



**ESAB INDIA LIMITED  
CHENNAI**

## **CHAIRMAN'S STATEMENT**

Ladies and Gentlemen,

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

We emerged successful and stronger after an eventful 2009. We navigated successfully through a period of acute pessimism towards the end of 2008 to cautious optimism towards the end of 2009. In a year that saw softening of Steel and metal prices and relatively flat market conditions, we managed to retain our strong market position as a preferred provider of welding and cutting solutions. We managed to defend and grow our margins in a challenging environment. While the overall sentiments were positive, there were sectoral concerns and challenges that prevailed through most of 2009.

I am pleased to inform the members that your Company has shown good growth in Profits and profitability with our Profits before tax crossing Rs.1 Billion for the first time ever. The Company made good progress on its ongoing expansions and modernization initiatives. The company has continued to expand its capacities through additional investments at its Nagpur plant and by modernization at its Khardah and Ambattur Plants. The Industrial Gas Equipment R&D facility at Taratala has also gone on stream and is expected to cater to markets outside India.

The Company has also high on its priority list, upgrading its infrastructure and processes in line with global standards. Towards this, quite a few initiatives supported by the ESAB group have been taken up. Initiatives on IT and LEAN are seen as important steps in this direction.

We remain committed to long term growth and continue to proceed with all our committed investments. The second phase of the expansion of capacity on Solid Wires is expected to be completed by the end of this year.

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

Even though the Company's net sales recorded a negative growth of 0.5%, due to lower prices, the Profit After Tax posted a growth of 8% with improvements in product mix. While both the Consumables and Equipments divisions posted commendable growth, the improvement in operating margin was more pronounced in the equipment division arising from better realization during the year.

Your Company continued to generate Cash at a healthy rate with an increase of Rs. 211 Million in Cash and cash equivalents at the end of 2009 over 2008. The Company has continued to remain debt free and financed all its capital expenditure and operational requirements entirely through internal accruals. The earnings per share for the shareholders have also grown by 8% from Rs.39.75 per share in 2008 to Rs.43.00 in 2009.

The first quarter of this year saw the company closing on a higher Net Sales at Rs. 115 million which is 6% more than that of Q1 09 while Profit Before Tax was down by 13% at Rs.21.8 million as compared to the same quarter last year. This was as a result of volatile market conditions and a challenging product mix. As we gear up for the rest of the year, we expect sustained pressures on pricing and mix in a significantly more competitive business environment in 2010. The company continues to focus on cost controls and productivity improvements to stay ahead.

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

**Thank you,**

**Chairman  
22 April 2010**