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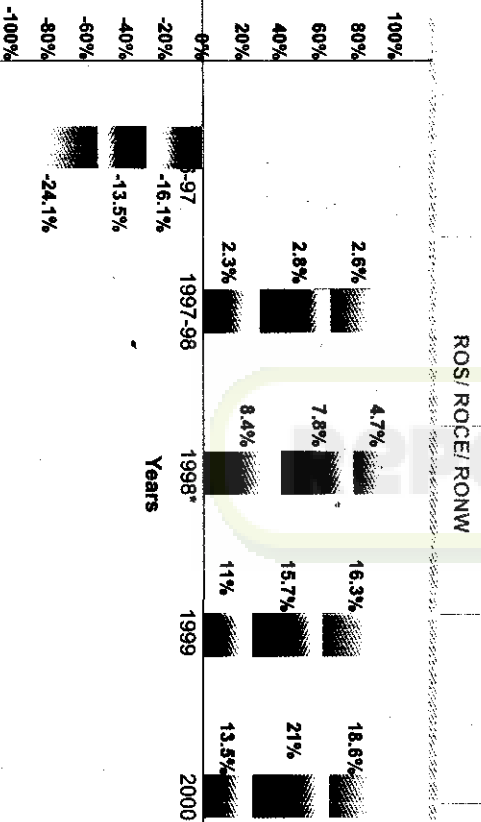
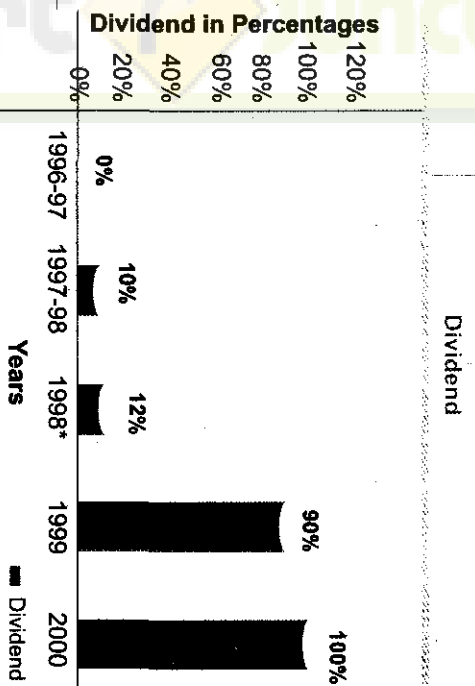
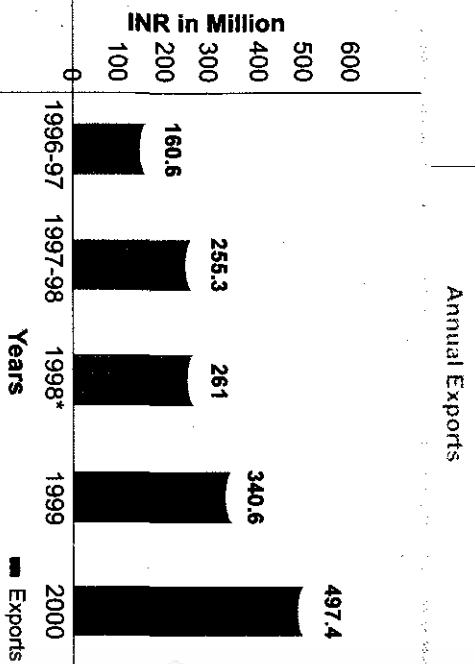
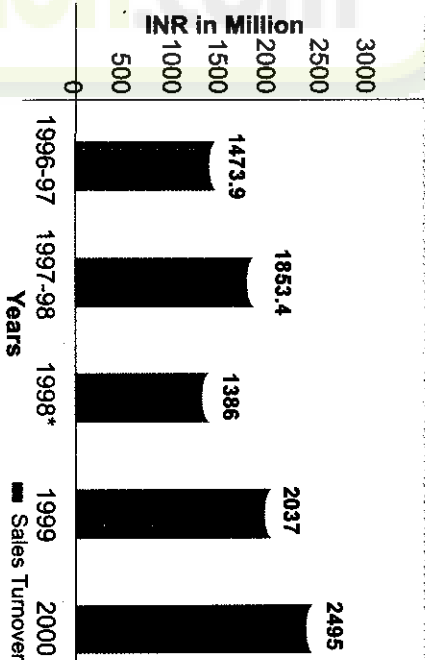
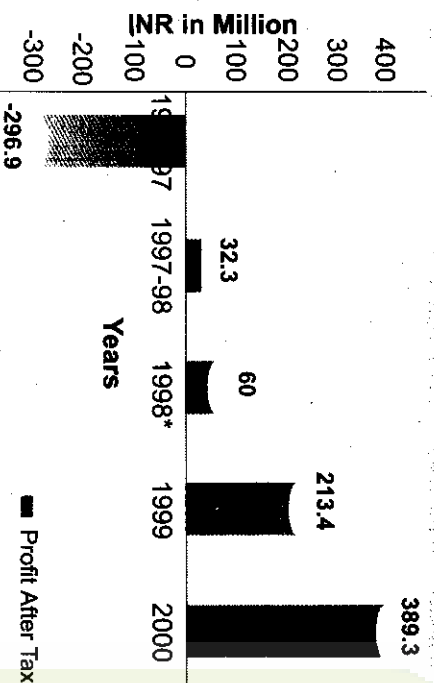
Power

Edible Oil

Desalination

Annual Report 2000
Alfa Laval (India) Limited

Record Performance for the new Millennium



Return on Sales Return on Capital Employed Return on Networth

A Beginning ... of a New Era of Consolidation

*The only constant thing in life is change
So true. So evident. So unescapable.*

And we at Alfa Laval are no exceptions. Amidst industrial turmoil, recession snapping at our feet, investors locking eyes onto us, winds of global techno-evolution lashing on our face and savvy competition charging at full speed, we had to ...change.



Change we did. And with aplomb.

The change is in ownership. This means a new game plan, a new identity and new market opportunities. We have changed our ways of doing business. Concentrated on operational & distributional excellence. Re-structured ourselves into customer-oriented Business Segments, improved our Vendor Base, integrated State-of-art processes with our competencies and upgraded and fine tuned our standards. This has given us greater opportunities to build up dynamic expertise within each market segment and offer the customers exactly what they need which means added values both to us, as well as to our customers.

It is interesting to **glance back at the year 2000** and recapitulate the achievements that have made us a **WINNER** despite adversities and uncertainties. The recent spate of joint ventures and mergers, with broader product and customer base has put us in a stronger position to serve the customers. We have studied the market trends carefully and have identified the growth areas. The new strategies have been formulated with a sharp focus on the segments like Life Science, Distillery and Desalination.



What makes year 2000 special is the record profit we have reported. It is the highest profit we have made in more than sixty years of our existence.

- The turnover of INR 2495 million with a growth rate of 23%.
- The Profit After Tax increased to INR 389 million indicating a growth rate of 82%.
- A quantum jump in the export figure of INR 500 million against INR 340 million in the previous year, showing 46% increase.



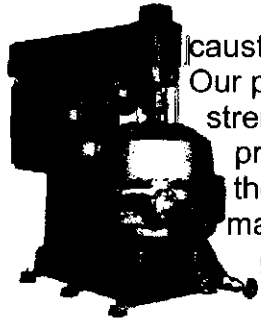
Exports to Asian and African markets, through Alfa Laval global network have increased, especially in vegetable oil processing plants.

The company has continued in making inroads into the markets of Japan, Malaysia and Thailand with their hi-tech centrifugal separators manufactured especially for export market. As many as five export orders for the supply of complete vegetable oil refineries have been secured; three world class Purified Water Plants & two Water for Injection Plants in Bangladesh and one Purified Water Plant in Algeria from the leading Pharma Giant Rhone Poulenc Rorer have been set up. Another order for Purified Water Plant from Bangladesh has been recently clinched, thus establishing our mark in the Biotech industry. Interestingly 'Water for Injection Plant' supplied to Rhone Poulenc Rorer happens to be our FIRST reference plant too!

The domestic market meanwhile has thrown up some interesting mix of opportunities in several sectors. Projections for several distillery plants in the coming years have opened up this segment once again after a brief lull. Crude oil import regulations have paved the way for higher capacity oil processing refineries that will attract foreign players to enter this segment. With more sophisticated technology like SoftColumn™ and the extensive marketing and service network, Alfa Laval is fully geared to serve this market.



Polluting industries are unpopular nowadays. Growing recognition of the need for Pollution Control is forcing process industries and municipalities to institute or intensify the effluent treatment programs. Alfa Laval Plate Evaporators and Decanter Centrifuges present an ideal solution for effluent handling sector. We have sold 38 Decanters in the year. Besides catering to this *niche* market we have bagged a couple of breakthrough orders for applications like Slop Oil Treatment, Glass Dust Dewatering for a TV tube factory and Alcohol Recovery in Distillery Fermenter Bottom. Our Plate Evaporation technology is gaining grounds in concentration of effluents for pharmaceutical and automobile Industries as well as for concentration duties in



caustic, molasses and starch derivatives. Our position in the Starch sector has further strengthened with the acquisition of Starch processing line of Dorr Oliver, a leading name in the starch industry. Merco line of separators makes the product base larger and we are geared for wheat based as well as maize and tapioca based Starch processing

technologies.

Biotech market shows a positive sign for faster growth and is moving towards self-sufficiency and increased production of bulk drugs, such as antibiotic, vitamins and vaccines. Export orders from international Pharma giants for WFI and Purified Water Plants, successful commissioning of a Fermentation Plant for enzymes and supply of Fermenters for the manufacture of Vitamin B12 to Merind has given us the added confidence in dealing with the stringent demands of this industry. A repeat order from Helix for a new Fermentation line and modernization of the existing plant has been another feather in our cap.

The commissioning of first Desalination Plant with Plate Technology, in Gujrat has opened up a new potential market for us to tap. Couple of such plants could be the key to solving innumerable water problems faced by the state as well as other water-starved areas of India.



Throughout our journey towards Quality Growth we have concentrated on our precious asset: Our People. It is always people and not machines who make things happen. The intent is to build a team having a genuine understanding of our customers' requirements and inculcate a culture where our people spread these values to our customers and they in turn pass it along to their customers.

***Thus continues the chain.
The chain of an enlightened commitment.
The chain of change...***



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Dear shareholders,

It is my privilege to address you through the Annual Report, for the first time, as your Chairman.

When I joined the Board of Directors of your Company during 1996, the process of liberalization in India had changed the business environment as a whole. The business of your Company got disturbed and it was like a new start. However, your Company responded to the changed environment just in time through a restructuring programme aimed at bringing back your Company on the trails of profitability in the shortest possible time.

I am happy to see the progress of your Company ever since and I am confident that you would also be delighted to see your Company registering a record net profit for the year 2000, which enabled the Board to recommend a dividend matching with the performance.

I take this opportunity to congratulate the Management and its team for an outstanding performance.

The Principals clearly see the capabilities and growth potential of its Indian operations and are keen to enhance their commitments in the coming years. The continued availability of technological inputs from the Principals will help the Indian operations to further their business. Further, the philosophy of Alfa Laval Group and your Company to give top priority to the customers and their needs should take your Company to greater heights.

I take this opportunity to thank my colleagues on the Board for their whole-hearted support and co-operation and to convey my best wishes to Mr Satish Tandon for the future. My thanks are also due to all the stakeholders of your Company for their contribution to the successful operations.

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Dear Shareholders,

It is a pleasure for me to present Annual Report for the year 2000, which shows our yet another remarkable performance, surpassing all previous records of net profit. It has been quite a significant achievement considering the fact that the economy as a whole remained sluggish.


We continued the strategy of focusing on the company's core competencies, but paid special attention to project business too. With the customers preferring single source supplier of quality equipment and good After Sales Service, we secured for ourselves not only the confidence of customers but also prestigious project orders.

To fulfil our organisational goal of delivering the best value to our customers, we have identified, developed and harmonised the knowledge and skills of our team. These human touch-points are the central nervous system of the company making the organisation EQ Savvy. It is this Emotional Intelligence that has mainly contributed to our growth and success.

There are strong signs that the successful corporates of the 21st Century will have firm basis of emotional intelligence. It will be a major way to leverage intellectual capital, bringing in varied talents to form 'Group Intelligence' that is the sum total of the talents and skills of those involved. The central intellectual capital of the corporate, will make a critical competitive difference between the star performers and others.

In the later part of 2000 the formalities relating to the change of ownership were completed and the business is reorganised into customer-oriented market segments. In the beginning of 2001, Lavrids Knudsen Maskinfabrik (India) Limited, the Sanitary Flow Equipment company, became a wholly owned subsidiary. Thus, setting the ball rolling for a total integration of the flow business with the Company's business. With a good order book position, business in the current year is likely to be satisfactory.

I would like to convey my thanks to our shareholders, customers and all those who have contributed for the Company's significant achievements. My special thanks to the Members of the Board for their constant encouragement and guidance.


Satish Tandon

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To fulfil our organisational goal of delivering the best value to our customers, we have identified, developed and harmonised the knowledge and skills of our team and made the organisation EQ Savvy. This has mainly contributed to our growth and success.

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NOTICE

Notice is hereby given that the 63rd Annual General Meeting of the Shareholders of Alfa Laval (India) Limited will be held at Hotel Le Meridien, RBM Road, Pune 411 001, on Wednesday, 20th June, 2001 at 3.00 p.m. to transact the following business:

1. To receive, consider, and adopt the audited Balance Sheet as at 31st December, 2000, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To declare the final dividend for the year ended 31st December, 2000.
3. To appoint a Director in the place of Mr. FAA Jasdanwalla who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr. Cyrus J. Guzder who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in the place of Mr. Yannick Richomme 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.
6. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution:-

"RESOLVED that consent of the Company be and it is hereby accorded, pursuant to Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956 to the payment of "Other Allowances" upto Rs.12,950/- per month and payment of fees and subscription of a maximum of three clubs to Mr.Satish Tandon, Managing Director with effect from 1st January, 2000;

RESOLVED FURTHER that a supplementary agreement as may be necessary or expedient, be executed between the Company and Mr. Satish Tandon to give effect to this resolution".

7. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution:-

"RESOLVED that consent of the Company be and it is hereby accorded, pursuant to Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956 to the payment of an amount of Rs.5,62,000/- as additional performance related bonus to Mr. Satish Tandon, Managing Director for the year ended 31st December, 2000."

8. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution:-

"RESOLVED that consent of the Company be and it is hereby accorded, pursuant to Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956 to the payment of an amount of Rs.1,65,000/- as additional performance related bonus to Mr. Ajay Joshi, Director – Finance for the year ended 31st December, 2000."

9. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution:-

"RESOLVED that consent of the Company be and it is hereby accorded, pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, to the re-appointment of Mr. Satish Tandon, as Managing Director of the Company for a period of three years from 1st January, 2001 on the following terms of remuneration:-

1. A basic salary of Rs.1,44,000/- [rupees one lakh fortyfour thousand only] per month with effect from 1st January, 2001;
2. A commission based on performance, as may be approved by the Board of Directors of the Company, subject to a ceiling of an amount equal to 40% of the annual basic salary of Mr.Satish 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, subject to a ceiling of one month's basic salary in a year or three month's basic salary over a period of three years;

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 and the dependent children of Mr. Tandon;

iv. Insurance-

In accordance with the rules of the Company;

v. Club fees

Fees and subscription of clubs. These will, however, not include admission and life membership fees.

vi. Provision of a chauffeur driven car and telephone at residence;

vii. 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;

viii. Gratuity - not exceeding half a month's salary for each completed year of service;

ix. Other allowances aggregating Rs.21,900/- per month;

x. Encashment of accumulated leave at the end of the tenure as per the rules of the Company;

The expenditure incurred by the Company on the aforesaid 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, matters, deeds and things including entering into a fresh agreement with Mr. Satish Tandon as may be necessary or expedient to give effect to this resolution."

10. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution:-

"RESOLVED that consent of the Company be and it is hereby accorded, pursuant to Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, to the revision in the terms of remuneration of Mr. Ajay Joshi, Director - Finance of the Company, with effect from 1st March, 2001, as under:-

1. A basic salary of Rs.60,000/- [rupees sixty thousand only] per month with effect from 1st March, 2001;
2. A commission based on performance, as may be approved by the Board of Directors of the Company, subject to a ceiling of an amount equal to 20% of the annual basic salary of Mr. Ajay Joshi;

3. Perquisites:-

i) Housing-

- a] rent free residential accommodation;
- b] reimbursement of gas, electricity and water charges at actuals;
- c] reimbursement of furnishing expenses and house maintenance expenses as per the rules of the Company;

ii) Medical Reimbursement-

Reimbursement of expenses incurred by Mr. Ajay Joshi for himself and his family, subject to a ceiling of one month's basic salary in a year or three months' basic salary over a period of three years;

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, the spouse and the dependent children of Mr. Ajay Joshi;

iv) Insurance-

In accordance with the rules of the Company;

v) Club Fees

Fees and subscription of a maximum of two clubs. These will, however, not include admission and life membership fees;

vi) Provision of a chauffeur driven car and telephone at residence;

vii) 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. Ajay Joshi;

viii) Gratuity - not exceeding half a month's salary for each completed year of service;

ix) Provision of capital goods at the residence of Mr. Joshi over the contract period as per the rules of the Company;

x) Other allowances aggregating upto Rs. 7,500/- per month;

xi) Encashment of accumulated leave at the end of the tenure as per the rules of the Company;

The expenditure incurred by the Company on the aforesaid 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. Ajay Joshi as Wholtime Director of the Company, the remuneration as specified above shall be paid as minimum remuneration for such year to Mr. Joshi;

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. Ajay Joshi as may be necessary or expedient to give effect to this resolution."

11. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a special resolution:

"RESOLVED that pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the payment to Directors (other than any Managing Director and Whole-time Director) of remuneration by way of a commission not exceeding 3% (three percent) of the net profits of the Company each year, calculated in accordance with the provisions of the said Act, such commission being divisible amongst the Directors as aforesaid in such proportion as the Board may determine or, failing such determination, equally amongst them;

RESOLVED FURTHER that as long as the Company has a Managing or Whole-time Director the commission payable to the Directors (other than such Managing or Whole-time Director) aforesaid shall not exceed 1% (one percent) of the net profits of the Company each year, calculated in accordance with the provisions of the said Act, such commission being divisible amongst the Directors in the manner stated above;

AND RESOLVED FURTHER that this resolution shall be effective for a period of 5 (five) years from the accounting year commencing from 1st January, 2001".

12. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ordinary resolution :-

"RESOLVED, pursuant to Section 225 and other applicable provisions of the Companies Act, 1956, if any, that M/s. S.R. Batliboi & Co., Chartered Accountants, Mumbai, be and they are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company in place of the retiring Auditors M/s. Price Waterhouse, Chartered Accountants, Mumbai, at such remuneration as may be agreed to between the Board of Directors of the