



ESAB INDIA LIMITED



Your partner in Welding and Cutting

Annual Report 2006

Board of Directors

M G Foster	Chairman
G Hariharan	Managing Director
S Sundar Ram	
P Mallick	
N H Mirza	
S Tandon	
J Templeman	
S N Talwar	Alternate to J Templeman
B Mohan	Chief Financial Officer
S Venkatakrishnan	Company Secretary

Registered Office

Plot No.13, 3rd Main Road, Industrial Estate,
Ambattur, Chennai – 600 058.
Tel: 044-42281100
Fax:044-42281150
www.esabindia.com

Bankers

State Bank of India
UTI Bank Limited

Auditors

BSR & Co.

Registrar & Share Transfer Agents

Integrated Enterprises (India) Ltd.
IInd Floor, 'Kences Towers',
No. 1, Ramakrishna Street,
North Usman Road,
T.Nagar, Chennai – 600 017.
Phone : (044) 28140801 / 02 / 03
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NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of the Company will be held at the Mini Hall, The Music Academy, No.168, T.T.K. Road, Chennai 600 014, on Friday the 27 April 2007 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at 31 December 2006 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr J Templeman, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr G Hariharan, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and in this regard to pass, with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT the retiring Auditors M/s. BSR & Co., Chartered Accountants, be and are hereby re-appointed as Auditors of this Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed in this behalf by the Board of Directors of the Company.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and it is hereby accorded to the appointment of Mr G Hariharan, as the Managing Director of the Company for a period of 5 years effective 1 September 2006 on the following remuneration:

Remuneration

1. By way of salary, and other allowances, etc., hereinafter referred to as Remuneration subject to a ceiling of Rs.4,000,000/- per annum or such other amount as the Board may determine.
2. By way of Performance Linked Variable Pay / Long Term Incentive Compensation / Bonus / Commission on profits etc., subject to a ceiling of Rs.2,000,000/- per annum or such other amount as the Board may determine.

Perquisites

3. By way of perquisites which shall be evaluated at actual cost to the Company and where it is not possible to ascertain the actual cost, such perquisites shall be evaluated as per Income Tax Rules, 1962, and as per details given below subject to a ceiling of Rs.2,000,000/- per annum or such other amount as the Board may determine.
 - i. a. The Company shall provide rent free furnished accommodation and also pay all rents, rates and taxes.
 - b. The Company shall reimburse expenditure incurred towards electricity, fuel charges, water charges, and all other expenses for the upkeep and maintenance of his residence.
 - ii. Leave Travel Expenses : For self and family (which shall include spouse, dependent children and parents) in accordance with the rules applicable to the Company.
 - iii. Reimbursement of expenditure incurred towards car driver salary.
 - iv. Provision of assets / furnishings at the residence of the Managing Director, the valuation of which will be as per Income Tax Rules. The Company shall maintain these assets, the expenses towards which shall not be included in the computation of the limits for remuneration or perquisites as aforesaid.
 - v. Other allowances / benefits / perquisites: Any other allowances, benefits and perquisites as per the rules applicable to the Senior Executives of the Company and/or which may become applicable in the future and/or any other allowances, perquisites as the Board may from time to time decide.

The following benefits which shall be provided to Mr G Hariharan, Managing Director shall not be included in the computation of the limits for remuneration or perquisites as aforesaid.

Company's contribution to provident fund not exceeding such percentage of the salary as may be fixed by the Central Government from time to time and to gratuity, superannuation fund as per the rules of the Company.

The company shall also provide and maintain a car and telephones for official use. Payment of club fees for two clubs and all actual entertainment expenses at the club reasonably incurred in or about the business of Company shall be reimbursed. Medical expenses for self and family, which shall include spouse, dependant children and parents, at actuals shall be reimbursed.

Mr G Hariharan, Managing Director may also avail leave in accordance with the policies applicable to Management Staff

of the Company. He shall be entitled to encashment of leave standing to his credit as per applicable policies for Management Staff.

The Managing Director shall also be a beneficiary of the Group Medical Insurance and the Personal Accident Insurance Policies taken by the Company for the Management Staff of the Company.

The Managing Director shall not be eligible to receive sitting fees for attending meetings of the Board of Directors or any Committee thereof.

The aggregate of the remuneration and perquisites as aforesaid in any financial year shall not exceed the limits prescribed from time to time under Sections 198 and 309 of the Companies Act, 1956 read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof for the time being in force, or otherwise as may be permissible at law.

RESOLVED FURTHER THAT where in any financial year, the Company has no profits or its profits are inadequate, Mr G Hariharan, Managing Director subject to the approval of a Remuneration Committee of the Directors of the Company shall be paid such remuneration not exceeding the ceiling limits specified under Part A of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be deemed necessary to give effect to the above resolution.

By Order of the Board

S Venkatakrisnan
Company Secretary

Mumbai, 1 March 2007

NOTES:

1. The explanatory statement required pursuant to Section 173(2) of the Companies Act, 1956 in relation to Item 5 above is annexed hereto.
2. **A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of himself on a poll only and a proxy need not be a Member. Proxies, in order to be effective, must be addressed to the Company Secretary and received at the Registered Office of the Company at Plot No.13, 3rd Main Road, Industrial Estate, Ambattur, Chennai 600 058 not less than forty-eight hours before the scheduled start of the Meeting.**
3. The Register of Members and Share Transfer Books of the Company will remain closed from 23 April 2007 to 27 April 2007 (both days inclusive).
4. Queries on the Accounts and operations of the Company, if any, may be sent to the Company at its Registered Office (and marked for the attention of the Company Secretary) at least seven days in advance of the Meeting.
5. Members holding shares in physical form are requested to advise any change of address immediately to the Registrar and Share Transfer Agent, viz. M/s. Integrated Enterprises (India) Limited, IIInd Floor, Kences Towers, No.1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai 600 017 - Attention Mr Suresh Babu, General Manager.
6. Members are requested to bring their copies of the Company's Report and Accounts for the year ended 31 December 2006 to the Meeting.
7. Members holding shares under identical names (in the same order) in more than one Folio are requested to write to the Company Secretary at the Registered Office of the Company, enclosing their share certificates, to enable consolidation of their holdings into one Folio.
8. Members who hold shares in the physical form can nominate a person as nominee in respect of all the shares held by them singly or jointly. Members who hold shares in a single name are advised, in their own interest, to avail of the nomination facility by completing and submitting Form 2B. Blank forms will be supplied by the Company's Registrar & Share Transfer Agents on request. Members holding shares in the dematerialized form may contact their Depository Participant for recording the nomination in respect of their shares.
9. 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 / Debentureholders are hereby informed that the Company is statutorily required to transfer to the Fund all unclaimed / unpaid dividend, debenture interest and principal 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 / debentureholders 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 upto 31 December 2007.
 - a. Debenture Interest paid on 31 March 2000
 - b. Debenture Redemption on 31 March 2000

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

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

Mr J Templeman

Mr J Templeman is a Bachelor of Arts (Oxford University) and Master of Arts (Oxford University). He is an Associate Member of the Institute of Chartered Accountants in England & Wales.

He worked for 17 years with Price Waterhouse, London, in various capacities rising to Salaried Partner. He also worked for a short time at Charter plc., as Head of Investor Relations. At present he is the Managing Director of ESAB Global.

He is a Director of ESAB Holdings Limited, ESAB Group Russia Limited, ESAB Russia Limited, ESAB Hungary Limited, Electrudos SA, Conarco Alambros Y Soladiades SA, ESAB Holding SRO, Fortunate Gestao E Servicos SA, ESAB Industria E Comercio, ESAB Shanghai China Trading Ltd, ESAB SeAH and ESAB SVEL.

Mr G Hariharan

Mr G Hariharan is a Metallurgical Engineer having graduated from I.I.T. Bombay. He has more than thirty years' experience having worked in various capacities at W.G. Forge & Allied Industries Ltd., MN Dastur & Co. (P) Ltd., Kirloskar Consultants Ltd., and Philips India Ltd., before joining the Company in 1988. He was responsible for Sales, Marketing and Exports and laterally, the Welding Consumables Division before his appointment as Wholetime Director with effect from 7 January 2003.

He is the Chairman of Esab Welding & Cutting Systems Limited.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item 5

Mr G Hariharan, was appointed as the Whole time Director of the Company by the shareholders of the Company for a period of five years at the Annual General Meeting of the Company held on 14 May 2004. Consequent to Mr S Sundar Ram, the Managing Director of the Company assuming other responsibilities in the ESAB Group, Mr G Hariharan was elevated as the Managing Director of the Company with effect from 1 September 2006 by the Board of Directors vide their resolution dated 16 May 2006 subject to the approval of the shareholders.

The approval of the shareholders is now sought for appointment of Mr G Hariharan, as the Managing Director for a period of 5 years with effect from 1 September 2006 on the remuneration set out in the resolution contained in the Notice.

Subsequent to Mr G Hariharan, assuming higher responsibilities as the Managing Director of the Company, the Company has achieved very significant growth in both sales and profitability and has maintained its leadership position in the industry at the end of 2006.

Considering the above and also taking into account the future prospects of the Company and in line with the remuneration packages to the Managing Directors of similar such manufacturing industries, the Resolution envisages fixing an overall ceiling limits of remuneration, perquisites and incentives payable to Mr G Hariharan, subject to the approval of the shareholders. Further the power to enhance the salary, perquisites and incentives payable to the Managing Director from 1 September 2006 till the end of his tenure is sought to be delegated to the Board, subject to the overall ceiling limits specified in the resolution.

The terms of remuneration as set out in the Notice may be treated as an abstract under Section 302 of the Companies Act, 1956.

Your Board recommends the passing of this Ordinary Resolution. None of the Directors except Mr G Hariharan, is interested in this item.

By Order of the Board

S Venkatakrishnan
Company Secretary

Mumbai, 1 March 2007

Your Directors herewith present the Twentieth Annual Report together with the audited accounts of the Company for the year ended 31 December 2006.

FINANCIAL RESULTS

	2006 Rs. mio.	2005 Rs. mio.
Sales and other income	2,929.9	2,435.2
Profit on sale of leasehold rights	–	45.3
Earnings before interest, tax and depreciation	708.1	639.7
Interest and Finance Charges	(12.7)	(13.3)
Depreciation	(47.1)	(44.6)
Profit before taxation	648.3	581.8
Taxation	(221.6)	(184.7)
Profit for the year	426.7	397.1

Profit before taxation increased by Rs.66.5 million over the previous year even though the corresponding amount in 2005 included non-recurring income of Rs.45.3 million.

DIVIDEND

Your Board of Directors has not proposed any dividend for the year. However, it proposes to consider distribution of an interim dividend, shortly after the approval of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

The company continued to be the leader in its industry, achieving highest sales and profit ever. The management looks to the future with confidence, even though there is increasing competition from domestic and international manufacturers.

During the year, the product range and production capacities were expanded. Products based on technology transfers from ESAB group companies were launched and have been well received by users. The new plant at Irungattukottai and a new MIG line at Khardah went into commercial production. The company is also setting up production capacity at Irungattukottai for Flux Cored Wires for which it has entered into technology transfer agreements with ESAB group companies. The above project and additional capacities on some of our existing lines are scheduled to go on-stream in 2007.

In 2006, your Company entered into a joint venture with the Esab group for engineering design and related services. A new Company, Esab Engineering Services Limited, was incorporated for this purpose. Your Company has invested Rs.1.25 million in this joint venture for 24.9% of the equity.

INCOME STATEMENT

The continuing thrust on infrastructure and growth in other steel based segments of industry provided impetus for higher volumes of your Company's products. Gross sales grew by 20.5% over 2005. In quantity terms, the growth in Consumables was about 12%. The equipments division benefited from new products and capacities to achieve growth in excess of 40% in 2006 resulting in it growing its share in the total business from 23% in 2005 to 27% this year. Due to a greater growth in the low end variants of Consumables, there was a decline in the average realization of most of its categories, other than on basic stick electrodes whose average realization grew slightly.

The segment-wise financial performance is given in Note 19 of Schedule P of Notes to Accounts. While the Consumables segment margins were stable in 2006, there was a drop in Equipment margins mainly due to start-up expenses on the new project and higher import content in its new products. Consumption of imported raw material increased from Rs.67 million in 2005 to Rs.228 million this year.

Metal prices, especially of non-ferrous metals and chemicals, continued to rise significantly through the year. This, along with the higher import content, resulted in materials consumption being 58.9% of sales as compared to 55.9% in 2005. The Company is working on indigenisation and vertical integration plans to counter the increase in input costs.

The change in product mix was the main reason for the company turning from an earner of foreign exchange in 2005 (a net of Rs.22 million) to a net outgo in 2006 of Rs.162 million.

Other income increased from Rs.53.6 million to Rs.57.8 million primarily due to increase in scrap sales arising from better realizations and growth in volumes. Interest income was lower by about Rs.7 million due to a lower cash float during the year after dividend and capital expenditure payouts aggregating to nearly Rs.600 million.

Personnel costs were at Rs.176 million representing a 9.5% increase over 2005. These costs were 5.4% of sales, compared to 5.9% in 2005. The reduction in percentage terms is due to higher productivity and a reduction of Rs.24.8 million in the cost of retirement benefits. The reduction in retirement benefits costs was due to increase in interest rates as also a reduction in the number of employees covered under the defined benefits pension scheme.

Charge on account of rates and taxes is lower because of a non recurring provision for disputed sales taxes in 2005. The charge for excise duty in 2006 (schedule N) is a credit of Rs.7 million because of a reduction in inventories at the year end compared to those at the end of 2005.

Interest and finance charges were lower in 2006 due to foreclosure of external commercial borrowings in that year.

Depreciation for the year was marginally higher due to capitalization in 2006 of the Irungattukottai project and of know how fees of Rs.27.3 million on items of which commercial production has commenced.

The effective tax rate for 2006 was higher at 34.2% compared to 31.8% in 2005 due to significant tax exempt capital gains in 2005.

BALANCE SHEET

The company has added Rs.189.7 million to its Gross Fixed Assets. Significant among them were the Irungattukottai manufacturing facility, MIG line at the Khardah Factory and technology licence fees paid. Capital Work in Progress at the end of the year was Rs.65.6 million largely representing ongoing project work on the Flux Cored Wire project at 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.

Inventory at the end of 2006 was lower at Rs.258.12 million as compared to Rs.260 million at the end of 2005 inspite of a significant growth in volumes in 2006.

Receivables in terms of days to sales were higher as compared to 2005 due to growth in Equipments business which involves longer credit terms.

Other current assets, loans and advances increased mainly on account of higher balances with retirement benefits trusts, advances to suppliers and dues from the joint venture for engineering services for start-up costs.

CASH FLOW

Liquid funds reduced by Rs.355 million during the year, due to dividend payout of Rs.397 million, foreclosure of borrowings involving an outgo of Rs.113 million and capital expenditure of Rs.196 million.

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 expanding market and shift towards better technologies by users of our products provide opportunities for the company to grow.

Competition from low-end domestic and international manufacturers including new entrants, poses, a 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 lease for the Kolkata Equipment Factory has expired and the Company's efforts to negotiate a renewal on reasonable terms with the lessor, the Kolkata Port Trust, continue.

INTERNAL CONTROLS

Internal controls are evaluated on an ongoing basis by the Internal Auditors. Their reports are reviewed at Audit Committee meetings. Internal auditors also report on the implementation of recommendations. The reviews by Internal Auditors cover the various manufacturing and office locations. The scope of their work includes internal controls on accounting, and for efficiency and economy of operations.

RELATED PARTIES

Note 20 of Schedule P 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 short term deposits with banks and in debt / liquid schemes of mutual funds 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 2006, 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.

ENVIRONMENT AND SAFETY

The Company is committed to industrial safety and environment protection. Four of our manufacturing units hold ISO 14001 : 1996 certification. With the high levels of awareness created amongst the employees on environment and safety, there have been no reportable accidents in the factory during the year.

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 2006, the applicable accounting standards have been followed;
2. The accounting policies listed in Schedule P 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 2006 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 2006 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

Mr G Hariharan who was hitherto the Whole time Director of the Company, took over as the Managing Director of the Company effective 1 September 2006 on the previous incumbent, Mr S Sundar Ram moving to other responsibilities in the Esab group. The approval of the members of the company is sought for the appointment of Mr G Hariharan as Managing Director for a period of 5 years effective 1 September 2006 and for payment of remuneration for his tenure as Managing Director, in this annual general meeting.

In accordance with the provisions of Article 130 of the Company's Articles of Association, Mr J Templeman and Mr G Hariharan, 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 re-appointment. 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 will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

PERSONNEL

At the end of December 2006 the Company had 708 employees as against 632 at the end of 2005. Wage settlements have been signed with the employee unions at Kolkata and at Nagpur. The company strives in its HR initiatives to create an environment suitable for a high performance work culture. Efforts are on to impart and take care of the training requirements of all the employees in the company to make the employees perceive that the working climate is truly conducive for performance and growth.

No employee has drawn remuneration during 2006 in excess of the limits specified under the Companies (Particulars of Employees) Rules, 1975. Accordingly, particulars of employees' remuneration prescribed under Section 217(2A) of the Companies Act, 1956 is not attached to this 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 wish to place on record their appreciation of the continued confidence and support extended to the Company by its customers, suppliers and shareholders as well as the Company's bankers and financial institutions.

Your Directors also wish to place on record their appreciation of the efforts and contribution during 2006 of the Company's employees.

For and on behalf of the Board

M G Foster
Chairman

Mumbai, 1 March 2007

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 2006.

A. CONSERVATION OF ENERGY

- Wind driven ventilation of plant which also enables the plant to be well lit and results in power consumption being nil
- Introduction of new energy saving lamps instead of halogen lamps on the shop floor
- Switching off the scrubber section during work breaks
- Continually maintaining unity power factor

B. TECHNOLOGY ABSORPTION

- Introduction of Variable Frequency Drives in place of Proportional Invariable gearboxes.
- Introduction of AC Induction motors in place of DC motors
- Introduction of Thyristor controls for all static oven heaters
- Wire Feedability testing technology acquired from ESAB Vamberk

- Introduction of newer products with TOT from Brazil, Sweden and Poland
- Newer technology for SAW Flux completed and is in progress for SMAW Electrodes
- Development of new variants of special consumables for meeting specific customer requirements.

C. FOREIGN EXCHANGE

The company exports its products to Singapore, Bangladesh, Sri Lanka, Uganda, Tanzania and the Middle East.

During the year, the total foreign exchange expenditure amounted to Rs.279.9 million (which includes Rs.254 million for the import of raw materials, components and capital goods and Rs.25.9 million towards expenditure in foreign currency).

Foreign exchange earnings during the year were Rs.118.3 million resulting in net foreign exchange outflow of Rs.162 million for the year.

For and on behalf of the Board

M G Foster
Chairman

Mumbai, 1 March 2007

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 the year 2006, five Board Meetings were held on 22 February 2006, 28 April 2006, 27 July 2006, 26 October 2006, 7 December 2006 and not more than four months elapsed between any two meetings.

Particulars of the Directors' attendance at Board Meetings and at 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 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 four meetings of the Audit Committee held during the year on 21 February 2006, 28 April 2006, 27 July 2006 and 26 October 2006 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	5	Yes	4	5 (of which 2 as Chairman)
Mr N H Mirza	Independent & Non-Executive	5	Yes	4	3 (of which 1 as Chairman)
Mr S Sundar Ram	Non-Executive Nominee, Esab Holdings Limited	4	Yes	1	Nil
Mr S Tandon	Independent & Non-Executive	4	Yes	2	4
Mr J Templeman	Non-Executive	4	Yes	Nil	Nil
Mr S N Talwar*	Non-Executive	1	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.

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

Mr N H Mirza (Chairman)	4
Mr P Mallick	4
Mr S Tandon	4
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 S Sundar Ram, who was Managing Director of the Company till 1 September 2006, received remuneration (including commission) aggregating to Rs.3,681,206 and Mr G Hariharan, who was, till that date a Wholtime Director, was appointed as Managing Director. He received remuneration (including commission) aggregating to Rs.3,421,174 (excluding pension and gratuity contributions) the details of which are set out in note 14 to Schedule P of the Accounts. The Company has made an overall provision for performance linked incentives aggregating to Rs.14 million, the employee-wise allocation of which shall be finalized subsequently.

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 2006 are as follows:

Non-Executive Directors	Sitting Fees Paid (in Rs.)	Commission (in Rs.)
Mr M G Foster	50,000	–
Mr J Templeman	40,000	–
Mr S Sundar Ram	–	600,000*
Mr N H Mirza	138,000	715,000
Mr P Mallick	98,000	512,000
Mr S Tandon	96,000	514,000
Mr S N Talwar	50,000	327,000

* The commission paid to Mr S Sundar Ram, pertains to the period when he was Managing Director of the Company.

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 contributions 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 Directors is based on their individual performances and their respective contributions to Company's performance.

During the year, the Company paid professional fees (including advances) amounting to Rs.1,012,500 to Crawford Bayley & Co., Advocates and Solicitors, a firm in which Mr S N Talwar, Alternate Director to Mr J Templeman, Director of the Company, was a partner till 1 April 2006 and continued as advisor till 31 December 2006.

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 2006.

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 Venkatakishnan, Company Secretary is the Compliance Officer of the Company.

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

During the year, the Company received 158 complaints from shareholders. All the complaints were responded to as per applicable guidelines and regulations. As at 31 December 2006 there were no pending share 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
2004	14 May 2004	4.00PM	Bombay House Auditorium, Bombay House, Mumbai.
2005	1 June 2005	4.00PM	Walchand Hirachand Hall, Indian Merchants' Chamber, Churchgate, Mumbai.
2006	28 April 2006	4.00PM	Mini Hall, The Music Academy No. 168, T.T.K. Road Chennai - 600 014.

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 codes of conduct, applicable to directors and to employees of the Company which are posted on the Company's website. The Company has obtained declarations from all its directors and senior management personnel affirming their compliances with the applicable code of conduct. The declaration by the Managing Director under Clause 49 affirming compliance of the code of conduct by all members of the Board and the Senior Management Personnel for the year ended 31 December 2006 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 P 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 and in terms of such whistleblower policy, it is affirmed that the employees have been given free access to the audit committee.

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, 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 and also on the Electronic Data Information Filing and Retrieval System at www.sebidifar.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, 27 April 2007 at 4.00 pm
Time & Venue The Music Academy – Mini Hall,
No. 168, T.T.K. Road,
Chennai – 600 014.

Financial Year January to December

Approval of financial results proposed QE 31 Mar 2007: Last week, Apr 2007
HY 30 Jun 2007: Last week, Jul 2007
QE 30 Sep 2007: Last week, Oct 2007
YE 31 Dec 2007: Last week, March 2008

Dates of Book Closure: 23 April 2007 to 27 April 2007 (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 2006-07 were duly paid to the above stock exchanges.

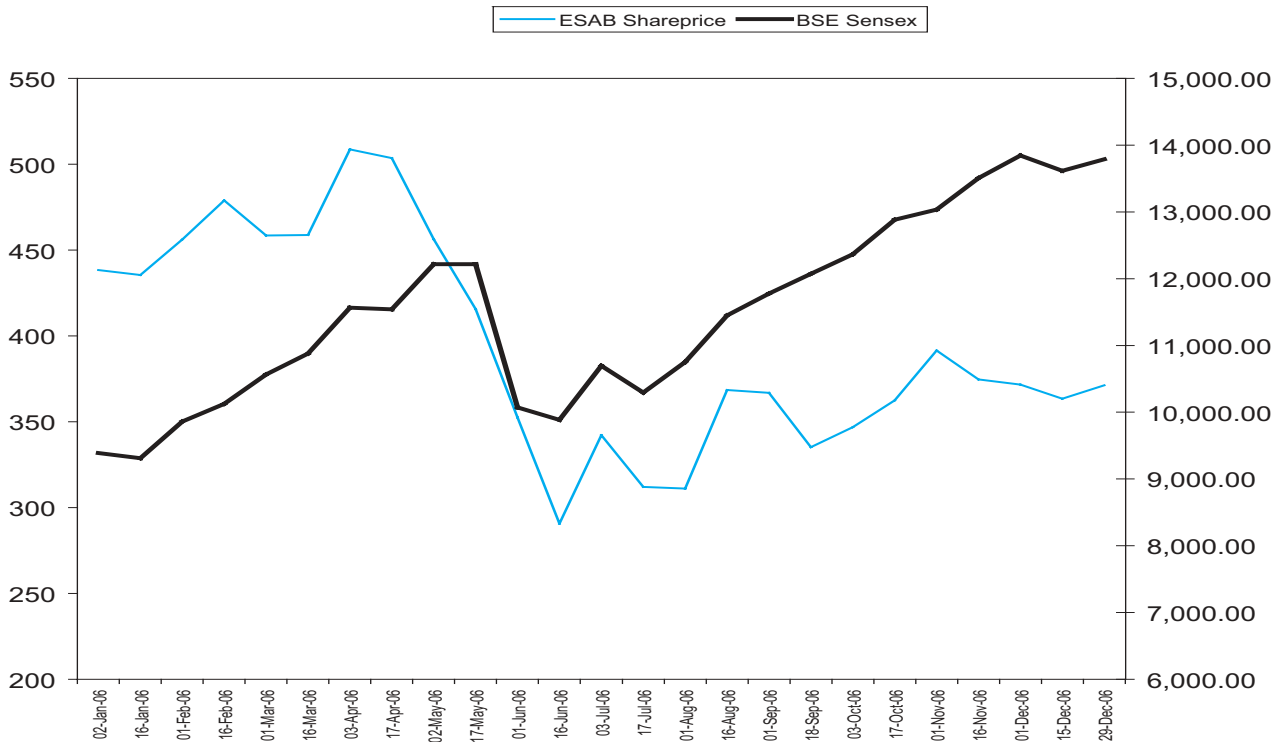
Stock Code Physical
The Bombay Stock Exchange Limited : 500133
The National Stock Exchange of India Ltd. : ESABINDIA
Demat ISIN : INE284A01012

Stock Market Price* Data & Stock Performance

2006	Mumbai		National		BSE Sensex	
	High Rs.	Low Rs.	High Rs.	Low Rs.	High Rs.	Low Rs.
Jan	489	424	487	422	9945	9158
Feb	509	440	510	448	10423	9714
Mar	551	374	525	445	11357	10344
Apr	553	400	552	446	12102	11008
May	480	330	567	330	12671	9827
Jun	389	237	394	239	10627	8799
Jul	358	265	358	263	10940	9875
Aug	410	300	411	301	11794	10646
Sep	375	330	375	331	12485	11444
Oct	404	337	412	286	13076	12179
Nov	466	360	434	360	13799	12937
Dec	399	317	389	325	14035	12802

* 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
 E-mail: sureshbabu@ieindia.com

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

Share Transfer System

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 2006

Shareholding	Shareholders	Number of Shares	% of total
Up to 500	13,807	1,777,071	11.55
501-1000	701	549,706	3.57
1001-2000	316	481,592	3.13
2001-3000	118	293,945	1.91
3001-4000	44	158,774	1.03
4001-5000	41	192,897	1.25
5001-10000	48	355,951	2.31
10001 and above	79	11,583,084	75.25
Total	15,154	15,393,020	100.00

Shareholding pattern as on 31 December 2006

	Number of Shares	% of total
Esab Holdings Limited	5,743,200	37.31
Mutual Funds & UTI	2,959,019	19.22
Banks, Financial Institutions and Insurance Companies	26,062	0.17
Foreign Institutional Investors	1,131,708	7.35
Corporate Bodies	1,020,031	6.63
NRIs/OCBs	156,629	1.02
Indian Public	4,356,371	28.30
Total	15,393,020	100.00

Dematerialisation As on 31 December 2006, 96.44% 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, 3rd 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 Taluk,
Kancheepuram, Chengalput District,
Tamilnadu – 602 105.

**Address for
correspondence**

Company Secretary
Esab India Limited
Plot No.13, 3rd 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 Company has not implemented this non mandatory requirement.
- 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 and half-yearly results of the Company are published in newspapers and on the Company's website www.esabindia.com and also on the Electronic Data Information Filing and Retrieval System at 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 whistle blower policy which can be viewed on the Company's website 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 Transfer Agents 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

M G Foster
Chairman

Mumbai, 1 March 2007

Auditor's Certificate on Compliance with the Conditions of Corporate Governance under Clause 49 of the Listing Agreement

The Members of Esab India Limited

We have examined the compliance of conditions of Corporate Governance by ESAB INDIA LIMITED ("the Company") for the year ended on 31 December 2006 as stipulated in Clause 49 of the Listing Agreement of the said Company with The 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 state that no investor grievance is pending, for a period exceeding one month against the Company as per the records maintained by the Investor Grievance Committee. The exceptions have been for cases constrained by disputes or legal impediments.

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, 1 March 2007

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 2006.

G Hariharan
Managing Director

Mumbai, 1 March 2007

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 2006, 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") 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 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December 2006 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 2006;
 - 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, 1 March 2007

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) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) The Company has taken loans from one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs.118,209,312 and the year-end balance of such loans was Rs.Nil.
- (c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (d) In the case of loans taken from companies/firms/other parties listed in the register maintained under section 301, the Company has been regular in paying the interest. Repayment of the principal amount was to be made in 5 equal half yearly instalments beginning on 01 July, 2006. During the year, the Company has paid/prepaid the outstanding loan balance.
- (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 and sale of goods which are for specialised requirements 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) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products manufactured/services rendered by the Company.
- (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 2006 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, Foreign Exchange Management Act (FEMA) 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 the Dues	Amount (INR in millions)	Period to which the amount relates (Financial year)	Forum where dispute is pending
Sales Tax	Non-submission of sales tax declaration forms	2.57	1991-92	Revision Board, Tribunal
		2.31	1992-93	
		0.64	1993-94	
		0.81	1994-95	
		0.30	1995-96	
		39.48	1996-97	
		49.92	1997-98	
		5.35	1998-99	
		11.20	1999-00	
		2.61	2000-01	
		0.07	1999-00	Appeal with Assistant Commissioner
		3.00	2001-02	
		5.50	2002-03	
		4.84	2003-04	
Central Excise Act	Determination of price on which duty is payable	2.17	1996-2000	Assistant Commissioner
FEMA	Non-submission of Import documents	3.00	1996-99	Appellate Tribunal for Foreign Exchange
Income Tax	Disallowed expenditure pertaining to various years	1.17	1989-90	High Court
		0.48	1990-91	Income Tax Appellate Tribunal
		3.95	1997-98	
		0.81	1998-99	
		5.56	1999-00	
		2.00	2002-03	Commissioner of Income Tax
19.97	2003-04			
Grand Total		167.71		

(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) In our opinion and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which they were raised.
- (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

Mumbai, 1 March 2007

Membership No: 203491

Balance Sheet
as at 31 December 2006



	Schedule	2006 Rs.'000	2005 Rs.'000
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	A	153,930	153,930
Reserves and Surplus	B	614,131	187,425
		768,061	341,355
LOAN FUNDS			
Unsecured Loans	C	–	113,081
DEFERRED TAX LIABILITY (Net) (Refer Note 15 of Schedule P)		4,866	2,320
		772,927	456,756
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	D	910,200	728,296
Less: Depreciation / Amortization		415,684	375,349
Net Block		494,516	352,947
Capital Work-in-progress including Advances		65,601	58,966
		560,117	411,913
INVESTMENTS	E	77,289	1,571
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	F	258,124	260,324
Sundry Debtors	G	93,945	52,181
Cash and Bank Balances	H	207,861	562,763
Other Current Assets and Loans and Advances	I	102,354	56,091
		662,284	931,359
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	J	471,150	391,654
Provisions	K	55,613	496,433
		526,763	888,087
NET CURRENT ASSETS		135,521	43,272
		772,927	456,756
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, 1 March 2007

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 2006



Schedule	2006 Rs. '000	2005 Rs. '000
INCOME		
Sales (Gross)	3,272,910	2,715,993
Less: Excise Duty	400,786	334,364
Sales (Net)	2,872,124	2,381,629
Other Income	57,839	53,582
Profit on sale of leasehold rights	–	45,343
	<u>2,929,963</u>	<u>2,480,554</u>
EXPENDITURE		
Materials	1,692,858	1,331,522
Manufacturing, Selling and Administrative Expenses	529,015	509,326
Interest and Finance Charges	12,689	13,335
Depreciation / Amortization	47,126	44,568
	<u>2,281,688</u>	<u>1,898,751</u>
PROFIT BEFORE TAXATION	648,275	581,803
Taxation (Refer Note 16 of Schedule P)	(221,569)	(184,708)
PROFIT AFTER TAXATION	426,706	397,095
Balance brought forward from Previous Year	458	99,713
PROFIT AVAILABLE FOR APPROPRIATION	<u>427,164</u>	<u>496,808</u>
APPROPRIATIONS		
Proposed Dividend	–	400,219
Tax on Proposed Dividend	–	56,131
General Reserve	–	40,000
Balance carried to Balance Sheet	427,164	458
	<u>427,164</u>	<u>496,808</u>
Earnings per share (Refer Note 17 of Schedule P)		
Basic and Diluted	Rs. 27.72	Rs. 25.80
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, 1 March 2007

For and on behalf of the Board of Directors

N H Mirza
Director

S Venkatakrisnan
Company Secretary

G Hariharan
Managing Director

B Mohan
Chief Financial Officer

	2006 Rs.'000	2005 Rs.'000
A. SHARE CAPITAL		
Authorised:		
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>
Issued and Subscribed:		
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. RESERVES AND SURPLUS		
Amalgamation Reserve	10,000	10,000
Securities Premium Account	93,190	93,190
Special Capital Incentive Subsidy	2,000	2,000
General Reserve		
As per last Balance Sheet	81,777	41,777
Add: Transferred from Profit and Loss Account	–	40,000
	<u>81,777</u>	<u>81,777</u>
Profit and Loss Account	427,164	458
	<u>614,131</u>	<u>187,425</u>
C. UNSECURED LOAN		
Long Term Loan		
External Commercial Borrowings	–	113,081

A fixed rate term loan of US \$ 2.5 million was availed from Esab Holdings Limited, U.K., which holds 37.31% of the equity share capital of the Company, in the year 2003. The loan has been completely repaid during the current year.

D. FIXED ASSETS

Particulars								Rs.'000	Previous Year
	Freehold Land	Leasehold Land	Building	Plant & Machinery	Furniture & Fixtures	Motor Vehicles	Intangible Assets	Total	
GROSS BLOCK AT COST									
As at 1 January 2006	34,820	14,078	110,269	544,681	13,216	11,232	-	728,296	737,877
Additions	-	-	66,074	92,444	3,380	498	27,319	189,715	43,624
Deletions	-	-	20	4,990	91	2,710	-	7,811	53,205
As at 31 December 2006	34,820	14,078	176,323	632,135	16,505	9,020	27,319	910,200	728,296
DEPRECIATION / AMORTIZATION									
As at 1 January 2006	-	5,413	41,218	316,115	6,140	6,463	-	375,349	360,631
Additions	-	130	4,053	39,626	1,126	1,101	1,090	47,126	44,568
Deletions	-	-	10	4,000	80	2,701	-	6,791	29,850
As at 31 December 2006	-	5,543	45,261	351,741	7,186	4,863	1,090	415,684	375,349
NET BLOCK									
As at 31 December 2006	34,820	8,535	131,062	280,394	9,319	4,157	26,229	494,516	
As at 31 December 2005	34,820	8,665	69,051	228,566	7,076	4,769	-	352,947	
Capital Work in Progress including Advances								65,601	58,966

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.
- Capital work in progress as at 31 December 2006 includes advance paid amounting to Rs.9.7 million towards transfer of technical knowhow. (Previous year - Rs.12.8 million).

	2006 Rs.'000	2005 Rs.'000
E. INVESTMENTS		
(LONG TERM, UNQUOTED, AT COST)		
(a) In a Subsidiary Company - Esab Welding & Cutting Systems Limited 1,200,000 (previous year 1,200,000) Equity Shares of Rs.10 each fully paid up.	12,995	12,995
Less: Provision for diminution other than temporary, in the value of investment	(11,424)	(11,424)
	1,571	1,571
(b) Trade investment, in an Associate Company - Esab Engineering Services Limited 124,495 (previous year - Nil) Equity Shares of Rs. 10 each fully paid up.	1,245	-
(c) Other than Trade Investments Investment in Rural Electrification Corporation Bonds	29,350	-
(CURRENT, UNQUOTED, LOWER OF COST AND FAIR VALUE)		
Other than Trade Investments		
Investment in Mutual Funds (Refer Note 21 of Schedule P for details of mutual funds purchased and sold during the year)		
HDFC Cash Management Fund - Savings Plan - Daily Dividend reinvestment 2,360,805.08 units (December 31, 2005 - Nil units) Face Value : Rs. 10 per unit	25,110	-
TLMD TATA Liquidity Management Fund - Daily Dividend reinvestment 19,967.75 units (December 31, 2005 - Nil units) Face Value : Rs. 1,000 per unit	20,013	-
Aggregate market value of Company's investments in Mutual Funds Rs. 45,123 (previous year - Nil)	45,123	-
	77,289	1,571

	2006 Rs.'000	2005 Rs.'000
F. INVENTORIES		
Raw and Packing Materials	111,439	89,109
Work-in-Progress	19,155	16,134
Finished Goods	124,014	149,102
Stores and Spare Parts	3,516	5,979
	<u>258,124</u>	<u>260,324</u>
G. SUNDRY DEBTORS (UNSECURED)		
Over six months -		
Considered Good	2,228	1,772
Considered Doubtful	12,252	10,677
Others, Considered Good	91,717	50,409
	<u>106,197</u>	<u>62,858</u>
Less: Provision for Doubtful Debts	12,252	10,677
	<u>93,945</u>	<u>52,181</u>
Debtors include amount due from Companies under the same Management		
Esab Asia Pacific Pte Ltd., Singapore	9,051	2,604
Esab Middle East LLC	4,222	11,862
Esab Seah Corporation, Korea	96	354
H. CASH AND BANK BALANCES		
Cash on hand	618	569
Cheques on hand and remittances in transit	96,116	32,923
Balances with Scheduled Banks :		
Current Account	36,793	70,940
Deposit Account	71,603	432,500
Margin Money	2,731	25,831
	<u>207,861</u>	<u>562,763</u>

	2006 Rs.'000	2005 Rs.'000
I. OTHER CURRENT ASSETS, LOANS AND ADVANCES		
Interest accrued on Investments	1,220	–
Secured, considered good		
Vehicle Loans to employees (Secured against hypothecation of vehicles)	199	287
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.244)	344	244
Advances to Esab Engineering Services Ltd., an associate, company (maximum amount outstanding during the current year Rs.8,002, previous year Rs.Nil)	6,400	–
Advances to Esab International AB Sweden (maximum amount outstanding during the current year Rs.327, previous year Rs.327)	–	327
Advances recoverable in cash or in kind or for value to be received		
Considered Good	75,518	46,358
Considered Doubtful	3,251	3,251
	<u>78,769</u>	<u>49,609</u>
Less: Provision for doubtful advances	3,251	46,358
Balances with Customs, Port Trust, Excise, etc.	18,673	8,875
	<u><u>102,354</u></u>	<u><u>56,091</u></u>
J. CURRENT LIABILITIES		
Sundry Creditors (Refer Note 22 of Schedule P)	360,750	241,921
Advances from Customers	21,716	21,834
Deposits from Dealers	11,362	41,659
Other Liabilities	73,374	83,481
Unclaimed Dividends*	3,948	604
Interest accrued and not due	–	2,155
	<u>471,150</u>	<u>391,654</u>
* There is no amount due and outstanding to be credited to the Investor Education and Protection Fund.		
K. PROVISIONS		
Provision for Income-tax (Net of advance tax and Tax deducted at source)	18,706	14,062
Provision for retirement benefits :		
Gratuity	8,429	3,344
Pension	–	11,974
Leave Encashment	19,451	8,293
Proposed Dividend	–	400,219
Tax on Dividend	–	56,131
Provision for Warranty	9,027	2,410
	<u>55,613</u>	<u>496,433</u>

	2006 Rs.'000	2005 Rs.'000
L. OTHER INCOME		
Interest income	13,684	21,185
Income from Sale of Scrap	28,504	17,006
Commission Income	2,309	4,137
Liabilities no longer required written back	352	1,744
Profit on sale of fixed assets (Net)	–	1,492
Income from Investments	2,337	–
Exchange gain (Net)	201	–
Miscellaneous	10,452	8,018
	<u>57,839</u>	<u>53,582</u>
M. MATERIALS		
Raw & Packing Materials Consumed	1,383,365	1,173,017
Purchases of Finished Goods	287,426	213,727
Increase in Finished Goods & Work-in-Progress		
Opening Stock		
Finished Goods	149,102	95,574
Work-in-Progress	16,134	14,440
	<u>165,236</u>	<u>110,014</u>
Closing Stock		
Finished Goods	124,014	149,102
Work-in-Progress	19,155	16,134
	<u>143,169</u>	<u>165,236</u>
	<u>22,067</u>	<u>(55,222)</u>
	<u>1,692,858</u>	<u>1,331,522</u>

	2006 Rs.'000	2005 Rs.'000
N. MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Salaries, Wages and Bonus	171,181	137,089
Contributions to Provident and Other Funds	(14,972) *	9,897
Workmen and Staff Welfare Expenses	19,662	13,570
Consumption of Stores and Spare parts	33,112	26,221
Power and Fuel	63,736	58,257
Repairs : Buildings	9,150	5,633
Plant and Machinery	7,538	11,584
Others	5,303	6,351
Rent	11,880	12,636
Rates and Taxes	5,810	13,565
Excise Duty	(7,122)	6,184
Insurance	3,977	2,644
Transport and Freight	59,391	48,876
Communication Costs	13,885	12,852
Travelling and Conveyance	49,070	45,418
Legal and Professional Charges	11,081	11,336
Printing and Stationery	4,860	5,552
Commission	3,420	2,379
Discounts and Incentives	26,613	22,182
Advertising	1,330	3,464
Sales Promotion and Selling Expenses	7,814	8,056
Provision for Doubtful Debts	1,575	265
Bad Debts written off	-	1,635
Loss on sale of fixed assets (Net)	29	-
Fixed Assets written off	-	292
Exchange loss (Net)	-	732
Provision for warranty cost	6,687	1,521
Miscellaneous Expenses	34,005	41,135
	529,015	509,326
* Net of reversal of contributions made in earlier years to the Company's pension trusts of Rs.29,608.		
O. INTEREST AND FINANCE CHARGES		
Interest:		
On Fixed Period Loans	4,039	4,968
On Others	67	62
Bank Charges	8,583	8,305
	12,689	13,335

P. NOTES FORMING PART OF THE 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.

37.31% of the Company's shares are held by Esab Holdings Limited, a significant shareholder and the remaining shares are held by institutional investors and the public.

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 the Accounting Standards issued by the Institute of Chartered Accountants of India 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 and depreciation

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. The cost of fixed assets also includes the exchange differences arising in respect of liabilities incurred for the purpose of acquisition of fixed assets from a country outside India. 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 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 buildings, leasehold land and improvements thereto at Taratala, Kolkata have 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.

Technical know how fees are amortized over a period of 6 years.

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.

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 and finished goods are valued at the lower of cost and net realizable value. Inventories of stores and spare parts are valued at cost.

Costs are generally calculated at standards adjusted to actual and in the case of manufactured inventories 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 as at the balance sheet date.

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

i) Revenue recognition

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

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

j) Transactions in foreign currency

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the relevant transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the Profit and Loss Account of the year, except exchange differences related to acquisition of fixed assets from a country outside India, which are adjusted to the carrying amount of the related fixed assets. 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 except those related to acquisition of fixed assets from a country outside India, which are adjusted to the carrying amount of the related fixed assets.

k) Warranties

Provision for estimated liability in respect of warranty costs is made in the year in which the revenues are recognised, and is estimated by the management on the basis of technical evaluation and past experience.

l) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties, etc., are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated.

m) Taxation

Income tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income tax law) 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.

Consequent to the introduction of Fringe Benefit Tax (FBT) effective 1st April 2005, in accordance with the guidance note issued by the ICAI, the Company has made provision for FBT under the Income taxes.

n) Voluntary Separation Compensation

Expenditure under voluntary separation scheme is charged to the Profit and Loss account in the year in which the liability arises.

o) Research and Development

Expenditure on Research and Development is charged to the Profit and Loss account.

p) 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.

q) 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.

	2006 Rs.'000	2005 Rs.'000
3. Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	94,192	65,526
4. Contingent Liabilities		
For disputed taxes and duties	40,673	57,706
Claims against the Company not acknowledged as debts	57,950	51,850
5. Auditor's Remuneration (Excluding service tax and included in legal and professional charges under Schedule N)		
Audit Fees	1,200	875
Tax Audit & Tax accounts	300	300
Other Professional Services	1,000	700
Reimbursement of out of pocket Expenses	76	171
	<u>2,576</u>	<u>2,046</u>

6. Particulars of Licensed, Installed Capacity and Actual Production

Products	Unit	2006			2005		
		Licensed Capacity	Installed Capacity*	Actual Production	Licensed Capacity	Installed Capacity*	Actual Production
Welding Electrodes	'000 mtrs	318,628	218,025	182,735	317,128	153,600	166,125
Continuous Electrodes/Copper Coated Wires	Tonnes	12,240	8,100	6,140	7,640	6,100	6,035
Automatic Submerged Arc Electrodes	Tonnes	3,480	–	–	480	–	–
MS Welding Rods (Copper Coated)	Tonnes	360	–	–	360	200	165
Welding Fluxes	Tonnes	4,061	2,440	1,303	4,061	2,440	1,023
Gas & Electric, Welding and Cutting Equipment & Accessories	Nos.	233,540	305,837	100,996	233,540	140,837	82,829
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	35
Industrial Voltage Regulators & Stabilizer Equipment	Nos.	12,000	–	–	12,000	–	–
Flux Cored wires	Tonnes	3,000	–	–	600	–	–
Industrial Uninterrupted Power Supply System	Nos.	2,000	–	–	2,000	–	–
Wear Plates	Tonnes.	100	–	–	–	–	–

*As Certified by the Management

7. Particulars of Closing Stock of Finished Goods

Products	Unit	2006		2005		2004	
		Qty.	Value Rs. '000	Qty.	Value Rs. '000	Qty.	Value Rs. '000
Welding Electrodes	PCs ('000s)	2,528	7,751	18,290	42,954	15,041	36,846
	Tonnes	219	38,692	146	28,671	62	18,680
Continuous Electrodes/ Copper Coated Wires	Tonnes	115	9,741	276	21,251	89	6,150
Welding Fluxes	Tonnes	02	638	32	4,285	46	2,637
Gas & Electric Welding & Cutting Equipment & Accessories		#	65,638		49,945		27,583
Medical Equipment & Accessories		#	200		261		3,441
Others		#	1,354		1,735		237
			<u>124,014</u>		<u>149,102</u>		<u>95,574</u>

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

8. Particulars of Sales

Products	Unit	2006		2005	
		Quantity	Value Rs.'000	Quantity	Value Rs.'000
Welding Electrodes	PCs ('000s)	445,006	1,421,598	397,388	1,245,704
	Tonnes	1,556	385,089	1,071	312,242
Continuous Electrodes/ Copper Coated Wires	Tonnes	6,301	460,762	5,850	444,808
Welding Fluxes	Tonnes	1,333	89,931	1,043	74,031
Gas & Electric Welding & Cutting Equipment & Accessories			839,164		590,787
Medical Equipment & Accessories			–		760
Others			76,366		47,661
Grand Total			3,272,910		2,715,993

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.287 million, (previous year Rs.214 million) an amount of Rs.157 million (previous year Rs.128 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	2006		2005	
	Quantity (Tonnes)	Value Rs.'000	Quantity (Tonnes)	Value Rs.'000
Mild Steel / M S Wire Rods	19,409	554,456	18,810	509,794
Non Ferrous / Metals	376	165,345	328	102,460
Minerals	6,115	118,828	6,393	130,775
Chemicals	2,429	150,455	2,493	149,149
Piece Parts		310,282		193,273
Others		83,999		87,566
		1,383,365		1,173,017

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

	Value Rs.'000		% age of Total Consumption	
	2006	2005	2006	2005
Raw & Packing Materials and Components				
Imported	227,631	67,214	16	6
Indigenous	1,155,734	1,105,803	84	94
Total	1,383,365	1,173,017	100	100
Stores and Spares				
Imported	4,355	3,772	13	14
Indigenous	28,757	22,449	87	86
Total	33,112	26,221	100	100

	2006 Rs.'000	2005 Rs.'000
11. CIF value of Imports:		
Raw materials	154,146	54,839
Components	73,233	3,765
Capital goods	26,650	131
	<u>254,029</u>	<u>58,735</u>
12. Expenditure in Foreign Currency:		
Technical Know how fees	20,168	11,482
Travelling	1,601	2,034
Interest	4,039	4,968
Others	62	201
	<u>25,870</u>	<u>18,685</u>
13. Earnings in Foreign Exchange:		
FOB Value of Exports	115,891	94,992
Commission	2,309	4,137
Others	59	299
	<u>118,259</u>	<u>99,428</u>

14. Managerial Remuneration

	2006		2005	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
A) Computation of net profit in accordance with Section 198 of the Companies Act, 1956:				
Profit (Loss) before Tax as per Profit & Loss Account		648,275		581,803
Add: Directors' remuneration	9,642		8,361	
Provision for Bad & Doubtful Debts/advances (net of bad debts written off)	1,575		-	
Loss on sale of Fixed Assets (net)	29		-	
Fixed Assets written off	-		292	
		<u>11,246</u>		<u>8,653</u>
Less: Profit on sale of Fixed Assets (net)	-		31,681	
		<u>-</u>		<u>31,681</u>
		<u>659,521</u>		<u>558,775</u>
Maximum commission allowed as per the Companies Act, 1956 at 1%		6,595		5,588
Commission to non wholetime Directors proposed		<u>2,068</u>		<u>1,864</u>

	2006		2005	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
B) Managerial remuneration:				
i) Wholetime Directors				
Salary		4,804		3,923
Contribution to Provident and Superannuation Fund		616		651
Perquisites		182		287
Incentive Bonus		1,500		1,200
		<u>7,102</u>		<u>6,061</u>
ii) Non wholetime Directors				
Sitting fees		472		436
Commission		2,068		1,864
		<u>2,540</u>		<u>2,300</u>

Notes:

- The above remuneration excludes provision for pension, gratuity and leave encashment costs, since these are based on actuarial valuations done on an overall company basis. However, contribution to Pension fund is considered for Mr S Sundar Ram, Ex-Managing Director, as this was based on defined contribution method.
- The Company depreciates its 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 depreciation charge in the books is higher than that prescribed as the minimum by the Companies Act 1956. Hence, this higher value has been considered as deduction for the Managerial Remuneration above.

15. Deferred taxation

	2006		2005	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred Tax Asset				
Current assets		7,976		7,082
Current liabilities		27,895		32,859
Investments		2,564	38,435	2,564
				42,505
Deferred Tax Liability				
Fixed Assets		(43,301)		(44,825)
		<u>(4,866)</u>		<u>(2,320)</u>

16. Taxation

Tax provision for current year		213,664		170,951
Fringe Benefits Tax		5,359		3,161
Deferred Tax charge		2,546		10,596
		<u>221,569</u>		<u>184,708</u>

	2006		2005	
17. Earnings per Share				
Basic and Diluted Earnings per share		Rs. 27.72		Rs. 25.80
Nominal value per share		Rs. 10.00		Rs. 10.00
Profit/(Loss) after taxation	Rs.'000	426,706	Rs.'000	397,095
Weighted average number of shares outstanding during the year	'000	15,393	'000	15,393

18. 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.

19. Segmental Information

The primary and secondary reportable segments are business segments and geographical segments respectively. These have been identified by the type of their respective products and services, their differing risks and returns, the Company's organisation structure and internal financial reporting systems.

Business Segments

Consumables

: Welding electrodes, Copper coated wires, Welding fluxes

Equipment

: Welding machines and Cutting equipment

Particulars	Rs. '000					
	Consumables		Equipment		Total	
	2006	2005	2006	2005	2006	2005
REVENUE						
External sales (Net)	2,097,511	1,829,917	774,613	551,712	2,872,124	2,381,629
Segment results	558,896	484,636	122,330	95,699	681,226	580,335
Less: Interest and Finance Charge					12,689	13,335
Other common expenses (Net)					20,262	(14,803)
Extraordinary Expenses						
Prior Period Items						
Total profit before tax					648,275	581,803
Capital employed:						
Segment assets	687,936	583,218	382,007	221,713	1,069,943	804,931
Add: Common Assets					229,747	539,912
Total Assets					1,299,690	1,344,843
Segment liabilities	190,893	154,682	168,143	101,935	359,036	256,617
Add: Common liabilities					172,593	746,871
Total Liabilities					531,629	1,003,488
Segment capital employed	497,043	428,536	213,864	119,778	710,907	548,314
Add: Common capital employed					57,154	(206,959)
Total capital employed					768,061	341,355
Capital expenditure	77,189	19,069	110,750	10,923	187,939	29,992
Add: Common capital expenditure					1,776	13,632
Total capital expenditure					189,715	43,624
Depreciation	36,996	34,252	8,490	8,371	45,486	42,623
Add: Common depreciation					1,640	1,945
Total depreciation					47,126	44,568
Non cash expenses	(803)	394	1,813	1,285	1,010	1,679
Add: Common non cash expenditure					-	3,161
Total non cash expenditure					1,010	4,840

Geographical Segments

The Company caters mainly to the needs of Indian market and the export turnover being 3.54% (Previous year 3.50%) 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 2006. Charter Overseas Holdings Limited, the holding company of Esab Holdings Limited is a subsidiary of Charter plc.
- ii) Esab Welding & Cutting Systems Limited - Subsidiary Company - 85.71% of whose paid up equity share capital is held by the Company as at 31 December 2006.

(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

(c) Key Management Personnel

Wholetime Director - Mr G Hariharan (appointed on 7th January, 2003 and re-appointed on 7th January, 2004);
Managing Director - Mr S Sundar Ram (appointed on 1st March, 2005 for the period of five years).

Effective 1st September, 2006 Mr S Sundar Ram ceased to be the Managing Director of the Company and continues as a Non-Executive director on the Board and Mr G Hariharan has taken over as Managing Director with effect from 1st September 2006.

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	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Purchase of goods					139,314	82,058			139,314	82,058
Purchase of Fixed Assets					173	–			173	–
Sale of goods					46,849	38,334			46,849	38,334
Reimbursement of Expenses					6,400	–			6,400	–
Payment of Technical Knowhow					16,507	11,482			16,507	11,482
Interest on Loan	4,039	4,968							4,039	4,968
Commission Income					1,991	4,403			1,991	4,403
Remuneration							7,102	6,061	7,102	6,061
Outstanding payables (net)	–	113,081							–	113,081
Outstanding receivable (net)	65	–	344	244	6,712	10,450	*	*	7,121	10,694

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.

Rs. '000

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

Name of the fund	2006				2005			
	No. of units purchased	Purchase price	No. of units sold	Sale price	No. of units purchased	Purchase price	No. of units sold	Sale price
HDFC Cash Management Fund - Savings Plan - Daily Dividend reinvestment	4,738,024	50,395	2,377,219	25,285	-	-	-	-
TLMD TATA Liquidity Management Fund - Daily Dividend reinvestment	60,156	60,292	40,189	40,279	-	-	-	-
SBI Mutual Fund	1,002,745	10,060	1,002,745	10,060	-	-	-	-
ICICI Prudential Fund Institutional Liquid Plan	847,233	10,040	847,233	10,040	-	-	-	-
Total	6,648,158	130,787	4,267,386	85,664	-	-	-	-

22. Sundry Creditors comprise Rs.29.46 million (previous year Rs.26.33 million) outstanding to Small Scale Industrial Undertakings and Rs.331.29 million (previous year Rs.215.59 million) to other Creditors. Amounts due to the following Small Scale Industrial Undertakings (on the basis of information available with the Company) are outstanding for more than 30 days:

Allied Electronics Corporation, A N Instruments Pvt. Ltd., Basanti Enterprises, Bhavani Engg. & Welding Works, Calcutta Components Private Ltd., Components & Equipments, DS Electrical Works, Das Moulding & Engg. Works, Die Casting Corporation, Eastern Lamination Pvt. Ltd., Eastern Mechanical Industries, EPC Electricals P. Ltd., Hatim Dielectrics Pvt. Ltd., Mahamaya Metal Products P. Ltd., Mico Engineering, Kanchan Engineering Corporation, Nandhini Multipacks, Indranath Industries, Indoswe Engineers P Ltd, Munex Commercial Co, Karko Industries, Oxide & Chemical Industries, Penguin Plastics, Progressive Rubber Works, PSCO, R.K.Enterprise, Special Wire products, Sriram Wire Products P. Ltd., Sakthi Industries, Sarada Steel Industries, Supersmelt, Sun Electrical Engineering Co., Superstar Cable Industries, Technocrats Industries, Tirupati Enterprise, Unicare Emergency Equipment, Welpack, Welding Technocrats, Yetazu Instrumentation.

23. 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, 1 March 2007

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

Balance Sheet Abstract and Company's General Business Profile:

I. Registration Details

Registration No.

5	8	7	3	8
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 State Code

1	8
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Balance Sheet Date

3	1
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1	2
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0	6
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Date Month Year

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

Public Issue	Rights Issue						
<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L
N	I	L					
N	I	L					
Bonus Issue	Private Placement						
<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L
N	I	L					
N	I	L					

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

Total Liabilities*	Total Assets*												
<table border="1" style="display: inline-table;"><tr><td>7</td><td>7</td><td>2</td><td>9</td><td>2</td><td>7</td></tr></table>	7	7	2	9	2	7	<table border="1" style="display: inline-table;"><tr><td>7</td><td>7</td><td>2</td><td>9</td><td>2</td><td>7</td></tr></table>	7	7	2	9	2	7
7	7	2	9	2	7								
7	7	2	9	2	7								
* Includes Deferred Tax Liabilities (Net of Deferred Tax Asset)	* Net of Current Liabilities & Provisions												

Sources of funds

Paid-up Capital	Reserves & Surplus												
<table border="1" style="display: inline-table;"><tr><td>1</td><td>5</td><td>3</td><td>9</td><td>3</td><td>0</td></tr></table>	1	5	3	9	3	0	<table border="1" style="display: inline-table;"><tr><td>6</td><td>1</td><td>4</td><td>1</td><td>3</td><td>1</td></tr></table>	6	1	4	1	3	1
1	5	3	9	3	0								
6	1	4	1	3	1								
Secured Loans	Unsecured Loans												
<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L						
N	I	L											
N	I	L											
Deferred Tax Liability*													
<table border="1" style="display: inline-table;"><tr><td>4</td><td>8</td><td>6</td><td>6</td></tr></table>	4	8	6	6									
4	8	6	6										
* Net of Deferred Tax Asset													

Application of funds

Net Fixed Assets	Investments											
<table border="1" style="display: inline-table;"><tr><td>5</td><td>6</td><td>0</td><td>1</td><td>1</td><td>7</td></tr></table>	5	6	0	1	1	7	<table border="1" style="display: inline-table;"><tr><td>7</td><td>7</td><td>2</td><td>8</td><td>9</td></tr></table>	7	7	2	8	9
5	6	0	1	1	7							
7	7	2	8	9								
Net Current Assets	Misc. Expenditure											
<table border="1" style="display: inline-table;"><tr><td>1</td><td>3</td><td>5</td><td>5</td><td>2</td><td>1</td></tr></table>	1	3	5	5	2	1	<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L		
1	3	5	5	2	1							
N	I	L										
Accumulated Losses												
<table border="1" style="display: inline-table;"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L									
N	I	L										

IV. Performance of Company (Rs. '000)

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

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 P 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 Venkatakrishnan
Company Secretary

B Mohan
Chief Financial Officer

Mumbai, 1 March 2007

Cash Flow Statement
for the year ended 31 December 2006



Schedule	2006 Rs.'000	2005 Rs.'000
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	648,275	581,803
Profit on sale of Assets/Leasehold rights	–	(46,835)
Interest Income	(13,684)	(21,185)
Investments Income	(2,337)	–
Loss on Sale of Fixed Assets (Net)	29	–
Fixed Assets written off	–	292
Unrealised Exchange Differences	(565)	2,548
Depreciation/Amortization	47,126	44,568
Interest and Finance Charges	12,689	13,335
Provision for Doubtful Debts	1,575	265
Operating Profit before Working Capital Changes	693,108	574,791
Increase in Sundry Debtors	(43,750)	(5,686)
Increase in Other Current Assets and Loans and Advances	(49,410)	(12,475)
Decrease / (Increase) in Inventories	2,200	(61,242)
Increase in Trade Payables	92,378	33,291
Cash Generated from Operations	694,526	528,679
Voluntary Separation Compensation and Related Payments	(2,002)	(4,353)
Taxes Paid (Net)	(270,510)	(173,739)
Net Cash from Operating Activities	<u>422,014</u>	<u>350,587</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Capital Expenditure	(196,351)	(99,961)
Sale of Fixed Assets	991	53,023
Purchase of Investments	(161,382)	–
Sale of investments	85,664	–
Interest Received	18,051	15,060
Investment income received	1,117	–
Net Cash used in Investing Activities	<u>(251,910)</u>	<u>(31,878)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Borrowings	(113,250)	(126)
Dividend Paid	(396,875)	(270)
Interest and Finance Charges Paid	(14,881)	(13,355)
Net Cash used in Financing Activities	<u>(525,006)</u>	<u>(13,751)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(354,902)</u>	304,958
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR	<u>562,763</u>	<u>257,805</u>
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	<u>207,861</u>	<u>562,763</u>
Notes:		
i) Cash and Cash Equivalents include :		
(a) Cash and Bank balances other than those mentioned in (b) below.	199,588	534,527
(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).	8,273	28,236
	<u>207,861</u>	<u>562,763</u>

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, 1 March 2007

N H Mirza

Director

S Venkatakrishnan

Company Secretary

G Hariharan

Managing Director

B Mohan

Chief Financial Officer

- 1 We have audited the attached consolidated Balance Sheet of ESAB INDIA LIMITED ("the Company") and its subsidiary as at 31 December 2006 and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year 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.2.6 million as at December 31, 2006 and total 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 (AS) 21, Consolidated Financial Statements and AS 23 Accounting for Investments in Associates in Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.
- 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 2006;
 - 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, 1 March 2007

Membership No: 203491

Consolidated Balance Sheet
as at 31 December 2006



	Schedule	2006 Rs.'000	2005 Rs.'000
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	A	153,930	153,930
Reserves and Surplus	B	614,872	188,329
		768,802	342,259
MINORITY INTEREST	C	374	412
LOAN FUNDS			
Unsecured loans	D	–	113,081
DEFERRED TAX LIABILITY (Net) (Refer Note 6 of Schedule Q)		4,866	2,320
		774,042	458,072
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	E	910,200	728,296
Less: Depreciation / Amortization		415,684	375,349
Net Block		494,516	352,947
Capital Work-in-progress including Advances		65,601	58,966
		560,117	411,913
INVESTMENTS	F	75,785	–
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	G	258,124	260,324
Sundry Debtors	H	93,945	52,181
Cash and Bank Balances	I	207,950	563,003
Other Current Assets and Loans and Advances	J	105,254	59,048
		665,273	934,556
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	K	471,520	391,964
Provisions	L	55,613	496,433
		527,133	888,397
NET CURRENT ASSETS		138,140	46,159
		774,042	458,072
Notes to Accounts	Q		

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, 1 March 2007

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 2006



	Schedule	2006 Rs.'000	2005 Rs.'000
INCOME			
Sales (Gross)		3,272,910	2,715,993
Less : Excise Duty		400,786	334,364
Sales (Net)		2,872,124	2,381,629
Other Income	M	57,839	53,582
Profit on sale of leasehold rights		–	45,343
		<u>2,929,963</u>	<u>2,480,554</u>
EXPENDITURE			
Materials	N	1,692,858	1,331,522
Manufacturing, Selling and Administrative Expenses	O	529,283	509,690
Interest	P	12,689	13,335
Depreciation/Amortization		47,126	44,568
		<u>2,281,956</u>	<u>1,899,115</u>
Profit before taxation, Share of associate's profit and Minority Interest		648,007	581,439
Taxation (Refer Note 7 Schedule Q)		(221,569)	(184,708)
Profit after taxation and before Share of associate's profit and Minority Interest		426,438	396,731
Share of Associate's net profit		67	–
Minority Interest		38	52
Net Profit		426,543	396,783
Balance brought forward from previous year		2,357	101,924
Amount available for appropriation		428,900	498,707
APPROPRIATIONS			
Proposed Dividend		–	400,219
Tax on Proposed Dividend		–	56,131
General Reserve		–	40,000
Balance carried to Balance Sheet		428,900	2,357
		<u>428,900</u>	<u>498,707</u>
Earnings per share (Refer Note 8 of Schedule Q)			
Basic and Diluted		Rs. 27.71	Rs. 25.78
Notes to Accounts	Q		

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, 1 March 2007

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

	2006 Rs.'000	2005 Rs.'000
A. SHARE CAPITAL		
Authorised:		
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>
Issued and subscribed:		
15,393,020 Equity Shares of Rs.10 each fully paid up (of which, 999,000 shares were allotted as fully paid up pursuant to a Scheme of Amalgamation)	<u>153,930</u>	<u>153,930</u>
B. RESERVES AND SURPLUS		
Amalgamation Reserve		
As per last Balance Sheet	10,000	10,000
Securities Premium Account		
As per last Balance Sheet	93,190	93,190
Special Capital Incentive Subsidy		
As per last Balance Sheet	2,000	2,000
General Reserve		
As per last Balance Sheet	80,782	40,782
Add : Transferred from Profit and Loss Account	—	40,000
	<u>80,782</u>	<u>80,782</u>
Profit and Loss Account	428,900	2,357
	<u>614,872</u>	<u>188,329</u>
C. MINORITY INTEREST		
As per last Balance Sheet	412	464
Transferred from Profit and Loss Account	(38)	(52)
	<u>374</u>	<u>412</u>
D. UNSECURED LOANS		
Long Term Loan		
External Commercial Borrowings	—	113,081

A fixed rate term loan of US \$ 2.5 million was availed from Esab Holdings Limited, U.K., which holds 37.31% of the equity share capital of the Company, in the year 2003. The loan has been completely repaid during the current year.

E. FIXED ASSETS

Rs.'000

	Freehold Land	Leasehold Land	Building	Plant & Machinery	Furniture & Fixtures	Motor Vehicles	Intangible Assets	Total	Previous Year
GROSS BLOCK AT COST									
As at 1 January 2006	34,820	14,078	110,269	544,681	13,216	11,232	–	728,296	737,877
Additions	–	–	66,074	92,444	3,380	498	27,319	189,715	43,624
Deletions	–	–	20	4,990	91	2,710	–	7,811	53,205
As at 31 December 2006	34,820	14,078	176,323	632,135	16,505	9,020	27,319	910,200	728,296
DEPRECIATION/AMORTIZATION									
As at 1 January 2006	–	5,413	41,218	316,115	6,140	6,463	–	375,349	360,631
Additions	–	130	4,053	39,626	1,126	1,101	1,090	47,126	44,568
Deletions	–	–	10	4,000	80	2,701	–	6,791	29,850
As at 31 December 2006	–	5,543	45,261	351,741	7,186	4,863	1,090	415,684	375,349
NET BLOCK									
As at 31 December 2006	34,820	8,535	131,062	280,394	9,319	4,157	26,229	494,516	
As at 31 December 2005	34,820	8,665	69,051	228,566	7,076	4,769	–	352,947	
Capital Work in Progress including Advances								65,601	58,966

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.
- Capital work in progress as at 31 December 2006 includes advance paid amounting to Rs.9.7 million towards transfer of technical knowhow. (Previous year - Rs.12.8 million).

	2006 Rs.'000	2005 Rs.'000
F. INVESTMENTS		
(LONG TERM, UNQUOTED, AT COST)		
(a) Trade investment, in an Associate Company -		
Esab Engineering Services Limited 124,495 (previous year Nil) Equity Shares of Rs. 10 each fully paid up.	1,245	-
Share of Profit of Associate Company	67	-
	<u>1,312</u>	<u>-</u>
(b) Other than Trade Investments		
Investment in Rural Electrification Corporation Bonds	29,350	-
(CURRENT, UNQUOTED, LOWER OF COST AND FAIR VALUE)		
Other than Trade Investments		
Investment in Mutual Funds (Refer Note 12 of Schedule Q for details of mutual funds purchased and sold during the year)		
HDFC Cash Management Fund - Savings Plan -		
Daily Dividend reinvestment	25,110	-
2,360,805.08 units (December 31, 2005 - Nil units)		
Face Value: Rs.10 per unit		
TLMD TATA Liquidity Management Fund -		
Daily Dividend reinvestment	20,013	-
19,967.75 units (December 31, 2005 - Nil units)		
Face Value: Rs.1,000 per unit		
Aggregate market value of Company's investments in Mutual Funds Rs.45,123 (previous year - Nil)		
	<u>45,123</u>	<u>-</u>
	<u>75,785</u>	<u>-</u>
G. INVENTORIES		
Raw and Packing Materials	111,439	89,109
Work-in-Progress	19,155	16,134
Finished Goods	124,014	149,102
Stores and Spare Parts	3,516	5,979
	<u>258,124</u>	<u>260,324</u>
H. SUNDRY DEBTORS (UNSECURED)		
Over six months -		
Considered Good	2,228	1,772
Considered Doubtful	12,322	10,748
Others, Considered Good	91,717	50,409
	<u>106,267</u>	<u>62,929</u>
Less: Provision for Doubtful Debts	12,322	10,748
	<u>93,945</u>	<u>52,181</u>
Debtors include amount due from Companies under the same management		
Esab Asia Pacific Pte Ltd., Singapore	9,051	2,604
Esab Middle East LLC	4,222	11,862
Esab Seah Corporation, Korea	96	354

	2006 Rs.'000	2005 Rs.'000
I. CASH AND BANK BALANCES		
Cash on hand	618	569
Cheques on hand and remittances in transit	96,116	32,923
Balances with Scheduled Banks:		
Current Accounts	36,882	71,180
Deposit Accounts	71,603	432,500
Margin money	2,731	25,831
	<u>207,950</u>	<u>563,003</u>
J. LOANS AND ADVANCES		
Interest accrued on investments	1,220	–
Secured, considered good		
Vehicle Loans to employees (Secured against hypothecation of vehicles)	199	286
Unsecured considered good		
Advance tax payments	3,197	3,202
Advances to Esab Engineering Services Ltd., an associate company (maximum amount outstanding during the current year Rs.8,002, previous year Rs.Nil)	6,400	–
Advances to Esab International AB Sweden (maximum amount outstanding during the current year Rs.327, previous year Rs.327)	–	327
Advances recoverable in cash or in kind or for value to be received		
Considered Good	75,565	46,358
Considered Doubtful	3,251	3,251
	<u>78,816</u>	<u>49,609</u>
Less: Provision for doubtful advances	3,251	3,251
	<u>75,565</u>	<u>46,358</u>
Balances with Customs, Port Trust, Excise, etc.	18,673	8,875
	<u>105,254</u>	<u>59,048</u>
K. CURRENT LIABILITIES		
Sundry Creditors	361,016	241,885
Advances from Customers	21,763	21,881
Deposits from Dealers	11,362	41,659
Other Liabilities	73,431	83,780
Unclaimed Dividends*	3,948	604
Interest accrued and not due	–	2,155
	<u>471,520</u>	<u>391,964</u>
* There is no amount due and outstanding to be credited to the Investor Education and Protection Fund		

	2006 Rs.'000	2005 Rs.'000
L. PROVISIONS		
Provision for Income-tax less advance tax payments	18,706	14,062
Provision for retirement benefits :		
Gratuity	8,429	3,344
Pension	-	11,974
Leave Encashment	19,451	8,293
Provision for Warranty	9,027	2,410
Proposed Dividend	-	400,219
Tax on Dividend	-	56,131
	<u>55,613</u>	<u>496,433</u>
M. OTHER INCOME		
Interest income	13,684	21,185
Income from Sale of Scrap (net of Excise Duty)	28,504	17,006
Commission	2,309	4,137
Liabilities no longer required written back	352	1,744
Profit on sale of fixed assets (net)	-	1,492
Income from investments	2,337	-
Exchange gain (net)	201	-
Miscellaneous	10,452	8,018
	<u>57,839</u>	<u>53,582</u>
N. MATERIALS		
Raw & Packing Materials Consumed	1,383,365	1,173,017
Purchases of Finished Goods	287,426	213,727
(Increase)/Decrease in Finished Goods & Work-in-Progress		
Opening Stock		
Finished Goods	149,102	95,574
Work-in-Progress	16,134	14,440
	<u>165,236</u>	<u>110,014</u>
Closing Stock		
Finished Goods	124,014	149,102
Work-in-Progress	19,155	16,134
	<u>143,169</u>	<u>165,236</u>
	<u>22,067</u>	<u>(55,222)</u>
	<u>1,692,858</u>	<u>1,331,522</u>

	2006 Rs.'000	2005 Rs.'000
O. MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Salaries, Wages and Bonus	171,181	137,089
Contributions to Provident and Other Funds	(14,972)*	9,897
Workmen and Staff Welfare Expenses	19,662	13,570
Consumption of Stores and Spare parts	33,112	26,221
Power and Fuel	63,736	58,257
Repairs:		
Buildings	9,150	5,633
Plant & Machinery	7,538	11,584
Others	5,303	6,351
Rent	11,971	12,656
Rates and Taxes	5,810	13,565
Excise Duty	(7,122)	6,184
Insurance	3,977	2,644
Transport and Freight	59,391	48,876
Communication Costs	13,885	12,867
Travelling and Conveyance	49,070	45,447
Legal and Professional Charges	11,228	11,454
Printing and Stationery	4,860	5,552
Commission	3,420	2,379
Discount and incentives	26,613	22,182
Advertising	1,330	3,464
Sales Promotion and Selling Expenses	7,814	8,056
Provision for Doubtful Debts	1,575	314
Bad Debts written off	-	1,635
Loss on sale of fixed asset (net)	29	-
Fixed Assets written off	-	292
Exchange loss (net)	-	732
Provision for warranty cost	6,687	1,521
Miscellaneous Expenses	34,035	41,268
	<u>529,283</u>	<u>509,690</u>
*Net of reversal of contributions made in earlier years to the Company's pension trusts of Rs.29,608.		
P. INTEREST AND FINANCE CHARGES		
Interest:		
On Fixed Loans	4,039	4,968
On others	67	62
Bank Charges	8,583	8,305
	<u>12,689</u>	<u>13,335</u>

Schedules forming part of the Consolidated Financial Statements for the year ended 31 December 2006

SCHEDULE Q: NOTES TO ACCOUNTS

1. Basis of preparation of consolidated financial statements

The consolidated financial statements of Esab India Limited has 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 issued by the Institute of Chartered Accountants of India, to the extent applicable.

The consolidated financial statements include the financial statements of Esab India Limited and its subsidiary, Esab Welding & Cutting Systems Limited, of which it owns 85.71% 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. 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 issued by the Institute of Chartered Accountants of India (ICAI).

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 and depreciation

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. The cost of fixed assets also includes the exchange differences arising in respect of liabilities incurred for the purpose of acquisition of fixed assets from a country outside India. 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 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 buildings, leasehold land and improvements thereto at Taratala, Kolkata have 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.

Technical Know-how fees are amortised over a period of 6 years.

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.

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 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 values. Work in-process and finished goods are valued at the lower of cost and net realizable value. Inventories of stores and spare parts are valued at cost.

Costs are generally calculated at standards adjusted to actual and in the case of manufactured inventories 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 as at the balance sheet date.

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

i) Revenue recognition

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

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

j) Transactions in foreign currency

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the relevant transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the Profit and Loss Account of the year, except exchange differences related to acquisition of fixed assets from a country outside India, which are adjusted to the carrying amount of the related fixed assets. 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 except those related to acquisition of fixed assets from a country outside India, which are adjusted to the carrying amount of the related fixed assets.

k) Warranties

Provision for estimated liability in respect of warranty costs is made in the year in which the revenues are recognised, and is estimated by the management on the basis of technical evaluation and past experience.

l) Contingencies

Loss contingencies arising from claims, litigations, assessments, fines, penalties, etc., are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated.

m) Taxation

Income tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income tax law) 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.

Consequent to the introduction of Fringe Benefit Tax (FBT) effective 1st April 2005, in accordance with the guidance note issued by the ICAI, the Company has made provision for FBT under the Income taxes.

n) Voluntary Separation Compensation

Expenditure under voluntary separation scheme is charged to the profit and loss account in the year in which the liability arises.

o) Research and Development

Expenditure on research and development is charged to the profit and loss account.

p) 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.

q) 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.

	2006 Rs.'000		2005 Rs.'000
3. Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances)	94,192		65,526
4. Contingent Liabilities			
For Disputed Taxes and duties	40,673		57,706
Claims Against the Company not acknowledged as debts	57,950		51,850
5. Auditor's Remuneration (Excluding service tax and included in legal and professional charges under Schedule N)			
Audit fees	1,200		875
Tax Audit & Tax accounts	300		300
Other Professional Services	1,000		700
Reimbursement of out of pocket Expenses	76		171
	<u>2,576</u>		<u>2,046</u>
6. Deferred taxation			
Deferred Tax Asset			
Current assets	7,976	7,082	
Current liabilities	27,895	32,859	
Investments	2,564	2,564	42,505
Deferred Tax Liability			
Fixed Assets	(43,301)	(44,825)	
	<u>(4,866)</u>	<u>(2,320)</u>	
7. Taxation			
Tax provision for current year	213,664	170,951	
Fringe Benefits Tax	5,359	3,161	
Deferred Tax charge	2,546	10,596	
	<u>221,569</u>	<u>184,708</u>	
8. Earnings per Share			
Basic and Diluted Earnings per share	Rs.27.71	Rs.25.78	
Nominal value per share	Rs.10	Rs.10	
Profit after taxation, minority interest and share of associate's profit	Rs.'000 426,543	Rs.'000 396,783	
Weighted average number of shares outstanding during the year	'000 15,393	'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 2006. Charter Overseas Holdings Limited, the holding company of Esab Holdings Limited is a subsidiary of Charter plc.
- ii) Esab Welding & Cutting Systems Limited - Subsidiary Company - 85.71% of whose paid up equity share capital is held by the Company as at 31 December 2006.

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

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 AB, Sweden	Esab Engineering Services Limited, India

c) Key Management Personnel

Wholetime Director - Mr. G.Hariharan (appointed on 7th January, 2003 and re-appointed on 7th January, 2004)

Managing Director - Mr. S. Sundar Ram (appointed on 1st March, 2005 for the period of five years)

Effective 1st September, 2006 Mr. S. Sundar Ram ceased to be the Managing Director of the Company and continues as a Non-Executive director on the Board and Mr. G. Hariharan has taken over as Managing Director with effect from 1st September 2006.

10. Related Party Disclosure

d) Transaction and outstanding balances with Related Parties.

Rs.'000

Nature of Transaction	Control Exists (a(i))		Significant Influence Exists [b]		Key Management Personnel [c]		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Purchase of goods			139,314	82,058			139,314	82,058
Purchase of Fixed Assets			173	–			173	–
Sale of goods			46,849	38,334			46,849	38,334
Reimbursement of Expenses			6,400	–			6,400	–
Payment of Technical Knowhow			16,507	11,482			16,507	11,482
Interest on Loan	4,039	4,968					4,039	4,968
Commission Income			1,991	4,403			1,991	4,403
Remuneration					7,102	6,061	7,102	6,061
Outstanding payables (net)	–	113,081					–	113,081
Outstanding receivable (net)	65	–	6,712	10,450	*	*	6,777	10,450

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	
	2006	2005	2006	2005	2006	2005
REVENUE						
External sales (Net)	2,097,511	1,829,917	774,613	551,712	2,872,124	2,381,629
Segment results	558,896	484,636	122,330	95,335	681,226	579,971
Less: Interest and Finance Charges					12,689	13,335
Other common expenses (Net)					20,530	(14,803)
Extraordinary Expenses						
Prior Period Items						
Total profit before tax					648,007	581,439
Capital employed						
Segment assets	687,936	583,218	384,996	224,910	1,072,932	808,128
Add: Common Assets					228,243	538,341
Total Assets					1,301,175	1,346,469
Segment liabilities	190,893	154,682	168,513	102,245	359,406	256,927
Add: Common liabilities					172,593	746,871
Total Liabilities					531,999	1,003,798
Segment capital employed	497,043	428,536	216,483	122,665	713,526	551,201
Add: Common capital employed					55,650	(208,530)
Total capital employed					769,176	342,671
Capital expenditure	77,189	19,069	110,750	10,923	187,939	29,992
Add: Common capital expenditure					1,776	13,632
Total capital expenditure					189,715	43,624
Depreciation	36,996	34,252	8,490	8,371	45,486	42,623
Add: Common depreciation					1,640	1,945
Total depreciation					47,126	44,568
Non cash expenses	(803)	394	1,813	1,285	1,010	1,679
Add: Common non cash expenditure					-	3,161
Total non cash expenditure					1,010	4,840

Geographical Segments

The Company caters mainly to the needs of Indian market and the export turnover being 3.54% (previous year 3.50%) 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".

Rs.'000

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

Name of the fund	2006				2005			
	No. of units purchased	Purchase price	No. of units sold	Sale price	No. of units purchased	Purchase price	No. of units sold	Sale price
HDFC Cash Management Fund - Savings Plan - Daily Dividend reinvestment	4,738,024	50,395	2,377,219	25,285	-	-	-	-
TLMD TATA Liquidity Management Fund - Daily Dividend reinvestment	60,156	60,292	40,189	40,279	-	-	-	-
SBI Mutual Fund	1,002,745	10,060	1,002,745	10,060	-	-	-	-
ICICI Prudential Fund Institutional Liquid Plan	847,233	10,040	847,233	10,040	-	-	-	-
Total	6,648,158	130,787	4,267,386	85,664	-	-	-	-

13. Sundry Creditors comprise Rs.29.46 million (previous year Rs.26.33 million) outstanding to Small Scale Industrial Undertakings and Rs.331.29 million (previous year Rs.215.59 million) to other Creditors. Amounts due to the following Small Scale Industrial Undertakings (on the basis of information available with the Company) are outstanding for more than 30 days:

Allied Electronics Corporation, A N Instruments Pvt. Ltd., Basanti Enterprises, Bhavani Engg. & Welding Works, Calcutta Components Private Ltd., Components & Equipments, DS Electrical Works, Das Moulding & Engg. Works, Die Casting Corporation, Eastern Lamination Pvt. Ltd., Eastern Mechanical Industries, EPC Electricals P. Ltd., Hatim Dielectrics Pvt. Ltd., Mahamaya Metal Products P. Ltd., Mico Engineering, Kanchan Engineering Corporation, Nandhini Multipacks, Indranath Industries, Indoswe Engineers P. Ltd, Munex Commercial Co., Karko Industries, Oxide & Chemical Industries, Penguin Plastics, Progressive Rubber Works, PSCO, R.K. Enterprise, Special Wire Products, Sriram Wire Products P. Ltd., Sakthi Industries, Sarada Steel Industries, Supersmelt, Sun Electrical Engineering Co., Superstar Cable Industries, Technocrats Industries, Tirupati Enterprise, Unicare Emergency Equipment, Welpack, Welding Technocrats, Yetazu Instrumentation .

14. 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, 1 March 2007

Consolidated Cash Flow Statement
for the year ended 31 December 2006



Schedule	2006 Rs.'000	2005 Rs.'000
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation, Share of associate's profit and Minority Interest	648,007	581,439
Profit on sale of Assets/Leasehold rights	–	(46,835)
Interest Income	(13,684)	(21,185)
Investment Income	(2,337)	–
Loss on Sale of Fixed Assets (Net)	29	–
Fixed Assets written off	–	292
Unrealised Exchange Differences	(565)	2,548
Depreciation/Amortization	47,126	44,568
Interest and Finance Charges	12,689	13,335
Provision for Doubtful Debts	1,575	314
Operating Profit before Working Capital Changes	<u>692,840</u>	<u>574,476</u>
Increase in Sundry Debtors	(43,750)	(5,686)
Increase in Other Current Assets and Loans and Advances	(49,108)	(11,626)
Decrease / (Increase) in Inventories	2,200	(61,241)
Increase in Trade Payables	92,193	32,349
Cash Generated from Operations	<u>694,375</u>	<u>528,272</u>
Voluntary Separation Compensation and Related Payments	(2,002)	(4,353)
Taxes Paid (Net)	(270,510)	(173,739)
Net Cash from Operating Activities	<u>421,863</u>	<u>350,180</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Capital Expenditure	(196,351)	(99,961)
Sale of Fixed Assets	991	53,023
Purchase of Investments	(161,382)	–
Sale of investments	85,664	–
Interest Received	18,051	15,060
Investment income received	1,117	–
Net Cash used in Investing Activities	<u>(251,910)</u>	<u>(31,878)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Borrowings	(113,250)	(126)
Dividend Paid	(396,875)	(270)
Interest and Finance Charges Paid	(14,881)	(13,355)
Net Cash used in Financing Activities	<u>(525,006)</u>	<u>(13,751)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(355,053)</u>	<u>304,551</u>
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR	<u>563,003</u>	<u>258,452</u>
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	<u>207,950</u>	<u>563,003</u>
Notes:		
i) Cash and Cash Equivalents include :		
(a) Cash and Bank balances other than those mentioned in (b) below.	199,677	534,767
(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).	8,273	28,236
	<u>207,950</u>	<u>563,003</u>

Notes to Accounts

Q

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, 1 March 2007

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 (formerly, Flotech Welding & Cutting Systems Limited).

1	Financial year of the Subsidiary	31 December 2006
2	Shares of the Subsidiary held by Esab India Limited on the above date	
	Number and Face Value	1,200,000 Equity shares of Rs.10 fully paid up
	Extent of holding	85.71%
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 2006 (except to the extent dealt with in (b) below)	
	(i) for the subsidiary's financial year ended 31 December 2006 (Rs.'000s)	(230)
	(ii) for the previous financial years of the subsidiary since it became a subsidiary (Rs.'000s)	(1572)
	(b) dealt with in the accounts of Esab India Limited for the year ended 31 December 2006 (being dividend received):	
	(i) for the Subsidiary's financial year ended 31 December 2006 (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 Venkatakishnan
Company Secretary

B Mohan
Chief Financial Officer

Mumbai, 1 March 2007

Subsidiary Company Financial Statements

Board of Directors

Mr G Hariharan
Mr B Mohan
Mr G Banerjee

Company Secretary

Mr S Arun Kumar

Statutory Auditors

S.N. Gogate & Co., Pune.

Directors' Report

Your Directors present the Nineteenth Annual Report together with the audited accounts for the year ended 31 December 2006.

FINANCIAL RESULTS

	2006 Rs.'000s	2005 Rs. '000s
Profit/(Loss) before taxes, interest and depreciation	(268)	(364)
Interest	-	-
Depreciation	-	-
Profit / (Loss) before and after tax	<u>(268)</u>	<u>(364)</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 G Banerjee 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.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of our knowledge and belief and according to the information and explanations obtained by us, 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 2006, 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 2006 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 2006 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 2007

G Hariharan
Chairman

To

The Members

ESAB Welding & Cutting Systems Limited, Pune

1. We have audited the attached Balance Sheet of Esab Welding & Cutting Systems Ltd. as at 31st December, 2006 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 paragraph 4 and 5 of the said order.
4. Further to our comments, in the Annexure 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 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 31st December 2006 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 31st December, 2006;
 - (b) In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For S.N. Gogate & Co.
Chartered Accountants

Place : Pune
Date : 18.01.2007

S.N. Gogate
Membership No.100-10354

Annexure to Auditors' Report

Referred to in paragraph 3 of our report of even date

- | | |
|--|--|
| <p>(i) According to information and explanation 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.</p> <p>(ii) According to information and explanation 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.</p> <p>(iii) According to information and explanation given to us, the Company has during the year not granted or taken any loans secured or unsecured (excluding advance of Rs.0.32 million taken from holding company during the year) to / from companies, firms or other parties covered in the register maintained u/s.301 of the Companies Act,1956.</p> <p>(iv) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of inventory or fixed assets, or any transaction of sale of goods and service during the year. Accordingly, clause 4 (iv) of the Order are not applicable to the Company.</p> <p>(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.</p> <p>(vi) In our opinion and according to the information and explanations given to us, 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.</p> <p>(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.</p> <p>(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.</p> | <p>(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 31st December, 2006 for a period of more than six months from the date of its become payable.</p> <p>(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.</p> <p>(x) The company has accumulated losses of Rs.11.38 million at the end of calendar year 31st December, 2006 and during the year, the company has incurred cash losses of Rs.0.27 million and there is cash loss of Rs.0.36 million in the immediately preceding such financial year.</p> <p>(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.</p> <p>(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.</p> <p>(xiii) The company is not a Chit Fund, Nidhi, Mutual Fund or a Society. Accordingly, clause 4 (xiii) of the Order is not applicable to the Company.</p> <p>(xiv) According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4 (xiv) of the Order is not applicable to the Company.</p> <p>(xv) According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, clause 4 (xv) of the Order is not applicable to the Company.</p> <p>(xvi) During the year the company have not raised any term loan from any financial institution. Accordingly, clause 4 (xvi) of the Order is not applicable to the Company.</p> |
|--|--|

- (xvii) According to 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.

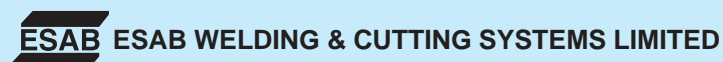
- (xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company 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 : 18.01.2007

S.N. Gogate
Membership No.100-10354

Balance Sheet
as at 31 December 2006



	Schedule	Rs.'000	2006 Rs.'000	2005 Rs.'000
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
SHARE CAPITAL	A		<u>14,000</u>	<u>14,000</u>
			14,000	<u>14,000</u>
LOAN FUNDS				
SECURED LOANS			<u>-</u>	<u>-</u>
			14,000	<u>14,000</u>
APPLICATION OF FUNDS				
FIXED ASSETS				
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories		-		-
Sundry Debtors	B	-		-
Cash & Bank Balances	C	89		240
Loans & Advances	D	<u>3,244</u>		<u>3,203</u>
		3,333		<u>3,443</u>
LESS :				
CURRENT LIABILITIES AND PROVISIONS				
Liabilities	E	712		554
Provisions	F	<u>-</u>		<u>-</u>
		712		<u>554</u>
NET CURRENT ASSETS			2,621	2,889
PROFIT AND LOSS ACCOUNT				
Net Loss as per Profit and Loss Account			<u>11,379</u>	<u>11,111</u>
			14,000	<u>14,000</u>
Notes to Accounts	K			

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 January 2007

S Arun Kumar
Company Secretary
Chennai

Profit and Loss Account
for the year ended on 31 December 2006



	Schedule	2006 Rs.'000	2005 Rs.'000
INCOME			
Sales (Gross)		-	-
Less : Excise Duty		-	-
Sales (Net)		-	-
Other Income	G	-	-
		-	-
EXPENDITURE			
Material Cost	H	-	-
Manufacturing, Selling & Administrative Expenses	I	268	364
Interest	J	-	-
Depreciation		-	-
		268	364
PROFIT / (LOSS) BEFORE AND AFTER TAXATION		(268)	(364)
Add : Balance brought forward from the previous year		(11,111)	(10,747)
NET LOSS CARRIED TO BALANCE SHEET		(11,379)	(11,111)
Notes to Accounts	K		

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 January 2007

For and on behalf of the Board of Directors

B Mohan
Director

G Hariharan
Chairman

S Arun Kumar
Company Secretary
Chennai

	2006 Rs.'000	2005 Rs.'000
A. SHARE CAPITAL		
Authorised:		
1,400,000 Equity Shares of Rs. 10/- each	<u>14,000</u>	<u>14,000</u>
Issued, Subscribed and Paid-up		
1,400,000 Equity Shares of Rs. 10/- each fully subscribed and paid-up. [1,200,000 Equity Shares are held by ESAB INDIA LIMITED and 200,000 Equity Shares are held by ESAB Hancock, GmbH, Germany]	<u>14,000</u>	<u>14,000</u>
B. SUNDRY DEBTORS (UNSECURED)		
Outstanding for a period exceeding six months		
Considered good	-	-
Considered doubtful	<u>71</u>	<u>71</u>
	71	71
Others, considered good	-	-
	<u>71</u>	<u>71</u>
Less : Provision for doubtful debts	<u>71</u>	<u>71</u>
	-	-
	<u>-</u>	<u>-</u>
C. CASH AND BANK BALANCES		
Cash on hand	-	-
Balance with Scheduled Banks :		
With State Bank of India	12	71
With Bank of Maharashtra	-	-
Current Accounts	<u>77</u>	<u>169</u>
	<u>89</u>	<u>240</u>
D. LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	47	-
Advance Tax including Tax Deducted at Source	3,197	3,203
Deposits	-	-
	<u>3,244</u>	<u>3,203</u>
E. CURRENT LIABILITIES		
Sundry Creditors	266	208
Customers' credit balances	47	47
Government dues	-	-
Other Liabilities	<u>399</u>	<u>299</u>
	<u>712</u>	<u>554</u>
F. PROVISIONS		
For Expenses	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

	2006 Rs.'000	2005 Rs.'000
G. OTHER INCOME		
Miscellaneous Receipts	-	-
Profit on sale of Fixed Assets	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
H. MATERIAL COST		
Materials Consumed		
Opening Stock	-	-
Add : Purchases	-	-
	<u>-</u>	<u>-</u>
Less : Closing Stock	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
I. MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Salaries and Wages	-	-
Contribution to Provident and other funds	-	-
Staff Welfare	-	-
Power & Fuel	-	-
Repairs & Maintenance		
Plant & Machinery	-	-
Others	-	-
Rent	91	20
Rates, Taxes & Insurance	-	-
Excise Duty & Sales Tax	-	-
Travelling, Conveyance & Vehicle Expenses	-	29
Professional Fees	147	118
Bank Charges	-	-
Postage, Telegram and Telephone	-	15
Bad & Doubtful Debts Provision	-	49
Loss on Sales of Fixed Assets	-	-
Transport & Octroi Charges	-	-
Sundry Balances written off	-	14
Other Expenses	30	119
	<u>268</u>	<u>364</u>
J. INTEREST		
For Working Capital facility	-	-
Less: Interest income	-	-
Bank Interest	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

K. NOTES FORMING PART OF THE ACCOUNTS

1. Preparation of Accounts

The Company has closed its Manufacturing operations and disposed of all fixed assets and has paid all dues to its 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. 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 either Raw material/WIP/Finished goods during the year
- d. Current tax is determined on the basis of the amount of tax payable on the taxable income for the year. Deferred tax is calculated at the current statutory income tax rate and is recognised on the timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

	2006 Rs. '000	2005 Rs. '000
3. Contingent liabilities not provided for (As certified by the Management)	-	-
4. Auditor's remuneration (Included in Professional Fees)		
Audit Fees	10	10
Other professional services	48	87
	<u>58</u>	<u>97</u>
5. Capacity, Production, Stock and Value	-	-
6. Material and components consumed	-	-
7. Value of imports calculated on C.I.F. Basis	-	-
8. Value of imported and indigenous materials and components consumed	-	-
9. Net difference in foreign exchange credited to Profit and Loss Account is NIL (Previous year debited to Profit and Loss Account is Rs. Nil)		
10. a) Sundry Creditors comprise Rs. Nil (previous year Rs. Nil) outstanding to Small Scale Undertakings and Rs.0.35 million (previous year Rs.0.35 million) to other creditors.		
b) Small Scale Industrial Undertakings to whom amounts aggregating to Rs.1 Lakh are outstanding for more than 30 days is Rs.Nil (previous year Rs.Nil)		
c) The above information has been compiled in respect of parties to the extent they could be identified as Small Scale Industrial Undertakings on the basis of information available with the Company.		
11. On the grounds of prudence and closure of the manufacturing activity, the Company has not computed/accounted the amount of deferred taxation as per the mandatory Accounting Standard 22 "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India.		
12. Loans and Advances include Rs.3.2 million on Income Tax refunds due. The company has obtained favourable decision in this regard from the Honourable High Court at Mumbai. The adjustment of this claim against claims relating to other assessment years is pending before the Income tax Department. There are no pending demands relating to this amount. In the opinion of the company, the balance is recoverable and hence no provision is necessary.		

13. Earnings per share

	2006 Rs.	2005 Rs.
Basic Earnings per Share	(0.19)	(0.26)
Diluted Earnings per Share	(0.19)	(0.26)
Nominal value per Share	10.00	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:

	2006 '000s	2005 '000s
Profit / (Loss) after taxation	Rs. (268)	(364)
Weighted average number of shares outstanding during the year	Nos. 1400	1400

14. 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	6		
	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
-------------------	---	---	---	---	---	---------------	---	---	---	---	---

* 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	N	I	L		
Net Current Assets	2	6	2	1	Misc. Expenditure	N	I	L	
Accumulated Losses	1	1	3	7	9				

IV. Performance of Company (Rs. '000)

Turnover	N	I	L	Total Expenditure	2	6	8		
+/- Profit/Loss Before Tax	-	2	6	8	+/- Profit/Loss After Tax	-	2	6	8
+/- Earnings per Share	-	.	1	9	Dividend Rate %	-	-	-	

V. Generic Names of Three 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

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

Signatures to Schedules A to K 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 January 2007

S Arun Kumar
Company Secretary
Chennai



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

ATTENDANCE SLIP

20th Annual General Meeting on Friday 27 April 2007.

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 Friday 27 April 2007 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, 3rd Main Road, Industrial Estate, Ambattur, Chennai-600 058

PROXY FORM

20th Annual General Meeting on Friday 27 April 2007.

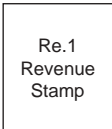
Mr./Mrs./Miss

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 20th Annual General Meeting of the Company to be held on Friday 27 April 2007 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 of2007

Signature.....



Note: This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, at least 48 hours before the meeting.



ESAB INDIA LIMITED

Regd. Office:

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

www.esabindia.com