688</b>
<b>PROFIT BEFORE TAXATION</b>		<b>809,345</b>	648,275
Taxation (Refer Note 16 of Schedule O)		(275,328)	(221,569)
<b>PROFIT AFTER TAXATION</b>		<b>534,017</b>	426,706
Balance brought forward from Previous Year		427,164	458
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>961,181</b>	<b>427,164</b>
<b>APPROPRIATIONS</b>			
Interim Dividends		238,592	–
Tax on Interim Dividends		38,033	–
General Reserve		53,402	–
Balance carried to Balance Sheet		631,154	427,164
		<b>961,181</b>	<b>427,164</b>
<b>Earnings per share</b> (Refer Note 17 of Schedule O)			
Basic and Diluted		<b>Rs.34.69</b>	Rs.27.72
Notes to Accounts	O		

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

As per our report attached

**For BSR & Co.**

Chartered Accountants

**S Sethuraman**

Partner

Membership No. 203491

Mumbai, 4 March 2008

For and on behalf of the Board of Directors

**N H Mirza**

Director

**S Venkatakrishnan**

Company Secretary

**G Hariharan**

Managing Director

**B Mohan**

Chief Financial Officer

	2007 Rs.'000	2006 Rs.'000
<b>A. SHARE CAPITAL</b>		
<b>Authorised:</b>		
17,000,000 Equity Shares of Rs.10 each	170,000	170,000
3,000,000 Unclassified Shares of Rs.10 each	30,000	30,000
	<u>200,000</u>	<u>200,000</u>
<b>Issued, Subscribed and Paid up :</b>		
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>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>		
As per last Balance Sheet	81,777	81,777
Add: Reversal of pension liability at the beginning of the year, arising on adoption of Accounting Standard 15 (Revised 2005) (Refer Note 22 of Schedule O)	18,354	
Less: Tax adjustment on reversal of pension liability	<u>6,238</u>	
Transferred from Profit and Loss Account	53,402	-
	<u>147,295</u>	<u>81,777</u>
<b>Profit and Loss Account</b>	631,154	427,164
	<u>883,639</u>	<u>614,131</u>



**C. FIXED ASSETS**

Rs.'000

Particulars	Freehold Land	Leasehold Land	Building	Plant & Machinery	Furniture & Fixtures	Motor Vehicles	Intangible Assets	Total	Previous Year
<b>GROSS BLOCK AT COST</b>									
As at 1 January, 2007	34,820	14,078	176,323	632,135	16,505	9,020	27,319	<b>910,200</b>	728,296
Additions	–	–	37,067	129,288	4,814	2,669	–	<b>173,838</b>	189,715
Deletions	–	–	–	4,291	1,625	2,460	–	<b>8,376</b>	7,811
As at 31 December, 2007	<b>34,820</b>	<b>14,078</b>	<b>213,390</b>	<b>757,132</b>	<b>19,694</b>	<b>9,229</b>	<b>27,319</b>	<b>1,075,662</b>	910,200
<b>DEPRECIATION / AMORTIZATION</b>									
As at 1 January, 2007	–	5,543	45,261	351,741	7,186	4,863	1,090	<b>415,684</b>	375,349
Additions	–	90	5,336	43,726	1,210	1,210	4,551	<b>56,123</b>	47,126
Deletions	–	–	–	3,646	1,013	2,192	–	<b>6,851</b>	6,791
As at 31 December, 2007	–	<b>5,633</b>	<b>50,597</b>	<b>391,821</b>	<b>7,383</b>	<b>3,881</b>	<b>5,641</b>	<b>464,956</b>	415,684
<b>NET BLOCK</b>									
As at 31 December, 2007	<b>34,820</b>	<b>8,445</b>	<b>162,793</b>	<b>365,311</b>	<b>12,311</b>	<b>5,348</b>	<b>21,678</b>	<b>610,706</b>	
As at 31 December, 2006	34,820	8,535	131,062	280,394	9,319	4,157	26,229	<b>494,516</b>	
Capital Work in Progress including Advances								<b>62,939</b>	65,601

Notes :

- Freehold Land includes the value of excess land at Khardah, West Bengal of Rs.1.9 Million, in respect of which an agreement for sale has been entered into in November 1999 and sale consideration amounting to Rs.5.4 million was received in July 2003. Pending receipt of necessary regulatory approvals to effect the transfer of the title deed, the profit on sale of such land has not been recognised in the financial statements
- Intangible assets represents technical know how from ESAB Group Companies.

	2007 Rs.'000	2006 Rs.'000
<b>D. INVESTMENTS</b>		
<b>(LONG TERM, UNQUOTED, AT COST)</b>		
(a) In a Subsidiary Company -		
Esab Welding & Cutting Systems Limited 1,400,000 (previous year 1,200,000)		
Equity Shares of Rs.10 each fully paid up. (Refer Note 25 of Schedule O)	<b>13,735</b>	12,995
Less: Provision for diminution other than temporary, in the value of investment	<b>(11,424)</b>	(11,424)
	<b>2,311</b>	1,571
(b) Trade investment, in an Associate Company -		
Esab Engineering Services Limited 497,980 (previous year 124,495)		
Equity Shares of Rs.10 each fully paid up.	<b>4,980</b>	1,245
(c) Other than Trade Investments		
Investment in Rural Electrification Corporation Bonds	<b>29,350</b>	29,350
<b>(CURRENT, UNQUOTED, LOWER OF COST AND FAIR VALUE)</b>		
Other than Trade Investments		
Investment in Mutual Funds (Refer Note 21 of Schedule O for details of mutual funds purchased and sold during the year)		
HDFC Cash Management Fund - Savings Plan - Daily Dividend Reinvestment 2,003,140.65 units (December 31, 2006 - 2,360,805.08 units) Face Value: Rs. 10 per unit	<b>20,095</b>	25,110
ING Liquid Plus Fund - Savings Plan - Daily Dividend Reinvestment 4,502,329.61 units (December 31, 2006 - Nil units) Face Value: Rs. 10 per unit	<b>45,038</b>	–
Reliance Liquid Plus Fund - Retail Option - Daily Dividend Plan 19,994.92 units (December 31, 2006 - Nil units) Face Value: Rs. 1000 per unit	<b>20,012</b>	–
ICICI Flexible Income Plan - Dividend - Daily Reinvestment 4,280,398 units (December 31, 2006 - Nil units) Face Value: Rs. 10 per unit	<b>45,258</b>	–

	2007 Rs.'000	2006 Rs.'000
TLMD TATA Liquidity Management Fund - Daily Dividend Reinvestment Nil units (December 31, 2006 - 19,967.75 units) Face Value: Rs. 1,000 per unit Aggregate fair value of Company's investments in Mutual Funds Rs. 130,403 (previous year - Rs. 45,123)	–      <b>130,403</b> <b>167,044</b>	20,013      <b>45,123</b> <b>77,289</b>
<b>E. INVENTORIES*</b>		
Raw & Packing Materials	<b>173,186</b>	111,439
Work-in-Progress	<b>28,057</b>	19,155
Finished Goods	<b>159,045</b>	124,014
Stores and Spare Parts	<b>6,981</b>	3,516
	<b>367,269</b>	<b>258,124</b>
* Includes Goods in transit of Rs. 32,488 (December 31, 2006 - Rs. 12,948)		
<b>F. SUNDRY DEBTORS (UNSECURED)</b>		
Over six months -		
Considered Good	<b>2,457</b>	2,228
Considered Doubtful	<b>16,094</b>	12,252
Others, Considered Good	<b>95,012</b>	91,717
	<b>113,563</b>	106,197
Less: Provision for Doubtful Debts	<b>16,094</b>	12,252
	<b>97,469</b>	<b>93,945</b>
Debtors include amount due from Companies under the same Management		
Esab Asia Pacific Pte Ltd., Singapore	<b>4,930</b>	9,051
Esab Middle East LLC	<b>1,461</b>	4,222
Esab SeAH Corporation, Korea	<b>88</b>	96
Esab Welding and Cutting Products, USA	<b>146</b>	–
Esab Cutting Systems GmbH, Germany	<b>710</b>	–
<b>G. CASH AND BANK BALANCES</b>		
Cash on hand	<b>731</b>	618
Cheques on hand and remittances in transit	<b>99,572</b>	96,116
Balances with Scheduled Banks :		
Current Account	<b>41,034</b>	36,793
Deposit Account	<b>14,000</b>	71,603
Margin Money	<b>231</b>	2,731
	<b>155,568</b>	<b>207,861</b>

	2007 Rs.'000	2006 Rs.'000
<b>H. OTHER CURRENT ASSETS, LOANS AND ADVANCES</b>		
Interest accrued on Investments	1,221	1,220
Secured, considered good		
Vehicle Loans to employees (Secured against hypothecation of vehicles)	44	199
Unsecured, considered good		
Advances to Esab Welding & Cutting Systems Limited, a subsidiary company (maximum amount outstanding during the current year Rs. 344, previous year Rs. 344)	–	344
Advances to Esab Engineering Services Ltd., an associate company (maximum amount outstanding during the current year Rs. 7,279, previous year Rs. 8,002)	2,906	6,400
Advances to Esab Welding and Cutting Products, USA, (maximum amount outstanding during the current year Rs. 185, previous year Rs. Nil )	185	–
Advances recoverable in cash or in kind or for value to be received		
Considered Good	126,016	75,518
Considered Doubtful	3,251	3,251
	<u>129,267</u>	<u>78,769</u>
Less: Provision for doubtful advances	3,251	75,518
Balances with Customs, Port Trust, Excise, etc.	<u>27,934</u>	<u>18,673</u>
	<u><b>158,306</b></u>	<u><b>102,354</b></u>
<b>I. CURRENT LIABILITIES</b>		
Sundry Creditors (Refer Note 23 of Schedule O)		
(i) total outstanding dues of micro enterprises and small enterprises; and	5,680	
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	<u>377,100</u>	360,750
Deposits from Dealers	21,809	21,716
Advance from Customers	14,389	11,362
Other Liabilities	66,039	82,401
Unclaimed Dividends *	<u>13,949</u>	<u>3,948</u>
	<u><b>498,966</b></u>	<u><b>480,177</b></u>
* There is no amount due and outstanding to be credited to the Investor Education and Protection Fund.		
<b>J. PROVISIONS</b>		
Provision for Income-tax (Net of advance tax and Tax Deducted at Source)	11,861	18,706
Provision for retirement benefits :		
Gratuity	10,035	8,429
Leave Encashment	<u>45,543</u>	<u>19,451</u>
	<u><b>67,439</b></u>	<u><b>46,586</b></u>

	2007 Rs.'000	2006 Rs.'000
<b>K. OTHER INCOME</b>		
Interest income (Gross Tax deducted at Source - Rs. 672 (December 31, 2006 - Rs. 3,153))	1,357	13,684
Income from Investments	12,363	2,337
Income from Sale of Scrap	25,195	28,504
Commission Income	990	2,309
Provision/Liabilities no longer required written back	16,821	352
Exchange gain (Net)	-	201
Miscellaneous	17,882	10,452
	<u>74,608</u>	<u>57,839</u>
<b>L. MATERIALS</b>		
Raw & Packing Materials Consumed	1,752,649	1,383,365
Purchases of Finished Goods	284,550	287,426
(Increase)/Decrease in Finished Goods & Work-in-Progress		
Opening Stock		
Finished Goods	124,014	149,102
Work-in-Progress	19,155	16,134
	<u>143,169</u>	<u>165,236</u>
Closing Stock		
Finished Goods	159,045	124,014
Work-in-Progress	28,057	19,155
	<u>187,102</u>	<u>143,169</u>
	<u>(43,933)</u>	<u>22,067</u>
	<u>1,993,266</u>	<u>1,692,858</u>

	2007 Rs.'000	2006 Rs.'000
<b>M. MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES</b>		
Salaries, Wages and Bonus	219,083	171,181
Contributions to Provident and Other Funds*	9,987	(14,972)
Workmen and Staff Welfare Expenses	23,875	19,662
Consumption of Stores and Spare parts	28,460	33,112
Power and Fuel	66,035	63,736
Repairs : Buildings	8,753	9,150
Plant and Machinery	9,805	7,538
Others	5,024	5,303
Rent	12,086	11,880
Rates and Taxes	2,731	5,810
Excise Duty	5,690	(7,122)
Insurance	3,657	3,977
Transport and Freight	48,186	59,391
Communication Costs	13,720	13,885
Traveling and Conveyance	52,157	49,070
Legal and Professional Charges	12,496	11,081
Printing and Stationery	4,586	4,860
Commission	4,447	3,420
Sales Incentives	38,637	26,613
Advertising	1,418	1,330
Sales Promotion and Selling Expenses	9,342	7,814
Provision for Doubtful Debts	3,842	1,575
Loss on sale of fixed assets (Net)	627	29
Fixed Assets written off	110	-
Exchange loss (Net)	1,053	-
Miscellaneous Expenses	50,819	40,692
	<b>636,626</b>	<b>529,015</b>
	<hr/> <hr/>	<hr/> <hr/>
* Net of reversals of contributions made in earlier years to the Company Pension Fund of Rs. 2,831 (Previous year Rs. 29,608)		
<b>N. INTEREST AND FINANCE CHARGES</b>		
Interest:		
On Fixed Period Loans	-	4,039
On Others	4	67
Bank Charges	8,788	8,583
	<b>8,792</b>	<b>12,689</b>
	<hr/> <hr/>	<hr/> <hr/>

## **O. NOTES FORMING PART OF 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 and welding fluxes and of welding equipment i.e. welding machines and cutting equipment. The Company operates significantly in the domestic market.

Exelvia Group India BV has acquired 18.25% of the Company's shares from the public during the year. With this present acquisition, together with the existing holding of 37.31% of the company's shares by Esab Holdings Limited, both being the significant shareholders and indirect subsidiaries of Charter Plc, our Company has become the subsidiary of Charter Plc.

### **2. Significant Accounting Policies**

#### **a) Basis of preparation of Financial Statements**

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

#### **b) Use of Estimates**

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

#### **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% in the year of purchase.

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 amortised over a period of 6 years.

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

#### **d) Impairment of Assets**

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

**e) Operating Lease**

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

**f) Investments**

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

**g) Inventories**

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

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

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

**h) Retirement benefits**

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

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

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

**i) Revenue recognition**

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

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

**j) Transactions in foreign currency**

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

**k) Taxation**

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

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

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

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

**l) Earnings per share**

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

**m) Provisions, Contingent Liabilities and Contingent Assets**

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

**n) Cash flows**

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

	2007 Rs.'000	2006 Rs.'000
3. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	96,223	94,192
<b>4. Contingent Liabilities</b>		
For disputed taxes and duties	168,644	40,673
Claims against the Company not acknowledged as debts	64,056	57,950
<b>5. Auditor's Remuneration</b>		
Audit Fees	1,200	1,200
Tax Audit & Tax accounts	300	300
Other Professional Services	1,000	1,000
Reimbursement of out of pocket expenses	108	76
	<u>2,608</u>	<u>2,576</u>



6. Particulars of Licensed, Installed Capacity and Actual Production

Products	Unit	2007			2006		
		Licensed Capacity	Installed Capacity*	Actual Production	Licensed Capacity	Installed Capacity*	Actual Production
Welding Electrodes	'000 mtrs	318,988	218,025	200,885	318,988	218,025	182,735
Continuous Electrodes/Copper Coated Wires	Tonnes	15,720	11,100	7,662	15,720	8,100	6,140
Welding Fluxes	Tonnes	4,061	2,440	2,136	4,061	2,440	1,303
Gas & Electric, Welding & Cutting Equipment & Accessories	Nos.	233,540	305,837	114,454	233,540	305,837	100,996
Gas Cylinder Valves	Nos.	74,000	61,000	—	74,000	61,000	—
Cutting Unit & Small Tools	Nos.	6,000	7,500	—	6,000	7,500	—
Medical Equipment	Nos.	6,650	7,772	—	6,650	7,772	—
Industrial Voltage Regulators & Stabilizer Equipment	Nos.	12,000	—	—	12,000	—	—
Flux Cored Wires	Tonnes	3,000	2,400	9	3,000	—	—
Industrial Uninterrupted Power Supply System	Nos.	2,000	—	—	2,000	—	—
Wear Plates	Tonnes	100	—	—	100	—	—

\*As Certified by the Management

7. Particulars of Closing Stock of Finished Goods

Products	Unit	2007		2006		2005	
		Qty.	Value Rs. '000	Qty.	Value Rs. '000	Qty.	Value Rs. '000
Welding Electrodes	PCs ('000s)	3,575	10,614	2,528	7,751	18,290	42,954
	Tonnes	118	28,898	219	38,692	146	28,671
Continuous Electrodes/ Copper Coated Wires	Tonnes	324	18,753	115	9,741	276	21,251
Welding Fluxes	Tonnes	61	3,303	02	638	32	4,285
Gas & Electric Welding & Cutting Equipment & Accessories		#	95,883	#	65,638	#	49,945
Medical Equipment & Accessories		#	182	#	200	#	261
Others		#	1,412	#	1,354	#	1,735
			<u>159,045</u>		<u>124,014</u>		<u>149,102</u>

# Quantity details have not been disclosed because the products are heterogenous in nature.

8. Particulars of Sales

Products	Unit	2007		2006	
		Quantity	Value Rs.'000	Quantity	Value Rs.'000
Welding Electrodes	PCs ('000s)	474,923	1,642,992	445,006	1,421,598
	Tonnes	1,429	448,098	1,556	385,089
Continuous Electrodes/ Copper Coated Wires	Tonnes	7,302	553,214	6,301	460,762
Welding Fluxes	Tonnes	2,019	131,874	1,333	89,931
Gas & Electric Welding & Cutting Equipment & Accessories			1,087,016		839,164
Others			56,838		76,366
Grand Total			3,920,032		3,272,910

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.285 million (previous year Rs. 287 million), an amount of Rs.154 million (previous year Rs. 157 million) pertains to equipment and the balance pertains to consumables. Quantitative particulars pertaining to purchases of traded equipment are not disclosed because these are not measurable in homogeneous units. With respect to purchases of traded consumables, quantitative particulars are not conveniently available.
- Quantitative data for spares have not been given as it pertains to a large variety of individually insignificant items.
- Special electrodes, for which separate licenses were issued for some plants, are included with Welding Electrodes.

9. Details of Raw & Packing Materials consumed

Description	2007		2006	
	Quantity (Tonnes)	Value Rs.'000	Quantity (Tonnes)	Value Rs.'000
Mild Steel / M S Wire Rods	21,025	678,789	19,409	554,456
Non Ferrous Metals	368	172,360	376	165,345
Minerals	8,391	173,071	6,115	118,828
Chemicals	2,553	196,780	2,429	150,455
Piece Parts		410,802		310,282
Others		120,847		83,999
		1,752,649		1,383,365

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

	2007	2006	2007	2006
	Value Rs.'000	Value Rs.'000	% of Total Consumption	% of Total Consumption
Raw & Packing Materials				
Imported	378,243	227,631	22	16
Indigenous	1,374,406	1,155,734	78	84
Total	1,752,649	1,383,365	100	100
Stores and Spares				
Imported	2,866	4,355	10	13
Indigenous	25,594	28,757	90	87
Total	28,460	33,112	100	100

	2007	2006
	Rs.'000	Rs.'000
<b>11. CIF value of Imports</b>		
Raw materials	281,120	154,146
Components	68,082	73,233
Capital goods	43,802	26,650
	<u>393,004</u>	<u>254,029</u>
<b>12. Expenditure in Foreign Currency</b>		
Technical Know-how fees	–	20,168
Traveling	1,127	1,601
Royalty	2,093	–
Interest	–	4,039
Others	38	62
	<u>3,258</u>	<u>25,870</u>
<b>13. Earnings in Foreign Exchange</b>		
FOB Value of Exports	75,635	115,891
Commission	990	2,309
Others	–	59
	<u>76,625</u>	<u>118,259</u>

**14. Managerial Remuneration**

	2007		2006	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
A) Computation of net profit in accordance with Section 198 of the Companies Act, 1956:				
Profit before Tax as per Profit & Loss Account		809,345		648,275
Add: Directors' remuneration	8,437		9,642	
Provision for Bad & Doubtful Debts/advances	3,842		1,575	
Loss on sale of Fixed Assets (net)	627		29	
Fixed Assets written off	110		–	
		<u>13,016</u>		<u>11,246</u>
		<u>822,361</u>		<u>659,521</u>
Maximum commission allowed as per the Companies Act, 1956 at 1%		8,223		6,595
Commission to non wholetime Directors proposed		<u>2,632</u>		<u>2,068</u>

	2007 Rs.'000	2006 Rs.'000
B) Managerial remuneration:		
i) Wholetime Directors		
Salary	3,453	4,804
Contribution to Provident and Superannuation Fund	373	616
Perquisites	226	182
Incentive Bonus	<u>1,225</u>	<u>1,500</u>
	<u>5,277</u>	<u>7,102</u>
ii) Non wholetime Directors		
Sitting fees	528	472
Commission	<u>2,632</u>	<u>2,068</u>
	<u>3,160</u>	<u>2,540</u>

Notes:

- a) 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.
- b) 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

	2007		2006	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Deferred Tax Asset</b>				
Current assets	11,191		7,976	
Current liabilities	27,209		27,895	
Investments	<u>2,589</u>	40,989	<u>2,564</u>	38,435
<b>Deferred Tax Liability</b>				
Fixed Assets		<u>(56,316)</u>		<u>(43,301)</u>
		<u>(15,327)</u>		<u>(4,866)</u>

16. Taxation

Tax provision for current year	267,414	213,664
Fringe Benefits Tax	3,690	5,359
Deferred Tax charge	<u>4,224</u>	<u>2,546</u>
	<u>275,328</u>	<u>221,569</u>

	2007		2006	
<b>17. Earnings per Share</b>				
Basic and Diluted Earnings per share	<b>Rs. 34.69</b>		Rs. 27.72	
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>534,017</b>	Rs.'000	426,706
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.

**(i) Business Segments**

**Consumables**

: Welding electrodes, Copper coated wires, Welding fluxes

**Equipment**

: Welding machines and Cutting equipment

Rs. '000

Particulars	Consumables		Equipment		Total	
	2007	2006	2007	2006	2007	2006
<b>REVENUE</b>						
External sales (Net)	<b>2,447,009</b>	2,097,511	<b>982,535</b>	774,613	<b>3,429,544</b>	2,872,124
Segment results	<b>661,396</b>	558,896	<b>190,427</b>	122,330	<b>851,823</b>	681,226
Less: Interest (Net)					<b>8,792</b>	12,689
Other common expenses (Net)					<b>33,686</b>	20,262
Total profit before tax					<b>809,345</b>	648,275
<b>Capital employed :</b>						
Segment assets	<b>911,420</b>	687,936	<b>427,055</b>	382,007	<b>1,338,475</b>	1,069,943
Add: Common Assets					<b>280,826</b>	229,747
Total Assets					<b>1,619,301</b>	1,299,690
Segment liabilities	<b>197,060</b>	190,893	<b>175,719</b>	168,143	<b>372,779</b>	359,036
Add: Common liabilities					<b>208,953</b>	172,593
Total Liabilities					<b>581,732</b>	531,629
Segment capital employed	<b>714,360</b>	497,043	<b>251,336</b>	213,864	<b>965,696</b>	710,907
Add: Common capital employed					<b>71,873</b>	57,154
Total capital employed					<b>1,037,569</b>	768,061
Capital expenditure	<b>155,344</b>	77,189	<b>15,258</b>	110,750	<b>170,602</b>	187,939
Add: Common capital expenditure					<b>3,236</b>	1,776
Total capital expenditure					<b>173,838</b>	189,715
Depreciation	<b>40,507</b>	36,996	<b>13,668</b>	8,490	<b>54,175</b>	45,486
Add: Common depreciation					<b>1,948</b>	1,640
Total depreciation					<b>56,123</b>	47,126
Non cash expenses	<b>1,564</b>	(803)	<b>2,317</b>	1,813	<b>3,881</b>	1,010
Add: Common non cash expenditure					<b>110</b>	-
Total non cash expenditure					<b>3,991</b>	1,010

**(ii) Geographical Segments**

The Company caters mainly to the needs of Indian market and the export turnover being 1.93% (previous year 3.54%) of the total turnover of the Company, there are no reportable geographical segments.

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

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

**20. Related Party Disclosure**

**(a) Parties where Control exists**

i) Esab Holdings Limited - Principal Shareholder - Holds 37.31 % of the paid up equity share capital of the Company as at 31 December 2007. Charter Overseas Holdings Limited, the holding company of Esab Holdings Limited is a subsidiary of Charter Plc.

Exelvia Group India BV - Holds 18.25 % of the paid up equity share capital of the Company as at 31 December 2007.

ii) Esab Welding & Cutting Systems Limited - Subsidiary Company - 100% of whose paid up equity share capital is held by the Company as at 31 December 2007

**(b) Charter Plc Group - Related parties in the Charter Plc Group where significant influence exists :**

Esab Engineering Services Limited, India	Esab AB, Sweden
Conarco Alambres y Soldaduras SA, Argentina	P.T. Karya Ysantara Cakti, Indonesia
Esab AB Welding Equipment, Sweden	Esab Middle East LLC., Dubai
Esab Asia Pacific Pte. Ltd., Singapore	Esab SeAH Corporation, Korea
Esab Automation Limited, England & Wales	ESAB S.A. Industria e Comercio, Brazil
Esab Cutting Systems GmbH (Karben), Germany	Esab Saldatura S.p.a, Italy
OZAS-ESAB Sp. Z.o.o., Poland	Esab Sp. Z.o.o., Poland
Esab International AB, Sweden	Esab Vamberk S.r.o., Czech Republic
Esab Welding & Cutting Products (Shanghai) Ltd	Esab Welding Products (Jiangsu) Co Ltd, China

**(c) Key Management Personnel**

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

20. Related Party Disclosure  
(d) Transaction and outstanding balances with Related Parties. Rs. '000

Nature of Transaction	Control Exists [a(i)]		Subsidiary [a(ii)]		Significant Influence Exists [b]		Key Management Personnel [c]		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Purchase of goods	-	-	-	-	161,217	139,314	-	-	161,217	139,314
Purchase of Fixed Assets	-	-	-	-	13,846	173	-	-	13,846	173
Sale of goods	-	-	-	-	26,093	46,849	-	-	26,093	46,849
Reimbursement of Expenses	-	-	-	-	4,591	6,400	-	-	4,591	6,400
Payment of Technical Knowhow	-	-	-	-	-	16,507	-	-	-	16,507
Interest on Loan	-	4,039	-	-	-	-	-	-	-	4,039
Commission Income	-	-	-	-	990	1,991	-	-	990	1,991
Royalty	-	-	-	-	2,338	-	-	-	2,338	-
Remuneration	-	-	-	-	-	-	5,277	7,102	5,277	7,102
Outstanding payables (net)	-	-	-	-	17,759	-	-	-	17,759	-
Outstanding receivables (net)	-	65	-	344	-	6,712	*	*	-	7,121

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.

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

Name of the fund	Face Value	2007				2006				Rs.'000
		No. of units purchased during the year	Purchase Value	No. of units sold during the year	Sale Value	No. of units purchased during the year	Purchase Value	No. of units Sold during the year	Sale Value	
		HDFC Cash Management fund - Savings plan - Daily Dividend Reinvestment	10	1,993,720	20,000	2,351,384	25,016	4,738,024	50,395	
Tata - Liquidity Management fund - Daily Dividend	1000	5,284	5,295	25,251	25,308	60,156	60,292	40,189	40,279	
HDFC Quarterly Interval Fund - Plan A Wholesale Dividend	10	2,500,000	26,422	2,500,000	26,422	-	-	-	-	
SBI Magnum Institutional income - Savings - Dividend	10	-	-	-	-	1,002,745	10,060	1,002,745	10,060	
ICICI - Institutional Liquid Plan - Daily Dividend Option	10	1,701,650	20,165	1,701,650	20,165	847,233	10,040	847,233	10,040	
Tata Treasury Managership Daily Dividend	1000	45,034	45,169	45,034	45,169	-	-	-	-	
Tata Fixed Horizon fund - Series 10 Periodic Dividend	10	2,500,000	25,466	2,500,000	25,466	-	-	-	-	
ING Liquid Plus fund - Institutional Daily Dividend	10	9,496,866	95,000	4,994,536	49,962	-	-	-	-	
Reliance Liquid Plus Daily Dividend Plan	1000	69,941	70,000	49,946	49,988	-	-	-	-	
LIC Liquid Plus fund - Daily Dividend	10	5,128,539	51,285	5,128,539	51,285	-	-	-	-	
Sundaram BNP Paribas Fixed Term Plan - Series XXVI - Dividend	10	2,551,870	25,519	2,551,870	25,519	-	-	-	-	
HSBC Liquid Plus Fund - Institutional Daily Dividend	10	5,137,917	51,443	5,137,917	51,443	-	-	-	-	
UTI Fixed Maturity Plan Quarterly Series	10	5,001,000	50,830	5,001,000	50,830	-	-	-	-	
UTI Liquid Plus Fund Institutional Plan - Daily Dividend Option	1000	25,198	25,198	25,198	25,198	-	-	-	-	
ICICI FMP - Series 38 - Three Months Plan A - Retail Dividend	10	2,500,000	25,520	2,500,000	25,520	-	-	-	-	
ICICI Flexible Income Plan - Dividend Daily Reinvestment	10	6,620,324	70,000	2,339,926	24,741	-	-	-	-	
<b>Total</b>		<b>45,277,343</b>	<b>607,312</b>	<b>36,852,251</b>	<b>522,032</b>	<b>6,648,158</b>	<b>130,787</b>	<b>4,267,386</b>	<b>85,664</b>	



## 22. Retirement Benefits

Effective 1st January 2007, the company adopted Accounting Standard ('AS') 15 (Revised 2005) - "employee benefits" issued by The Institute of Chartered Accountants of India. As per the transitional provision specified in the Standard, the difference in the liability as per the existing policy followed by the company and that arising on adoption of this Standard is required to be charged to opening reserves and surplus account.

### 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	2007 Rs.'000
<b>Change in present value of obligations</b>	
Obligations at beginning of the year	49,919
Service cost	2,291
Interest Cost	3,388
Actuarial (gain) / loss	1,032
Benefits paid	(8,142)
Obligations at the end of the year	<u>48,488</u>
<b>Change in Plan assets</b>	
Fair value of Plan assets at beginning of the year	41,490
Expected return on plan assets	2,694
Actuarial gain / (loss)	(489)
Contributions	2,900
Benefits paid	(8,142)
Fair value of plan assets at end of the year	<u>38,453</u>
<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	48,488
Fair value of plan assets at the end of the year	38,453
Funded status amount of liability recognized in the balance sheet	<u>10,035</u>
<b>Gratuity cost for the year</b>	
Service cost	2,291
Interest cost	3,388
Expected return on plan assets	(2,694)
Actuarial (gain) / loss	1,521
Net gratuity cost	<u>4,506</u>
<b>Assumptions</b>	
Interest rate	7.75%
Estimated rate of return on plan assets	7.50%
Rate of growth in salary levels	5.00%

### 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	2007 Rs.'000
<b>Change in present value of obligations</b>	
Obligations at beginning of the year	85,621
Service cost	2,485
Interest Cost	4,349
Actuarial (gain) / loss	(11,254)
Benefits paid	(8,601)
Reduction in the obligation, pursuant to change in the actuarial method	(18,353)
Obligations at the end of the year	<u>54,247</u>

<b>Particulars</b>	<b>2007 Rs.'000</b>
<b>Pension Plan (continued)</b>	
<b>Change in Plan assets</b>	
Fair value of Plan assets at beginning of the year	105,773
Expected return on plan assets	7,318
Actuarial gain / (loss)	(8,907)
Contributions	-
Benefits paid	(8,601)
Fair value of Plan assets at end of the year	<u>95,583</u>
<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	54,247
Fair value of plan assets at the end of the year	95,583
Funded status amount of liability recognized in the balance sheet	<u>(41,336)</u>
<b>Pension cost for the year</b>	
Service cost	2,485
Interest cost	4,349
Expected return on plan assets	(7,318)
Actuarial (gain) / loss	(2,347)
Net Pension cost	<u>(2,831)</u>
<b>Assumptions</b>	
Interest rate	7.75%
Estimated rate of return on plan assets	7.50%
Rate of growth in salary levels	5.00%

Note: No corresponding figures for the previous year has been presented as the Company has adopted AS 15 (Revised 2005) effective 1 January 2007

### 23. Micro , Small and Medium Enterprises

The management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 December 2007 has been made in the financials statements based on information received and available with the Company. Further, in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material.

### 24. Outstanding forward contracts

The Company doesn't 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	2007	
	Amounts receivable in foreign currency	Amounts payable in foreign currency
Euro equivalent ('000)	3	345
USD equivalent ('000)	81	639
SEK equivalent ('000)	—	254
GBP equivalent ('000)	—	7
<b>Rs ('000)</b>	<b>3,342</b>	<b>47,516</b>

The above disclosures have been consequent to the announcement by the Institute of Chartered Accountants of India on December 2, 2005.

25. Subsequent to the Balance Sheet date, the Board of Directors has approved the scheme of merger of ESAB Welding & Cutting Systems Limited with ESAB India Limited.
26. Previous year figures have been regrouped and reclassified wherever necessary.

For and on behalf of the Board of Directors

**N H Mirza**  
Director

**G Hariharan**  
Managing Director

**S Venkatakrisnan**  
Company Secretary

**B Mohan**  
Chief Financial Officer

Mumbai, 04 March 2008

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

Balance Sheet Abstract and Company's General Business Profile:

I. Registration Details

Registration No. 5 8 7 3 8 State Code 1 8  
Balance Sheet Date 3 1 1 2 0 7  
Date Month Year

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

Public Issue Rights Issue  
N I L N I L  
Bonus Issue Private Placement  
N I L N I L

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

Total Liabilities\* 1 0 5 2 8 9 6 Total Assets\* 1 0 5 2 8 9 6  
\* Includes Deferred Tax Liabilities (Net of Deferred Tax Asset) \* Net of Current Liabilities & Provisions

Sources of funds

Paid-up Capital Reserves & Surplus  
1 5 3 9 3 0 8 8 3 6 3 9  
Secured Loans Unsecured Loans  
N I L N I L  
Deferred Tax Liability\*  
1 5 3 2 7  
\* Net of Deferred Tax Asset

Application of funds

Net Fixed Assets Investments  
6 7 3 6 4 5 1 6 7 0 4 4  
Net Current Assets Misc. Expenditure  
2 1 2 2 0 7 N I L  
Accumulated Losses  
N I L

IV. Performance of Company ( Rs. '000)

	Turnover *		Total Expenditure
	3 5 0 4 1 5 2		2 6 9 4 8 0 7
	* includes other/extra ordinary Income		
+/-	Profit/Loss Before Tax	+/-	Profit/Loss After Tax
+	8 0 9 3 4 5	+	5 3 4 0 1 7
	Earnings per Share		Dividend Rate %
	3 4 . 6 9		1 5 5

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

**N H Mirza**  
Director

**G Hariharan**  
Managing Director

**S Venkatakrisnan**  
Company Secretary

**B Mohan**  
Chief Financial Officer

Mumbai, 04 March 2008

Cash Flow Statement  
for the year ended 31 December 2007



Schedule	2007 Rs.'000	2006 Rs.'000
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before Tax	809,345	648,275
Interest Income	(1,357)	(13,684)
Investment Income	(12,363)	(2,337)
Loss on Sale of Fixed Assets (Net)	627	29
Fixed Assets written off	110	-
Unrealised Exchange Differences	39	(565)
Depreciation/Amortization	56,123	47,126
Interest and Finance Charges	8,792	12,689
Provision for Doubtful Debts	3,842	1,575
Operating Profit before Working Capital Changes	865,158	693,108
Increase in Sundry Debtors	(7,565)	(43,750)
Increase in Other Current Assets and Loans and Advances	(39,211)	(49,410)
Decrease / (Increase) in Inventories	(109,145)	2,200
Increase in Trade Payables	37,461	92,378
Cash Generated from Operations	746,698	694,526
Voluntary Separation Compensation and Related Payments	(800)	(2,002)
Taxes Paid - Net	(315,983)	(270,510)
Net Cash from Operating Activities	<u>429,915</u>	<u>422,014</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital Expenditure	(171,177)	(196,351)
Sale of Fixed Assets	788	991
Purchase of Investments	(607,312)	(161,382)
Sale of Investments	522,032	85,664
Investments in Subsidiary / Associate	(4,475)	-
Interest received	2,971	18,051
Investment income received	12,362	1,117
Net Cash used in Investing Activities	<u>(244,811)</u>	<u>(251,910)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of Borrowings	-	(113,250)
Dividend Paid	(228,590)	(396,875)
Interest and Finance Charges Paid	(8,807)	(14,881)
Net Cash used in Financing Activities	<u>(237,397)</u>	<u>(525,006)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(52,293)</u>	<u>(354,902)</u>
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR	<u>207,861</u>	<u>562,763</u>
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	<u>155,568</u>	<u>207,861</u>
Notes:		
i) Cash and Cash Equivalents include:		
(a) Cash and Bank balances other than those mentioned in (b) below.	141,387	199,588
(b) Cash and Bank balances not available for use by the Company	14,181	8,273
Cash and Bank balances not available for use by the Company include margin money, unclaimed dividend and debenture interest.	<u>155,568</u>	<u>207,861</u>

Notes to Accounts

O

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

As per our report attached

For and on behalf of the Board of Directors

**For BSR & Co.**

Chartered Accountants

**S Sethuraman**

Partner

Membership No. 203491

Mumbai, 4 March, 2008

**N H Mirza**

Director

**S Venkatakrishnan**

Company Secretary

**G Hariharan**

Managing Director

**B Mohan**

Chief Financial Officer

**Auditors' Report to the Board of Directors of ESAB INDIA LIMITED on the consolidated financial statements of ESAB INDIA LIMITED and its subsidiary**

- 1 We have audited the attached consolidated Balance Sheet of ESAB INDIA LIMITED ("the Company") and its subsidiary as at 31 December 2007, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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 We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of Rs.14 million as at December 31, 2007 and revenues of Rs.Nil for the year. These financial statements and other financial information have been audited by other auditor whose

report has been furnished to us, and our opinion is based solely on the report of the other auditor.

- 4 We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 - 'Consolidated Financial Statements' and AS 23 Accounting for Investments in Associates in Consolidated Financial Statements prescribed by Companies (Accounting Standards) Rules, 2006.
- 5 Based on our audit and on consideration of the report of the other auditor on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanation given to us, we are of the opinion that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. in the case of the consolidated Balance Sheet, of the state of affairs of the Company and its subsidiary as at 31 December 2007;
  - b. in the case of the consolidated Profit and Loss Account, of the profit for the year ended on that date; and
  - c. in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**for BSR & Co.**  
Chartered Accountants

**S Sethuraman**  
Partner

Mumbai, 4 March 2008

Membership No. 203491

Consolidated Balance Sheet  
as at 31 December 2007



	Schedule	2007 Rs.'000	2006 Rs.'000
<b>SOURCES OF FUNDS</b>			
SHAREHOLDERS' FUNDS			
Share Capital	A	153,930	153,930
Reserves and Surplus	B	886,737	614,872
		<u>1,040,667</u>	<u>768,802</u>
MINORITY INTEREST	C	–	374
DEFERRED TAX LIABILITY (Net) (Refer Note 6 of Schedule P)		15,327	4,866
		<u>1,055,994</u>	<u>774,042</u>
<b>APPLICATION OF FUNDS</b>			
FIXED ASSETS			
Gross Block	D	1,075,662	910,200
Less: Depreciation / Amortization		464,956	415,684
Net Block		610,706	494,516
Capital Work-in-progress including Advances		62,939	65,601
		<u>673,645</u>	<u>560,117</u>
INVESTMENTS	E	170,527	75,785
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	F	367,269	258,124
Sundry Debtors	G	97,469	93,945
Cash and Bank Balances	H	155,645	207,950
Loans and Advances	I	158,464	105,254
		<u>778,847</u>	<u>665,273</u>
CURRENT LIABILITIES AND PROVISIONS			
Liabilities	J	499,086	480,547
Provisions	K	67,939	46,586
		<u>567,025</u>	<u>527,133</u>
NET CURRENT ASSETS		<u>211,822</u>	<u>138,140</u>
		<u>1,055,994</u>	<u>774,042</u>
Notes to Accounts	P		

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

As per our report attached

**For BSR & Co.**

Chartered Accountants

**S Sethuraman**

Partner

Membership No. 203491

Mumbai, 4 March 2008

For and on behalf of the Board of Directors

**N H Mirza**

Director

**G Hariharan**

Managing Director

**S Venkatakrisnan**

Company Secretary

**B Mohan**

Chief Financial Officer



Consolidated Profit and Loss Account  
for the year ended 31 December 2007



	Schedule	2007 Rs.'000	2006 Rs.'000
<b>INCOME</b>			
Sales (Gross)		3,920,032	3,272,910
Less : Excise Duty		490,488	400,786
Sales (Net)		3,429,544	2,872,124
Other Income	L	77,663	57,839
		<u>3,507,207</u>	<u>2,929,963</u>
<b>EXPENDITURE</b>			
Materials	M	1,993,266	1,692,858
Manufacturing, Selling and Administrative Expenses	N	637,035	529,283
Interest	O	8,792	12,689
Depreciation		56,123	47,126
		<u>2,695,216</u>	<u>2,281,956</u>
<b>Profit before taxation</b>		<b>811,991</b>	<b>648,007</b>
Taxation (Refer Note 7 Schedule P)		(275,828)	(221,569)
<b>Profit after taxation</b>		<b>536,163</b>	<b>426,438</b>
Share of Associate's net profit		578	67
Minority Interest		(366)	38
<b>Profit after Minority Interest</b>		<b>536,375</b>	<b>426,543</b>
Balance brought forward from previous year		428,900	2,357
<b>Amount available for appropriation</b>		<b>965,275</b>	<b>428,900</b>
<b>APPROPRIATIONS</b>			
Interim Dividends		238,592	–
Tax on Interim Dividends		38,034	–
General Reserve		53,402	–
Balance carried to Balance Sheet		635,247	428,900
		<u>965,275</u>	<u>428,900</u>
<b>Earnings per share (Refer Note 8 of Schedule P)</b>			
Basic and Diluted		<b>Rs. 34.85</b>	Rs. 27.71
Notes to Accounts	P		

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

As per our report attached

**For BSR & Co.**  
Chartered Accountants

**S Sethuraman**  
Partner  
Membership No. 203491

Mumbai, 4 March 2008

For and on behalf of the Board of Directors

**N H Mirza**  
Director

**G Hariharan**  
Managing Director

**S Venkatakrishnan**  
Company Secretary

**B Mohan**  
Chief Financial Officer

	2007 Rs.'000	2006 Rs.'000
<b>A. SHARE CAPITAL</b>		
<b>Authorised:</b>		
17,000,000 Equity Shares of Rs.10 each	170,000	170,000
3,000,000 Unclassified Shares of Rs.10 each	30,000	30,000
	<u>200,000</u>	<u>200,000</u>
<b>Issued and subscribed:</b>		
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)	<u>153,930</u>	<u>153,930</u>
<b>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>		
As per Last Balance Sheet	80,782	80,782
Add: Reversal of pension liability at the beginning of the year, arising on adoption of Accounting Standard 15 (Revised 2005)	18,353	
Less: Tax adjustment on reversal of pension liability	<u>6,237</u>	
	12,116	-
Transferred from Profit and Loss Account	53,402	-
	<u>146,300</u>	80,782
Profit and Loss Account	635,247	428,900
	<u>886,737</u>	<u>614,872</u>
<b>C. MINORITY INTEREST</b>		
As per last Balance Sheet	374	412
Transferred from Profit and Loss Account	366	(38)
Less: Acquisition of Minority Interest of 14.29%	740	-
	<u>-</u>	<u>374</u>

D. FIXED ASSETS

Rs.'000

Particulars	Freehold Land	Leasehold Land	Building	Plant & Machinery	Furniture & Fixtures	Motor Vehicles	Intangible Assets	Total	Previous Year
<b>GROSS BLOCK AT COST</b>									
As at 1 January 2007	34,820	14,078	176,323	632,135	16,505	9,020	27,319	<b>910,200</b>	728,296
Additions	–	–	37,067	129,288	4,814	2,669	–	<b>173,838</b>	189,715
Deletions	–	–	–	4,291	1,625	2,460	–	<b>8,376</b>	7,811
As at 31 December 2007	<b>34,820</b>	<b>14,078</b>	<b>213,390</b>	<b>757,132</b>	<b>19,694</b>	<b>9,229</b>	<b>27,319</b>	<b>1,075,662</b>	<b>910,200</b>
<b>DEPRECIATION/ AMORTIZATION</b>									
As at 1 January 2007	–	5,543	45,261	351,741	7,186	4,863	1,090	<b>415,684</b>	375,349
Additions	–	90	5,336	43,726	1,210	1,210	4,551	<b>56,123</b>	47,126
Deletions	–	–	–	3,646	1,013	2,192	–	<b>6,851</b>	6,791
As at 31 December 2007	–	<b>5,633</b>	<b>50,597</b>	<b>391,821</b>	<b>7,383</b>	<b>3,881</b>	<b>5,641</b>	<b>464,956</b>	<b>415,684</b>
<b>NET BLOCK</b>									
<b>As at 31 December 2007</b>	<b>34,820</b>	<b>8,445</b>	<b>162,793</b>	<b>365,311</b>	<b>12,311</b>	<b>5,348</b>	<b>21,678</b>	<b>610,706</b>	
As at 31 December 2006	34,820	8,535	131,062	280,394	9,319	4,157	26,229	494,516	
Capital Work in Progress including Advances								<b>62,939</b>	65,601

Notes

- Freehold Land includes the value of excess land at Khardah, West Bengal of Rs.1.9 Million, in respect of which an agreement for sale has been entered into in November 1999 and sale consideration amounting to Rs.5.4 Million was received in July 2003. Pending receipt of necessary regulatory approvals to effect the transfer of the title deed, the profit on sale of such land has not been recognized in the financial statements.
- Intangible assets represents technical know-how from ESAB Group Companies.

	2007 Rs.'000	2006 Rs.'000
<b>E. INVESTMENTS</b> (LONG TERM, UNQUOTED, AT COST)		
(a) Trade investment, in an Associate Company - Esab Engineering Services Limited 497,980 (previous year 124,495) <b>4980</b> Equity Shares of Rs.10 each fully paid up. Add: Share of Profit of Associate Company <u>645</u>	5,625	1,245 <u>67</u> 1,312
(b) Other than Trade Investments Investment in Rural Electrification Corporation Bonds	<b>29,350</b>	29,350
<b>(CURRENT, UNQUOTED, LOWER OF COST AND FAIR VALUE)</b>		
Investment in Mutual Funds (Refer Note 12 of Schedule P for details of mutual funds purchased and sold during the year)		
HDFC Cash Management Fund - Savings Plan - Daily Dividend reinvestment 2,003,140.65 units (December 31, 2006 - 2,360,805.08 units) Face Value: Rs.10 per unit	<b>20,095</b>	25,110
ING Liquid Plus Fund - Savings Plan - Daily Dividend Reinvestment 4,502,329.61 units (December 31, 2006 - Nil units) Face Value: Rs.10 per unit	<b>45,038</b>	-
Reliance Liquid Plus Fund - Retail Option - Daily Dividend Plan 19,994.92 units (December 31, 2006 - Nil units) Face Value: Rs.1000 per unit	<b>20,012</b>	-
ICICI Flexible Income Plan - Dividend - Daily Reinvestment 4,280,398 units (December 31, 2006 - Nil units) Face Value: Rs.10 per unit	<b>45,258</b>	-
TLMD TATA Liquidity Management Fund - Daily Dividend Reinvestment Nil units (December 31, 2006 - 19,967.75 units) Face Value: Rs.1,000 per unit	-	20,013
SBI Magnum Insta Cash Fund - Dividend Option 482,092 units (December 31, 2006 - NIL units) Face Value: Rs.10 per unit	<b>5,149</b>	-
Aggregate market value of Company's investments in Mutual Funds Rs. 135,552 (previous year - Rs.45,123)	<u><b>135,552</b></u>	<u>45,123</u>
	<u><b>170,527</b></u>	<u>75,785</u>
<b>F. INVENTORIES</b>		
Raw and Packing Materials	<b>173,186</b>	111,439
Work-in-Progress	<b>28,057</b>	19,155
Finished Goods	<b>159,045</b>	124,014
Stores and Spare Parts	<b>6,981</b>	3,516
	<u><b>367,269</b></u>	<u>258,124</u>
* Includes Goods in Transit of Rs. 32,488 (December 31, 2006 - Rs. 12,948)		

	2007 Rs.'000	2006 Rs.'000
<b>G. SUNDRY DEBTORS (UNSECURED)</b>		
Over six months -		
Considered Good	2,457	2,228
Considered Doubtful	16,165	12,322
Others, Considered Good	95,011	91,717
	<b>113,633</b>	106,267
Less: Provision for Doubtful Debts	16,164	12,322
	<b>97,469</b>	93,945
Debtors include amount due from Companies under the same management		
Esab Asia Pacific Pte Ltd., Singapore	4,930	9,051
Esab Middle East LLC	1,461	4,222
Esab SeAH Corporation, Korea	88	96
Esab Welding and Cutting Products, USA	146	-
Esab Cutting Systems GmbH, Germany	710	-
<b>H. CASH AND BANK BALANCES</b>		
Cash on hand	731	618
Cheques on hand and remittances in transit	99,572	96,116
Balances with Scheduled Banks:		
Current Accounts	41,111	36,882
Deposit Accounts	14,000	71,603
Margin money	231	2,731
	<b>155,645</b>	207,950
<b>I. LOANS AND ADVANCES</b>		
Interest accrued on investments	1,221	1,220
Secured, considered good		
Vehicle Loans to employees (Secured against hypothecation of vehicles)	44	199
Unsecured considered good		
Advance tax payments	-	3,197
Advances to Esab Engineering Services Ltd., an associate company (maximum amount outstanding during the current year Rs.7,279, previous year Rs.8,002)	2,906	6,400
Advances to Esab Welding and Cutting Products, USA, (maximum amount outstanding during the current year Rs. 185, previous year Rs.Nil)	185	-
Advances recoverable in cash or in kind or for value to be received		
Considered Good	126,174	75,565
Considered Doubtful	3,251	3,251
	<b>129,425</b>	78,816
Less: Provision for doubtful advances	3,251	3,251
	<b>126,174</b>	75,565
Balances with Customs, Port Trust, Excise, etc.	27,934	18,673
	<b>158,464</b>	105,254

	2007 Rs.'000	2006 Rs.'000
<b>J. CURRENT LIABILITIES</b>		
Sundry Creditors (Refer Note 13 of Schedule P)		
i) total outstanding dues of micro enterprises and small enterprises	5,680	
ii) total outstanding dues of creditors other than micro enterprises and small enterprises	<u>377,100</u>	361,016
Deposits from Dealers	21,809	21,763
Advance from Customers	14,389	11,362
Other Liabilities	66,159	82,458
Unclaimed Dividends*	13,949	3,948
	<u>499,086</u>	<u>480,547</u>
* There is no amount due and outstanding to be credited to the Investor Education and Protection Fund		
<b>K. PROVISIONS</b>		
Provision for Income-tax less advance tax payments	12,361	18,706
Provision for retirement benefits :		
Gratuity	10,035	8,429
Leave Encashment	45,543	19,451
	<u>67,939</u>	<u>46,586</u>
<b>L. OTHER INCOME</b>		
Interest Income (Gross Tax deducted at Source - Rs. 672 (December 31, 2006 - Rs. 3,153))	3,100	13,684
Income from investments	12,512	2,337
Income from Sale of Scrap	25,195	28,504
Commission Income	990	2,309
Provision/Liabilities no longer required written back	16,821	352
Exchange gain (net)	-	201
Miscellaneous	19,045	10,452
	<u>77,663</u>	<u>57,839</u>
<b>M. MATERIALS</b>		
Raw & Packing Materials Consumed	1,752,649	1,383,365
Purchases of Finished Goods	284,550	287,426
(Increase)/Decrease in Finished Goods & Work-in-Progress		
Opening Stock		
Finished Goods	124,014	149,102
Work-in-Progress	19,155	16,134
	<u>143,169</u>	<u>165,236</u>
Closing Stock		
Finished Goods	159,045	124,014
Work-in-Progress	28,057	19,155
	<u>187,102</u>	<u>143,169</u>
	<u>(43,933)</u>	<u>22,067</u>
	<u>1,993,266</u>	<u>1,692,858</u>

	2007 Rs.'000	2006 Rs.'000
<b>N. MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES</b>		
Salaries, Wages and Bonus	<b>219,083</b>	171,181
Contributions to Provident and Other Funds*	<b>9,987</b>	(14,972)
Workmen and Staff Welfare Expenses	<b>23,875</b>	19,662
Consumption of Stores and Spare parts	<b>28,460</b>	33,112
Power and Fuel	<b>66,035</b>	63,736
Repairs:		
Buildings	<b>8,753</b>	9,150
Plant & Machinery	<b>9,805</b>	7,538
Others	<b>5,024</b>	5,303
Rent	<b>12,086</b>	11,971
Rates and Taxes	<b>2,731</b>	5,810
Excise Duty	<b>5,690</b>	(7,122)
Insurance	<b>3,657</b>	3,977
Transport and Freight	<b>48,186</b>	59,391
Communication Costs	<b>13,720</b>	13,885
Travelling and Conveyance	<b>52,157</b>	49,070
Legal and Professional Charges	<b>12,901</b>	11,228
Printing and Stationery	<b>4,586</b>	4,860
Commission	<b>4,447</b>	3,420
Sales Incentives	<b>38,637</b>	26,613
Advertising	<b>1,418</b>	1,330
Sales Promotion and Selling Expenses	<b>9,342</b>	7,814
Provision for Doubtful Debts	<b>3,842</b>	1,575
Loss on sale of fixed asset (net)	<b>627</b>	29
Fixed Assets written off	<b>110</b>	-
Exchange loss (net)	<b>1,053</b>	-
Miscellaneous Expenses	<b>50,823</b>	40,722
	<b><u>637,035</u></b>	<b><u>529,283</u></b>
*Net of reversals of contributions made in earlier years to Company Pension Fund of Rs. 2,831 (Previous year Rs. 29,608)		
<b>O. INTEREST AND FINANCE CHARGES</b>		
Interest:		
On Fixed Loans	-	4,039
On others	<b>4</b>	67
Bank Charges	<b>8,788</b>	8,583
	<b><u>8,792</u></b>	<b><u>12,689</u></b>

Schedules forming part of the Consolidated Financial Statements for the year ended 31 December 2007

**SCHEDULE P: NOTES TO ACCOUNTS**

**1. Basis of preparation of consolidated financial statements**

The financial statements of Esab India Limited have been prepared under the historical cost convention on the accrual basis of accounting and in accordance with the Companies Act, 1956 and in accordance with the accounting principles generally accepted in India and comply in all material aspects with the mandatory accounting standards as specified in the Companies (Accounting Standard) Rules 2006.

The consolidated financial statements include the financial statements of Esab India Limited and its subsidiary, Esab Welding & Cutting Systems Limited, of which it owns 100% of equity. The financial statements of Esab Welding & Cutting Systems Limited which has permanently ceased operations have been prepared under the liquidation basis of accounting whereby the carrying values of all assets are presented at their estimated realizable value and all liabilities are presented at their estimated settlement amounts (Refer Note 15 of Schedule P). The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of the consolidated financial statements as laid down under AS 21 - Consolidated Financial Statements prescribed by the Institute of Chartered Accountants of India. In respect of an investment made in an Associate Company, Esab Engineering Services Limited, 24.9% of whose equity is owned by the Company, the principles prescribed under AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India has been adopted in the preparation of these financial statements. All material inter-company transactions and accounts are eliminated on consolidation.

**2. Accounting Policies**

**a) Principles of consolidation**

The Consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standards on Consolidated Financial Statements as specified in the Companies (Accounting Standard) Rules 2006.

The excess / deficit of cost of the parent company of its investment in the subsidiary over the portion of equity in the subsidiary at the respective dates on which investment in the subsidiary was made is recognized in the Consolidated financial statements as goodwill/capital reserve. The parent company's portion of equity in the subsidiary is determined on the basis of book values of assets and liabilities as per the financial statements of the subsidiary as on the date of investment.

The financial statements of the parent company and its subsidiary have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transaction and unrealized profits in full. Unrealised losses resulting from intra-group transactions are also eliminated except to the extent recoverable value of related assets is lower than their cost to the Group. The amounts shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of the parent company and its share in the decrease in the relevant reserves of the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances.

**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 in the period in which such revisions are made.

**c) Fixed assets, Intangible assets, depreciation and amortisation**

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 construction is 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 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 fully depreciated in the year of purchase.

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**

Assessment is made at each balance sheet date as to 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 the investments made to enhance the 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-progress, 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 accounted based on actuarial valuations, carried out by an independent actuary. 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 transfer of all significant risks and rewards of ownership to the buyer. Revenue from service is recognized on rendering of services to customers. Sales are inclusive of excise duty but exclusive of sales tax and trade discounts.

Dividend income are 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 period 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 period). 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 reasonable / virtual certainty (as the case may be) to be realized.

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

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

**l) Earnings per share**

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

		2007 Rs.'000		2006 Rs.'000
3.	Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances)	96,223		94,192
4.	Contingent Liabilities			
	For Disputed Taxes and duties	168,644		40,673
	Claims Against the Company not acknowledged as debts	64,056		57,950
5.	Auditor's Remuneration			
	Audit fees	1,200		1,200
	Tax Audit & Tax accounts	300		300
	Other Professional Services	1,000		1,000
	Reimbursement of out of pocket expenses	108		76
		<u>2,608</u>		<u>2,576</u>
6.	Deferred Taxation			
	<b>Deferred Tax Asset</b>			
	Current assets	11,191	7,976	
	Current liabilities	27,209	27,895	
	Investments	<u>2,589</u>	<u>2,564</u>	38,435
	<b>Deferred Tax Liability</b>			
	Fixed Assets	<u>(56,316)</u>		<u>(43,301)</u>
		<u>(15,327)</u>		<u>(4,866)</u>
7.	Taxation			
	Tax provision for current year	267,914		213,664
	Fringe Benefits Tax	3,690		5,359
	Deferred Tax charge	4,224		2,546
		<u>275,828</u>		<u>221,569</u>
8.	Earnings per Share			
	Basic and Diluted Earnings per share	<b>Rs. 34.85</b>		Rs. 27.71
	Nominal value per share	<b>Rs.10</b>		Rs.10
	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>536,375</b>	Rs. '000
				426,543
	Weighted average number of shares outstanding during the year	<b>Nos. '000</b>	<b>15,393</b>	Nos. '000
				15,393
9.	The Company has taken various residential and office premises under operating lease or leave & licence agreements. These are cancellable; have a term of between 11 months and 3 years and have no specific obligation for renewal. Lease payments are recognised in the statement of Profit and Loss Account in the year incurred.			

10. 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 2007. Charter Overseas Holdings Limited, the holding company of Esab Holdings Limited is a subsidiary of Charter Plc.  
Exelvia Group India BV - Holds 18.25 % of the paid up equity share capital of the Company as at 31 December 2007.
- ii) Esab Welding & Cutting Systems Limited - Subsidiary Company - 100% of whose paid up equity share capital is held by the Company as at 31 December 2007.

**b) Charter Plc Group - Related parties in the Charter Plc Group where significant influence exists :**

Esab Engineering Services Limited, India	Esab AB, Sweden
Conarco Alambres y Soldaduras SA, Argentina	P.T. Karya Ysantara Cakti, Indonesia
Esab AB Welding Equipment, Sweden	Esab Middle East LLC., Dubai
Esab Asia Pacific Pte. Ltd., Singapore	Esab SeAH Corporation, Korea
Esab Automation Limited, England & Wales	ESAB S.A. Industria e Comercio, Brazil
Esab Cutting Systems GmbH (Karben), Germany	Esab Saldatura S.p.a, Italy
OZAS-ESAB Sp. Z.o.o., Poland	Esab Sp. Z.o.o., Poland
Esab International AB, Sweden	Esab Vamberk s.r.o., Czech Republic
Esab Welding & Cutting Products (Shanghai) Ltd	Esab Welding Products (Jiangsu) Co Ltd, China

**c) Key Management Personnel**

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

10. Related Party Disclosure

d) Transaction and outstanding balances with Related Parties.

Rs. '000

Nature of Transaction	Control Exists (a)		Significant Influence Exists (b)		Key Management Personnel (c)		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	Purchase of goods	-	-	161,217	139,314	-	-	161,217
Purchase of Fixed Assets	-	-	13,846	173	-	-	13,846	173
Sale of goods	-	-	26,093	46,849	-	-	26,093	46,849
Reimbursement of Expenses	-	-	4,591	6,400	-	-	4,591	6,400
Payment of Technical Knowhow	-	-	-	16,507	-	-	-	16,507
Interest on Loan	-	4,039	-	-	-	-	-	4,039
Commission Income	-	-	990	1,991	-	-	990	1,991
Royalty	-	-	2,338	-	-	-	2,338	-
Remuneration	-	-	-	-	5,277	7,102	5,277	7,102
Outstanding payables (net)	-	-	17,759	-	-	-	17,759	-
Outstanding receivable (net)	-	65	-	6,712	-	*	-	6,777

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.

### 11. 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, Welding fluxes

**Equipment** : Welding machines and Cutting equipment

Rs.'000

PARTICULARS	CONSUMABLES		EQUIPMENT		TOTAL	
	2007	2006	2007	2006	2007	2006
REVENUE						
External sales (Net)	2,447,009	2,097,511	982,535	774,613	3,429,544	2,872,124
Segment results	661,396	558,896	190,427	122,330	851,823	681,226
Less: Interest and Finance Charges					8,792	12,689
Other common expenses (Net)					31,040	20,530
Total profit before tax					811,991	648,007
Capital employed						
Segment assets	911,420	687,936	427,055	384,996	1,338,475	1,072,932
Add: Common Assets					284,544	228,243
Total Assets					1,623,019	1,301,175
Segment liabilities	197,060	190,893	175,719	168,513	372,779	359,406
Add: Common liabilities					209,573	172,593
Total Liabilities					582,352	531,999
Segment capital employed	714,360	497,043	251,336	216,483	965,696	713,526
Add: Common capital employed					74,971	55,650
Total capital employed					1,040,667	769,176
Capital expenditure	155,344	77,189	15,258	110,750	170,602	187,939
Add: Common capital expenditure					3,236	1,776
Total capital expenditure					173,838	189,715
Depreciation	40,507	36,996	13,668	8,490	54,175	45,486
Add: Common depreciation					1,948	1,640
Total depreciation					56,123	47,126
Non cash expenses	1,564	(803)	2,317	1,813	3,881	1,010
Add: Common non cash expenditure					110	–
Total non cash expenditure					3,991	1,010

#### Geographical Segments

The Company caters mainly to the needs of Indian market and the export turnover being 1.93% (previous year 3.54%) of the total turnover of the Company, there are no reportable geographical segments.

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 enterprises as a whole, and not allocable to segments on a reasonable basis, have been included under the heading "other common expenses".

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

Name of the fund	2007				2006				Rs. '000
	Face Value	No. of units purchased during the year	Purchase Value	No. of units sold during the year	Sale Value	No. of units Purchased during the year	Purchase Value	No. of units sold during the year	
HDFC Cash Management fund - Savings plan - Daily Dividend Reinvestment	10	1,993,720	20,000	2,351,384	25,016	4,738,024	50,395	2,377,219	25,285
Tata - Liquidity Management fund - Daily Dividend	1000	5,284	5,295	25,251	25,308	60,156	60,292	40,189	40,279
HDFC Quarterly Interval Fund - Plan A Wholesale Dividend	10	2,500,000	26,422	2,500,000	26,422	-	-	-	-
SBI Magnum Institutional Income - Savings - Dividend	10	-	-	-	-	1,002,745	10,060	1,002,745	10,060
ICICI - Institutional Liquid Plan - Daily Dividend Option	10	1,701,650	20,165	1,701,650	20,165	847,233	10,040	847,233	10,040
Tata Treasury Manager ship Daily Dividend	1,000	45,034	45,169	45,034	45,169	-	-	-	-
Tata Fixed Horizon fund - Series 10 Periodic Dividend	10	2,500,000	25,466	2,500,000	25,466	-	-	-	-
ING Liquid Plus fund - Institutional Daily Dividend	10	9,496,866	95,000	4,994,536	49,962	-	-	-	-
Reliance Liquid Plus Daily Dividend Plan	1000	69,941	70,000	49,946	49,988	-	-	-	-
LIC Liquid Plus fund - Daily Dividend	10	5,128,539	51,285	5,128,539	51,285	-	-	-	-
Sundaram BNP Paribas Fixed Term Plan - Series XXVI - Dividend	10	2,551,870	25,519	2,551,870	25,519	-	-	-	-
HSBC Liquid Plus Fund - Institutional Daily Dividend	10	5,137,917	51,443	5,137,917	51,443	-	-	-	-
UTI Fixed Maturity Plan Quarterly Series	10	5,001,000	50,830	5,001,000	50,830	-	-	-	-
UTI Liquid Plus Fund Institutional Plan - Daily Dividend Option	1000	25,198	25,198	25,198	25,198	-	-	-	-
ICICI FMP - Series 38 - Three Months Plan A - Retail Dividend	10	2,500,000	25,520	2,500,000	25,520	-	-	-	-
ICICI Flexible Income Plan - Dividend Daily Reinvestment	10	6,620,324	70,000	2,339,926	24,741	-	-	-	-
SBI Magnum Insta Cash Fund - Dividend Option	10	482,092	5,148	-	-	-	-	-	-
<b>Total</b>		<b>45,759,435</b>	<b>612,460</b>	<b>36,852,251</b>	<b>522,032</b>	<b>6,648,158</b>	<b>130,787</b>	<b>4,267,386</b>	<b>85,664</b>

**13. Micro, Small and Medium Enterprises**

The management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 December 2007 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.

**14. Outstanding forward contracts**

The Company doesn't 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	2007	
	Amounts receivable in foreign currency	Amounts payable in foreign currency
Euro equivalent ('000)	3	345
USD equivalent ('000)	81	639
SEK equivalent ('000)	-	254
GBP equivalent ('000)	-	7
Rs ('000)	3,342	47,516

The above disclosures have been consequent to the announcement by the Institute of Chartered Accountants of India on December 2, 2005.

15. Subsequent to Balance Sheet date, the Board of Directors has approved the scheme of merger of ESAB Welding & Cutting Systems Limited with ESAB India Limited.
16. Previous year figures have been regrouped and reclassified wherever necessary.

For and on behalf of the Board of Directors

**N H Mirza**  
Director

**G Hariharan**  
Managing Director

**S Venkatakrishnan**  
Company Secretary

**B Mohan**  
Chief Financial Officer

Mumbai, 4 March 2008



Consolidated Cash Flow Statement  
for the year ended 31 December 2007



Schedule	2007 Rs.'000	2006 Rs.'000
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax	811,991	648,007
Interest Income	(3,100)	(13,684)
Investment Income	(12,512)	(2,337)
Loss on Sale of Fixed Assets (Net)	627	29
Fixed Assets written off	110	-
Unrealised Exchange Differences	39	(565)
Depreciation/Amortization	56,123	47,126
Interest and Finance Charges	8,792	12,689
Write Back of Provision for debts/Provision for Doubtful Debts	3,842	1,575
Operating Profit before Working Capital Changes	865,912	692,840
Trade and Other Receivables	(7,565)	(43,750)
Other Current Assets and Loans and Advances	(36,129)	(49,108)
Inventories	(109,145)	2,200
Trade Payables	36,869	92,193
Cash Generated from Operations	749,942	694,375
Voluntary Separation Compensation and Related Payments	(800)	(2,002)
Direct Taxes Paid (Net)	(315,982)	(270,510)
Net Cash from Operating Activities	433,160	421,863
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(171,177)	(196,351)
Sale of Fixed Assets	788	991
Purchase of Investments	(612,461)	-
Sale of investments	522,032	(161,382)
Equity investments	(4,475)	85,664
Interest received	4,714	18,051
Investment income received	12,511	1,117
Net Cash used in Investing Activities	(248,068)	(251,910)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Borrowings	-	(113,250)
Dividend Paid/Transfer to Investor Education and Protection Fund	(228,590)	(396,875)
Interest Paid and Finance Charges	(8,807)	(14,881)
Net Cash used in Financing Activities	(237,397)	(525,006)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(52,305)	(355,053)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR	207,950	563,003
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	155,645	207,950
Notes:		
i) Cash and Cash Equivalents include :		
(a) Cash and Bank balances other than those mentioned in (b) below.	141,464	199,677
(b) Cash and Bank balances not available for use by the Company (Cash and Bank balances not available for use by the Company include margin money, unclaimed dividends and debenture interest).	14,181	8,273
	155,645	207,950

Notes to Accounts

P

The schedules referred to above form an integral part of the financial statements  
As per our report attached

For and on behalf of the Board of Directors

**For BSR & Co.**

Chartered Accountants

**S Sethuraman**

Partner

Membership No. 203491

Mumbai, 4 March 2008

**N H Mirza**

Director

**S Venkatakrishnan**

Company Secretary

**G Hariharan**

Managing Director

**B Mohan**

Chief Financial Officer

The following statement is provided pursuant to Section 212 of the Companies Act, 1956 relating to the Company's Subsidiary, Esab Welding & Cutting Systems Limited

1	Financial year of the Subsidiary	31 December 2007
2	Shares of the Subsidiary held by Esab India Limited on the above date	
	Number and Face Value	1,400,000 Equity shares of Rs.10 fully paid up
	Extent of holding	100%
3	Net aggregate amount of Profit/(loss) of the subsidiary so far as they concern the members of Esab India Limited	
	(a) not dealt with in the Accounts of Esab India Limited for the year ended 31 December 2007 (except to the extent dealt with in (b) below)	
	(i) for the subsidiary's financial year ended 31 December 2007 (Rs.'000s)	2146
	(ii) for the previous financial years of the subsidiary since it became a subsidiary (Rs.'000s)	(1802)
	(b) dealt with in the accounts of Esab India Limited for the year ended 31 December 2007 (being dividend received):	
	(i) for the Subsidiary's financial year ended 31 December 2007 (Rs.'000s)	NIL
	(ii) for the previous financial years of the subsidiary since it became a subsidiary (Rs.'000s)	2,400

For and on behalf of the Board of Directors

**N H Mirza**  
Director

**G Hariharan**  
Managing Director

**S Venkatakrisnan**  
Company Secretary

**B Mohan**  
Chief Financial Officer

Mumbai, 4 March 2008

## Board of Directors

Mr G Hariharan  
Mr B Mohan  
Mr G Banerjee

## Statutory Auditors

S.N. Gogate & Co., Pune.

## Directors' Report

Your Directors present the Twentieth Annual Report together with the audited accounts for the year ended 31 December 2007.

### FINANCIAL RESULTS

	2007 Rs.'000s	2006 Rs.'000s
Profit/(Loss) before taxes, interest and depreciation	2,646	(268)
Interest	-	-
Depreciation	-	-
Current Tax	(500)	-
Profit / (Loss) after tax	<u>2,146</u>	<u>(268)</u>

The Company did not have any operations during the year.

### DIVIDEND

In view of the accumulated losses, your Directors do not recommend any dividend for the year.

### DIRECTORS

Mr. B. Mohan retires by rotation at the forthcoming Annual General Meeting and being eligible, has offered himself for re-appointment.

### AUDITORS

M/s. S. N. Gogate & Company, Chartered Accountants, the retiring auditors, being eligible have offered themselves for re-appointment to hold office until the conclusion of the next Annual General Meeting. The Company has received confirmation from M/s. S. N. Gogate & Company, Chartered Accountants, that their appointment, if made will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

### SHIFTING OF THE REGISTERED OFFICE & MERGER

The Company is in the process of merging with its Holding Company ESAB India Limited and in this connection had filed a petition with the Company Law Board, Western Region for shifting its Registered Office from the state of Maharashtra to the state of Tamil Nadu. The Company Law Board vide its Order No.1184117/CLB/WR/2007/3246 dated 16 January 2008 has approved the shifting of the Registered Office of the Company. Hence, the present Registered Office of the

company is at Plot No. 13, 3rd Main Road, Industrial Estate, Ambattur, Chennai 600058. The process of merger is expected to be completed during the financial year.

### COMPLIANCE CERTIFICATE

As required under section 383A of the Companies Act, 1956, the Company has obtained a compliance certificate from M/s. V. Mahesh & Associates, Practising Company Secretaries. The compliance certificate is annexed hereto and forms part of this report.

### DIRECTORS' RESPONSIBILITY STATEMENT

To the best of our 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. That in the preparation of the annual accounts for the year ended 31 December 2007, the applicable accounting standards have been followed;
2. That the directors had selected such accounting policies and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on 31 December 2007 and of the loss of the Company for the year under review;
3. That 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. As the Company has ceased operations, the annual accounts for the year ended 31 December 2007 have been prepared on the basis of accounting for all liabilities and not on a going concern basis.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The company has no activity relating to conservation of energy or technology absorption. The company did not have any foreign exchange earnings or outgo.

### EMPLOYEES

The Company did not have any employees.

### APPRECIATION

Your Directors record their appreciation for the support given to your Company by its Bankers and shareholders.

For and on behalf of the Board of Directors

Chennai, 18 January 2008

**G Hariharan**  
Chairman

**Registration No : CIN - U29119TN1988PTC066357**  
**Nominal Capital : Rs. 140.00 Lakhs**

**To,**  
**The Members**  
**M/s. ESAB WELDING AND CUTTING SYSTEMS LIMITED**  
**Chennai**

I have examined the registers, records, books and papers of M/s. ESAB WELDING AND CUTTING SYSTEMS LIMITED as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the year ended on 31 December, 2007. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
2. The Company has filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
3. The Company is a Public Limited Company with a Paid-up Capital of Rs.140,00,000/-(Rupees One Crore Forty Lakhs only) as on 31st December 2007 and hence no comments.
4. The Board of Directors duly met 6 (Six) times respectively on 18.01.2007, 25.05.2007, 09.06.2007, 03.09.2007, 20.09.2007 & 03.12.2007 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company was not required to close its Register of Members during the year.
6. The Annual General Meeting for the financial year ended on 31 December 2006 was held on 14 February 2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. An Extra-Ordinary General Meeting was held on 13.07.2007 after giving due notice to the Members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
8. The Company has not advanced any loans to its directors and/or persons or firms or companies referred to under Section 295 of the Act.
9. According to the Register of Contracts, the Company has not entered into any contracts falling within the purview of Section 297 of the Companies Act, 1956.
10. The Company was not required to make any entries in the register maintained Under Section 301 of the Act. However entries relating to the names of the firms and bodies corporate of which notice has been given under sub section 3 of Section 299 by Directors, were made in the said register.
11. As there were no instances falling within the purview of Section 314 of the Act the Company was not required to obtain any approvals from the Board of Directors, members or Central Government, as the case may be.
12. The Board of Directors has approved the issue of duplicate share certificates made during the year.
13. (i) The Company has delivered all the Certificates on lodgment of request for duplicate share certificates in accordance with the provisions of the Act during the financial year.  
(ii) The Company has not declared any dividend for the year.  
(iii) Payment/Posting of dividend warrants to all the members within a period of 30 days from the date of declaration and transfer of unclaimed/unpaid dividend to unpaid dividend account of the Company is not applicable since the Company has not declared any dividend for the year under review.  
(iv) Transfer of amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund is not applicable to the Company.  
(v) As per the information/explanation provided by management, the Company has complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and there was no appointment of Directors during the year.
15. The Company's Paid-up Capital being less than the prescribed Rs.5.00 crores, it is not required to appoint the Managing Director / Whole-time Director / Manager and accordingly the provisions of Section 269 of the Act to that extent are not applicable.
16. The Company has not appointed any sole-selling agents during the year.
17. During the said year, the Company had passed special resolution for shifting its registered office from Pune, the State of Maharashtra to Chennai, State of Tamil Nadu and required to obtain approval of the Company Law Board under the provisions of the Act and in this regard the Company had filed petition under section 17 of Companies Act, 1956 with Hon'ble Company Law Board, Western Region Bench, Mumbai. The Hon'ble Company Law Board Western Region Bench, Mumbai vide its order dated 16.01.2008 confirmed the shifting of registered office from Pune, the State of Maharashtra to Chennai, State of Tamil Nadu.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares, debentures or other securities during the financial year.

20. The Company has not bought back any shares during the year under review.
21. The Company has not issued any Redeemable Preference Shares / Debentures.
22. There were no transaction necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act, during the year under review.
24. The Company has not made any borrowings during the year ended 31 December 2007.
25. The Company has not made any loans or advances, or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny and complied with the provisions of the Act.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the memorandum with respect to Share Capital of the Company during the year under scrutiny.

30. The Company has not altered its Articles of Association during the year under scrutiny.
31. There was no prosecution initiated against or show cause notices received by the company, and no fines or penalties or any other punishment was imposed on the company during the year, for offences under the Act.
32. The Company has not received any money as security from its employees during the year.
33. The Provisions of Section 418 of the Companies Act 1956 are not applicable to the company.

For V.MAHESH & ASSOCIATES

Place : Chennai  
Date : 18.01.2008

**V. Mahesh**  
Company Secretary  
C.P.No. 2473

**ANNEXURE A**

**Registers as maintained by the Company**

1. Register of Members u/s.150 and Index of Members u/s. 151.
2. Minutes of General Meetings and Board meetings u/s 193.
3. Register of Directors u/s 303.
4. Register of Directors' Shareholding u/s 307.
5. Register of Transfers.
6. Register of Charges u/s.143.
7. Register of Contracts, Companies and firms in which Directors of the Company are interested u/s. 297, 299, 301 and 301 (3).
8. Register of Common Seal.
9. Books of Accounts u/s.209.

**ANNEXURE B**

**Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the year ended on 31st December, 2007.**

S.No	eForm No/Return	Filed U/s	For	Date of Filing & SRN	Whether filed within prescribed time Yes/No	If delay in filing whether requisite additional fee paid Yes/No
1	Balance Sheet -23AC	220	the year ended 31.12.2006	P06767008 21.02.2007	Yes	NA
2	Annual Return -20B	159	As on 14.02.2007	P06766828 21.02.2007	Yes	NA
3	Form 23	192	Shifting of Registered office	A18761635 24.07.2007	Yes	NA
4	DIN 3	266E	Intimation of DIN to Registrar	A27499631 07.12.2007	Yes	NA
5	Form 22B	187C	Declarations	A22284293 14.09.2007	Yes	NA

For V.MAHESH & ASSOCIATES

Place: Chennai  
Date : 18.01.2008

**V. Mahesh**  
Company Secretary  
C.P.No. 2473

To  
The Members  
ESAB Welding & Cutting Systems Limited.

1. We have audited the attached Balance Sheet of Esab Welding & Cutting Systems Ltd., as at 31st December'2007 and also the Profit and Loss Account 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 the 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 also 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 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, 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, in the Annexure referred to in paragraph 3 above and 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 purpose of our audit.
  - (ii) in our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
  - (iii) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - (iv) in our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - (v) On the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account, read together with the notes thereon give the information required by the Companies Act, 1956, 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 2007;
    - (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date.

**For S.N. Gogate & Co.**  
Chartered Accountants

Place : Pune  
Date : 18.01.2008

**S.N. Gogate**  
Membership No.100-10354

## Annexure to Auditors' Report

Referred to in paragraph 3 of our report of even date

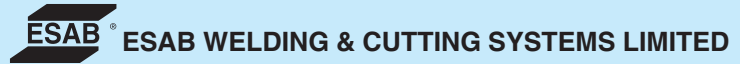
- (i) According to the information and explanations given to us, there are no fixed assets during the year, due to closure of manufacturing activities by the company. Accordingly, clause 4 (i) (a) (b) and (c) of the Order are not applicable to the Company.
- (ii) According to the information and explanations given to us, there is no inventory during the year. Accordingly, clause 4 (ii) (a) (b) and (c) of the Order are not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has during the year not granted or taken any loans secured or unsecured to / from companies, firms or other parties covered in the register maintained u/s.301 of the Companies Act, 1956. Accordingly, clause 4 (iii) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of inventory nor fixed assets, nor any transactions of sale of goods and services during the year. Accordingly, clause 4 (iv) of the Order are not applicable to the Company.
- (v) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956.
- (vi) In our opinion and according to the information and explanations given to us, as the Company has not accepted any deposits from public, the directives issued by Reserve Bank of India and the provisions of section 58A and 58AA of the Companies Act, 1956 and the rules framed there-under are not applicable. To the best of our knowledge and according to the information and explanations given to us, no order has been passed by the National Company Law Tribunal.
- (vii) In view of the closure of manufacturing activities of the company, the company has not appointed independent internal auditor. However, in our opinion, the internal audit system is commensurate with the size and nature of its business.
- (viii) In view of the closure of manufacturing activities of the company, maintenance of cost records u/s.209(1)(d) of Companies Act, 1956 as prescribed by Central Government of India are not applicable to the Company. Accordingly, clause 4 (viii) of the Order are not applicable to the Company.
- (ix) (a) According to the relevant records of the company, in case of undisputed statutory dues including Income Tax / Sales Tax and other statutory dues, the company has been regularly depositing the same with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts, payable in respect of the aforesaid dues were outstanding as at 31 December 2007 for a period of more than six months from the date of its become payable.
- (b) According to the records of the company, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess, which have not been deposited on account of any disputes.
- (x) The company has accumulated losses of Rs.9.23 million at the end of calendar year 31 December 2007
- and during the year, the company has incurred cash losses of Rs. Nil and there is cash loss of Rs.0.27 million in the immediately preceding financial year.
- (xi) According to information and explanations given to us, the company has not accepted any loans from financial institutions or banks or debenture holders and no repayment made during the year to them. Accordingly, clause 4 (xi) of the Order is not applicable to the Company.
- (xii) According to information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not Chit Fund, Nidhi, Mutual Fund or a Society. Accordingly, clause 4 (xiii) of the Order is not applicable to the Company.
- (xiv) According to the records of the company, during the year the company has made an investment in SBI Mutual Fund and proper records have been maintained of the transaction and timely entry has been made therein. The said investment has been held by the Company in its own name.
- (xv) According to the information and explanations given to us, as the company has not given any guarantee for loans taken by others or bank or financial institutions. Accordingly, clause 4 (xv) of the Order is not applicable to the Company.
- (xvi) During the year the company has not raised any term loan from any financial institution. Accordingly, clause 4 (xvi) of the Order is not applicable to the Company.
- (xvii) According to the information and explanations given to us, the company has not raised any funds on short term basis or long term basis during the year. Accordingly, clause 4 (xvii) of the Order is not applicable to the Company.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly, clause 4 (xviii) of the Order is not applicable to the Company.
- (xix) The company has not issued any debentures during the year. Accordingly, clause 4 (xix) of the Order is not applicable to the Company.
- (xx) The company has not raised any money by way of public issue during the year. Accordingly, clause 4 (xx) of the Order is not applicable to the Company.
- (xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company noticed or reported during the year nor have been informed of such case by the management.

**For S.N. Gogate & Co.**  
Chartered Accountants

Place : Pune  
Date : 18.01.2008

**S.N. Gogate**  
Membership No.100-10354

**Balance Sheet**  
as at 31 December 2007



	Schedule	Rs.'000	2007 Rs.'000	2006 Rs.'000
<b>SOURCES OF FUNDS</b>				
SHAREHOLDERS' FUNDS				
SHARE CAPITAL	A		<u>14,000</u>	<u>14,000</u>
			<u>14,000</u>	<u>14,000</u>
<b>APPLICATION OF FUNDS</b>				
INVESTMENTS	B		5,148	–
CURRENT ASSETS, LOANS AND ADVANCES				
Sundry Debtors	C	–		–
Cash & Bank Balances	D	77		89
Loans & Advances	E	<u>162</u>		<u>3,244</u>
		<u>239</u>		<u>3,333</u>
LESS :				
CURRENT LIABILITIES AND PROVISIONS				
Liabilities	F	120		712
Provision For Income tax		<u>500</u>		–
		<u>620</u>		
NET CURRENT ASSETS			<u>(381)</u>	<u>2,621</u>
PROFIT AND LOSS ACCOUNT				
Net Loss as per Profit and Loss Account			<u>9,233</u>	<u>11,379</u>
			<u>14,000</u>	<u>14,000</u>

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date attached

**For S.N. Gogate & Co**  
Chartered Accountant

For and on behalf of the Board of Directors

**B Mohan**  
Director

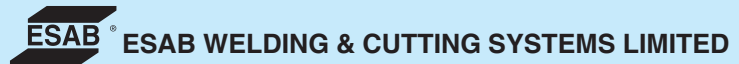
**G Hariharan**  
Chairman

**S.N. Gogate**  
Membership No. 100-10354  
Pune, 18.01.2008

Chennai  
Dated : 18.01.2008



**Profit and Loss Account**  
for the year ended on 31 December 2007



	Schedule	2007 Rs.'000	2006 Rs.'000
<b>INCOME</b>			
Other Income	G	3,055	—
		<u>3,055</u>	<u>—</u>
<b>EXPENDITURE</b>			
Administrative Expenses	H	409	268
		<u>409</u>	<u>268</u>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>2,646</b>	(268)
Less-Current Tax		(500)	—
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>2,146</b>	(268)
Add : Balance brought forward from the previous year		(11,379)	(11,111)
<b>NET LOSS CARRIED TO BALANCE SHEET</b>		<b>(9,233)</b>	(11,379)
Notes to Accounts	I		

The Schedules referred to above form an integral part of the Profit and Loss Account.  
As per our report of even date attached

**For S.N. Gogate & Co**  
Chartered Accountant

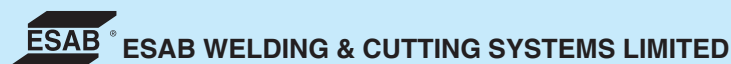
**S.N. Gogate**  
Membership No. 100-10354  
Pune, 18.01.2008

For and on behalf of the Board of Directors

**B Mohan**                      **G Hariharan**  
Director                              Chairman

Chennai  
Dated : 18.01.2008

Schedules to Balance Sheet  
as at 31 December 2007



	2007 Rs.'000	2006 Rs.'000
<b>A. SHARE CAPITAL</b>		
<b>Authorised:</b>		
1,400,000 Equity Shares of Rs.10/- each	<u>14,000</u>	<u>14,000</u>
<b>Issued, Subscribed and Paid-up</b>		
1,400,000 Equity Shares of Rs.10/- each fully subscribed and paid-up.	<u>14,000</u>	<u>14,000</u>
<b>B. INVESTMENTS</b>		
Other than Trade Investments		
Investments in Mutual Funds (Refer Note 12 of Schedule I for details of Mutual funds Purchased and sold during the year SBI Magnum Insta Cash Fund - Dividend Option - 482, 092 Units (December 31, 2006 - Nil Units) Face Value Rs.10 Per Unit. Aggregate Market Value of Company's Investment in Mutual Funds - Rs.5,148 (Previous Year - Nil)	<u>5,148</u>	<u>-</u>
<b>C. SUNDRY DEBTORS (UNSECURED)</b>		
Outstanding for a period exceeding six months Considered doubtful	<u>-</u>	<u>71</u>
	<u>-</u>	<u>71</u>
Less : Provision for doubtful debts	<u>-</u>	<u>71</u>
	<u>-</u>	<u>-</u>
<b>D. CASH AND BANK BALANCES</b>		
Balance with Scheduled Banks :		
With State Bank of India	<u>12</u>	<u>12</u>
With Bank of Maharashtra	<u>65</u>	<u>77</u>
	<u>77</u>	<u>89</u>
<b>E. LOANS AND ADVANCES</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	<u>48</u>	<u>48</u>
Advance Tax including Tax Deducted at Source	<u>114</u>	<u>3,197</u>
	<u>162</u>	<u>3,244</u>
<b>F. CURRENT LIABILITIES</b>		
Sundry Creditors	<u>-</u>	<u>266</u>
Customers' credit balances	<u>-</u>	<u>47</u>
Other Liabilities	<u>120</u>	<u>399</u>
	<u>120</u>	<u>712</u>
<b>G. OTHER INCOME</b>		
Interest Income	<u>1,743</u>	<u>-</u>
Income from Investments	<u>149</u>	<u>-</u>
Miscellaneous	<u>1,163</u>	<u>-</u>
	<u>3,055</u>	<u>-</u>
<b>H. ADMINISTRATIVE EXPENSES</b>		
Rent	<u>-</u>	<u>91</u>
Professional Charges	<u>405</u>	<u>147</u>
Bad Debts written off	<u>71</u>	<u>-</u>
Less: Provision for Bad debts	<u>71</u>	<u>-</u>
Miscellaneous	<u>4</u>	<u>30</u>
	<u>409</u>	<u>268</u>

I. SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS

1. Preparation of Accounts

The Company has closed its Manufacturing operations and disposed of all fixed assets and have paid all the dues to their employees.

As such, the accounts have been prepared on the basis of accounting for all the remaining liabilities and not on the basis of Going Concern.

2. Accounting Policies

The accounts are prepared on the historical cost convention and materially comply with the mandatory Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956. However Income Tax/Sales Tax refunds/dues are accounted as and when incurred or receipts. The significant accounting policies followed by the Company are as follows:

- a. There were No Sales or Purchases during the year
- b. There were no fixed assets and hence no depreciation have been charged
- c. Inventories  
There were no stock of Raw material or Work-in-Progress or Finished goods during the year
- d. No Deferred tax is considered as the company has closed all its Manufacturing operations
- e. Investments are stated at cost.
- f. Income Accrual  
Interest received on income tax refunds for earlier years and income/ dividend on mutual fund accounted on due basis.

	2007 Rs. '000	2006 Rs. '000
3. Contingent liabilities not provided for (As certified by the Management)	NIL	NIL
4. Auditor's remuneration (Included in Professional Charges)		
Audit Fees	10	10
Other professional services	110	48
	<u>120</u>	<u>58</u>
5. Capacity, Production, Stock and Value	NIL	NIL
6. Material and components consumed	NIL	NIL
7. Value of imports calculated on C.I.F. Basis	NIL	NIL
8. Value of imported and indigenous materials and components consumed	NIL	NIL
9. Foreign Exchange Expenditure	NIL	NIL
10. Dues to any SSI, Micro, Small and Medium Enterprises during the Year.	NIL	NIL
11. On the grounds of prudence and closure of the manufacturing activity of the Company has not computed/accounted the amount of deferred taxation (asset being effect of carried forward losses) as per the mandatory Accounting Standard 22 "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India.		

12. Details of Units in Mutual Funds Purchased and Sold during the year

Rs.'000

Name of the Fund	2007				2006			
	No.of units Purchased	Purchases	No.of units Sold	Sales	No.of units Purchased	Purchases	No.of units Sold	Sales
SBI Magnum Insta Cash Fund - Dividend Option	482,092	5,148	-	-	-	-	-	-
<b>Total</b>	<b>482,092</b>	<b>5,148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

13. An Income Tax Refund of Rs. 1163 (000) representing excess provision of tax in earlier years is credited to Profit and Loss Account.

14. Earnings Per Share

	2007	2006
Basic Earnings per Share	Rs. 1.53	Rs. (0.19)
Diluted Earnings per Share	Rs. 1.53	Rs. (0.19)
Nominal value per Share	Rs. 10.00	Rs. 10.00

Earnings per share are calculated by dividing the profit / (loss) attributable to the Equity Shareholders by the Weighted average number of Equity shares outstanding during the year. The numbers used in calculating basis and diluted earnings per share are:

	2007 '000s	2006 '000s
Profit / (Loss) after taxation	Rs. 2,146	Rs. (268)
Weighted average number of shares outstanding during the year	Nos. 1,400	Nos. 1,400

15. 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.	4	7	2	0	9	State Code	1	1
Balance Sheet Date	3	1	1	2	0	7		
	Date		Month		Year			

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

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 (Rs. '000)

Total Liabilities	1	4	0	0	0	Total Assets*	1	4	0	0	0
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\* Net of Current Liabilities & Provisions

\* Includes debit balance in Profit and Loss Account

Sources of funds

Paid-up Capital	1	4	0	0	0	Reserves & Surplus	N	I	L
Secured Loans	N	I	L	Unsecured Loans	N	I	L		

Application of funds

Net Fixed Assets	N	I	L	Investments	5	1	4	8	
Net Current Assets	-	3	8	1	Misc. Expenditure	N	I	L	
Accumulated Losses		9	2	3	3				

IV. Performance of Company (Rs. '000)

Turnover *	N	I	L	Total Expenditure	4	0	9
------------	---	---	---	-------------------	---	---	---

\*Includes other/extra ordinary income

+/-	Profit/Loss Before Tax	+/-	Profit/Loss After Tax						
+	2	6	4	6	+	2	1	4	6
+/-	Earnings per Share		Dividend Rate %						
+	1	.	5	3		-	-	-	

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

Item Code (ITC Code)	8	4	6	8	.	0	0										
Product Description	C	U	T	T	I	N	G	E	Q	U	I	P	M	E	N	T	S

16. The previous year's figures have been regrouped or reclassified wherever necessary.

Signatures to Schedules A to I which form an integral part of the Accounts.  
In terms of our report of even date.

**For S.N. Gogate & Co**  
Chartered Accountant

For and on behalf of the Board of Directors

**B Mohan**  
Director

**G Hariharan**  
Chairman

**S.N. Gogate**  
Membership No. 100-10354  
Pune, 18.01.2008

Chennai  
Dated : 18.01.2008





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

**ATTENDANCE SLIP**

**21st Annual General Meeting on Tuesday 29 April 2008.**

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 Tuesday 29 April 2008 at Mini Hall, The Music Academy, No.168, T.T.K. Road, Chennai - 600 014.

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 of proxy 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**

**21st Annual General Meeting on Tuesday 29 April 2008.**

Mr./Mrs./Miss

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

I/We.....

of ..... in the district of .....

.....being a member/members of Esab India Limited hereby appoint

..... of .....

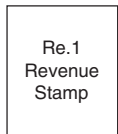
in the district of ..... or failing him/her ..... of

..... in the district of .....

as my / our proxy to vote for me / us on my / our behalf at the 21st Annual General Meeting of the Company to be held on Tuesday 29 April 2008 at 4.00 p.m. at Mini Hall, The Music Academy, No.168, T.T.K. Road, Chennai - 600 014 and at any adjournment thereof.

Signed this..... day of .....2008

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.

