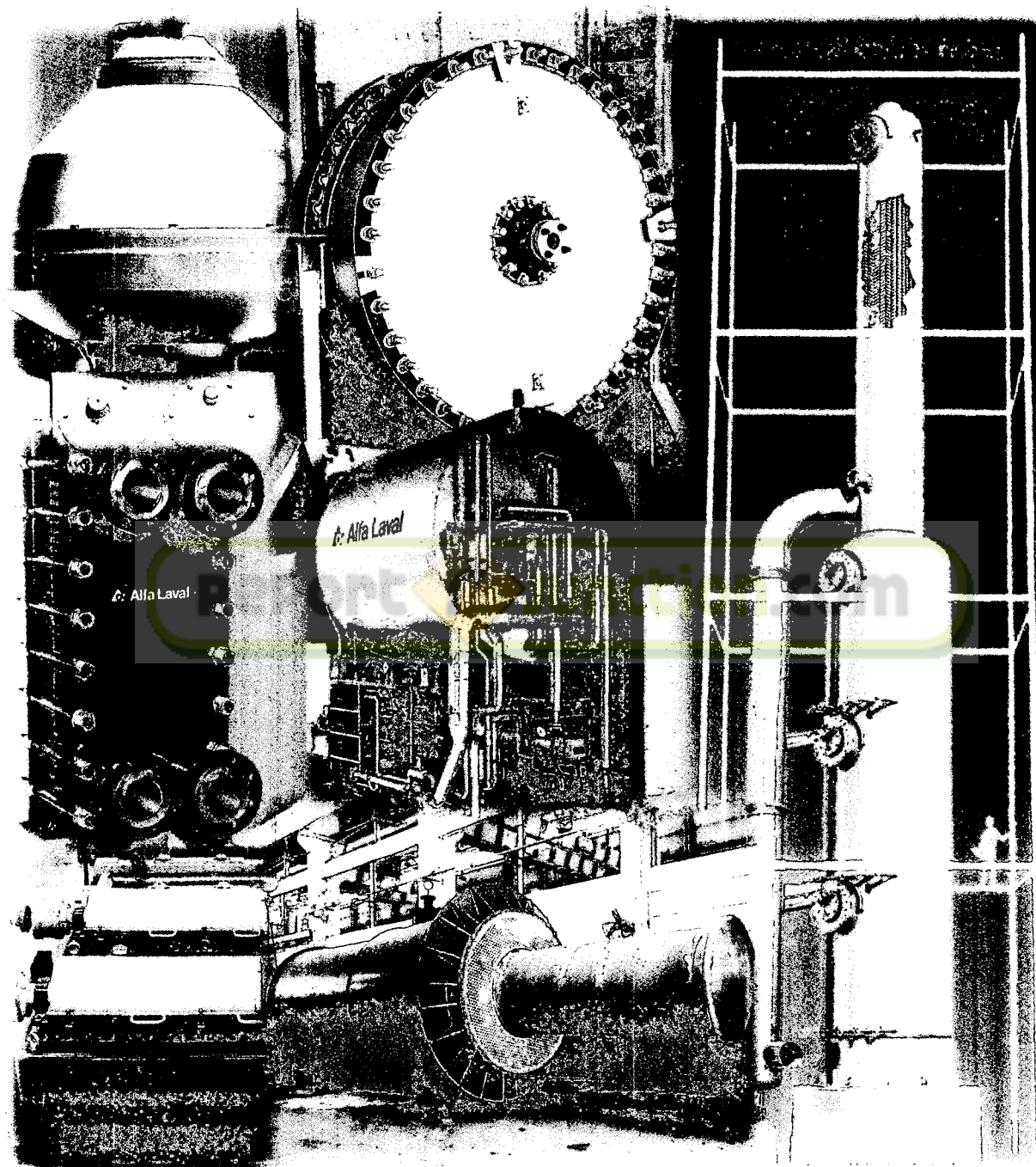




MD			BKC	✓
CS			DPY	✓
RO			DIV	✓
TRA			AC	
AGM		✓	SMI	
YE				



Annual Report 1998
Alfa Laval (India) Limited



Thermal Manufacturing

SCO SER

Annual General Meeting, Wednesday, April 28, 1999

at 3.00 p.m. at Nehru Memorial Hall, Atur Foundation House, 4, Dr. Ambedkar Road, Pune 411 001

Alfa Laval (India) Limited**CHAIRMAN EMERITUS**

Kamaljit Singh

DIRECTORS

Ms. L.F. Poonawalla, *Chairperson*

Prof. Goran Grosskopf

F.A.A. Jasdanwalla

J.N. Guzder

K.R. Bhatia

Jos Bellinkx

Bo Wirsén

B. Chakrabarti, *Nominee Director*

Satish Tandon, *Managing Director*

Cyrus J. Guzder

SECRETARY

V. Chandrasekhar

BANKERS

Bank of India

ANZ Grindlays Bank Ltd.

Bank of Maharashtra

The United Western Bank Ltd.

The British Bank of the Middle East

LEGAL ADVISERS

Crawford Bayley & Co.

AUDITORS

Price Waterhouse

REGISTERED & HEAD OFFICE

Mumbai Pune Road,

Dapodi,

Pune 411 012.

Phone : (0212) 797721

Fax : (0212) 797711

Home Page : www.alfalaval.co.in

WORKS

Dapodi, Pune 411 012.

M.I.D.C. Estate, Satara 415 004

SALES & SERVICE NETWORK

Ahmedabad

Bangalore

Baroda

Calcutta

Chandigarh

Chennai

Dhaka, Bangladesh

Hyderabad

Indore

Jaipur

Jamshedpur

Kochi

Lucknow

Mumbai

New Delhi

Patna

Pune

Raipur

Vishakhapatnam

CUSTOMER SERVICE CENTER

Plot No. R-674, MIDC Rebale,

TTC Industrial Area, Post Ghansoli,

Thane-400 701.

As a measure of economy the practice of distributing copies of the Annual Report at the Annual General Meeting has been discontinued. Members are, therefore, requested to bring their own copies of the Report to the Meeting..



Chairperson's Communique

enhanced focus on Quality and Customer Service.

The Company continues its drive for improving its profitability through innovation, customer focus and strategy to concentrate on core products where the Principals have the technology edge and are able to give all the technical knowhow and market support. In line with this strategy, we have decided to sell the liquid food processing business. This move will have marginal impact of not more than 10-15% reduction in the Company's sales turnover, as core products for this business such as Separators and Heat Exchangers will still be supplied by Alfa Laval. The amount realized from the sale of this business will be utilized for expansion and modernization of manufacturing facilities for the core business which will improve the profitability of the Company.

On behalf of the Board Members and all of you, I congratulate the new Management team and all the employees for achievement of good results. I firmly believe that this strong team and highly motivated group of people coupled with all the technological inputs and the investments will ensure achievement of bigger goals. I ***Congratulate*** Mr. Satish Tandon and his entire team and wish them ***Good Luck*** for the future.

Ms. L.F. Poonawalla

Dear Shareholders,

The year gone by witnessed cyclic economic changes and temporary micro economic imbalances of supply and demand. While these forces did create pressures on the corporate world, it also gave opportunity to improve and get our business to be more efficient, more focused and generally, more competitive.

During this period under review, your Company has turned out good results. I am sure all of you would be very happy to go through this year's annual report. The performance has improved substantially, almost on all parameters. The Management has achieved this improvement through focussing on better buying, controlling of variable costs, market development for core products - especially in international markets and



MD's Communique

Dear Shareholders,

Last year has been a good year for your Company inspite of the tough business environment in the country. Our strategy of focusing on the core products, After Market, Exports to Group Companies and Profitable Projects Business has paid dividends. We will continue with the same strategy for the years to come with a view to be more focused on profits than volumes.

Our business strategy is not only to match our resources with the opportunities available but rather to set goals which would stretch your Company beyond what we all believe is possible. This has also given a lot of clarity and direction to our team whereby the motivation level of our personnel has increased as also the productivity. Decision making has been left to the field offices so as to facilitate speedy servicing of customer requirements.

We are restructuring and repositioning your Company for extreme competitive preparedness by transforming the Company from a MULTI RELATED business company to a company focusing exclusively on core ALFA LAVAL products and technical solutions and profitable projects business.

This, according to us, is the only assurance for sustainable growth and profitability. In this rationalization process Liquid Food Processing Business (which does not fall in our core competence) is proposed to be moved out of your Company's business activity, as explained by the Chairperson.

The ongoing technical and marketing support extended by our Principals is paving the way for further investments to develop new



Separator models and to increase the Decanter volumes. The new series of Separators is expected to have a good market potential especially in the South East Asian markets. SoftColumn technology in the Oils & Proteins business activity is poised to help us enhance our presence in this field of business. Investments are also planned for the Thermal business for new models of plates. Exports will stay our focused area and with the volumes expected to increase, we foresee a lot of business to supplement our operations.

I am thankful to our customers for keeping confidence in us, our Board Members for all their support and direction and above all, YOU SHAREHOLDERS for your good wishes.

Satish Tandon



Notice

Notice is hereby given that the 61st Annual General Meeting of the Shareholders of Alfa Laval (India) Limited will be held at Nehru Memorial Hall, 4, Dr. Ambedkar Road, Pune 411 001, on Wednesday, 28th April, 1999 at 3.00 p.m. to transact the following business:

1. To receive, consider, and adopt the audited Balance Sheet as at 31st December, 1998, the Profit and Loss Account for the period ended on that date and the Reports of the Directors and Auditors.
2. To declare a dividend for the period ended 31st December, 1998.
3. To appoint a Director in the place of Mr. F.A.A. Jasdanwalla who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Prof. Goran Grosskopf who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.
6. To appoint a Director in the place of Mr. Bo Wirsén who under Article 117(b) of the Company's Articles of Association holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received a joint notice in writing from some shareholders signifying their intention to propose him as a candidate for the office of Director and who is eligible for appointment.
7. To appoint a Director in the place of Mr. Cyrus Jamshed Guzder who under Article 117(a) of the Company's Articles of Association holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received a joint notice in writing from some shareholders signifying their intention to propose him as a candidate for the office of Director and who is eligible for appointment.
8. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution:-

"RESOLVED, subject to the approval of the Central Government, that consent of the Company be and it is hereby accorded, pursuant to Sections 198, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956, to the revision in the terms of remuneration of Mr. Satish Tandon, Managing Director of the Company, with effect from 1st January, 1999, as under:-

1. A basic salary of Rs.60,000/- [rupees sixty thousand only] per month with effect from 1st January, 1999;
2. A performance related bonus, as may be approved by the Board, subject to a ceiling of an amount equal to 25% of the annual basic salary of Mr. Tandon;
3. Perquisites:-
 - i. Housing-
 - a] a fully maintained rent free furnished residential accommodation;
 - b] reimbursement at actuals, of gas, electricity and water charges;
 - ii. Medical Reimbursement-
Reimbursement of expenses incurred by Mr. Satish Tandon for himself and his family, in accordance with the rules of the Company;
 - iii. Leave Travel-
Leave travel allowance for himself and his family once in a year in accordance with the rules of the Company;
Explanation:
Family means, spouse, the dependent children and the dependent parents of Mr. Tandon;
 - iv. Personal Accident Insurance-
In accordance with the rules of the Company;
 - v. Provision of a chauffeur driven car and telephone at residence;
 - vi. Contributions to Provident Fund, Superannuation or annuity fund in accordance with the rules of the Company to the extent these put together do not exceed 27% of the basic salary of Mr. Tandon;
 - vii. Gratuity - not exceeding half a month's salary for each completed year of service;
 - viii. Encashment of accumulated leave at the end of the tenure as per the rules of the Company;
 - ix. Other allowances aggregating Rs.7,000/- per month.
The expenditure incurred by the Company on the perquisites shall be valued as per the Income-Tax Rules, 1962, as amended from time to time;

RESOLVED FURTHER that in the event of absence or inadequacy of profits in any financial year during the tenure of Mr. Satish Tandon as Managing Director of the Company, the remuneration as specified above, shall be paid as minimum remuneration for such year to Mr. Tandon;



AND RESOLVED FURTHER that the Directors of the Company be and they are hereby authorised to do all such acts, deeds and things including entering into a supplementary agreement with Mr. Satish Tandon as may be necessary or expedient to give effect to this resolution."

9. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution:-
- "RESOLVED, pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 ("the Act"), Memorandum and Articles of Association of the Company and subject to such other consents, sanctions, approvals or permissions, as may be necessary, that consent of the Company be and is hereby accorded to the Board of Directors of the Company ("the Board") to sell and transfer, as a going concern, with effect from the 1st day of May, 1999 or such other later date as may be mutually agreed, the business of Tetra Pak Processing Systems Division (TPPS Division) of the Company together with its related assets located at Dapodi, Pune 411 012 and at Village Rajgurunagar, Tal. Khed, Dist. Pune and all the rights and benefits attached thereto and the related liabilities to M/s. Tetra Pak (India) Limited or one of its associate companies for an aggregate consideration of not less than Rs.255,000,000/- (Rupees two hundred and fifty five million only) and on such terms and conditions as the Board may in its absolute discretion deem fit and proper in the interest of the Company;
- RESOLVED FURTHER that the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things including execution of all such applications, agreements, deeds, other documents and writings as the Board may in its absolute discretion deem necessary, fit and proper for the purpose of giving effect to this resolution;
- AND RESOLVED FURTHER that the Board be and is also hereby authorised to make and accept such modifications in the foregoing as they may deem appropriate, in the interest of the Company and its Shareholders."

Dated : 23rd February, 1999

By Order of the Board of Directors,
Alfa Laval (India) Limited

Regd. Office:

Mumbai-Pune Road
Dapodi, Pune 411 012

V.CHANDRASEKHAR
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under items 6 to 9 set out above is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 15th April, 1999 to Wednesday, 28th April, 1999, both days inclusive.
4. The dividend, when declared, will be paid on or after 28th April, 1999 to those Members whose names appear in the Company's Register of Members on 28th April, 1999.
5. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends for and upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. The shareholders concerned may submit their claims to the Registrar of Companies, Pune for obtaining payment of the dividend for the said periods.

EXPLANATORY STATEMENT

(Pursuant to Section 173 of the Companies Act, 1956)

Item 6

Mr. Bo Wirsén was appointed a Director on 18th September, 1997 in the casual vacancy caused by the resignation of Mr. Harry Salomäki. In terms of Article 117(b) of the Company's Articles of Association and Section 262 of the Companies Act, 1956, Mr. Bo Wirsén holds office only upto the date of the 61st Annual General Meeting but he is eligible for appointment afresh.

A joint notice has been received from some members as required under Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Bo Wirsén for the office of Director. The Directors commend the resolution. Mr. Bo Wirsén has signified his consent to act as Director, if appointed, and is interested in this item of business.

Item 7

Mr. Cyrus Jamshed Guzder was appointed an Additional Director by the Board of Directors at their meeting held on 23rd February, 1999. In terms of Section 260 of the Companies Act, 1956 and Article 117(a) of the Company's Articles of Association, Mr. Cyrus Jamshed Guzder holds office only upto the date of the 61st Annual General Meeting but he is eligible for appointment.



A joint notice has been received from some members as required under Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Cyrus Jamshed Guzder for the office of Director. The Directors commend the resolution. Mr. Cyrus Jamshed Guzder has signified his consent to act as Director, if appointed. None of the Directors except Mr. Cyrus Guzder himself and Mr. J.N. Guzder, are interested in this item of business.

Item 8

The Board of Directors of the Company at their meeting held on 23rd February, 1999 reviewed the terms of remuneration of Mr. Satish Tandon and revised the same as indicated in the resolution at Item 8 of the accompanying Notice, subject to the consent of the shareholders of the Company and the Central Government. The said revised terms of Mr. Satish Tandon effective from 1st January, 1999 need to be confirmed and approved by the shareholders under the provisions of the Companies Act, 1956.

The resolution set out at Item 8 of the accompanying Notice together with this explanatory statement are and should be read as an abstract under Section 302 of the Companies Act, 1956. The agreement dated 30th October, 1998 and the draft supplementary agreement between the Company and Mr. Satish Tandon are available for inspection by the Members at the Registered Office of the Company on any working day except Saturday, during business hours.

Save and except the interest of Mr. Satish Tandon in varying his terms of remuneration, as aforesaid, no other Director of the Company is concerned or interested in this item of business.

Item 9

The Company is presently engaged in the business areas of Centrifugal Separation, Heat Transfer and Project Engineering Services while one of its Divisions, viz. Tetra Pak Processing Systems Division (TPPS Division) is engaged in providing project engineering services/sale of capital goods to dairy and liquid food as well as carbonated soft drinks industries. TPPS Division presently accounts for about 20% of the Company's total turnover of which about 10% comes from the products of the Company. However, the returns from the business of TPPS Division are low and the business does not have synergy with the main line of activities pursued by the Company. All the research and development activities in the business of TPPS Division are now a part of Tetra Pak operations. As a result, there is no technology support from the Company's principals, viz. Alfa Laval AB, Sweden. It is, therefore, proposed to sell and transfer, as a going concern, with effect from the 1st day of May 1999 or such other later date as may be mutually agreed, the business of TPPS Division together with its related assets and liabilities to M/s. Tetra Pak (India) Limited or one of its associate companies (hereinafter called "the Purchaser") for an aggregate consideration of not less than Rs.255,000,000/- (Rupees two hundred and fifty five million only) subject to necessary statutory approvals and sanctions.

The valuation of TPPS Division as a going concern as presently owned, has been prepared by two independent valuers. Considering the Valuation Reports of the business of TPPS Division of the two independent valuers, the aforesaid terms of sale are considered by the Board to be fair and reasonable and it would be in the interest of the Company to sell the business of TPPS Division on the above terms. It may be noted that even after the sale of TPPS Division, the products of the Company which constitute about 50% of the turnover of said TPPS Division, would continue to be supplied by the Company to the Purchaser.

This sale transaction envisages sale and transfer of all the fixed assets, current assets (except cash and bank balances) and long-term (except borrowings) and current liabilities of TPPS Division. The Purchaser shall also take over the services of all the employees (except unionised employees) of TPPS Division on the appointed date on the terms and conditions not less favourable than those enjoyed by them at present.

The stamp duty, registration charges and any other statutory levies or duties or taxes other than income tax payable in respect of this transaction shall be borne and paid by the Purchaser.

The draft agreement between the Company and the Purchaser and the aforesaid Valuation Reports are available for inspection by the Members of the Company at the Registered Office of the Company between 11 AM and 1 PM on any working day except Saturday.

In terms of the provisions of Section 293(1)(a) of the Companies Act, 1956, sale of any undertaking of the Company requires the approval of the shareholders of the Company. Accordingly, the resolution at item No.9 is placed before the shareholders for approval.

Mrs. LF Poonawalla, Prof. Goran Grosskopf, M/s. KR Bhatia and Bo Wirsén, common Directors may be considered to be concerned or interested in this item of business. None of the other Directors of the Company are in any way concerned or interested in this item of business.

Dated : 23rd February, 1999

Regd. Office:

Mumbai-Pune Road
Dapodi, Pune 411 012

By Order of the Board of Directors,
Alfa Laval (India) Limited

V. CHANDRASEKHAR
Company Secretary



KEY STATISTICS

(Rs. in Million)

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998 (9 months)
Sales & Other Income	929.5	1088.6	1455.4	1674.9	2166.7	2424.7	2509.7	1473.9	1853.4	1386.0
Profit Before Interest, Depreciation & Tax	144.2	177.8	237.2	307.4	335.4	383.8	393.5	(149.8)	163.4	174.5
Net Profit after Tax for the year	85.6	102.8	140.5	145.9	183.8	202.0	186.6	(296.9)	32.3	60.0
Share Capital	78.2	78.2	117.3	181.6	181.6	181.6	181.6	181.6	181.6	181.6
Reserves and Surplus	255.4	343.7	415.7	935.0	1064.3	1211.9	1344.0	1047.1	1059.4	1095.5
Shareholders' Funds	333.6	421.9	533.0	1116.6	1245.9	1393.5	1525.6	1228.7	1241.0	1277.1
Loan Funds	104.3	144.4	170.1	351.1	302.9	387.0	520.9	439.5	178.6	143.2
Total Capital Employed	437.9	566.3	703.1	1467.7	1548.8	1780.5	2046.5	1668.2	1419.6	1420.3
Gross Block	177.0	196.3	221.4	333.2	511.3	588.4	702.6	757.3	804.9	812.9
Depreciation	65.6	72.5	83.0	98.3	125.0	162.1	198.8	243.0	288.1	316.4
Net Block	111.4	123.8	138.4	234.9	368.3	426.3	503.8	514.3	516.8	496.5
Net Current Assets	277.3	371.3	446.2	1037.4	972.6	1082.2	1287.8	868.1	670.8	726.4
Dividend	19.5	14.1	29.3	31.7	54.5	54.5	54.5	—	18.2	21.8
Rate of Dividend	25%*	18%	25%*	27%	30%**	30%	30%	—	10%	12%
Book Value of Shares (in Rs.) (Face Value Rs. 10)	42.70*	53.90	45.40*	61.50**	68.60	76.70	84.00	67.60	68.30	70.30
Earnings per share (in Rs.)	10.90*	13.10	12.00**	8.00**	10.10	11.10	10.20	—	1.70	3.30
Return on Shareholders' Funds	26%*	24%	26%*	13%**	15%	15%	12%	—	2%	4%
No. of Shareholders	9233	10001	10732	14291	15541	17080	18209	18329	18460	17957

* on enlarged capital following bonus issue.

** on enlarged capital following share issue.



Directors' Report

Dear Members,

The Board of Directors have pleasure in presenting herewith their 61st Annual Report together with the Audited Accounts of the Company for the period ended 31st December, 1998. The figures in respect of the period under report are for 9 months compared to the figures of the previous financial year in brackets which are for 12 months. The Company has adopted the calendar year as its accounting year.

OPERATIONS AND FINANCIAL RESULTS

Sales turnover and other income for the period under review was at Rs. 1386.1 M (1997-98 : Rs. 1853.4 M). Though the income from sales and services registered a marginal growth of about 2% on an annualised basis, operating profit before interest, depreciation and tax was Rs. 174.4 M as against an operating profit of Rs. 163.4 M in the previous financial year. After providing Rs. 11.1 M for interest, Rs. 37.3 M for depreciation, Rs. 29.6 M for extraordinary item, Rs. 25.4 M for diminution in value of investments and Rs. 11 M for taxation, the net profit for the period under review was Rs. 60 M as against a net profit of Rs. 32.3 M for the previous year.

The profit available for appropriation is Rs. 73.4 M out of which the amount set aside for dividend and the tax thereon is Rs. 24 M (1997-98 : Rs. 20 M). After transferring an amount of Rs. 2 M (1997-98 : Rs. Nil) to General Reserve, the balance amount of Rs. 47.4 M is being retained in the Profit and Loss Account.

DIVIDEND

The Directors recommend a dividend of 12% (1997-98 : 10%) on equity shares, which together with the tax thereon will absorb Rs. 24 M (1997-98 : Rs. 20 M) out of the distributable profit.

SALE OF TETRA PAK PROCESSING SYSTEMS (TPPS) DIVISION

Tetra Pak Processing Systems Division (TPPS) catering to the Dairy and Liquid Food industries accounts for about 20% of the Company's total turnover of which about 10% comes from the core products of the Company. However, the business of TPPS Division has low profitability and does not have synergy with the core business activities pursued by the Company. The Board of Directors has, therefore, decided to sell TPPS Division for an aggregate consideration of not less than Rs. 255 M subject to the Company obtaining the necessary statutory approvals in this behalf. After the proposed sale of TPPS Division, the supply of core products would be continued to be made from the Company.

SUBSIDIARY COMPANY

The Company's wholly owned subsidiary company, Alfa Laval Financial Services Ltd. (ALFSL) registered an operating income of Rs. 49.7 M for the 9 month period ended 31st December, 1998 (1997-98 : Rs. 41 M). After writing back a provision of Rs. 18 M, the net profit for the said 9 months period was Rs. 21.6 M as against a net loss of Rs. 42.6 M in the previous financial year. The accumulated losses as at 31st December, 1998 stood at Rs. 25.2 M.

Though the Company's investment in ALFSL is considered to be a long term strategic investment, as a matter of financial prudence, the Board has deemed it fit to provide for diminution in value of the investment in ALFSL.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company has fared well on the export front during the period under review. While the off-take of separators and decanters by Group Companies increased substantially, exports to Asian and African markets continued. Besides, the Company was also able to make inroads into Japan and Middle East markets for export of spiral heat exchangers and process equipment. Exports during the period under review was at Rs. 261.1 M as against Rs. 256.3 M in the previous financial year. Details of foreign exchange earned and spent are given in the schedule forming part of Accounts, under Note Nos. 17 and 18 respectively. Exploration and development of new international markets and stepping up exports continue to engage the Management's attention.

PROSPECTS

The orders on hand as on date are Rs. 1305 M. Barring unforeseen contingencies, the performance of the Company in current year is expected to be satisfactory.

CONSERVATION OF ENERGY

Energy conservation is being pursued with considerable focus and commitment by the Management. The consolidation of the power connections at the Company's factory at Pune has helped in reducing the energy consumption. The power factor has also improved with due emphasis on modernisation of equipment and better operational methods. It is proposed to carry out such improvements in distribution on continuous basis, according to changes in demand pattern.